TREASURY INTERNATIONAL PROGRAMS
JUSTIFICATION FOR APPROPRIATIONS

FY2010 BUDGET REQUEST

U.S. DEPARTMENT OF THE TREASURY

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Justification for Appropriations
FY 2010 Budget Request

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

We are facing extraordinary economic challenges, as a severe global slowdown threatens to reverse major progress in poverty reduction around the world. This slowdown is having real and substantial human costs. Progress towards the Millennium Development Goals (MDGs) is being undermined, especially in reducing hunger, malnutrition and infant mortality. These goals were already put in jeopardy by last year's food and fuel crises when commodity price increases pushed 200 million people into extreme poverty. Now, many millions more are at risk.

President Obama has reaffirmed the importance of providing assistance to help developing countries speed growth and reduce poverty. Such assistance is urgently needed, and there are significant advantages to channeling resources through the Multilateral Development Banks (MDBs). Our funding through the MDBs leverages substantial amounts of additional money both directly, through co-financing, guarantees, and insurance of investment projects, and indirectly, through pro-investment infrastructure improvements and policy reforms. This aid also can flow quickly through well-established mechanisms. To this end, I am pleased to submit for your consideration our justification for the President's FY 2010 Budget Request for Treasury's International Programs.

The bulk of our request is to finance our obligations at the MDBs, which are playing a critical role in mitigating the impact of the financial crisis. The Multilateral Development Banks are especially well-placed to mobilize and catalyze resources so they reach the poorest. These institutions are responding to the global crisis by accelerating grants and lending programs; leveraging resources of donor governments, bilateral aid agencies and private sector investors; providing guarantees for trade finance; and coordinating assistance from diverse sources. Funding for the concessional windows of the MDBs provides necessary support to the poorest countries, including fragile and post-conflict countries that will disproportionately feel the effects of the crisis. In this context, the International Development Association (IDA), the largest provider of multilateral development assistance to the poorest countries, has accelerated resources to help the hardest-hit countries finance expenditures needed to maintain economic stability and protect the poor, including spending on infrastructure, education, health and social safety net programs. The African Development Fund (AfDF) and Asian Development Fund (AsDF) are responding to the impact of the crisis on the poorest countries in their regions by scaling up support to sustain investment in infrastructure, to revive trade financing and to maintain spending to protect the poor and vulnerable. We are also requesting funds for the International Fund for Agricultural Development (IFAD), which has an important, targeted mission to address investment barriers to small farmers. Such initiatives are crucial for raising output and productivity in this sector, which will be essential for reducing the risk of future food shortages. The United States also delivers debt relief under the Multilateral Debt Relief Initiative (MDRI) – a landmark agreement that provides 100% cancellation of eligible debt obligations owed to IDA, AfDF, and the International Monetary Fund for qualifying poor, heavily indebted countries – through our payments to IDA and the AfDF.

I would like to make a special request that Congress approve our request to pay down $100 million of U.S. arrears to the MDBs, which now exceed $1 billion. The United States is the only donor country with substantial arrears to the MDBs. These debts not only erode our credibility in the institutions, they deny critical resources to the poorest countries. Enabling us to pay some of these arrears would send an important signal that this administration takes seriously its obligations to meet its financial commitments and recognizes the significant and disproportionate impact of the crisis on low income countries.

We are also seeking funding to help countries finance climate resilient and clean energy initiatives. The Climate Investment Funds at the World Bank address climate adaptation and mitigation financing in developing countries, ensuring that poverty reduction, economic growth, and climate change are addressed in tandem. Meeting our commitment to these funds will enhance the credibility of the United States as we pursue future multilateral climate initiatives, including the U.S.-led Major Economies Forum on Energy and Climate and an international climate agreement at Copenhagen, as well as help advance the critical goal of getting dynamic emerging economies to take on climate commitments.

In addition, we are asking Congress to continue supporting our debt restructuring programs, which assist poor and heavily indebted countries in their efforts to regain a sound economic footing and lift their population out of poverty. Supported by U.S. leadership and assistance, in 2008 Liberia became the 33rd such country to qualify for the Heavily Indebted Poor Country (HIPC) Initiative. This achievement will allow Liberia to benefit from over $4 billion in debt relief, including over $420 million in direct bilateral debt relief from the United States, thereby supporting Liberia's efforts to become a self-sufficient and peaceful member of the global community.

Finally, we are seeking support for Treasury Technical Assistance (OTA). Treasury is committed to helping countries affected by or vulnerable to the financial crisis by providing technical assistance to help determine the extent of their financial vulnerability, address immediate crisis-related challenges, and lay the groundwork for recovery. Treasury is also committed to extending OTA's successful engagements in Iraq, Afghanistan and Pakistan. OTA advisors in Iraq focus on public finance issues and help improve budget execution. In Afghanistan, we helped build capacity in the debt management office and set the stage for a future domestic government securities market. In Pakistan, OTA has helped improve banking supervision and is helping to create a Financial Intelligence Unit in the Central Bank. At a time when the international financial institutions are poised to provide extraordinary levels of crisis-related funding, it is critical that such funding be accompanied by efforts to strengthen financial management capacity and accountability.

It is my sincere hope that Congress will support with shared purpose Treasury's request which supports key objectives of the President's international assistance agenda: responding to the financial crisis, improving debt sustainability, addressing global climate change, and delivering much-needed support to the world's most vulnerable citizens. My staff and I look forward to working with you.

Sincerely,

David Vandivier
Acting Assistant Secretary for Legislative Affairs

(Table 1) Summary of Appropriations and Requests
Treasury International Programs
FY2008-FY2010 ($ in millions)

	FY 2008	FY 2009		FY 2010		
	Approp.	Total Request	Approp.	Annual Commit.	Arrears Request	Total Request
Multilateral Development Banks (MDBs):						
World Bank Group						
IBRD	0	0		0		0
IDA	942.3	1,277.0 1/	1,115.0	1,235.0	85.0	1,320.0
MIGA	0	0		0		0
IFC	0	0		0		0
Global Environment Facility	81.1 2/	80.0	80.0	80.0	6.5	86.5
Inter-American Development Bank						
IDB	0	0		0		0
IDB/FSO	0	0		0		0
IIC	0	0		0	4.7	4.7
MIF	24.8	25.0	25.0	25.0		25.0
Asian Development Bank						
AsDB	0	0		0		0
AsDF	74.5	115.3	105.0	115.3		115.3
African Development Bank						
AfDB	2.0 2/	0	0.8 3/	0		0
AfDF	134.6	156.1	150	156.1	3.8	159.9
European Bank for Reconstruction and Development	0 2/	0	0	0		0
North American Development Bank	0	0		0		0
Int'l Fund for Agricultural Development	17.9	18.0	18.0	30.0		30.0
Climate Investment Funds						
Clean Technology Fund		400.0	0			500.0
Strategic Climate Fund						100.0
Total MDBs	1,277.3	2,071.3	1,493.8	1,641.3	100.0	2,341.3
Debt Restructuring:						
HIPC TOTAL, of which:	10.2	121.0	40.0			90.6
Bilateral Debt Reduction						
HIPC Trust Fund						
Tropical Forest Conservation Act (TFCA)	19.8	20.0	20.0			20.0
Total Debt Restructuring	30.1	141.0	60.0			110.6
Technical Assistance	20.2	29.0	25.0			31.4
TOTAL TREASURY INTERNATIONAL ACCOUNTS	**1,327.6**	**2,241.3**	**1,578.8**			**2,483.4**

Totals may not add due to rounding.
1/ Includes annual commitment of $1.235 billion plus arrears request of $42 million.
2/ Includes arrears: $1,100,720 for the GEF; $2,020,500 for the AfDB; and $10,077 for the EBRD.
3/ This amount was appropriated under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (P.L. 110-329) which extended the provisions of the Consolidated Appropriations Act, 2008 (P.L. 110-161) through March 6, 2009.

(Table 2) Summary of Arrears
Treasury International Programs
Multilateral Development Banks
FY2000-FY2009
(Budget Authority; $ in millions)

Multilateral Development Banks (MDBs)	Arrears end-FY2001	Arrears end-FY2002	Arrears end-FY2003	Arrears end-FY2004	Arrears end-FY2005	Arrears end-FY2006	Arrears end-FY2007	Arrears end-FY2008	Arrears end-FY2009
International Bank for Reconstruction and Development									
International Development Association	62.3	73.0	78.5	120.7	327.5	337.0	377.9	385.6	505.6
Multilateral Investment Guarantee Agency	6.0	10.9	9.3	8.2	8.2	6.9	6.9	6.9	6.9
International Finance Corporation									
Global Environment Facility	203.9	210.9	171.6	140.7	141.5	169.8	170.6	169.5	169.5
Inter-American Development Bank									
IDB Fund for Special Operations									
Inter-American Investment Corporation	9.1	16.1	22.8	47.8	47.8	46.1	46.1	46.1	46.1
Multilateral Investment Fund	88.8	88.8	64.3	39.5	28.6	26.9	50.1	50.3	50.3
Asian Development Bank									
Asian Development Fund	128.2	133.2	138.9	98.3	102.1	118.4	134.6	175.3	185.6
African Development Bank	0.0	0.0	0.0	0.1	0.6	2.0	3.5	1.4	0.6
African Development Fund	0.2	0.2	10.8	16.8	29.6	31.0	32.4	33.5	39.5
European Bank for Reconstruction and Development			0.2	0.4	0.7	0.0 +	0.0 +	0	
North American Development Bank									
International Fund for Agricultural Development	0.0	0.0	0.1	0.2	0.3	0.5	3.6	3.7	3.7
TOTAL BUDGET AUTHORITY	498.5	533.1	496.7	472.7	687.0	738.6	825.7	872.3	1,007.8

Totals may not add due to rounding.
+/ Less than $11,000

U.S. Support for the Multilateral Development Banks

"To the people of poor nations, we pledge to work alongside you to make your farms flourish and let clean waters flow; to nourish starved bodies and feed hungry minds."

Inaugural Address of President Barack Obama

Overview

The Obama Administration has reaffirmed the importance of providing assistance to help developing countries speed growth and reduce poverty. That assistance has never been more critical or more urgently needed. The global financial crisis is creating extraordinary challenges in the developing world, as many countries lack the resources to respond quickly or robustly. According to the World Bank, the crisis will precipitate a fall in growth rates in developing countries to levels not seen since the early 1990s: an estimated 2.3% growth rate in 2009, down from 8.1% in 2006-07. This sharp slowdown in growth poses major threats to recent gains in poverty reduction, with the World Bank estimating that 53 million or more people will be in absolute poverty in 2009 than was estimated before the crisis.

The global financial crisis is also undermining progress towards the Millennium Development Goals (MDGs), especially in reducing hunger, malnutrition, and infant mortality. Tragically, these goals already suffered serious setbacks during the food and fuel crises last year: the World Bank estimates that food price increases pushed 200 million people into extreme poverty, half of whom will remain trapped in poverty, even with recent commodity price declines.

The global downturn also risks setting back efforts to address the impact of climate change and improve access to modern energy sources for hundreds of millions of people, consistent with our need for a clean energy, low-carbon future. The urgent need to help countries adopt climate resilient *and* low-carbon development paths has not diminished in light of current global economic conditions, but it has become more challenging.

A global crisis must be met with a global response, which includes a robust, proactive role for the multilateral development banks (MDBs). The MDBs are facing a sharp increase in demand for financing, which is urgently needed to help offset the dramatic slump in private capital flows and alleviate pressures to cut social spending. The MDBs, led by the World Bank, are responding, both with significant increases in lending volumes and new instruments, such as new trade finance facilities at the World Bank, the Inter-American Development Bank (IDB), and the African Development Bank (AfDB). The United States has a leading role to play in shaping the uses and effectiveness of these resources, but the scope and impact of our efforts depend on our ability to fully meet our financial commitments at this critically important time.

Highlights of Our Request

The FY 2010 request for the IFIs of $2.341 billion is comprised of:

1) $1.641 billion for scheduled annual commitments to the IFIs, including U.S. contributions to two new replenishments: the ninth replenishment of the Asian Development Fund (AsDF10) and the eighth replenishment of the International Fund for Agricultural Development (IFAD8);
2) $100 million to pay a portion of outstanding U.S. arrears to the MDBs, which now exceed $1 billion; and
3) $600 million as a first installment of a proposed $2 billion U.S. commitment to the Climate Investment Funds, comprised of the Clean Technology Fund and Strategic Climate Fund.

IDA15: The request of $1,320 million includes the second installment of the U.S. three-year commitment to the IDA15 replenishment ($1,235 million) and $85 million to pay down arrears to IDA. Through IDA, the World Bank supports 78 of the world's poorest countries by providing the largest source of interest-free loans, grants and debt relief of any multilateral development institution. IDA funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through the Multilateral Debt Relief Initiative (MDRI).

AfDF11: The request of $159.9 million includes the second of three installments of the U.S. contribution to the AfDF11 replenishment ($156.1 million) and $3.8 million to pay down arrears to AfDF10. Funding of the U.S. AfDF11 commitment will provide critical interest-free loans, grants and debt relief to the 40 poorest countries of Africa. AfDF funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through MDRI.

AsDF10: The request of $115.3 million is for the first of four installments of the U.S. contribution to the ninth replenishment of the AsDF (AsDF10). The AsDF provides development financing and policy advice to the 29 poorest countries in the Asia-Pacific region.

IFAD8: The request of $30 million will cover the first of three payments of the U.S. contribution to IFAD's eighth replenishment. IFAD is the only multilateral development institution focused exclusively on reducing rural poverty and hunger through improving agricultural productivity of smallholder famers. Because of its mission and expertise, IFAD plays a key role in supporting the renewed focus on agricultural development, as well as responding to the food price crisis.

Climate Investment Funds: The request for $600 million is part of a $2 billion proposed U.S. commitment to the Climate Investment Funds, two new multilateral funds at the World Bank. $500 million is for the U.S. contribution to the Clean Technology Fund (CTF), an effort to reduce the growth of greenhouse gas emissions in emerging economies by catalyzing large-scale private sector investments through financing the additional costs of commercially-available cleaner technologies over dirtier, cheaper alternatives. The remaining $100 million is for the Strategic Climate Fund (SCF), which will help to pilot new, transformative approaches to adaptation, forestry, and energy for the poor in the most vulnerable countries. CTF and SCF will serve as interim measures to immediately address climate challenges in developing countries in advance of a post-Kyoto international climate agreement.

Figure 1: MDB Annual Funding Requests and Apppropriations

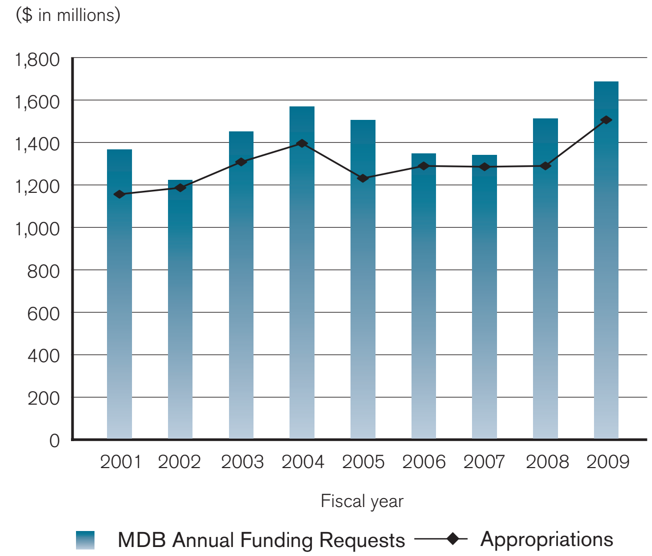
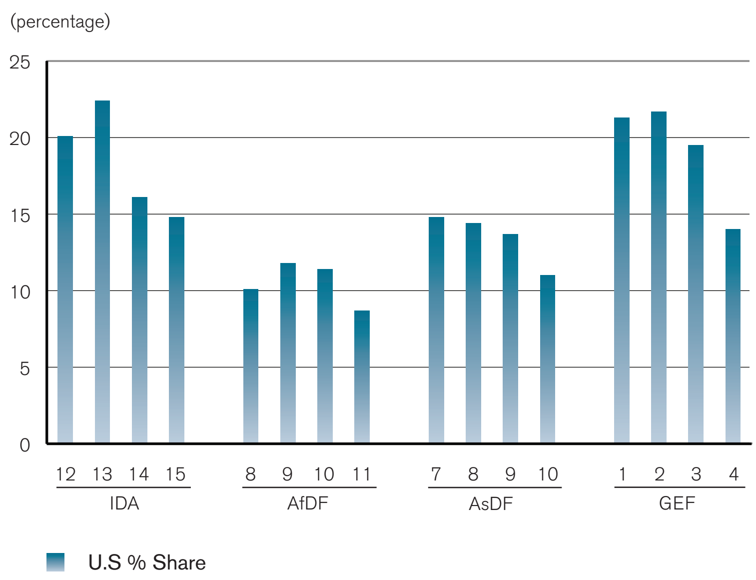


Figure 2: Declining U.S. Share in Replenishments



Box 1: U.S. Arrears to the MDBs

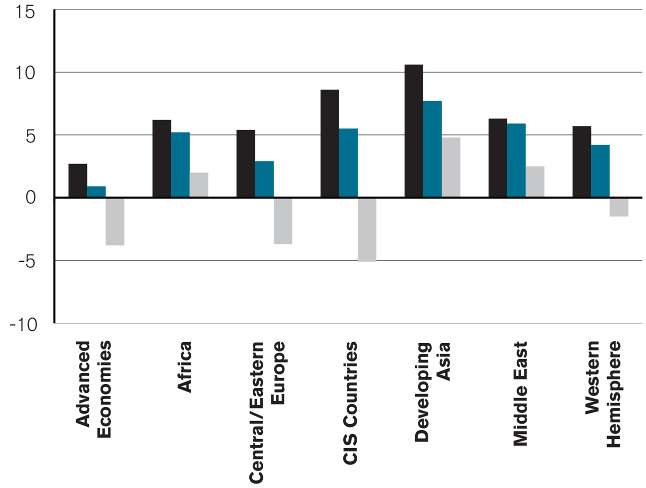
The Obama Administration requests $100 million to begin to pay down our arrears to the MDBs, which now exceed $1 billion. Failure to honor our commitments exacts both concrete and intangible costs:

- U.S. Leadership: Our influence in these institutions is eroding, as management and other shareholders view arrears as a sign of indifference and declining credibility. In one case, the United States is actually at risk of losing shares: we have only one more year to pay our arrears to the IDB's private sector facility, Inter-American Investment Corporation (IIC). Moreover, it is important to recognize that we risk ceding our control to countries whose interests are not necessarily aligned with ours.
- Fewer Resources for the Poorest: While most of the MDBs can maintain their market-based lending, U.S. arrears are against pledges to provide funds to the world's poorest countries in support of poverty-reducing expenditures denied by private markets and debt relief programs. At this time of crisis, it is especially important that we make good on prior commitments.
- Impact on Other Commitments: Other governments are becoming less willing to participate jointly with the United States in multilateral initiatives, due to concern that the United States will not live up to its promises. Arranging the financing of the Climate Investment Funds, for example, has been especially challenging, with some donors refusing to deposit payments until we have made good our own. Additionally, U.S. arrears to the GEF have seriously eroded U.S. credibility within the climate change negotiations under the United Nations Framework Convention on Climate Change.
- The current request would be allocated as follows:
    1) $85 million in arrears for IDA in order help meet our MDRI commitments as well as overdue obligations;
    2) $6.5 million to the GEF, which would leverage approximately $15.6 million in contributions from other donors who have deferred their contributions in response to U.S. arrears;
    3) $3.83 million to meet our AfDF10 MDRI commitment; and
    4) $4.67 million for 10% of IIC arrears in order to not lose shares.

