Treasury International Programs

Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriations	FY 2008 Enacted	FY 2009 Enacted	FY 2010 President's Budget
International Financial Institutions	$1,277,289	$1,493,000	$2,341,305
International Development Association	942,305	1,115,000	1,320,000
Multilateral Investment Guarantee Agency	0	0	0
Global Environment Facility	81,101	80,000	86,500
Clean Technology Fund			500,000
Strategic Investment Fund	0	0	100,000
Inter-American Development Bank:			
Multilateral Investment Fund	24,798	25,000	25,000
Inter-American Investment Corporation	0	0	4,670
Asian Development Bank	0	0	0
Asian Development Fund	74,544	105,000	115,250
African Development Bank	2,021	0	0
African Development Fund	134,585	150,000	159,885
European Bank for Reconstruction and Development	10	0	0
International Fund for Agricultural Development	17,926	18,000	30,000
Debt Restructuring	$30,055	$60,000	$110,630
Treasury Technical Assistance	$20,235	$25,000	$31,440
Total Program Level	$1,327,578	$1,578,000	$2,483,375

Explanation of Request

The FY 2010 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's international assistance agenda, such as responding to the financial crisis, addressing global climate change, the Multilateral Debt Relief Initiative (MDRI), measuring results, improving debt sustainability, supporting grants, improving transparency and fighting corruption. Total resources required to support Treasury International Assistance Programs for FY 2010 are $2.