The Impact of the Crisis

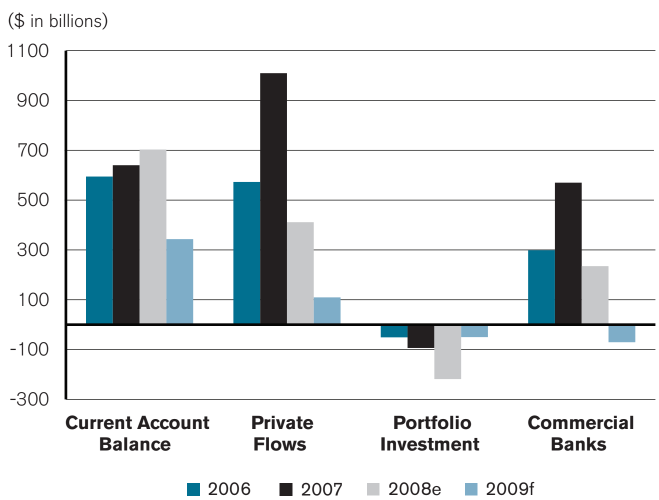
Emerging market countries have been severely affected by the sudden and sharp decline in access to private capital. This decline is massive: net flows are projected to be negative in 2009, dropping by about $700 billion from their peak in 2007. Many low income countries are also affected by the credit crunch, especially those depending on financing for significant infrastructure projects. But these countries will be affected even more by secondary impacts of the crisis, especially the decline in export volumes caused by the collapse in global trade, as well as a fall in remittances, tourism and possibly foreign aid. This financial crisis comes on the heels of food and energy crises.

Figure 3: Projected Real GDP Growth



(Source: IMF World Economic Outlook, April 22, 2009)

Figure 4: Emerging Market Economies' External Financing



e = estimated, f = IIF forecast

(Source: Net Capital Flows to Emerging Market Economies, IIF, Jan. 27, 2009)

The financial crisis has generated a sharp increase in demand for official resources, especially from the MDBs. Below is a summary of their crisis responses:

The World Bank

- The IBRD has pledged to make new commitments of up to $100 billion over the next three years, and for FY 2009 (July-June), lending could almost triple to more than $35 billion, compared to $13.5 billion last year, to meet additional demand.
- In December 2008, the Bank Group created a financial crisis facility to fast-track concessional funds to the world's poorest countries. An initial $2 billion will help the hardest-hit countries finance expenditures needed to maintain economic stability and sustain growth, address volatility, and protect the poor. This will likely support public spending on infrastructure, education, health, and social safety net programs.
- The World Bank's Rapid Social Response Program will help countries address urgent social needs stemming from the crisis and build up capacity to respond better to future crises. The Program will boost basic social services such as maternal/infant health and nutrition and school feeding programs, scale up safety net programs, and provide income support, training, and placement services for the unemployed.
- The IFC has approved four crisis response facilities designed to leverage donor government or bilateral agency funds and, in some cases private sector investors, to assist in restarting the flow of private capital to emerging markets. They are:
    1) $1 billion Bank Recapitalization Fund;
    2) $300 million Infrastructure Crisis Facility;
    3) $500 million Microfinance Liquidity Facility; and
    4) $3 billion Global Trade Finance Program (increased from $1.5 billion) to provide guarantees for trade finance.
    5) In addition, the IFC intends to create a $1 billion Global Trade Liquidity Program to provide funding for trade finance, and a Distressed Asset Recovery Program of up to $500 million.

The AsDB

- The AsDB will increase its non-concessional lending in 2009 by $2-4 billion to a total of $10-13 billion;
- Expand the AsDB's guarantee program to $2.1 billion; and
- Aggressively mobilize co-financing of $1-2 billion from other development partners and commercial sources.
- In order to meet the needs of the poorest, the AsDB is accelerating AsDF10 resources such that lending and grants to the poorest developing member countries will be as much as 30% higher compared to the previous replenishment.

The AfDB

- The AfDB is developing a $1.5 billion Emergency Liquidity Facility for sovereign and non-sovereign clients in middle-income countries, $1 billion for a Trade Finance Initiative, and a guarantee instrument to backstop government obligations for infrastructure financing.
- Management is also planning to provide up to $2.4 billion in additional support for AfDF countries in 2009 through restructuring of non-disbursed funds and the front-loading of planned disbursements.

The IDB

- The IDB will nearly triple lending in 2009, to up to $18 billion.
- In response to the credit crisis, the IDB created a Liquidity Program for Growth Sustainability to meet the region's short term liquidity needs. A total of $6 billion dollars is available for central banks and governments to lend through commercial banks facing transitory liquidity constraints. To date, El Salvador ($400 million), Jamaica ($300 million), Costa Rica ($500 million), Panama ($500 million), and the Dominican Republic ($300 million) have utilized the program.

The EBRD

- The EBRD aims to increase the Bank's annual business volume in 2009 by about 20%, to approximately $10.3 billion, which will enable the Bank to support clients in the financial sector and corporate sector who have been hurt by the global liquidity crisis and decline in equity markets.

Box 2: MDB Response to the Energy Crisis

The historic increase in energy prices of the last five years dramatically affected consumers around the world. The developing countries, where energy efficiency often is lower, bear especially heavily the burden of these price increases.

- Mozambique, for example, spent $750 million on oil imports in 2008—equivalent to about a fifth of overall imports and an increase from the $400 million spent in 2004 for the same amount of fuel. These increased expenses raise the barriers to service delivery, reducing the likelihood that Mozambique will be able to expand electricity service to the 86% of the population that still lacks it.
- The MDBs play an important role in expanding reliable access to energy, which is essential for both economic growth and poverty reduction. In Egypt the IFC provided a $90 million loan and syndicated a $305 million loan to finance the Suez Gulf and Port Said power projects. Each project consists of a 682.5 MW gas-fired plant. Together the projects represent by far the largest private power investments in Egypt to date.
- The MDBs are helping consumers use energy more efficiently. Not only will this have important near-term benefits to governments and consumers, using energy efficiently can have important long-term implications for the global environment and public health. In China, an AsDB-supported $142 million investment program will improve energy efficiency and the environment in Guangdong Province; energy savings will avoid the construction of a new 100 MW coal-fired conventional power plant and can be expected to reduce emissions of carbon dioxide, particulates, sulfur dioxide, and nitrogen oxide.

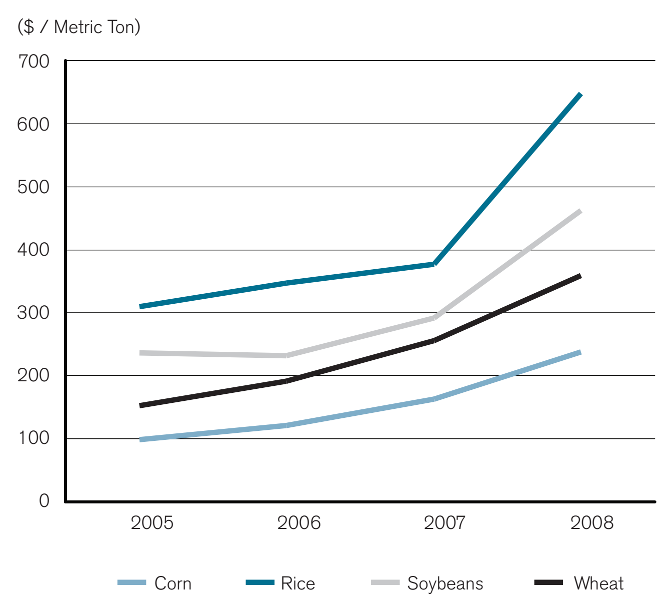
Box 3: MDB Response to the Food Crisis

The development banks, together with the World Food Program and bilateral contributors, mobilized significant resources to support near- and medium-term responses to last year's food crisis. The banks are reinforcing positive policy responses and steering developing country policymakers away from past mistakes. These interventions have focused on improving the targeting of social safety net measures and increasing supply by assuring access to key inputs, such as fertilizer and seeds in the short term and optimizing agricultural productivity in the medium term, and by improving connections to markets and the distribution of knowledge and technology. The World Bank has taken a leading role in encouraging countries to drop bans on the export of agricultural commodities and resist hoarding behavior.

Examples of the MDBs response to the food crisis include:

- In Nicaragua, $7 million from the World Bank will support a school nutrition program that will benefit approximately 263,000 preschool and primary school children in 52 high-poverty municipalities, as well as the distribution of seeds, fertilizers, training and short-term credit to over 30,000 small producers.
- In the Central African Republic, the World Bank and African Development Bank have joined with the World Food program to finance a school feeding program that will provide meals to over 150,000 elementary children, while also supporting the distribution of higher quality seeds and agricultural tools to over 20,000 small producers.

Figure 5: Global Major Dry-food Prices – 2005 to 2008



(Source: IMF's International Financial Statistics)

Advancing U.S. Foreign Policy Priorities

Working in Fragile States—the MDBs in Afghanistan, Haiti and Liberia

The MDBs are an important instrument to advance U.S. foreign policy objectives. Their global networks, financial capacity, knowledge, and status as trusted interlocutors with some of the world's most precarious countries allow the MDBs to engage effectively in some of the world's most challenging situations, such as Afghanistan, Haiti and Liberia.

In **Afghanistan**, the MDBs have been strong supporters of the country's rebuilding effort. Last year the AsDB committed over $300 million to Afghanistan, and the World Bank committed an additional $200 million. Looking forward, the MDBs are supporting a broad range of investments:

- A recently approved $164 million grant from the AsDB will support the rehabilitation of the power sector, including a 60 kilometer transmission line from Kunduz to Talaquan, new distribution in Kunduz and Baghlan, a number of small hydropower plants, and a gas project in Sherberghan.
- A $20 million World Bank grant to the government will support basic health services for 6 million Afghanis in 2009, including expansion of services to Helmland, where violence has limited the success of earlier public health efforts.
- $8 million from the World Bank's Global Food Crisis Response Program is going to Afghanistan to support the rehabilitation of around 500 small, traditional irrigation schemes. This funding brings the number of small irrigation schemes supported by the Bank since 2002 to nearly 6,000.
- A $30 million AsDB grant seeks to build national agricultural productivity. It will invest in five slaughterhouses as well as a number of small-scale packing, sorting, grading, drying, and cold storage facilities for the horticulture sector.
- MIGA, together with the Afghanistan Investment Guarantee Facility, issued $1.7 million in guarantees for a project that is addressing the need for durable materials to aid in the country's reconstruction. The project consists of a portable, self-powered system that manufactures compressed-earth blocks called GeoBricks. The project is expected to provide builders in Afghanistan with a lower cost, higher quality, and more energy-efficient building material.

In **Haiti**, the MDBs have organized the global community's support for a fragile government under difficult conditions. Last year, the food and fuel crises, coupled with four hurricanes and major storms, destroyed some 15% of its GDP. In response, the World Bank committed $75 million and the IDB $50 million in 2008 financing and have pledged to provide up to $80 million and $140 million in the next two years, respectively. Last year, the MDB projects in Haiti included:

- A $20 million World Bank project to rebuild bridges and strengthen disaster management systems after the storms;
- A World Bank-financed program to provide meals to 45,000 school children;
- An IDB program to disburse $27 million for the Haitian government to create jobs through public works programs and boost agricultural output; and
- A $10 million IDB-financed civil works project to provide clean water to dozens of public water kiosks and thousands of individual connections.

Liberia has made a dramatic turnaround in economic governance under the leadership of President Ellen Johnson Sirleaf. With strong U.S. leadership and support, international consensus was reached among more than 90 countries on financing packages to clear Liberia's arrears to the IFIs. As a result, Liberia cleared its arrears to the World Bank ($388 million) and AfDB ($245 million) in December 2007 and cleared its arrears to the IMF in March 2008.

In March 2008, Liberia reached Decision Point, entering the HIPC debt relief process, paving the way for over $4 billion in debt relief by the time it reaches HIPC Completion Point, including approximately $423 million in direct bilateral debt relief from the United States.

With arrears cleared, the World Bank and the AfDB are assisting Liberia in its reconstruction and development needs:

- IDA is implementing $140 million in projects, with $26.35 million in new 2008 commitments.
- In addition, a World Bank grant of $18 million—matched by $20 million of donor funds, including $5 million from the United States—allowed Liberia to buy back outstanding commercial debt of over $1.2 billion.
- The IFC committed to invest $1.1 million in AccessBank Liberia, a microfinance company, and provided $1.2 million in advisory services to support the institution's management and capacity.
- The IFC also provided a $10 million line of credit to Salala Rubber for the rehabilitation of plantations affected by the conflict.
- The AfDB has put in place more than $39 million for economic governance reform, road rehabilitation, rehabilitation and extension of water supply and sanitation, and governance of natural resources, with $22.5 million committed in 2008 alone.

Box 4: IIC: Private Sector Development and Job Creation

Confecciones Leonisa S.A, based in Medellín, Colombia, is the principal company in a business group that operates in the lingerie industry. The IIC has been working with Leonisa, including a $5 million loan, to develop its manufacturing and marketing operations in an increasingly competitive, global industry. Leonisa outsources 50% of its garment production to small manufacturers throughout Latin America that compose a supply chain of twelve worker cooperatives and over fifty small garment manufacturers, of which half are women microentrepreneurs. The entire chain provides approximately 90,000 jobs in Colombia and 60,000 in eight other Latin American countries.

Efforts on the part of Leonisa S.A.'s owners led to the founding of three worker cooperatives that have improved the living conditions of low-income people in towns neighboring Medellín. These cooperatives provide approximately 2,500 jobs, mainly for women. In many cases single mothers and female heads of household occupy management positions in the cooperatives.

U.S. Efforts to Support the Environment

The effective management of natural resources, such as productive soil, forests, rivers and oceans, determines whether a country can successfully establish a sustainable development path. Alternatively, the degradation of these resources significantly, and permanently, hinders growth and development. The World Bank has estimated that in many developing countries, the cost of such degradation is four to eight percent of GDP.

In recent years, MDB lending to support developing country environmental objectives has grown substantially. The Global Environment Facility (GEF) provides an important source of financing in support of international environmental treaties on climate change, biodiversity, chemicals, and maritime resources. The GEF works to convene the MDBs and the United Nations to bring to bear their respective expertise in developing countries.

Box 5: Climate Change and the Climate Investment Funds

The urgent need for climate resilient and clean energy development financing has not diminished in the current global economic crisis; it has become even more essential. Poverty reduction, economic growth and climate change must be addressed in tandem. The Climate Investment Funds (CIF) at the World Bank leverage the existing work programs and country expertise of the MDBs to satisfy these immediate needs in four areas. First, the rapid deployment of commercially available, cleaner technologies in these countries can make a substantial, immediate impact on emission trajectories and put these nations onto cleaner development paths. Second, a strong understanding of climate resiliency must be built and incorporated into the development strategies of vulnerable countries. Third, there are immediate opportunities to build forestry capacity in these countries that if taken now can complement a future financial architecture. And finally, we must begin now to assist the poorest countries onto low carbon energy pathways by optimally exploiting their renewable energy potential in place of fossil-based energy supply. As Todd Stern, U.S. Special Envoy on Climate Change, recently pointed out, "[The CIF] are a way to target a number of funding gaps in advance of a post-2012 agreement."

President Obama has frequently emphasized that, "…the solution to global climate change must be global." In that spirit, efforts to create the CIF were led by the United States, the United Kingdom, and Japan, with considerable input of potential recipient countries, including China, India, and Brazil. The CIF have received broad support from both developed and developing countries. The Clean Technology Fund, in particular, has been a demonstration of U.S. leadership in the fight against climate change. As we travel towards Copenhagen, fulfilling these U.S. commitments will enhance our credibility among our international partners and demonstrate the President's resolve to make the United States a leader on climate change.

Finally, the practical experience gained through the implementation of these funds can constructively inform the design of the new international climate financial architecture. In addition to piloting new and innovative approaches and financial products, the CIF has created a positive incentive for developing countries to produce their own clean development strategies. In this manner, the CIF can allow the U.S. and our partners to arrive in Copenhagen with an even keener idea of what needs to be done to address climate change and how to do it.

The MDB Management and Governance Agenda

The Obama Administration is committed to accelerating the reform and governance agenda at the MDBs, so that these institutions can provide the most efficient and effective support to the world's poorest. Among the key goals are strengthening the transparency and internal controls of the MDBs. While important progress has been made in recent years, continued U.S. leadership on these issues is necessary to assure that the resources entrusted to the MDBs achieve their intended purposes. Examples of recent progress include:

- In April 2007, the AfDB adopted a whistle-blower policy which covers Bank staff, project contractors and their employees. Drafted at the United States' urging, these procedures protect whistle-blowers from retaliation and are the most far-reaching of any now in force among the MDBs.
- In 2008, the EBRD approved a new Enforcement Policy which creates an enforcement mechanism for fraud and corruption cases in both public and private sector operations. The EBRD Office of the Chief Compliance Officer has been further expanded, and issues such as integrity risk and reputational risk are receiving increased attention.

- The AsDB has taken positive steps to improve its public communications and disclosure policies to increase transparency. A 2007 report on accountability and transparency in international organizations compiled by an independent NGO rated the AsDB as one of three top performers among 30 assessed organizations.[1]
- In 2008 former U.S. Attorney General Thornburg co-chaired a review of the IDB's anti-corruption framework. The report made several important recommendations, and Bank management has presented an action plan to implement those recommendations.
- The development banks continued to be actively involved in activities to reduce the financing of terrorism and to reduce money laundering. For example, the World Bank is collaborating with the United Nations Office on Drugs and Crime in the Stolen Asset Recovery Initiative (StAR). StAR, in collaboration with INTERPOL, has launched a Focal Point to help the international law enforcement community to better co-ordinate their efforts in investigating and prosecuting individuals involved in the theft of public funds.

Box 6: Institutional Governance – Setting the Tone at the World Bank

President Zoellick and the Bank's management team are at the forefront of MDB governance issues, and have made several significant and concrete steps over the past year to improve governance:

- Bank management crafted a proactive response to the findings of the Volcker Report on the Bank's governance and anti-corruption efforts which have strengthened the transparency of the bank's anti-corruption investigatory group, the Department of Institutional Integrity (INT), while enhancing INT's ability to conduct its critical function.
- The World Bank released a groundbreaking review of IDA's internal controls, the first of its kind by any MDB. The review, which had been called for by the United States, revealed that improvements are needed to assure that resources go to where they will make the greatest impact. Management has responded positively to the issues raised in this report, committing to several specific actions and establishing an independent committee to monitor their implementation.
- The World Bank's inspection panel is leading to improvement in project oversight. A recent inspection panel on an Albanian housing project catalyzed an extraordinary review of all World Bank projects designed to assure that Bank staff are properly documenting and monitoring the Bank's social and environmental legal covenants. The inspection process also has helped to assure that Bank staff that fail to meet these standards are held accountable.

The World Bank has initiated a review of its institution-wide disclosure policy. The United States will work with other shareholders to assure that the policy sets a new standard in transparency and openness, establishing a clear presumption that information will be publicly disclosed. We expect this process will fundamentally shift the current paradigm of information management in the MDBs.

[1] 2007 Global Accountability Report compiled by One World Trust

Box 7: Capital Resource Reviews of the MDBs

As the MDBs contemplate significant lending increases in response to the financial crisis, their financial solvency is imperative. As such, for the first time, we face a situation when many of the MDBs have completed or are preparing to launch capital reviews. The Treasury is committed to participating actively in these reviews. These assessments present an opportunity for a systematic review across the MDBs to ensure not only that they have appropriate levels of resources, but also to promote fundamental reform.

Taking a comprehensive approach to MDB resource reviews, we hope, will create a race to the top in achieving results and moving successfully through the crisis. It is also critical that MDB resources are effectively deployed to achieve the maximum impact on long-term development objectives. Secretary Geithner identified in a speech at the annual meeting of the IDB in Medellin several principles that will guide our analysis and reviews of the capital adequacy of the MDBs:

1) A commitment to good governance, which is key to institutional effectiveness. This includes efforts to strengthen institutional risk management capacity and combat fraud and corruption.
2) Comparative advantage—the relative roles of the international financial institutions, both in more normal economic circumstances and in times of crisis, and in the low income countries, and in those countries with strong external reserves and more developed financial systems. This will include assessing how well the MDBs coordinate with each other to address major development priorities, such as the environment.
3) Efficiency of use of existing capital. We will evaluate the extent to which each institution has demonstrated flexibility in its balance sheets to address the crisis, and the ability to leverage both public and private finance. The Asian Development Bank, for example, took steps to maximize its lending headroom before and as part of its capital increase request, and the IDB has agreed to look at ways to further mobilize its balance sheet as a first step in its capital review.
4) The capacity of the MDBs to innovate and achieve results. The growing emphasis on results measurement, rather than lending volumes, represents a commendable and important shift at the MDBs. This focus should continue.
5) Supporting the poorest countries, including fragile and post-conflict countries that will disproportionately feel the effects of the crisis. Here, a key test for the MDBs is the extent to which those institutions with concessional windows support the poorest.
6) Last, proposals should present a rigorous but reasonable demand analysis of the medium and long term needs. The analysis should examine demand on a country-by-country basis taking into account projected trends in access to private sector finance, economic growth and development.

Support for Debt Restructuring Programs

FY 2009 Enacted	FY 2010 Request
$60 million	$110.63 million

For FY 2010, the Administration has requested $110.63 million to support debt restructuring programs for Heavily Indebted Poor Countries (HIPC) and the Tropical Forest Conservation Act (TFCA). The request provides $90.63 million for bilateral debt reduction in the poorest countries and HIPC Trust Fund programs. The TFCA request provides $20 million to allow developing countries to redirect funds from debt payments to forest conservation programs.

Under the enhanced HIPC initiative, funding is needed to complete United States bilateral debt reduction for the Democratic Republic of the Congo (DRC) when the DRC reaches its HIPC Completion Point. Funding is also needed to help satisfy the $75.4 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled. Whereas funding for bilateral debt relief is linked to United States Government credits, funding for the HIPC Trust Fund will help mitigate the debt relief costs incurred by the African Development Bank.

The enhanced HIPC initiative was launched to provide deeper, broader, and faster debt reduction for the poorest heavily indebted countries that have made a real commitment to economic reform and poverty reduction. Countries that demonstrate the performance on economic policies and poverty reduction required to complete the HIPC process also qualify for additional debt relief under the landmark Multilateral Debt Relief Initiative (MDRI), which provides 100% debt cancellation on eligible obligations to the International Monetary Fund (IMF), the International Development Association (IDA), and the African Development Fund (AfDF).

The Tropical Forest Conservation Act (TFCA) authorizes debt relief for low and middle-income countries to support conservation of tropical forests. Under the TFCA, eligible countries can, through negotiation with the United States, treat a portion of their debt to the United States by engaging in one or more of the following activities: a debt buyback; a debt swap with an eligible third party, usually an international environmental non-governmental organization (NGO); or a debt reduction/restructuring. Resulting local currency payments are used to establish a Tropical Forest Fund or equivalent mechanism in the country that will in turn make grants to local NGOs and other entities engaged in a variety of forest conservation activities. The United States uses appropriated funds to pay for the budget cost of this debt reduction/redirection.

Recent Accomplishments in Support of U.S. Objectives:

- Liberia became the 33rd country to reach HIPC Decision Point in March 2008, paving the way for over $4 billion in debt relief by the time it reaches HIPC Completion Point, including approximately $423 million in direct bilateral debt relief from the United States. This achievement was made possible following U.S. leadership and strong support by the international donor community in 2007 and 2008 to clear Liberia's approximately $1.5 billion in arrears owed to the World Bank, IMF, and African Development Bank.
- Together with other donors the United States is also supporting Liberia's efforts to clear its approximately $1.2 billion in commercial debts through the IDA Debt Reduction Facility, helping Liberia to extinguish these debts on extremely discounted terms, consistent with HIPC debt relief. The $5 million contribution from the United States was leveraged to help Liberia extinguish approximately $160 million of the $1.2 billion.

- Under the enhanced HIPC initiative, 33 countries had demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points as of the end of FY 2008. They are benefiting from debt relief that, together with MDRI, will lower their stock of debt by nearly 90 percent, allowing for increased poverty reduction expenditures in areas such as basic health, education, and rural development.
- Under TFCA, a total of 14 agreements have now been signed with 12 countries, generating more than $188 million for tropical forest conservation.

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Key Facts

Debt Relief under the Enhanced HIPC Initiative

- The Democratic Republic of the Congo is projected to reach its HIPC Completion Point in FY 2010, and makes up a large portion of the FY 2010 budget request. Since the United States is the largest bilateral creditor, other creditors are unlikely to go forward with final HIPC stock of debt reduction until the United States is able to participate.
- As of the end of FY 2008, 33 countries (see Table 3) had made sufficient progress on economic reforms and commitments to poverty reduction to reach their HIPC Decision Points. Liberia became the 33rd country to reach its HIPC Decision Point in March 2008. Togo reached its Decision Point in November 2008. Twenty-four of these countries have met the conditions to reach their HIPC Completion Points, and qualified for reduction in their stock of debt, including the Gambia and Burundi, which reached Completion Point in December 2007 and January 2009, respectively.
- Creditors have committed to reduce the external debt of these 33 countries by over $68 billion (nominal terms) under the HIPC framework.
- Debt service ratios for the 33 countries that had reached Decision Point by 2008 have been cut dramatically. On average, debt service/exports ratios have been reduced from 16.6% in 2000 to 6.1% in 2007. While the current financial crisis is likely to lead to some deterioration in these ratios, the IMF and the World Bank have implemented a debt sustainability framework to help prevent excessive accumulation of debt.

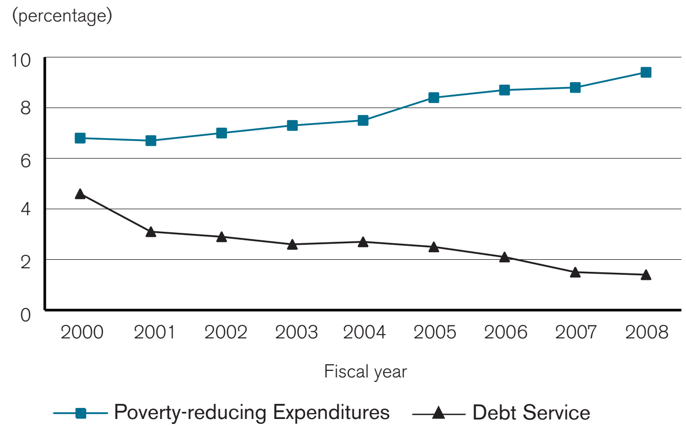
U.S. Leadership on the HIPC Initiative

- The United States has been a leader on the enhanced HIPC initiative, which has been reflected in budget requests and congressional actions in past years. Since FY 2000, Congress has provided a total of $313.6 million in appropriations for bilateral HIPC debt reduction costs and $674.6 million for U.S. contributions to the HIPC Trust Fund.
- The multilateral HIPC Trust Fund helps to cover the HIPC debt relief costs of certain regional multilateral institutions. The United States accounts for approximately 19% of total bilateral pledges and contributions to meet HIPC Trust Fund costs. U.S. bilateral contributions to date represent $674.6 million out of $3.46 billion in total donor contributions.

Use of HIPC Relief

- HIPC debt relief significantly reduces HIPC qualifying countries' annual debt service obligations, freeing resources to support poverty reduction expenditures and economic growth, particularly in areas prioritized in their Poverty Reduction Strategy.
- As shown in Figure 6, poverty-reducing expenditures have increased in HIPCs in recent years. In 2007, poverty-reducing expenditures for countries that have reached their Decision Points (as of FY 2008) were estimated to be over eight times as large as debt service payments.

Figure 6: Poverty-Reducing Expenditures and External Debt Service for Post-Decision Point Countries (Weighted Average, % of GDP)



(Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 12, 2008. Data for 2008 are projections.)

(Table 3) Debt Relief under HIPC Initiative

(Total HIPC relief committed, $US Millions)

	Enhanced HIPC Decision Point	Total HIPC Debt Reduction	
		In NPV Terms	Nominal
Countries that have reached Completion Point (24)			
Benin	Jul. 2000	262	460
Bolivia*	Feb. 2000	1,330	2,060
Burkina Faso*	Jun. 2000	553	930
Burundi**	Aug. 2005	833	1,465
Cameroon	Oct. 2000	1,267	4,917
Ethiopia	Nov. 2001	1,935	3,275
Gambia	Dec. 2000	67	90
Ghana	Feb. 2002	2,187	3,500
Guyana*	Nov. 2000	610	1,354
Honduras	Jul. 2000	556	1,000
Madagascar	Dec. 2000	836	1,900
Malawi	Dec. 2000	939	1,600
Mali*	Sept. 2000	539	895
Mauritania	Feb. 2000	622	1,100
Mozambique*	Apr. 2000	2,143	4,300
Nicaragua	Dec. 2000	3,308	4,500
Niger	Dec. 2000	644	1,190
Rwanda	Dec. 2000	651	1,316
Sao Tome & Principe	Dec. 2000	117	263
Senegal	Jun. 2000	488	850
Sierra Leone	Mar. 2002	675	994
Tanzania	Mar. 2000	2,026	3,000
Uganda*	Feb. 2000	1,027	1,950
Zambia	Dec. 2000	2,499	3,900
Countries that have reached Decision Point (10)			
Afghanistan	Jul. 2007	571	1,272
Central African Republic	Sept. 2007	583	697
Chad	May 2001	170	260
Congo, Dem. Rep.	Jul. 2003	6,311	10,389
Congo, Rep. (Congo-B)	Apr. 2006	1,679	2,881
Guinea	Dec. 2000	545	800
Guinea-Bissau	Dec. 2000	416	790
Haiti	Dec. 2006	140	213
Liberia	Mar. 2008	2,845	4,006
Togo**	Nov. 2009	270	–
Total HIPC		39,644	68,117

* Countries that received a portion of debt relief under the original HIPC Initiative.
** Changed status after the 2008 Status of Implementation report was produced. Fully comparable nominal data is not yet available.

Other Potentially Eligible Countries (7)			
Comoros	Eritrea	Nepal	Sudan
Cote d'Ivoire	Kyrgyz Republic	Somalia	

Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 12, 2008.

Tropical Forest Conservation Act (TFCA)

Key Facts

- An amount of $20 million would be used for debt treatment under the Tropical Forest Conservation Act (TFCA) to support conservation of endangered forests.
- To date, the United States Government has concluded fourteen TFCA agreements in twelve countries (Bangladesh, El Salvador, Belize, Peru (two agreements), the Philippines, Panama (two agreements), Colombia, Jamaica, Paraguay, Guatemala, Botswana, and Costa Rica). These agreements will generate more than $188 million for tropical forest conservation.
- Under the TFCA debt swap mechanism, a unique public/private partnership has evolved in which environmental NGOs such as Conservation International, The Nature Conservancy, and World Wildlife Fund provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs. Eight of the 14 TFCA agreements so far provide for debt swaps.
- The Treasury Department is currently in negotiation with the Government of Indonesia on a TFCA agreement. In addition, the Treasury Department is talking to other countries about their possible application for TFCA.

(Table 4) Tropical Forest Conservation Act (TFCA) Agreements

Country	Year (FY)	USG Cost ($US Millions)	Swap Contribution ($US Millions)	Funds Generated for Conservation ($US Millions)
Bangladesh	2000	6.0	–	8.5
El Salvador	2001	7.7	–	14.0
Belize	2001	5.5	1.3	9.0
Peru	2002	5.5	1.1	10.6
Philippines	2002	5.5	–	8.2
Panama I	2003	5.6	1.2	10.0
Colombia	2004	7.0	1.4	10.0
Panama II	2004	6.5	1.3	10.9
Jamaica	2004	6.5	1.3	16.0
Paraguay	2006	4.8	–	7.4
Guatemala	2006	15.2	2.0	24.4
Botswana	2007	7.0	–	8.3
Costa Rica	2007	12.6	2.5	26.1
Peru	2008	19.6	–	25.1
TOTAL		115.0	12.1	188.5

Support for Treasury Technical Assistance Programs

FY 2009 Enacted	FY 2010 Request
$25,000,000	$31,440,000

The FY 2010 request for Treasury International Affairs Technical Assistance (TIATA) provides $31.4 million to strengthen economic and financial governance in fragile and developing countries worldwide. In any government, regular and systematic oversight of public monies is absolutely critical. Where financial systems are weak, governments cannot manage effectively and economies cannot thrive. There is also strong evidence that poor governance and weak economic growth are a direct cause of conflict.

The proposed investment will achieve permanent increases in the governance capacity of fragile and developing states; serve as a base for economic growth; enable traditional sources of U.S. assistance to accomplish more lasting and sustainable results; increase the credibility of these nations with their citizens; improve services and benefits to citizens; and raise domestic and international investment. The OTA delivery model fields resident practitioners with experience-based expertise; provides shorter-term targeted expertise; and builds professional communities both within a country and across international networks.

Treasury's Office of Technical Assistance (OTA) programs target developing and transitional countries with a strong commitment to reform. The request will support approximately 70 technical assistance programs worldwide – in Asia, the Middle East, Africa, and South America and the Caribbean. The request also adjusts for declining transfers from other sources like the Support for East European Democracy (SEED) and FREEDOM Support (FSA) Acts and co-funding from USAID. OTA addresses a range of policy priorities across core functions, including formulating and implementing economic and financial policies and budgets; overseeing banking systems; improving the collection of government revenues; managing debt and debt markets; and preventing corruption, combating terrorist financing, and enforcing financial laws.

> "It's an appreciation that needs to be made public: The best technical assistance I received was from the U.S. Treasury."
>
> – Ashraf Ghani
>
> *Chairman, Institute for State Effectiveness, former Afghani Finance Minister and Chief Advisor to President Hamid Karzai*

In addition to OTA's base program, the proposed level of funding will allow Treasury to pursue some important new objectives.

International Financial Crisis Response: The TIATA funding request will allow Treasury to assist countries in response to the crisis as it reverberates throughout the developing world. The crisis has already severely affected countries outside the G-20 (e.g. Iceland, Ukraine, Pakistan, Hungary, and Latvia), and prompted IMF rescue packages of significant magnitude. The crisis is affecting a number of countries in emerging Europe, including strong U.S. allies such as Romania, Bulgaria, and Croatia, among others. The Treasury Department is ready to respond with its cadre of expert advisors, many of whom have significant experience from involvement in the response to the Savings and Loan crisis of the 1980s and 1990s; the Asian Financial Crisis of 1997-8; the Russian Financial Crisis of 1998; and the Mexico Peso Crisis of the 1980s. OTA has already responded quickly and effectively to requests for assistance received from central banks and ministries of finance. Treasury needs the additional financial resources requested for FY 2010 to maintain this effort.

PEPFAR: The President's Emergency Plan for AIDS Relief (PEPFAR) reauthorization legislation, passed in July 2008, included a role for OTA. In providing assistance to improve public financial management systems, which is part of OTA's core mission, Treasury will enable partner countries to better manage resources to combat HIV/AIDS, tuberculosis, and malaria and, ultimately, increase the sustainability of these efforts.

Program Mandate

In 1991, Treasury established OTA as the operational office through which it delivers financial technical assistance. Beginning with an initial direct appropriation from Congress in FY 1999, Treasury created the TIATA program and expanded the reach of its technical assistance operations beyond the original base in Eastern Europe and the former Soviet Union to include a number of reform-oriented countries in Asia, Africa, and the Western Hemisphere. It is in these last three regions, and the greater Middle East, that Treasury now sees its primary responsibility for the future.

Treasury places a priority on countries with governments committed to economic policy reform and market-oriented economies. Its advisory assignments are accomplished through resident or intermittent advisors who work with identified senior-level counterparts. OTA projects address five core areas of government financial policy and management:

- Budget and Financial Accountability;
- Revenue Policy and Administration;
- Banking and Financial Services;
- Government Debt Issuance and Management; and
- Economic Crimes.

Treasury's technical assistance projects are designed to support economic objectives established by State Department missions, and the international financial institutions (IFIs) in their country plans. Treasury also works on a cooperative basis with technical assistance programs of the IMF, the World Bank, the regional development banks and other bilateral donors. Projects are coordinated with the State Department and USAID headquarters in Washington, D.C., as well as with individual embassies and USAID missions. Treasury actively participates in the State/Counter Terrorism, and State/Bureau for International Narcotics and Law Enforcement Affairs (INL) led inter-agency Terrorist Financing Working Group (TFWG). In addition, Treasury works with State/INL-sponsored projects designed to address money laundering, corruption, and other financial crimes.

Internal management of the TIATA program is flexible and dynamic. Projects compete for funding each year. The project portfolio is constantly monitored, and projects that are not achieving results, as defined by objective performance measures, are phased out to free up funding for other projects. Treasury intends to use FY 2010 resources to fund previously initiated multi-year projects, and expand its assistance by up to 20 projects. OTA will consider new projects in countries where counterparts are committed to economic reforms, where it has appropriate expertise, and where projects advance the overall objectives of U.S. foreign policy.

FY 2008 Successes

Each of the five OTA teams representing Treasury's core disciplines achieved notable project successes in FY 2008. These are detailed in OTA's Annual Report to Congress. Many were the result of Treasury's focus on economic policy reforms, anti-corruption, internal institutional controls, governance, and fiscal transparency. Some examples include:

Budget and Financial Accountability (capacity building, fiscal transparency, and governance): The August 2008 war between Georgia and Russia created new challenges in providing technical assistance to Georgia's Ministry of Finance. In the war's aftermath, Georgia's focus understandably shifted from reform efforts to recovering from the conflict. Specifically, the Georgian government focused on economic recovery, repair of infrastructure damage, caring for displaced citizens, sustaining the budget, and maintaining the health of the banking system. The Budget and Financial Accountability advisor was able to shift focus to assist Georgia in these areas. The advisor assisted Georgian, U.S. Treasury and other U.S. government officials in assessing the cash position of the Georgian government, estimating the cost of repairs to infrastructure, budget analysis, evaluating short and long-term economic impact, and assessing the condition of the banking system.

Government Debt (capacity building, internal controls, and governance): In June 2001, when the OTA Debt Team initially placed a Resident Debt Advisor in the Ministry of Finance of Indonesia, the country lacked efficient debt issuance and management practices, a sovereign debt law, and a Primary Dealer System, and did not issue Treasury Bills. Major accomplishments of the Debt Team project included re-profiling $19.1 billion in securities held by state-owned banks and the passage of a sovereign debt law. In November 2006, the team re-engaged with the ministry to address legitimate concerns about the cost and availability of market-based finance. This re-engagement resulted in the following accomplishments:

- Launched Primary Dealer System containing a two-tiered capital adequacy requirement specifically designed to accommodate smaller domestic institutions along with the large international banks. All domestic government securities are now sold via auction with competitive market-based pricing using this mechanism. Auctions are routinely oversubscribed and a secondary market has developed for government securities.
- Introduction of the first Treasury Bills which provided a new class of securities previously unavailable to investors.
- Support to the ministry's work on its international and Islamic (*sukuk*) bond programs.
- Work with the Finance Ministry on a comprehensive approach to identify and manage components of risk facing the Directorate General of Debt Management, risk modeling, sustainability analysis, and IT design.

Economic Crimes (anti-corruption, anti-money laundering, and counter-financing of terrorism): OTA's Economic Crimes efforts in Afghanistan have included developing a financial intelligence unit (FIU) staffed and trained to develop, populate, and access a database that contains reports on large cash transactions and suspicious activities from financial service providers, including, significantly, *hawaladars*. FIU analysis of information in this database supports and is shared with law enforcement in Afghanistan and strengthens the regulatory regime to conform to international norms for preventing money laundering and terrorist financing. OTA efforts in Afghanistan have resulted in greater regional and international information exchange and cooperation including: membership of the Asia Pacific Group on Money Laundering; observership of the Eurasian Group on Money Laundering; observership requested of MENA Financial Action Task Force (the regional body for the Middle East); Memoranda of Understanding signed with approximately one dozen FIUs, including several in the neighborhood of Afghanistan, the United Kingdom's Serious Organized Crime Agency (SOCA), Russia, and Japan; Memorandum of Understanding requested for information sharing with FinCEN; and Egmont membership application submitted with the United States and Malaysia as sponsors.

***2008 OTA Program Evaluation*:** OTA's ongoing effort to verify and evaluate its performance comprised three separate and rigorous initiatives in 2008: review and strengthening of its performance measures; an outside professional peer review; and a broad client survey designed to systematically collect information on customer satisfaction.

For the past five years OTA has been developing a tool to enhance its performance measures. The tool uses evaluations by resident advisors to rate projects on the level of engagement with the host government and the changes that result from that engagement based on technical indicators specific to each of the five financial disciplines. So innovative was OTA's new approach that it was one of three Case Studies in Program Management selected by the OMB Associate Director for Administration and Management, to be presented at the annual Excellence in Government Conference.

The Department of the Treasury of the Government of Australia conducted a professional peer review of OTA work to assess effectiveness. This report was complimentary, but also identified points for improvement, particularly the need to increase the length and scope of engagement with partner countries. OTA is working to implement some of these recommendations without straying from its core model, and overall was gratified, enlightened, and energized by the results of the report.

To collect and report customer satisfaction, OTA distributed a survey targeted at eliciting thoughtful and candid responses from knowledgeable sources. The normalized responses accommodated a scale of 1-5 (1 = low and 5 = high). Results were quite positive with an average response of 4.5. This confirmed anecdotal praise gathered over the years about OTA's high level of performance and client satisfaction.

World Bank Group

International Development Association (IDA) Request: $1.320B

Founded in 1960 as the concessional finance window of the International Bank for Reconstruction and Development (IBRD), IDA has become the largest provider of multilateral official development assistance to low income countries. Its substantial annual commitments – averaging $11 billion over the past three years – have been underpinned by a unique set of core strengths, which include: its global perspective and knowledge base; the quality of its policy advice; its emphasis on aligning assistance with national development strategies to improve government ownership of reforms; and its ability to convene the government and donor community to coordinate responses. IDA-financed operations, including zero-interest loans, grants, and technical assistance, address needs such as primary education, basic health services, clean water and sanitation, infrastructure and public sector strengthening. These projects help lay the foundation for sustainable economic growth and poverty reduction.

IDA operations are financed primarily through donor contributions, but IDA also receives funding through principal repayments from existing loans, investment income, and direct transfers from IBRD and IFC net income. Agreement on the most recent IDA replenishment (IDA15) was reached in December 2007. The agreement provides $41.6 billion for the poorest countries for the period covering July 2009 through June 2011. The United States pledged $3.705 billion ($1.235 billion per year) to IDA15. U.S. priorities for IDA during FY 2010 focus on continued, strong and timely implementation of the policies agreed to under the IDA15 agreement.

For FY 2010, the Administration is requesting $1.235 billion for the second of three payments under the U.S. commitment to IDA15 and $85 million to clear a portion of outstanding U.S. arrears to meet our commitment to the Multilateral Debt Relief Initiative. Payments toward the substantial U.S. arrears to IDA also would demonstrate a commitment to meeting our official commitments at a time when the United States is seeking to strengthen alliances with international institutions to confront the global economic crisis.

Key Facts

- The United States was the second largest donor to IDA15, contributing approximately 15% to the replenishment. The U.S. share of cumulative donor contributions to IDA is 22%.
- For IDA15, every $1 of U.S. funding leverages just over $11 in IDA loans and grants.
- IDA is performance driven and channels a larger share of assistance to countries that are well governed and enact pro-growth policies through its performance-based allocation system. For FY 2006-08 the top 10% of country performers received nearly seven times as much assistance on a per capita basis as the lowest 10%.
- Currently, 78 countries are eligible to receive IDA resources, accounting for 2.5 billion people, half of the total population of the developing world. An estimated 1.5 billion people survive on incomes of $2 or less a day. Nearly all IDA-eligible countries have a per capita income below $1,000 with limited or no ability to borrow from the market.
- In 2008, IDA made commitments of $11.2 billion, representing 199 operations in 72 countries.
- The largest share of resources was committed to Africa, which received $5.7 billion, or 50% of total IDA commitments. South Asia ($2.8 billion) and East Asia and Pacific ($1.8 billion) also received large shares of total funding.
- The largest share of commitments went to sectors related to infrastructure with $4.4 billion in loans. This was followed by commitments to law, justice, and public administration, which received $2.9 billion in funding. IDA also provided significant funding for education ($1.2 billion), agriculture ($1 billion) and health ($0.9 billion).

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.worldbank.org/ida

Supporting Development Priorities

Responding to the Global Financial and Food Crises

In December 2008, the Bank Group created a financial crisis facility to fast-track funds to developing countries. The new facility expedites the approval processes for money from IDA15 for the world's poorest countries to help them cope with falling revenues, investment and trade in the wake of the global financial crisis. An initial $2 billion is available to the hardest-hit countries to finance expenditures needed to maintain economic stability and sustain growth, address volatility, and protect the poor.

In May 2008, the Bank created a new $1.2 billion rapid financing facility to address immediate needs of countries coping with the food price crisis. The facility supports safety net programs, such as food for work, conditional cash transfers, and school feeding programs for the most vulnerable; provides support for food production by supplying seeds and fertilizer, improving irrigation for small-scale farmers and providing budget policy support to offset tariff reductions for food and other unexpected costs; and provides $200 million in grants targeted at the vulnerable in the world's poorest countries. The Bank will also boost its response by increasing overall support for global agriculture and food to $6 billion next year up from $4 billion, launching risk management tools and providing crop insurance to protect small-holder farmers.

- For example, in September 2008, the World Bank provided an $8 million grant to support efforts to address the food crisis in **Afghanistan**. The grant supports medium-term investments needed to improve food security, including small scale irrigation to enhance wheat and other cereal production. The additional funding for community irrigation will increase the total number of small irrigation schemes supported by the World Bank to more than 6000. Since reengagement in Afghanistan, the Bank also has provided nearly $100 million for the rehabilitation of medium-size irrigation systems.

Managing for Results

IDA was the first international financial institution to introduce a results-measurement system to monitor IDA country progress and measure their contribution to these outcomes. Over the duration of IDA15, IDA will work to improve the quality of data for outcome and output indicators. Efforts will focus on building country statistical capacity and developing a standardized list of select indicators across sectors in order to produce more accurate information on sector-specific outputs. In addition, IDA will also develop a better measure of private sector development, as well as an indicator to measure the quality of public financial management in IDA countries. This will help ensure that countries strengthen the link between expenditures and performance, improving not only the effectiveness of IDA assistance but also broader public spending in country.

Assisting Post-Conflict and Fragile States

The World Bank has considerably scaled up its response to challenges in fragile and conflict environments. The IDA15 replenishment has significantly enhanced the capacity of the Bank to provide financial and analytical support, including grant financing and exceptional access to IDA resources. This can help cash-strapped post-conflict countries create a "peace dividend" by quickly restoring essential service delivery and jump-starting infrastructure reconstruction. IDA has also adopted organizational and staffing changes to help attract highly qualified staff and enhance its on-the-ground presence in fragile states.

In April 2008, the World Bank Board approved the creation of the State and Peace-Building Fund (SPF) to address the needs of state, local governance and peace-building in fragile and conflict-affected states. The SPF supports measures to improve governance and institutional performance in countries emerging from, in, or at risk of sliding into crisis.

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.worldbank.org/ida

World Bank Group

International Bank for Reconstruction and Development (IBRD) — Request: $0.0

The International Bank for Reconstruction and Development (IBRD) seeks to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development and economic growth through loans, guarantees, risk management products, and analytical and advisory services. Established in 1944, the IBRD is a AAA-rated borrower in international financial markets and issues bonds to fund the bulk of its lending operations; loanable resources are also provided from retained earnings, paid-in capital and the flow of repayments on outstanding loans. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer countries good borrowing terms.

The last general capital increase of the World Bank was agreed to in 1988, and the United States provided its final installment to the IBRD's capital in FY 1996.

Key Facts

- In terms of voting rights, the United States is the single largest shareholder in the IBRD with 16.4%.
- New lending commitments by IBRD increased in FY 2008, to $13.5 billion for 99 operations, bringing cumulative commitments to $433 billion.
- Latin America and the Caribbean region received the most IBRD lending, with $4.4 billion (32% of total IBRD commitments). It was followed by Europe and Central Asia, which received $3.7 billion (28%) in commitments, and East Asia and Pacific, which received $2.7 billion (20%) and $1.2 billion (6%) for the Middle East and North Africa.
- Transportation received the highest volume of lending ($3 billion); followed by energy and the mining sector ($2.8 billion); and public administration, law and justice ($2.4 billion).
- In its annual review of IBRD's active lending portfolio, the Quality Assurance Group estimated that the share of well-performing Bank projects at project completion reached 81% in FY 2006, a level unmatched in the past 25 years.

Supporting Development Priorities

Responding to the Global Financial Crisis

In response to the financial crisis, IBRD could make new commitments of up to $100 billion over the next three years to support developing countries. In World Bank FY 2009, lending could almost triple to more than $35 billion compared to $13.5 billion last year to meet additional demand from developing country partners. For example, the World Bank has agreed to help India with $3 billion of increased investment as the global financial crisis undermines private financing for the country's much-needed infrastructure agenda. The Bank also agreed to help India with $3 billion in increased investment, as part of the Bank's new country strategy.

Promoting Good Governance

The World Bank is the leading donor globally in providing support for strengthening public sector management and working closely with countries to fight corruption. Programs and projects in FY 2008 have emphasized improving transparency in public financial management, strengthening tax and customs administra-

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.worldbank.org/ibrd tion, enhancing civil service performance, undertaking legal and judicial reform, and enabling local/central governments to deliver services effectively and with greater accountability to local communities. Also, the Bank is a leader in operational and empirical research on governance and corruption in the development and application of governance diagnostics. Donors frequently rely on the World Bank Institute's (WBI's) Governance and Anticorruption country diagnostics indicators, including the Millennium Challenge Corporation (MCC), which uses several of these indicators, including "Control of Corruption" as criteria for MCC assistance.

In 2008, the World Bank Group published a progress report on the first year of implementation of its Governance and Anti-Corruption (GAC) Strategy, a comprehensive approach for fighting corruption and improving governance in client countries and within the institution. To accelerate mainstreaming of the GAC agenda in country programs and projects, four thematic focus areas were identified: GAC in sector work; the demand side of governance (e.g., enhancements in transparency, participation, and accountability); strengthening core public management and accountability systems in borrowing countries, and actionable governance indicators to help track progress in specific reforms. The report states that important progress has been made in each area, but there is significant work ahead.

- Dakar, Senegal's public-private urban water partnership included innovative institutional arrangements explicitly designed to offset potential weak points in the country's regulatory structure. Household connections reached 76% in 2006. Access to water services (including access at public fountains) rose from about 74 - 81% in 1996 to about 98% of people living in cities in 2006.
- Following far-reaching reforms in the institutional arrangements for the Kyrgyz Republic's health sector, the proportion of people making informal payments to healthcare providers has fallen from 70% in 2001 to 52% in 2006. There has been a 36% increase in the number of people using cost-effective primary health care since 2004.

The Department of Institutional Integrity (INT) is central to the Bank's efforts to fight corruption. INT investigates allegations of fraud and corruption in Bank Group-financed activities and projects. Since 2001, INT has handled more than 2,400 cases of alleged fraud, corruption, or other wrongdoing, resulting in the public debarment of 351 companies and individuals, whose names were then listed on the Bank's website.

Released in 2007, the Volcker Report evaluated the work of INT. The report supported the work of INT and stressed the key role INT must play in the Bank's anti-corruption effort, both through INT's contribution to detect and prevent corruption in Bank operations but also to assist borrowing countries in building anti-corruption protection. The Bank has approved and adopted the Volcker Panel's recommendations and their implementation is underway.

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.worldbank.org/ibrd

World Bank Group

The Multilateral Investment Guarantee Agency (MIGA) Request: $0.0

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, was chartered in 1988 to encourage foreign direct investment by providing investment insurance (guarantees) against non-commercial risks (i.e., expropriation, transfer restrictions, currency inconvertibility, and political violence) in developing countries. The Overseas Private Investment Corporation (OPIC) has reinsured and co-insured U.S. investment projects in developing countries with MIGA.

For FY 2010, the Administration is not requesting any funding for MIGA.

Key Facts

- The United States is the largest shareholder of MIGA with 32,828 shares, or 15% of the voting power, at the end of FY 2008.
- During 2008, MIGA issued 38 new guarantee contracts, totaling $2.1 billion in gross coverage, for the largest amount of new gross exposure in MIGA's history and the fourth consecutive year of growth in the volume of guarantees issued. Fifteen out of 24 projects supported by MIGA were in IDA-eligible countries, representing $690 million in guarantees or 33% of guarantees written in 2008. Today the agency's gross guarantee exposure in IDA countries is $2.3 billion, 36% of MIGA's outstanding portfolio.
- To date, MIGA has issued 922 guarantees worth $18.8 billion. MIGA's total gross exposure outstanding is $6.5 billion.
- U.S. investors account for 2.3% of MIGA's gross portfolio, and MIGA has issued a total of 168 contracts to U.S. investors for about $2.2 billion in coverage to support their investment projects in developing countries. While it is difficult to accurately determine the amount of foreign direct investment (FDI) that MIGA projects facilitate, that $1 of coverage leads to $6 of related investment suggests that as much as $12 billion in FDI from U.S. investors may have been facilitated since MIGA's inception. As of November 30, 2008, outstanding coverage for U.S. investors totaled $147 million.
- MIGA paid no claims in 2008. MIGA has paid three claims since its inception in 1988. The first claim, paid in 2000, was fully reimbursed by the government of Indonesia, and other claims were paid in Nepal and Argentina. There are two claims pending, in Nicaragua and Kyrgyzstan.

Supporting Development Priorities

Responding to the Global Financial Crisis

MIGA has already approved a new $150 million facility with the African Development Corporation (ADC) under which it expects to guarantee 20-25 projects in Sub-Saharan Africa over the next few years. MIGA's guarantee is aimed at allowing this investment fund to raise capital at this critical time.

MIGA has also partnered with the IFC on its bank recapitalization fund whereby the IFC will provide equity support and MIGA will guarantee shareholder financing to foreign-owned banks in emerging markets for some 8-12 individual operations. MIGA's component of this project is expected to exceed $1 billion over the next twelve months.

MIGA's Board will consider changes to its operational regulations that consist broadly of adding one new area of political risk coverage; enhancing several existing areas of coverage; and clarifying or streamlining

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.miga.org certain existing procedures concerning coverage and eligibility. The proposed changes will expand MIGA's product toolkit, thereby allowing it to facilitate more foreign investment in higher-risk countries where its competitors are less willing to go. Attracting more FDI to these markets is particularly important now as riskier markets are affected by the global economic downturn more acutely than middle-income countries.

Managing for Results

MIGA's success is broadly defined by the amount of FDI that it is able to mobilize through the provision of political risk insurance. MIGA is currently working to improve the measurement of the development impact of its guarantees. As part of its disclosure and environmental safeguards policies, MIGA is working to promote publication of individual project results for socially and environmentally sensitive guarantees.

Promoting Private Sector Development

The largest area of activity for MIGA in 2008 was in Europe and Central Asia, where MIGA supported projects worth $1,254 million. The next most active region was Middle East and North Africa, where MIGA issued $431 million in guarantees.

In 2008, MIGA issued coverage for six projects under its Small Investment Program (SIP), which streamlines procedures for guarantees worth less than $5 million. The guarantee total for these nine projects was $8.6 million – much less than the average MIGA guarantee of $50 million. The beneficiaries of the SIP include companies in post-conflict Afghanistan, the Democratic Republic of Congo and Rwanda.

Technical Assistance and Advisory Services

In addition to guarantees, MIGA offers long-term technical assistance to help countries attract foreign investment and promote exports through investment promotion agencies and programs.

Within the World Bank Group, MIGA has cooperated in technical assistance and investment promotion activities in a number of markets, including Bangladesh, Sierra Leone, Tajikistan, Mali, Mozambique, and Nicaragua among others.

Disclosure and Environmental Safeguards

Fulfilling MIGA's mandate and ensuring socially and environmentally friendly foreign direct investment requires periodic reassessment of MIGA's policies and standards. In 2007, with guidance from its Board, MIGA developed new draft policies on social and environmental sustainability and disclosure which were made public for stakeholder comment. The new policies came into effect on October 1, 2007.

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.miga.org

World Bank Group

International Finance Corporation (IFC) Request: $0.0

The International Financial Corporation (IFC), a member of the World Bank Group, was chartered in 1956 to promote private sector development, foreign investment, privatization, and efficient financial markets in developing countries. The IFC makes loans and equity investments in private sector projects in developing countries, mobilizes private capital in addition to its own resources, and provides advisory and technical assistance services to advance the development of the private sector.

For FY 2009, the Administration is not requesting any funding for the IFC.

Key Facts

- The United States is the IFC's largest shareholder, owning 24% of IFC's capital.
- The IFC is the largest multilateral financial institution investing in emerging market private sector projects and municipal finance. Because it lends without a sovereign guarantee, it is fully exposed to the commercial risks of its investments.
- In FY 2008, the IFC committed $16.2 billion in new investments in 372 projects. This included $11.4 billion in new commitments for its own account and $4.8 billion in funding from other commercial banks and financial institutions through its B-loan program (syndicated loans with private banks where the IFC is the lender of record).
- At the end of FY 2008, IFC's committed portfolio totaled $32.4 billion, consisting of $16.2 billion in loans, $4.9 billion in equity investments and $3.8 billion in guarantees and other structured finance products. Outstanding commitments under the B-loan program totaled $4.8 billion.

Supporting Development Priorities

Responding to the Global Financial Crisis

The IFC has approved four crisis response facilities designed to leverage donor government or bilateral agency funds and, in some cases private sector investors, to assist in restarting the flow of private capital to emerging markets. They are:

1) a $1 billion Bank Recapitalization Fund;
2) a $300 million Infrastructure Crisis Facility;
3) a $500 million Microfinance Liquidity Facility; and
4) a $3 billion Global Trade Finance Program (increased from $1.5 billion) to provide guarantees for trade finance.

The Microfinance Liquidity Facility has already approved investments in 36 microfinance institutions across 16 countries. The Global Trade Finance Program complements and extends the current capacity of commercial banks to deliver trade financing by providing risk mitigation in challenging markets. During FY 2008, IFC issued over $1.4 billion in guarantees to support more than 2,000 individual trade transactions. The IFC has issued $2.5 billion in guarantees for more than 3,000 individual trade transactions since the program's inception in 2005. The IFC now provides risk coverage for 122 banks across 61 countries and territories including Burundi, Gambia, Nepal, Nicaragua, Tajikistan, and the West Bank and Gaza. IDA countries – most of them in Africa – accounted for 51% of the total volume of guarantees issued in FY 2008.

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.ifc.org

In addition, the IFC intends to create a $1 billion Global Trade Liquidity Program, to provide funding for trade finance, and a Distressed Asset Recovery Program of up to $500 million. Other initiatives in their early planning stages include a Food Fund proposal to support key companies along the food supply chain in sub-Saharan Africa and frontier emerging markets, and expanded private equity funds targeted toward SMEs.

Managing for Results

The IFC's Development Outcome Tracking System – known as DOTS – measures the development effectiveness of its investment and advisory work. Beginning in 2007, IFC is the first multilateral development bank to report on current development results for its entire portfolio and to have an external firm review the application of its methodology and reported results. In addition, in FY 2008 the IFC also launched a development results portal (www.ifc/org/results). Looking forward, IFC's results reporting will help stakeholders understand how its investments and advisory work fit together. In infrastructure, for example, IFC makes direct investments and advises governments on private sector participation in infrastructure services. The IFC's FY 2008 investments and advisory projects will combine to mobilize over $2 billion, reach 61 million customers, and provide revenues or savings of up to $16.5 billion for host governments. IFC's infrastructure portfolio in 2007 mobilized private investments of $10 billion, which reached 431 million customers and contributed to $5.4 billion to government revenues or savings.

Supporting SMEs through Microfinance

The IFC spent $152 million in 97 countries to provide advisory services in the following areas: access to finance, corporate advice, business enabling environment, infrastructure, and environmental and social sustainability. The largest shares went to Sub-Saharan Africa (28%) and Europe and Central Asia (20%).

- BRAC, based in Bangladesh, is the world's largest nongovernmental organization, with more than 100,000 employees. Its microfinance and development programs cover all 64 regions of Bangladesh. To increase access to finance, IFC is supporting BRAC's lending with local currency funding that will benefit smaller businesses. The country's fragmented and relatively small banking sector, whose total assets of $30.5 billion are coupled with single-client exposure limits, hinders the ability of local banks to meet BRAC's growing needs. With IFC's guarantee, BRAC will be able to reduce its dependence on grants for growth and thus accelerate its outreach to the poor, particularly women borrowers.

Addressing the Agricultural Challenge

Soaring global food prices and demand for staples are putting pressure on farmers and other producers. IFC is helping to improve the efficiency and development impact of agribusiness enterprises. IFC aims to sharply increase its investments to $400 million in the next two to three years, up from less than $10 million last year. In FY 2008, IFC committed $72.5 million in new investments in Ghana, Kenya, Tanzania, and Uganda. To help countries address higher food prices, IFC will scale up investment and advisory support to agribusiness operations in Africa and elsewhere. IFC aims to finance new investments as well as to expand working capital requirements of firms; to develop new financial instruments that facilitate commodities trade; and to address fundamental constraints as land titling, supply chains, and infrastructure.

Note: World Bank Fiscal Year: July 1-June 30; Internet website: www.ifc.org

Global Environment Facility (GEF) Request: $86.5M

Launched in 1991, the Global Environment Facility (GEF) is the world's leading multilateral financier of projects that benefit the global environment. It provides partial funding, mostly grants, for projects that provide global environmental benefits like reducing greenhouse gas emissions and conserving biodiversity. The GEF is legally a trust fund of the World Bank, and its projects are implemented by other international agencies, including the World Bank, the United Nations Development Programme (UNDP), and regional development banks. The GEF has 176 member countries and a 32 member governing board. The GEF only funds the parts of projects that produce global environmental benefits. The GEF directly benefits the United States by reducing harmful, long-lived chemicals in our air and water, reducing global greenhouse gas (GHG) emissions, protecting international marine resources (such as international fish stocks), and by protecting carbon sinks like tropical rain forests. The GEF serves as the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and as such is expected to play an important role in this area in the post-Kyoto Protocol period.

For FY 2010, the Administration is requesting $80.0 million for the United States' final payment towards its fourth replenishment (GEF4) pledge of $320 million. The Administration is also requesting $6.5 million to cover a portion of arrears to the GEF ($169.53 million total), which would leverage approximately $15.6 million in funding from other donors that has been held back in response to U.S. arrears.

Key Facts

- The United States is the largest contributor to GEF4, with a share of 14%, a significant reduction from the U.S. share of 19.5% in GEF3.
- Since its inception, the GEF has approved over $8.3 billion in grants, which has leveraged approximately $30 billion in co-financing to support more than 2,000 projects in 165 countries. During FY 2008, the GEF approved $633 million in grants for 106 projects.
- The GEF's projects fall into seven categories. Cumulative grant allocations to these areas since 1991 has been as follows: biodiversity conservation (33%); reducing or avoiding GHG emissions (33%); international waters (13%); combating desertification and deforestation (5%); reducing persistent organic pollutants (POPs) (3%); cross-cutting projects (11%); and phasing out ozone-depleting chemicals (3%).
- Top country recipients of GEF resources have been: China ($768 million), Brazil ($352 million), Mexico ($306 million), and India ($266 million).

Supporting Development Priorities

Institutional Effectiveness

GEF management has demonstrated a strong track record in implementing the reforms agreed as part of the GEF4 replenishment, including:

- A streamlined project approval process that aims to cut the amount of time it takes to develop and approve a GEF project by 50% to 22 months.
- New focal area strategies with results-based management frameworks that include measurable portfolio-wide indicators to better enable the GEF to monitor progress in attaining its objectives.
- Implementation of a performance-based allocation system – the GEF's Resource Allocation Framework (RAF) – which covers two-thirds of the GEF's resources. A recent independent review found that the RAF had enhanced country ownership, transparency, and project prioritization in most cases but also found important areas for improvement.

Note: GEF Fiscal Year: July 1-June 30; Internet website: www.gefweb.org

Fighting Climate Change

- Since 1991, GEF climate change projects already completed or underway are expected to reduce or avoid more than two billion metric tons of GHG emissions. This is equivalent to about two times Germany's annual GHG emissions.
- Two GEF thermal power projects in **India** and **China** aim to reduce carbon emissions by over 100 million tons over twenty years through an investment of about $65 million.
- A GEF energy efficiency project in **Thailand** helped transform the domestic markets for efficient lighting and refrigerators. The market share for efficient light bulbs increased from 40% to 100% of the market, while that for efficient refrigerators increased from 12% to 96%. Similar projects in **Mexico**, **Poland**, and **Jamaica** also obtained positive results.

Protecting Biodiversity

- With GEF assistance, Ecuador has significantly enhanced its protection of the **Galapagos Islands** through the introduction of new policies, laws, and systems to prevent the introduction and spread of harmful invasive species. Feral goats have been eradicated from several islands, and authorities prevented the outbreak of a deadly pathogen among the archipelagos' sea lion population in 2008.
- GEF projects in **Uganda** and **Kenya** helped enhance the conservation of mountain gorillas and black rhinoceros in both countries through improved management and enhanced financial sustainability of key protected areas.
- A GEF project in Mexico to establish a system for environmental service payments will provide tangible economic benefits to landholders in exchange for their conserving approximately 200,000 hectares of important habitat that lies outside of protected areas.

Eliminating Harmful Pollutants

- The GEF is helping 135 countries to improve their capacity to reduce and eliminate releases of toxic chemicals under the Stockholm Convention on persistent organic pollutants, including PCBs, dioxins, furans, and DDT.
- A GEF project is aiming to safely dispose of over 50,000 tons of obsolete pesticides that threaten the health of thousands of people in seven African countries.

Note: GEF Fiscal Year: July 1-June 30; Internet website: www.gefweb.org

Climate Investment Funds — Request: $600.0M

International climate policy must effectively balance the necessities of economic development on the one hand, and climate change mitigation and adaptation on the other. The Climate Investment Funds (CIF) are an important vehicle for achieving that balance as they promote low-carbon and climate-friendly economic growth in developing countries. This $600 million request is the first part of a proposed $2 billion U.S. commitment to the CIF which would make the United States the lead donor. The CIF are located at the World Bank where they will leverage the capital bases and country program expertise of the World Bank and the other multilateral development banks as well as the donations of other contributing countries. Efforts to create these funds were led by the United States, the United Kingdom, and Japan with considerable input from potential recipient countries, including China, India, and Brazil. They have received broad and enthusiastic buy-in from developed and developing countries alike.

The CIF are comprised of the Clean Technology Fund and Strategic Climate Fund. $500.0 million of the request is for the Clean Technology Fund (CTF), a $5.3 billion dollar effort to reduce the growth of greenhouse emissions in developing countries by catalyzing large-scale private sector investments through financing the additional costs of commercially available cleaner technologies over dirtier, cheaper alternatives. By funding the extra cost of the cleaner technology, the CTF will incentivize cleaner projects that will leverage development bank financing, and attract new investor capital into low carbon sectors. The remaining $100.0 million is for the Strategic Climate Fund (SCF), a new $1 billion dollar suite of programs to pilot transformative approaches to adaptation, forestry, and energy for the poor.

The CIF satisfy an immediate need to catalyze activity that is otherwise unfulfilled. Given the rapid pace of emissions growth in developing countries, significant financial flows are needed now to help move countries onto cleaner development paths and promote climate resilience now, before a new climate agreement comes into force after 2012. In addition, the CIF has been a demonstration of U.S. leadership in the fight against climate change, receiving broad international support. As we move towards the Copenhagen climate conference in December, where the new agreement will be negotiated, fulfilling the U.S. commitment to the CIF will enhance our credibility among our international partners and will reinforce the Administration's determination to make the U.S. a leader on climate change. Lastly, the practical experience gained through the implementation of these funds will constructively inform the design of the post-2012 international financial architecture.

Key Facts

- The World Bank Board approved creation of the CIF on July 1, 2008.
- The United States and nine other donors (Australia, France, Germany, Japan, Norway, Spain, Sweden, Switzerland and UK) have proposed contributions of $6.3 billion.
- The CIF have an innovative new governance structure that gives equal voice to donor and potential recipient countries and includes participation by civil society and the private sector.
- The CTF was launched in October 2008 and the first investment plans, for Mexico, Egypt and Turkey, were approved in January. The governing committee is currently considering project proposals for funding.
- The SCF has established and is preparing to launch three programs, the Forest Investment Program (FIP), the Pilot Program for Climate Resilience (PPCR) and the Scaling Up of Renewable Energy Program (SREP).
- The CIF are interim measures that will be reviewed when a post-2012 agreement is reached to determine whether it should be closed, merged with other mechanisms, or extended.

Supporting Development Priorities

The fund will support themes of U.S. energy and climate change policy by:

- Reducing greenhouse gas emissions (GHG) while promoting economic growth and development;
- Creating new jobs in the clean energy economy;
- Investing in the next generation of energy technologies;
- Ensuring that the United States will be a leader in addressing global climate change both by making contributions and engaging other countries to do the same; and
- Working with the international community to reach a new agreement in Copenhagen.

Inter-American Development Bank Group

Inter-American Development Bank (IDB) and the Fund for Special Operations (FSO) — Request: $0.0

The Inter-American Development Bank Group is composed of the Inter-American Development Bank (IDB), the Fund for Special Operations (FSO), the Multilateral Investment Fund (MIF), and the Inter-American Investment Corporation (IIC). The United States co-founded the IDB in 1959 along with 19 other member countries. The primary goal of all the elements of the Bank Group is to reduce poverty by promoting economic growth in Latin America and the Caribbean.

The Bank's primary lending window is non-concessional Ordinary Capital (OC). During the last capital increase for the Bank (IDB-8) in 1994, the United States agreed to purchase shares of paid-in capital worth a total of $153.7 million, with subscriptions to be provided in six equal installments from 1995 through 2000.

The FSO is the concessional window of the IDB and focuses on economic development in the hemisphere's poorest nations: Bolivia, Guyana, Haiti, Honduras, and Nicaragua. The FSO makes concessional loans with interest rates of 1 to 2% and maturities of up to 40 years to help these countries address critical development needs. The FSO was established at the same time as the Bank in 1959. In March 2007, an agreement was reached on a U.S.-initiated proposal to provide $3.4 billion in debt relief to the five FSO countries, at no additional cost to the United States or other donors. Under this agreement, FSO countries will receive positive net flows from the FSO. Haiti received $50 million annually in grants through 2008 and $100 million in 2009.

For FY 2010, the Administration is not requesting any funding for the OC or the FSO.

Key Facts

- The United States is the largest historical contributor to the IDB and is the largest shareholder with 30% of both shares and votes in the institution. The United States is the largest contributor to the FSO, providing over 50% of the total funds pledged over the history of the fund, giving the United States a veto over FSO projects.
- In 2007, IDB made new lending commitments of $11.2 billion and has made lending commitments totaling $166 billion since its inception.
- The FSO made a total of $150 million in new loans and $50 million in grants during 2008, bringing the cumulative total to $18.4 billion since inception. This lending leveraged an additional $344 million in OC lending to FSO countries through the blending mechanism established in the 2007 debt relief agreement.
- Since mid-2007, the IDB has incurred cumulative valuation losses on its investment portfolio, primarily in asset backed securities ($1.88 billion as of April 2009). Of these losses a small proportion have been realized ($79 million as of April 2009). The IDB expects full recovery on the vast majority of the unrealized losses. The Treasury has been working with the IDB to create a productive way forward that includes revisions of investment guidelines and policies.

Supporting Development Priorities

The IDB has now fully implemented the reorganization ("realignment") approved by the Board of Governors in 2006. The new organizational model seeks to better respond to the new demands of the countries in Latin America and the Caribbean. The main objectives are to strengthen the Bank's strategic capacity, deepen its leadership, increase its flexibility and transparency in decision-making, and make monitoring and

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iadb.org control functions more efficient. In 2008 the Board of Executive Directors approved the Development Effectiveness Framework (DEF). The DEF gives the Bank the tools to assess the performance of operations, learn from experiences and increase the effectiveness of its loans. The tool will allow the Bank to more effectively allocate its resources towards those operations that have a maximum development impact.

In response to the credit crisis, the IDB created a Liquidity Program for Growth Sustainability to meet the region's short term liquidity needs. A total of $6 billion dollars is available for central banks and governments to lend through commercial banks facing transitory liquidity constraints. The program was approved by the Board of Governors in October and, by the end of the year, two operations were approved for El Salvador ($400 million), Jamaica ($300 million), Costa Rica ($500 million), Panama ($500 million), and the Dominican Republic ($300 million).

The IDB was also active in its response to the food price crisis. The Bank established 1) a $20 million set-aside from its Social Fund to assist countries developing social safety nets, 2) a thematic fund financed with the Bank's capital and supplemented by a donor trust fund, and 3) a lending facility to provide faster access to loans intended to finance the costs of meeting social needs and projects to expand output and productivity in the long term.

Promoting Private Sector Development

In 2008, the Board approved the first projects in the Opportunities for the Majority Initiative (OM). The goal of this initiative is to promote and finance an emerging business model that engages poor and low income communities, together with private businesses, to develop and deliver quality products and services, create employment opportunities, and integrate this population in the productive sector. OM projects approved in 2008 include: a partial credit guarantee to CEMEX for a municipal street paving plan in underserved communities in Mexico, a loan to a second-tier trust that provides credit to non-regulated microfinance institutions in El Salvador that will benefit approximately 10,000 urban and rural micro-entrepreneurs who currently do not have access to adequate financing.

Supporting Regional Infrastructure and Integration

More than half of the Bank's 2008 lending went toward projects aimed at filling critical infrastructure gaps and fostering regional integration to promote private sector growth. Targeted sectors included energy, transportation, capital markets, investment in productive infrastructure, and technological modernization. The IDB's largest and most visible project in Central America, a $400 million loan to the Panama Canal Authority (an autonomous government-owned entity), consists of the construction of a third set of locks and lock complexes that can handle the larger freight vessels, excavation of access channels to the new locks, dredging the (man made) Gatun Lake and other navigation channels to make them deeper and wider, and raising the level of the lake to its maximum operational level. Of the total cost, the borrower itself will contribute $3.0 billion in equity financing.

Promoting Good Governance

In 2008 former U.S. Attorney General Thornburg co-chaired a group of external reviewers who presented an evaluation of the Bank's anti-corruption framework, including its Office of Institutional Integrity (OII), the Bank's internal investigation unit. The report made 58 recommendations, including separating the OII from the President's Office into a stand-alone office reporting to the President's Office and updating a Bank-Group-wide Anti-Corruption Strategy and Action Plan. Bank management has committed to presenting an action plan in spring 2009 on implementing several of the recommendations.

The Bank's new sanctions process commenced in the third quarter of 2006. To date, the Sanctions Committee has imposed sanctions on 49 parties: 12 firms and 37 individuals have been banned from participating in Bank-financed projects from periods that range from three years to permanent debarments. In addition, six letters of reprimand were issued to four individuals and two firms. These sanctions are public and can be accessed on the Bank's Integrity website.

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iadb.org

Inter-American Development Bank Group

Multilateral Investment Fund (MIF) Request: $25.0M

The MIF, established in 1992 and administered by the Inter-American Development Bank (IDB), works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. The MIF's ability to partner directly with non-governmental organizations and business groups, as well as government entities, has made it an important instrument for reaching out to a broader spectrum of groups in the development process. MIF projects incorporate a significant degree of counterpart financing with a goal of having 50% of project costs borne by local counterpart contributions. The MIF is providing highly-focused support for private sector development and privatization in Latin America and the Caribbean through the provision of technical assistance on regulatory and legal reforms, re-training of the workforce, and increasing productivity and competitiveness of small businesses and micro-enterprises.

For FY 2010, the Administration is requesting $25.0 million for the fourth installment of the first replenishment of the MIF (MIF II).

Key Facts

- The United States and Japan are the largest contributors. Each pledged $500 million of the original $1.15 billion fund. Negotiations for the first replenishment of the MIF were completed in early 2005, with the United States pledging $150 million and Japan pledging $70 million out of a total of $502 million, to be paid in six equal instalments beginning in 2007.
- In 2008, the MIF donors approved 139 technical assistance and investment projects totalling $166 million, of which 125 were grant projects totalling $106 million and 14 were investments totalling $60 million. Since its inception in 1992, the MIF has approved 1,196 projects for a total committed value of over $1.6 billion.

Supporting Development Priorities

MIF II Replenishment

In January 2005, MIF donors agreed to replenish the fund starting in FY 2007. Five new countries joined MIF II and total pledges received were $502 million. The United States was successful in reaching its objectives of aligning procurement policy with the World Bank, improving results measurements, increasing efficiency, instituting a sunset clause, and securing a commitment to maintain MIF II grant funding at MIF I historical levels (roughly 75% of all approvals). MIF II entered into force in March 2007.

Improving the Business Climate and Financial Institution Development

In 2008, the MIF continued to finance projects to increase small and medium enterprise (SME) access to credit by developing financial institutions in rural areas, increasing the impact of worker remittances on development, and assisting bank and non-bank institutions to develop new credit vehicles such as factoring and franchising. MIF SME development projects range across all sectors, including agriculture, tourism, manufacturing, and services.

As part of the U.S. Government's Small Business Initiative, announced by the Treasury in June 2007, the MIF Donors Committee approved an initial $10 million line of activity for regional banks to support an expansion of their lending to small businesses. This line of activity will fund technical assistance to banks to improve their ability to reach this segment of the market. In addition to receiving this technical assistance,

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iadb.org/mif banks may receive guarantees or funds for onlending from OPIC or the IIC. The MIF approved seven projects in 2008 for $3.2 million, and leveraged $3.3 million in partner funding.

In July, the MIF Donors Committee approved a $500,000 technical cooperation grant to Banco Agromercantil of Guatemala (BAM) to strengthen its institutional capacity so that it can significantly expand its lending operations for SMEs around the country. Over 7,000 microenterprises and 3,600 small businesses will receive financial services from BAM for the first time.

Remittances and Micro-Finance

The MIF has been internationally recognized for its groundbreaking work on remittances. Working with other IFIs, the MIF works towards better measurement of these flows by: developing and disseminating data on the remittance market, engaging in efforts to lower transaction costs, promoting access to financial services, and channeling a portion of remittance flows for productive investment. The MIF seeks to explore emerging technology trends in the market for remittance transfers to identify ways to further reduce the cost of sending money.

In March 2008 the MIF's remittances program completed the last of its large scale surveys of remittance senders and recipients. These surveys have resulted in improved market competition while bringing to light the sizable contribution migrant workers make to their countries of origin. The surveys have shown that the cost of sending remittances has decreased from 15% of the amount sent in 2000 to 5.6% in 2008.

The micro finance sector in Latin America and the Caribbean is not immune to the impact of the financial and credit crisis. To ease the liquidity squeeze for microfinance institutions and help them adjust their growth in an orderly fashion, the MIF contributed an additional $20 million in December to the Emergency Liquidity Facility (ELF) to help microfinance institutions address liquidity problems arising from the credit crunch.

In June, the MIF Donors Committee approved a $4.26 million technical cooperation grant to Centro de Acción Microempresarial (CAM) to contribute to the expansion of sustainable microfinance services beyond the urban areas where such services are already established. The project will benefit more than 290,000 rural families, and approximately 1,500,000 people benefited indirectly in Colombia, Ecuador, Nicaragua, Peru, the Dominican Republic, and soon in Brazil. Specifically, the project will help implement a comprehensive microfinance model that that provides financing via specialized products, especially for the rural sector, including value chains, alternative and simultaneous distribution chains, and technological innovations.

Promoting Good Governance

In February, the MIF issued the action plan for Corporate Governance for Small and Medium Family Enterprises to support the SME sector in the region through the promotion and implementation of governance structures, sound management, and family charters with succession plans, and thereby to sustain growth and enhance competitiveness.

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iadb.org/mif

Inter-American Development Bank Group

The Inter-American Investment Corporation (IIC) Request: $4.7M

The Inter-American Investment Corporation (IIC) was established in 1984 to promote private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

For FY 2010, the Administration is requesting $4.67 million to clear 10% of the U.S. arrears to the IIC.

The United States is $46.1 million dollars in arrears to the IIC. The deadline to pay subscribed shares from the 1999 capital increase expired March 31, 2008 (the original deadline was October 31, 2007, but an extension was granted).

Despite reluctance by IIC membership to extend the deadline, the United States was able to successfully broker another extension in which the United States would pay 10% of its arrears in 2010, 45% of its arrears in 2011 and 45% of its arrears in 2012. If the United States fails to make payments on this schedule, shares will be available for purchase by other IIC members on a *pro rata* basis.

With current arrears, the U.S. voting percentage in the IIC is 19.75%. If U.S. shareholding remains below 20%, the United States will lose veto over transfers of shares among members and charter amendments.

Key Facts

- The United States is the largest single shareholder in the IIC, with 19.75% of the total shares. The U.S. commitment in the first general capital increase, approved in December 1999, was for $125 million out of a total increase of $500 million.
- In 2008, the IIC approved 64 projects totaling $300.6 million while leveraging another $301 million from other sources mobilized by the IIC.
- IIC's gross income in 2008 totaled $83.4 million; capital gains, dividends and other income from the equity investment portfolio totaled $2.5 million for the year. The IIC's total administrative expenses were $24.7 million resulting in a net profit of $13.9 million, the sixth consecutive year the IIC has posted a profit, reversing the losses incurred during the 2001-2002 regional financial crisis.
- Since its inception the IIC has approved 562 projects, programs, and agency lines, totaling $3.3 billion. To date, the IIC has disbursed over $207.4 million for equity investments (directly to SMEs or financial institutions and also to SMEs through private equity funds).

Supporting Development Priorities

Managing for Results

The IIC's new system for ex-ante assessment, tracking, and reporting on the development impact and additionality of IIC projects was instituted in 2008. To be eligible for IIC financing, projects must have a score at or above a minimum threshold that increases as the project's expected financial contribution decreases. Further testing of this important measurement tool during the year, including retro-fitting its assessments to previously-approved projects, strengthened its utility.

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iic.int

Promoting Private Sector Development – SMEs and Microfinance

In 2008, the IIC reaffirmed its commitment to lending to small and medium-sized enterprises (SMEs) by expanding two key programs: the Small Business Revolving Line of Credit (SBRL) and a program for funding specialized financial institutions in Mexico (IFEM). The SBRL program offers small loans to SMEs under standardized eligibility requirements and operational terms with prudent limits for individual operations and overall exposure.

In 2008, the SBRL program was expanded to include Belize and Guatemala, bringing to seventeen the number of countries in the region where SBRL financing is now available. Twelve SBRL operations were approved in 2008.

Projects include:

- Jamaica: A $350,000 SBRL loan to BOS Blocks and Tiles Limited. The loan will help to purchase a larger capacity excavator for bauxite ore. The company began as a small family-owned entity and now has more than 70 employees.
- Bolivia: La Francesa, S.A. received an SBRL loan of $428,000 in 2008 to refinance short-term debt and make capital improvements in its production system. La Francesa is a small Bolivian company that produces and distributes high-quality, price-competitive baked goods and milk beverages.

As a means of increasing support to SMEs in the region, in 2008 the Board of Executive Directors also approved the creation of the Technical Assistance and Strategic Partnership division. This will allow the IIC to more systematically provide value-added services to SMEs. These services will support the IIC's lending and investing activities by delivering nonfinancial services to its target market.

Examples of SME projects approved in 2008 include:

- Costa Rica: The IIC provided $1.2 million to help a pork processor address its working capital needs and improve its processing plant and equipment. The company had benefitted from earlier assistance through the IIC's FINPYME program, which provides diagnostic reviews of SMEs to gauge their competitive positions and develop a roadmap for improvement.
- Guatemala: The IIC provided a loan of $10 million to the Banco de America Central to finance growth of the bank's portfolio, especially financing for SMEs.
- Chile: The IIC provided a loan of $5 million to Neopak, S.A. to produce boxes for exporters of fruit, salmon, wine, and other products.

Note: IDB Fiscal Year: January 1-December 31; Internet website: www.iic.int

Asian Development Bank Group

Asian Development Bank (AsDB) — Request: $0.0

The Asian Development Bank (AsDB) was established in 1966 to promote sustainable economic development, reduce poverty, stimulate private sector-led growth, and facilitate sub-regional cooperation in the Asia-Pacific region. The AsDB's hard loan window (Ordinary Capital Resources or OCR) provides assistance in the form of loans, guarantees, equity investments and co-financing to governments and private sector projects at market rates. AsDB lending is financed by bond issues on the international financial markets, loan repayments, and interest earnings on existing loans. The AsDB has a AAA credit rating.

The AsDB is funded through periodic capital increases and through capital market operations. In FY 2000, the United States made the final payment for its subscription to the Bank's last general capital increase (GCI IV). The AsDB is seeking approval for GCI V, with subscriptions expected to begin in FY 2011.

For FY 2010, the Administration is not requesting any funding for the AsDB.

Key Facts

- The United States is a founding member of the AsDB. The United States and Japan are the largest shareholders, each with a 15.7% share in the institution and 12.9% of votes.
- In 2008, the AsDB approved $8.84 billion from the OCR window, which includes rapidly growing private sector assistance amounting to $1.6 billion. The AsDB also provided $292 million for 308 technical assistance projects in 2008.
- By volume, the OCR focuses on the transport and communications sector projects (34% of the total), followed by law and public sector management (22%) and energy (19%).
- Major borrowers from the AsDB include India (33%), China (20%), and Pakistan (13%) in 2008.

Supporting Development Priorities

Responding to the Financial Crisis

The AsDB is taking aggressive action to meet the needs of the region by maximizing the use of existing resources without undermining the Bank's capital adequacy. To meet needs of the borrowers from the OCR window, the AsDB will:

- Increase lending by $2 billion to $10.5-10.7 billion;
- Expand the AsDB's guarantee program to $2.1 billion;
- Aggressively mobilize cofinancing of $1-2 billion from other development partners and commercial sources; and most importantly,
- Pending approval of a General Capital Increase (GCI), the AsDB will increase lending from the OCR window to $12 billion annually from 2009-2012.

Managing for Results

Key components of the AsDB's results strategy are to incorporate results measurement (MfDR) methodologies into its lending operations, country strategies and institutional processes. AsDB reports annually on progress of the results agenda through its Development Effectiveness Report. While the AsDB needs to make further progress on implementing the MfDR agenda throughout the institution, some accomplishments the AsDB has made in 2008 on the results agenda include:

Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

- *Providing Support to Developing Member Country (DMC) capacity to manage for results:* The AsDB-sponsored Community of Practice on MfDR has come to be acknowledged as an innovative approach to help build MfDR capacity at the country level in a sustainable manner and is now being replicated in Africa.
- *Improving Institutional Effectiveness through Managing for Development Results:* The AsDB has continued to improve the quality of design and monitoring frameworks and the positive trend has been verified by independent evaluation assessments.

Promoting Private Sector Development

With U.S. support, the AsDB has significantly expanded and diversified the scope and scale of its private sector activities. In 2008, 16 non-sovereign private and public sector projects (including loans, equity investments, and guarantees) were approved for $2.5 billion, which is an increase from $1.7 billion in 2007. Some notable projects approved in 2008 include:

- **Afghanistan: Roshan Telecommunications Expansion**. The AsDB will participate in an expansion of the largest mobile telecommunications service provider in Afghanistan to address unmet demand for affordable telecommunications services in semi-urban and rural areas to support pro-poor, inclusive economic growth. The project will help network expansion for telecommunications services in rural and war-torn areas constrained by lack of funds and funding sources.

Good Governance

The United States has been the leading voice at the AsDB to press for stronger internal controls and procurement rules and procedures. The AsDB has put in place an independent accountability mechanism to ensure it is responsive to the queries and concerns of civil society and, specifically, to those persons adversely impacted by AsDB projects. The Integrity Division of the AsDB Auditor General's Office investigates allegations of fraud and corruption. The AsDB publishes annual reports of the Integrity Division on its website.

As part of its institutional reforms, the AsDB is taking positive steps to improve its public communications and disclosure policies to increase transparency. A 2007 report on accountability and transparency in international organizations compiled by an independent NGO rated the AsDB as one of three top performers among 30 assessed organizations.[1]

Safeguards

The AsDB places a great deal of importance in implementing its safeguard policies to minimize or mitigate potential adverse environmental impacts and social costs that may result from development projects. The AsDB is currently updating its safeguards policies to improve their effectiveness and enhance their relevance. As part of this review process, AsDB has engaged extensively and constructively with stakeholders. From 2007 to 2008, the AsDB consulted with stakeholders, including 14 multi-stakeholder workshops representing governments (regional and non-regional), civil society organizations, academic institutions, development agencies and private sector organizations. Taking into account suggestions and comments received during the extensive external consultations, the AsDB is now preparing the final safeguard policy statement paper for Board consideration.

1 2007 Global Accountability Report compiled by One World Trust

Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

Asian Development Bank Group

Asian Development Fund (AsDF) Request: $115.3M

Since 1973, the Asian Development Fund (AsDF), the AsDB's concessional financing window, has provided financing and policy advice to the poorest countries in the Asia-Pacific region. AsDF funds are primarily used by those member countries with low per capita incomes, limited debt-repayment capacity, and limited access to financial markets to promote economic growth and reduce poverty. AsDF operations are financed by periodic financial replenishments from donors, as well as repayment inflows and annual contributions from net income of the AsDB.

For FY 2010, the Administration is requesting $115.3 million for the first installment of a four-year commitment under the agreement of the ninth replenishment of the AsDF (AsDF10). The U.S. total four-year commitment for AsDF10 of $461 million contributed to a total $11 billion replenishment, which will provide up to $2.75 billion in grant assistance. Negotiations for the AsDF10 replenishment were concluded in May 2008.

Key Facts

- The United States is a founding member of the AsDF. The United States' AsDF10 commitment accounted for 11% of total donor contributions, following Japan (35%), which is the largest contributor to the AsDF.
- In 2008, the AsDF approved loans and grants of $2.5 billion. Support by sectors includes law and public management (20%), followed by transportation and communications (12%) and energy (11%) sectors. Multi-sector projects accounted for 28% of total approvals.
- Currently, 29 countries are eligible to receive AsDF resources. The largest recipients of AsDF resources are Afghanistan, Bangladesh, Pakistan, and Vietnam.

Supporting Development Priorities

Responding to the Financial Crisis

The Asian Development Bank (AsDB) is taking aggressive action to meet the needs of the region by providing additional resources without undermining the Bank's capital adequacy. In order to meet the needs of the poorest, the AsDB is frontloading AsDF10 Replenishment such that lending and grants to the poorest developing member countries will be on average 30% higher compared to the previous replenishment. As a result, overall AsDF lending and grants in 2009 will increase to $3.1 billion (compared to the $2.6 billion baseline). This will be aided in part by the AsDB's commitment to triple its net income allocation to the AsDF in 2009. This effort to provide additional resources to the poorest may continue through 2010.

Highlights of AsDF10 Accomplishments

Measuring Results

At the country level, new Country Partnership Strategies (CPSs) are now results-based, which means more effective monitoring and evaluation processes and dissemination of best practices and lessons learned. AsDB reports annually on progress of the results agenda, including for AsDF member countries, in its Development Effectiveness Report. From mid-2006 through end 2008, the AsDF also processed a total of 6 technical assistance projects to help 27 member countries provide data and other capacity in tracking results. The quality-at-entry of CPSs results frameworks has been improving over time, for which the United States is the

Note: AsDB Fiscal Year: January 1-December 31; Internet website: www.adb.org/adf most vocal advocate. The results frameworks for the CPSs of Mongolia, Indonesia, and the Kyrgyz Republic are among those that have used generally sound and measurable performance indicators.

Grants

A grants framework, adopted through AsDF9, is now fully integrated into the AsDF operations. A total of $1.75 billion has been approved for grants through 2008. Reflecting its priority to the United States and the AsDB, Afghanistan is the largest recipient of AsDF grants, receiving $254 million in 2008 (approximately $1 billion is expected during AsDF10).

- AsDF-financed projects in Afghanistan focus on rehabilitation and reconstruction of infrastructure, such as road networks and energy distribution, and capacity development and technical assistance for the government.

Governance, Supporting Good Performers and Fighting Corruption

The AsDB is currently implementing its Second Governance and Anti-corruption action plan, which the United States strongly supports. Much of the work involves support for technical assistance in member countries.

- In the Pacific Region, the AsDB approved a regional technical assistance grant for strengthening governance and accountability in the Pacific Island Countries. Co-financed with Australia, the program strengthens public auditing capacity to fight corruption.
- In Cambodia, the AsDB approved two grants to support improvements in public financial management and development of audit capacity in four separate ministries.
- In the Philippines, the AsDB provided technical assistance for building capacity in the court system, particularly in the areas of judicial fiscal autonomy, increased transparency of judicial decisions, and improved efficiency in case management.

Weakly Performing Countries

The AsDB defines weakly performing countries (WPCs) as those developing member countries which consistently rank in the fourth or fifth quintile of the Country Performance Assessment that the AsDB conducts as a part of the Performance Based Allocation System, or is a post-conflict country. Total approved assistance to WPCs in 2008 was $620 million, or 25% of AsDF approved assistance. Grants comprised 76% of total assistance to WPCs from the AsDF in 2008. Key sectors for approved assistance to WPCs were transport and communications (27%), agriculture and natural resources (14%), and energy (41%). Capacity building and improving governance are important factors in AsDF technical assistance to WPCs.

Note: AsDB Fiscal Year: January 1-December 31; Internet website: www.adb.org/adf

African Development Bank Group

African Development Bank (AfDB) Request: $0.0

Established in 1964, the African Development Bank (AfDB) is the non-concessional lending window of the African Development Bank Group. The AfDB's mission is to promote sustainable economic growth and reduce poverty in Africa. It lends at market-based rates to creditworthy, middle-income African countries with limited access to capital markets in order to finance key poverty reduction programs and economic policy reforms. The AfDB's lending operations are financed by bond issues on the international financial markets (the Bank is an AAA-rated borrower), its international investment portfolio, and internally generated funds.

The United States has been a member of the AfDB since 1983. In 1998, the Bank's shareholders agreed on a 35% general capital increase (GCI 5) to strengthen financial ratios and improve corporate governance. The agreement also increased the influence of the non-regional shareholders from 37.5% to 40%, including the United States. The total capital increase was approximately $7 billion, the U.S. share of which is 5.8%. The total U.S. paid-in capital commitment is $40.8 million to be paid over 8 years ending in FY 2007.

For FY 2010, the Administration is not requesting any funding for the AfDB.

Key Facts

- The United States is the largest non-African shareholder, with 6.3% of the total votes, and the second-largest shareholder overall. Nigeria is the largest shareholder with 8.8%.
- In 2008, the AfDB approved a total of $2.8 billion in loans, grants, and investments. Infrastructure accounted for 43% of AfDB financing, followed by the financial sector and industry, mining and quarrying sectors at 16% and 10%, respectively. The remaining financing covered operations for agriculture and rural development, the social sectors, governance and economic reforms, and debt relief.

Supporting Development Priorities

Responding to the Global Financial Crisis

The AfDB is taking the lead in responding to the financial crisis on the continent by implementing a board-approved package consisting of four initiatives: a $1.5 billion Emergency Liquidity Facility (ELF) for sovereign MICs and non-sovereign clients in MICs and AfDF countries; $1 billion for a Trade Finance Initiative; support for AfDF countries through restructuring non-disbursed funds, front-loading disbursements and the creation of a guarantee instrument to backstop government obligations for infrastructure financing; and, to strengthen its information gathering and analysis, increased collaboration with other MDBs.

Managing for Results

In 2008, the AfDB Board approved an Improving Corporate Performance strategy to increase performance monitoring and coordination. This continues the progress made in 2007 through the introduction of a set of Key Performance Indicators for each Vice-Presidency and department. The indicators guide the departments in executing the 2008 budget, providing managers with targets to be achieved with the use of funds from the budget and for which they will be held accountable.

Human resources reforms such as implementation of a new performance management system in 2008 will also support the transition to results-based management. In July 2008, the Bank approved a set of proposals aligning the compensation framework with its overall human resources strategy and will improve the links between compensation and performance. Project supervision is being strengthened by tracking progress

Note: AfDB Fiscal Year: January 1-December 31; Internet website: www.afdb.org

towards results, rather than project activities and inputs. All public and private sector projects are now designed with a matrix of project results indicators.

Promoting Private Sector Development

Private sector operations are becoming a more important component of the overall activities of the Bank. In 2008, the Bank committed $1.4 billion for private sector projects, private equity participation, and guarantees. Resources for the private sector department continue to be scaled up, and the Bank approved an updated strategy for private sector operations and a framework for assessing development additionality of private sector projects in 2008. In 2008, the Bank approved $1.2 billion for infrastructure projects, most of which went to the transportation and power sectors which are crucial for private sector development. The Bank also agreed to host the Investment Climate Facility, a platform for coordinated efforts among donors to support reforms in African countries to improve the environment for business and investment.

Good Governance

In 2008, the AfDB continued to fine tune the role of its Integrity and Anti-Corruption Division, and doubled the number of investigators. Management has continued to implement its AfDF replenishment commitment to a functionally independent office of the Auditor General. The AfDB approved the addition of more investigators to meet the increased risk of its expanding non-sovereign portfolio and decentralized structure, as well as creating an Ethics Officer to promote awareness and provide confidential advice on ethics policies. In April 2007, the AfDB adopted a whistle-blower policy which covers Bank staff, project contractors and their employees. Drafted at the United States' urging, these procedures protect whistle-blowers from retaliation and are the most far-reaching of any now in force among the MDBs.

In October 2007, the AfDB Board approved an Anti-Money Laundering strategy to bring the Bank's practices in line with the Financial Action Task Force (FATF) and other internationally recognized standards to combat money-laundering and terrorist financing.

The Bank finalized a strategy to guide its country work on governance and anti-corruption in mid-2008. This work is being carried out under the leadership of the Department of Governance, Economic and Financial Sector Management, created in 2006, and will assist member countries build capacity in areas such as extractive industries transparency, public financial management, and public accountability.

In response to U.S. urging, the AfDB publicly releases information regarding Board of Executive Directors' policy and project approvals through its website. As part of the recent AfDF replenishment, management has committed to post project documents on the AfDB website.

Note: AfDB Fiscal Year: January 1-December 31; Internet website: www.afdb.org

African Development Bank Group

African Development Fund (AfDF) Request: $160.0M

The African Development Fund began operations in 1974 as the concessional affiliate of the African Development Bank Group. It provides grant financing and loans on highly concessional terms to Africa's poorest countries. AfDF financing supports investments in infrastructure, health, education, agriculture, water supply and sanitation, and promotes basic economic policy and institutional reforms needed for sustainable economic growth and development. AfDF operations are financed primarily by periodic financial infusions from donors (replenishments), as well as repayment inflows and annual contributions from the net income of the AfDB.

For FY 2010, the Administration is requesting $156.1 million for the second installment of a three-year commitment under the agreement for the eleventh replenishment of the AfDF (AfDF11), along with an additional $3.8 million for arrears to AfDF10 to meet the United States' MDRI commitment for that replenishment. The total $468.2 million commitment by the United States for AfDF11 is part of an $8.9 billion total replenishment.

Key Facts

- The United States is the second-largest contributor to the Fund (after Japan), having paid 11% of the total cumulative contributions as of end-September 2008. In the current AfDF11 replenishment, the U.S. share is 8.7% (behind the UK, Germany and France).
- In 2008, the AfDF approved 57 projects totalling $2.5 billion, of which $710 million were grants. This financing focused on transport (23%); energy (13%) and water supply and sanitation (8%).
- Currently 40 African countries are eligible for AfDF financial support, which has amounted to $30 billion since 1974.

AfDF11 Replenishment

In 2007, the United States participated in the eleventh replenishment of the African Development Fund and secured a series of key policy improvements. AfDF11 maintains the centrality of performance in the allocation of funding resources while improving the implementation of the PBA system.

Managing for Results: U.S. insistence on further progress towards managing for results led to the development of a results framework to guide AfDF's operations during the 2008-2010 period. The framework sets out concrete targets for achieving development outcomes (e.g. rate of household electrification) and institutional performance (e.g. rate of project supervision). Results are being measured at the country, regional and institutional levels.

Fragile States: AfDF11 created a Fragile States Facility to provide additional assistance to post-conflict countries to accelerate the transition process from conflict and decline to stability and growth.

Regional Integration: More resources will be made available for projects that will enhance regional integration. The approach to these kinds of projects was approved to ensure greater ownership and commitment on the part of beneficiary countries.

Note: AfDB Fiscal Year: January 1-December 31; Internet website: www.afdb.org

Supporting Development Priorities

Managing for Results

Country Strategy Papers must include clear indicators to monitor progress in implementation and achievement within a results framework. All AfDF operations now contain results-based matrices summarizing targeted impacts, their timeframe, and the critical assumptions or risks to be monitored. The AfDF11 results framework sets targets for development outcomes that align with AfDB's strategic priorities of infrastructure, governance, regional integration and private sector development. Additionally, there are targets in priority areas that capture institutional performance in project quality, project supervision, evaluation and field presence. AfDF management has committed to report regularly on progress towards these targets.

Promoting Private Sector Development and Building Infrastructure

Among operations approved in 2008 to support infrastructure and private sector development were a $147 million loan to connect the electricity grids and upgrade the power lines and transmission stations of Kenya, Uganda, Democratic Republic of Congo, Rwanda, and Burundi; a $25 million equity investment in the Rising Africa Infrastructure Fund to support private sector involvement in infrastructure provision; and a $20 million equity investment in the Grofin Africa Fund to expand SME's capital access and provide customized business development services to SMEs.

Assisting Post-Conflict and Fragile States

The Fragile States Facility was launched in 2008, to provide supplemental funding, assist with arrears clearance, and small technical assistance grants for countries meeting eligibility requirements. During 2007, the Board cleared Liberia's arrears and approved a grant that will support reconstruction and improvement to water and sanitation systems in Liberia's capital, as well as approving grants to encourage stability and capacity building in other post-conflict countries. This included supporting new economic activities for demobilized soldiers in the Democratic Republic of Congo, training teachers and health clinic workers to provide services in the most fragile parts of Cote d'Ivoire, and providing governance capacity building in Angola.

Good Governance

The AfDB Group initiated a strategy to support African countries' compliance with the Extractive Industries Transparency Initiative (EITI). The AfDF has provided grants for capacity building to several fragile but resource-rich countries to support their implementation of EITI commitments. The AfDF also provides funding to fight corruption, such as a 2008 $18 million grant to Liberia to support improvement of governance, economic and financial management. The Bank has contributed to the achievement of EITI candidacy status of Madagascar, Liberia and Central African Republic (CAR), providing funding to support establishment of national EITI Secretariats, the conduct of audits and validations, and capacity building.

In response to the U.S.'s urging, the AfDB publicly releases the summaries of Board of Executive Directors' discussions through its website. The AfDB Group management posts country strategy papers and some policy documents on the web prior to Board discussions, which is likely to increase stronger oversight. As part of the recent AfDF replenishment, AfDB management has committed to post project implementation progress reports.

Note: AfDB Fiscal Year: January 1-December 31; Internet website: www.afdb.org

European Bank for Reconstruction and Development (EBRD) — Request: $0.0

The European Bank for Reconstruction and Development (EBRD) was created in 1991 to foster the transition to open market-oriented economies by promoting private sector development, foreign investment, privatization, and efficient financial markets in the former communist countries of Central and Eastern Europe and the countries of the former Soviet Union. The Bank's countries of operation are expected to be "committed to and applying the principles of multiparty democracy, pluralism, and market economics." The Bank also has a mandate to promote environmentally sound and sustainable development.

For FY 2010, the Administration requests no funding for the European Bank for Reconstruction and Development (EBRD).

Key Facts

- The United States is the single largest shareholder in the EBRD with a 10% share.
- Our investment has helped to leverage over $58 billion in EBRD financing for about 2,600 projects, contributing to investments in the region worth over $182 billion. In 2008, the EBRD committed $7.1 billion for new projects and disbursed $7 billion.
- EBRD is highly focused on private sector development and its mandate requires that at least 60% of its financing target private sector entities. Through 2008, private projects accounted for 87% of commitments. The outstanding portfolio at the end of 2008 was $29.2 billion of which $21.3 billion was private and $7.9 billion public.
- The EBRD is also a leader in lending to the municipal sector, with and without sovereign guarantees, and to facilitate commercialization and/or privatization of state-owned enterprises and public utilities. Municipal services investments often include energy efficiency or environmental quality, such as clean water supply or waste water treatment, components.
- In 2008, Turkey, a longstanding member of the EBRD, became a country of operation making it eligible for investments. EBRD will focus on underdeveloped regions of Turkey, finance renewable and energy efficiency projects and will work to encourage deeper economic integration with neighboring countries in the Balkans and Central Asia.
- For the first time, in 2008, EBRD set aside investment profits of $155 million from 2007 to create a Shareholder Special Fund to fund technical assistance and investment grants. This fund expands EBRD's technical assistance capacity and reduces their dependence on bilateral donor funds.

Supporting Development Priorities

Responding to the Global Financial Crisis

The EBRD has developed a robust plan, within its available resources, to help member countries weather the global financial crisis. The Board of Directors approved an increase of the Bank's annual business volume in 2009 of about 20 per cent to approximately $10.3 billion. These funds will enable EBRD to help support clients in the financial sector and corporate sector who have been negatively impacted by the global liquidity crisis and decline in equity markets. In addition, EBRD is helping countries to keep infrastructure investments on track. EBRD is also assisting countries in designing financial sector restructuring plans. For example, EBRD is a major investor in Georgia and responded quickly to help the Georgian economy recover from conflict in 2008.

Note: EBRD Fiscal Year: January 1-December 31; Internet website: www.ebrd.org

Promoting Good Governance

In 2008, the EBRD approved a new Enforcement Policy which creates an enforcement mechanism for fraud and corruption cases in both public and private sector operations. This policy is consistent with the EBRD's commitments under the "Uniform Framework for Prevention and Combating Fraud and Corruption", agreed by all the IFIs, including the EBRD, in Singapore in September 2006. The EBRD is also developing a new compliance policy and revising its procurement policy. The Office of the Chief Compliance Officer (OCCO) has been further expanded, and issues such as integrity risk and reputational risk are receiving increased attention.

Managing for Results

Every EBRD investment must help move, or transition, a country closer to a full market economy. The EBRD has a rigorous mechanism for monitoring each individual project's transition impact by assessing how each project strengthens: the structure and extent of markets (through increased competition); the institutions and policies that support markets (through more widespread private ownership and institutions, laws and policies that promote market functioning); and market-based behavior patterns, skills and innovation (by transferring new skills and products and setting standards for corporate governance and business conduct). Transition impact is assessed (1) prior to financing, (2) during project implementation, and (3) after project conclusion. In 2008, nearly 90% of new projects had a Potential Transition Impact rating of "good" or "excellent," above the official Bank target of 80%. Of projects completed between 1996 and 2006, 77% were rated "satisfactory," "good," or "excellent" in achieving their transition goals.

Improving Disclosure and Transparency

The United States continues to push for policies that increase disclosure and engagement with interested parties in all shareholder countries, particularly the countries of operation. In 2008, the Bank updated both its Public Information Policy and Environment and Social Policy, both with a public consultation period of 45 days. In the fall of 2008, the EBRD began revising its Independent Recourse Mechanism, now renamed the Public Complaint Mechanism with the objective of making the mechanism more accessible to affected communities. EBRD will finalize the mechanism after public consultations in spring 2009.

Supporting U.S. Strategic Objectives

The United States has continually pressed for the EBRD's resources to be focused where the need is largest and EBRD can have the greatest impact. The United States has been a strong supporter of the EBRD's Early Transition Countries Initiative (ETCI), established in 2003 to focus the Bank's resources on Moldova, Georgia, Armenia, Azerbaijan, the Kyrgyz Republic, Tajikistan, Uzbekistan, and, more recently, Mongolia. The number of operations signed in ETCI countries has steadily increased from 18 in 2003 to 102 operations for 2008. Annual business volume has risen close to tenfold from $78 million in 2003 to about €735 million in 2008. In 2008, EBRD operations in these eight countries were 10% of the volume and 34% of the overall number of transactions. The EBRD created a similar initiative for the Western Balkans in 2006 for Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia (including Kosovo). In 2008, EBRD operations in the Western Balkans accounted for 10% of the volume and 14% of the overall number of transactions.

Note: EBRD Fiscal Year: January 1-December 31; Internet website: www.ebrd.org

International Fund for Agricultural Development (IFAD) — Request: $30.0M

The International Fund for Agricultural Development (IFAD), established in 1977, is the only multilateral development institution focused exclusively on reducing rural poverty and hunger. Through low-interest loans and grants, IFAD develops and finances projects that enable smallholder farmers to increase productivity and incomes, improve nutritional levels, and access larger markets. IFAD designs innovative programs in agricultural production, financial services, rural infrastructure, livestock and fisheries, research and training, market and enterprise development, and sustainable natural resource management. IFAD's mission is critically important in the fight against poverty, as nearly 900 million (75%) of the world's 1.2 billion poorest people live in rural areas, mainly as small-scale producers and subsistence farmers.

In reaction to more volatile food prices and the international community's call for more support to agricultural development, IFAD donors in December 2008 agreed to a target level of $1.2 billion for the organization's eighth replenishment (IFAD8), covering the period from 2010-2012. This represents a 67% increase over IFAD7. Convinced by IFAD's ability to deliver results with expanded resources, the U.S. matched this increase with a pledge of $90 million.

For FY 2010, the Administration requests $30 million for the first of three payments for IFAD8.

Key Facts:

- The United States is the largest shareholder among IFAD's 165 members, with 14.4% of cumulative contributions. The U.S. share of IFAD8 is 7.5%, equal to our share of IFAD7.
- In 2008, IFAD committed $630 million in loans and grants for 55 projects, including agricultural research to benefit developing countries.
- In the past 30 years, IFAD estimates that $10.5 billion of financing has helped over 300 million rural poor in 115 countries through 788 projects.
- During IFAD8, IFAD plans to assist 60 million additional people raise themselves out of poverty through a $3 billion program of work, supported by $4.5 billion in cofinancing.

Supporting Development Priorities

Managing for Results

During the IFAD6 and IFAD7 replenishments, the United States led an effort to reform the institution and improve its development effectiveness. Key components of this reform effort included the establishment of: a performance-based allocation system, an independent office of evaluation, direct supervision of IFAD projects rather than supervision by third-party contractors, and strengthened internal governance including a fraud and corruption policy with whistleblower protections. IFAD management proved its ability to implement reforms, and recent reports by IFAD's independent Office of Evaluation show across-the-board improvements in institutional capacity, effectiveness, and efficiency. In recognition of this, donors agreed to a significant increase in IFAD8 resources while calling for more action, including:

- a strategy to improve human resources management by shifting more resources to operational and programmatic activities;
- a state-of-the-art results measurement framework for IFAD8, based on improved results monitoring at the country and project levels;

Note: IFAD Fiscal Year: January 1-December 31; Internet website: www.ifad.org

- more focused engagement in middle-income countries and the development of a graduation policy and new financial instruments, such as reimbursable technical assistance and private sector project financing;
- reforms to improve IFAD budgeting procedures, the independence of the internal audit function, and institutional transparency; and
- development of an institutional strategy for climate change and an environment and natural resources policy, including project safeguard measures.

Responding to the Food Crisis

The food crisis highlighted the importance of IFAD, as it can help the developing world's 450 million smallholder farmers increase productivity and access to markets.

- Last year, IFAD accelerated disbursement or reprogrammed about $200 million in 30 countries most affected by the food crisis. The funds were used to purchase inputs such as seeds, fertilizer, and tools, allowing farmers to boost production for the next growing season.
- Over the medium-to-long term, IFAD's mission of improving productivity of small-scale farmers means that it has a critical role in addressing the root cause of the food crisis. Since it is the only development institution focused on agriculture, the donor community relies on IFAD's leadership in this area.

Reducing Rural Poverty

IFAD seeks to assist the neediest of the rural poor, who often live in remote, hard-to-reach areas not supported by other donors. This policy recognizes the often disproportionate percentage of women and ethnic minorities in the target group as well as the often risky nature of interventions to reach the extremely poor.

- In India, the Rural Women's Development and Empowerment project helped increase the targeted women's average annual income by as much as 60% in real terms. It also helped establish almost 18,000 women's self-help groups, 85% of which are self-sustaining.
- An IFAD project in south-western Honduras benefited 11,800 rural farmers in 263 communities by organizing them into producer groups and community management committees. The project helped increase the farmers' grain productivity by 80%.
- An IFAD project in the Eastern region of Bhutan increased agricultural yields by at least 65%. Rural road construction increased market access, reducing transport and handling costs by 90%.
- Many IFAD operations help the rural poor adapt to climate change through improved management of land and water resources. IFAD helped farmers in Jordan improve the harvesting of rainfall and use treated wastewater to irrigate tree crops—making farms more resilient to climate change and increasing the incomes of 40,000 people by an estimated 12%.

Note: IFAD Fiscal Year: January 1-December 31; Internet website: www.ifad.org

North American Development Bank (NADBank) Request: $0.0

The North American Development Bank (NADBank), and its sister institution, the Border Environment Cooperation Commission (BECC), were chartered under the North American Free Trade Agreement (NAFTA) to address the serious environmental challenges in the U.S.-Mexican border region. NADBank provides loans, guarantees, and grants for environmental infrastructure projects that have been certified by the BECC and are located, in the United States, within 100 km of the U.S.-Mexico border (four U.S. states), or in Mexico, within 300 km of the U.S.-Mexico border (six Mexican states).

For FY 2010, the Administration is not requesting any funding for the NADBank. Congress has appropriated the full $225 million in United States paid-in capital and authorized the full $1.275 billion in United States' callable capital.

Key Facts

- NADBank was created with $450 million in total paid-in capital and $2.55 billion in callable capital, to be subscribed equally by Mexico and the United States. To date, Mexico and the United States have contributed a combined total of $422 million to the NADBank.
- 90% of NADBank's capital is dedicated to financing environmental infrastructure projects in the border region. The remaining 10% is allocated to separately-operated domestic programs in each country that assist communities in adjusting to the displacement of workers caused by trade liberalization. The U.S. program is called the Community Adjustment and Investment Program (CAIP).
- In 2008, NADBank approved six loans for $78.32 million and approved five grants for $4.22 million for environmental infrastructure projects.
- Cumulative financing approved by NADBank for environmental infrastructure projects through December 2008:

Total loans:	*$335.2 million*
Market rate loans	$252.7 million
Low-interest rate facility (LIRF) loans	$ 82.5 million
Total grants:	*$ 88.8 million*
Solid waste environmental program (SWEP) grants	$ 8.8 million
Water conservation investment fund (WCIF) grants	$ 80.0 million

- NADBank also administers EPA-funded Border Environment Infrastructure Fund (BEIF) grants for high-priority water and wastewater projects in the border region. BEIF grants totaled $543.9 million through December 2008.

Supporting Development Priorities

NADBank's portfolio grew considerably in 2008. Since 2006, NADBank has more than tripled its loan portfolio.

Managing for Results

A joint NADBank/BECC results measurement framework for project and institutional results was implemented in 2008. This newly implemented framework formalizes the joint focus of the institutions by establishing, monitoring and documenting the achievement of results related to the environmental infrastructure project investments as well as the programs and services offered by the institutions. In tandem to this joint results measurement framework, a joint project cycle was also established in 2008 in order to more fully harmonize the project development process and streamline processes for clients.

Note: NADBank Fiscal Year: April 1-March 31; Internet website: www.nadb.org

Additionally, a framework for implementation of a NADBank/BECC Joint Strategic Plan was also established in 2008. Through this Joint Strategic Plan, the two institutions will establish clear medium-term (5-year) goals and strategies to meet stakeholder expectations, and will link the framework for results on an institutional basis to results management in projects.

Supporting Good Performers

The mission of the NADBank is to develop and finance infrastructure projects and assist communities to become good performers in the areas of municipal administration relating to basic environmental services. The Bank's programs are designed to provide financial and technical assistance for the development of environmental infrastructure that is environmentally and financially sustainable. Many communities with which the NADBank engages do not have histories of good performance, and it is this lack of institutional and financial capacity that the Bank attempts to address.

- Mexicali, Baja California completed its first two NADBank-funded wastewater projects in the fall of 2007. As a result, 91% of the city's population has access to wastewater collection services, and 100% of the wastewater collected is being treated in compliance with Mexican federal regulations.

Promoting Good Governance

Through its Technical Assistance Program (TAP), the NADBank helps local utilities perform studies and implement capacity-building measures necessary for the proper management and development of their systems. In 2008, $2.04 million was committed to IDP and PDP projects. To date, a total of $23.73 million in grant funding has been committed through these programs to support 230 studies benefiting 117 border communities.

Promoting Private Sector Development

The NADBank took a substantial step toward its commitment to support private sector development through development, certification and loan financing of a project for biodiesel production with Global Alternative Fuels, LLC of El Paso, Texas. The NADBank is providing a loan of $19.9 million. The biodiesel produced by this project will help reduce emissions and improve air quality in the El Paso-Las Cruces-Ciudad Juarez region. In addition, the project will help meet the blending levels mandated for biofuels under U.S. legislation.

Note: NADBank Fiscal Year: April 1-March 31; Internet website: www.nadb.org

Treasury International Programs: FY 2010 Request

Summary of Accounts

Multilateral Development Banks

International Development Association (IDA). The request of **$1,320,000,000** includes the second installment of the U.S. three-year commitment to the IDA15 replenishment ($1,235 million) and $85 million to pay down arrears to IDA. Through IDA, the World Bank supports 78 of the world's poorest countries by providing the largest source of interest-free loans, grants and debt relief of any multilateral development institution. Major IDA15 initiatives and policy reforms include: an expanded results measurement system, improvements to World Bank engagement in fragile and post-conflict states, measures to further improve debt sustainability, and progress towards greater transparency and accountability at the institution. In 2008, the World Bank created an IDA financial crisis facility to fast-track funds to developing countries. An initial $2 billion is available to the hardest-hit countries to finance expenditures needed to maintain economic stability and sustain growth, address volatility, and protect the poor. IDA funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through the Multilateral Debt Relief Initiative (MDRI).

Global Environment Facility (GEF). The request of **$86,500,000** is for the final installment to the fourth replenishment of the Global Environment Facility ($80 million) and an additional $6.5 million to pay off a portion of U.S. arrears to the GEF. The GEF is the leading multilateral financier of projects in developing countries benefiting the global environment. It provides partial funding for projects in six environmental sectors, including projects that reduce greenhouse gas emissions, conserve global biodiversity, and prevent or reduce the release of long-lived, toxic chemicals. The GEF also helps developing countries strengthen their environmental management capacity enabling their economies to grow in a more environmentally sustainable manner. The GEF serves as the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and several other international environmental conventions, and its role is expected to increase in the post-Kyoto Protocol period.

Climate Investment Funds. The request for **$600,000,000** is part of a $2 billion proposed U.S. commitment to the Climate Investment Funds, two new multilateral trust funds at the World Bank. Funding of $500 million is for the Clean Technology Fund (CTF), an effort to reduce the growth of greenhouse gas emissions in emerging economies by catalyzing large-scale private sector investments through financing the additional costs of commercially available cleaner technologies over dirtier, conventional alternatives. Efforts to create the fund were led by the United States, the United Kingdom, and Japan with considerable input and support from other donor and potential recipient countries, including China, India, and Brazil. The remaining $100 million is for the Strategic Climate Fund (SCF) which will help to pilot new, transformative approaches to adaptation, forestry, and energy for the poor. CTF and SCF will serve as interim measures to immediately address climate challenges in developing countries and to constructively inform the development of a post-Kyoto international climate agreement.

Multilateral Investment Fund (MIF). The request of **$25,000,000** is for the fourth installment of the U.S. contribution to the first replenishment of the MIF. During this replenishment of the MIF the United States was successful in reaching its objectives of improving results measurements, increasing efficiency, aligning procurement policy with the World Bank, and securing a commitment to maintain MIF grant funding at roughly 75% of all approvals.

African Development Fund (AfDF). The request of **$159,885,000** includes the second of three installments of the U.S. contribution to the AfDF11 replenishment ($156.1 million) and $3.8 million to pay down arrears to AfDF10. AfDF is the African Development Bank's concessional window and serves 40 of the poorest countries in Africa, by providing interest-free loans, grants and debt relief. Funding of the U.S. AfDF11 commitment is critical to ensuring that reforms championed by the United States during the replenishment process, such as the performance-based allocation system and the results-measurement system, are implemented fully. AfDF11 also created a Fragile States Facility to provide additional assistance to post-conflict countries to accelerate the transition process from conflict and decline to stability and growth. AfDF funding is also necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through the MDRI.

Asian Development Fund (AsDF). The request of **$115,250,000** is for the first of four installments of the U.S. contribution to the ninth replenishment of the AsDF (AsDF10). The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in infrastructure, health, education, environment, and private-sector development, as well as policy advice to the poorest countries in the Asia-Pacific region. In the AsDF10 Agreement, the United States secured a number of important policy reforms, including: the completion of a grants framework through which grants will comprise 25% or more of assistance; a significant improvement in the results framework governing AsDF and AsDB operations; strengthened internal oversight and safeguards; and increased transparency.

International Fund for Agricultural Development (IFAD). The request of **$30,000,000** is for the first of three payments of the U.S. contribution to IFAD's eighth replenishment. IFAD is the only multilateral development institution focused exclusively on reducing rural poverty and hunger. Because of its mission and expertise, IFAD plays a key role in supporting the renewed focus on agricultural development. IFAD8 makes key commitments to a number of U.S. priorities: a strengthened results measurement framework; human resources reform, including a voluntary leave program and a plan to better link staff pay to performance; a renewed performance-based allocation system; and a commitment to developing a comprehensive environmental strategy that will help poor farmers adapt to the likely impacts of climate change.

Inter-American Investment Corporation (IIC). The request of **$4,670,000** will cover 10% of current cumulative U.S. arrears to the IIC. Ten percent of U.S. arrears must be paid by 2010 in order for the United States to not lose capital shares. If shares are lost, the United States loses considerable authority at the IIC including veto over transfers of shares among members and charter amendments. Also, shares lost by the United States will likely be purchased by other shareholder countries. The IIC promotes private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

Debt Restructuring Programs

Debt Restructuring. The request of **$110,630,000** will cover the total cost of debt restructuring programs, consisting of bilateral Heavily Indebted Poor Countries (HIPC) initiative debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA). The enhanced HIPC initiative was launched to provide deeper, broader, and faster debt reduction for the poor, heavily-indebted countries that have made a real commitment to economic reform and poverty reduction. For the poorest and most heavily indebted countries, the United States will continue support for bilateral debt relief though the Paris Club of official creditors and the enhanced HIPC Initiative. The Administration requests $90.63 million in funding for the cost of bilateral HIPC and poorest country debt reduction and the HIPC Trust Fund. Under the enhanced HIPC initiative, funding is needed to complete U.S. bilateral debt reduction for the Democratic Republic of the Congo (DRC) when the DRC reaches its HIPC Completion Point. Funding is also needed to help satisfy the $75.4 million in outstanding U.S. pledges to the HIPC Trust Fund to support debt relief from the regional development banks. $20 million is requested for the Tropical Forest Conservation Act (TFCA) which authorizes debt relief for low and middle-income countries to support conservation of tropical forests. Under the program, treated debt is "redirected" to enable a forest fund in the beneficiary country to make grants to local NGOs and other entities engaged in forest conservation. The United States uses appropriated funds to pay for the budget cost of this debt reduction/redirection.

Treasury Technical Assistance. The request of **$31,440,000** will cover the cost of the Department of Treasury's International Affairs Technical Assistance Program. Through the Office of Technical Assistance (OTA), U.S. Treasury provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The program supports economic policy and financial management reforms, focusing on five core areas: budget and financial accountability; tax policy and administration; government debt issuance and management; banking and financial institutions; and economic crimes. The FY 2010 budget request, which is $6.4 million higher than the enacted level for FY 2009, will support approximately 70 technical assistance projects worldwide. This increase is justified by the growing need for Treasury technical assistance from countries directly affected by the international financial crisis and to maintain support for low-income countries (primarily in Africa and Latin America.), many of which are under increased stress due to the global economic downturn and other indirect effects of the financial crisis. There is strong demand for U.S. Treasury's technical assistance because of the program's ability to field highly experienced advisors quickly. Based on currently available information, Treasury foresees financial-crisis related assistance needs in Central and Eastern Europe, Latin America, Africa, and certain parts of Asia. Funding to support Treasury technical assistance in Iraq and Afghanistan is not included in this request. Funding for Iraq and Afghanistan will be part of a broader interagency package that reflects the Administration's strategy in these countries.

Authorization Requests for FY 2010

Asian Development Fund Ninth Replenishment (AsDF10). The Administration will be seeking authorization for the U.S. contribution of $461,000,000 over the four-year replenishment period, 2009-2012, subject to obtaining the necessary appropriations.

Clean Technology Fund and Strategic Climate Fund (Climate Investment Funds). The Administration will be seeking authorization for the U.S. contribution of $2,000,000,000, subject to obtaining the necessary appropriations.

(Table 5) Summary of Appropriations and Requests
Treasury International Programs
FY2008-FY2010 (Budget Authority; in $)

	FY 2008	FY 2009		FY 2010		
	Approp.	Total Request	Approp.	Annual Commit.	Arrears Request	Total Request
Multilateral Development Banks (MDBs)						
World Bank Group						
IBRD	0	0		0		0
IDA	942,305,000	1,277,000,000 1/	1,115,000,000	1,235,000,000	85,000,000	1,320,000,000
MIGA	0	0		0		0
IFC	0	0		0		0
Global Environment Facility	81,100,720 2/	80,000,000	80,000,000	80,000,000	6,500,000	86,500,000
Inter-American Development Bank						
IDB	0	0		0		0
IDB/FSO	0	0		0		0
IIC	0	0		0	4,670,000	4,670,000
MIF	24,797,500	25,000,000	25,000,000	25,000,000		25,000,000
Asian Development Bank						
AsDB	0	0		0		0
AsDF	74,544,261	115,250,000	105,000,000	115,250,000		115,250,000
African Development Bank						
AfDB	2,020,500 2/	0	801,651 3/	0		0
AfDF	134,584,960	156,055,000	150,000,000	156,055,000	3,830,000	159,885,000
European Bank for Reconstruction and Development	10,077 2/	0		0		0
North American Development Bank	0	0		0		0
Int'l Fund for Agricultural Development	17,925,617	18,000,000	18,000,000	30,000,000		30,000,000
Climate Investment Funds						
Clean Technology Fund		400,000,000	0			500,000,000
Strategic Investment Fund						100,000,000
Total MDBs	1,277,288,635	2,071,305,000	1,493,801,651	1,641,305,000	100,000,000	2,341,305,000
Debt Restructuring:						
HIPC TOTAL, of which:	10,216,570	121,000,000	40,000,000			90,630,000
Bilateral Debt Reduction						
HIPC Trust Fund						
Tropical Forest Conservation Act (TFCA)	19,838,000	20,000,000	20,000,000			20,000,000
Total Debt Restructuring	30,054,570	141,000,000	60,000,000			110,630,000
Technical Assistance	20,234,760	29,000,000	25,000,000			31,440,000
TOTAL TREASURY INTERNATIONAL ACCOUNTS	**1,327,577,965**	**2,241,305,000**	**1,578,801,651**			**2,483,375,000**

1/ Includes annual commitment of $1.235 billion plus arrears request of $42 million.
2/ Includes arrears: $1,100,720 for the GEF; $2,020,500 for the AfDB; and $10,077 for the EBRD.
3/ This amount was appropriated under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (P.L. 110-329) which extended the provisions of the Consolidated Appropriations Act, 2008 (P.L. 110-161) through March 6, 2009.

(Table 6) Summary of Arrears
Treasury International Programs
Multilateral Development Banks
FY2000 - FY2009

(Budget Authority; in $)

Multilateral Development Banks (MDBs)	Arrears end-FY2001	Arrears end-FY2002	Arrears end-FY2003	Arrears end-FY2004	Arrears end-FY2005	Arrears end-FY2006	Arrears end-FY2007	Arrears end-FY2008	Arrears end-FY2009
International Bank for Reconstruction and Development									
International Development Association	62,275,000	73,015,000	78,540,000	120,727,880	327,527,880	337,027,880	377,877,880	385,572,880	505,572,880
Multilateral Investment Guarantee Agency	6,022,000	10,892,087	9,271,689	8,154,321	8,154,321	6,867,321	6,867,321	6,867,321	6,867,321
International Finance Corporation									
Global Environment Facility	203,937,600	210,937,600	171,585,848	140,668,364	141,528,364	169,828,364	170,628,364	169,527,644	169,527,644
Inter-American Development Bank									
IDB Fund for Special Operations									
Inter-American Investment Corporation	9,055,000	16,055,000	22,822,619	47,822,619	47,822,619	46,098,519	46,098,519	46,098,519	46,098,519
Multilateral Investment Fund	88,772,000	88,772,000	64,341,172	39,488,672	28,576,672	26,852,572	50,128,472	50,330,972	50,330,972
Asian Development Bank									
Asian Development Fund	128,175,450	133,158,400	138,908,527	98,339,611	102,139,611	118,389,611	134,639,611	175,345,350	185,595,350
African Development Bank	13,420	13,420	42,126	67,315	619,934	2,036,730	3,453,526	1,433,026	631,375
African Development Fund	220,000	220,000	10,849,144	16,789,221	29,637,211	30,994,211	32,351,211	33,466,251	39,521,251
European Bank for Reconstruction and Development			232,732	441,776	725,225	10,157	10,157	0	
North American Development Bank									
International Fund for Agricultural Development	11,000	11,000	104,857	189,339	309,339	459,339	3,609,339	3,683,722	3,683,722
TOTAL BUDGET AUTHORITY	**498,481,470**	**533,074,507**	**496,698,714**	**472,689,118**	**687,041,176**	**738,564,704**	**825,664,400**	**872,325,685**	**1,007,829,034**


THE DEPARTMENT OF THE TREASURY
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MAY 2009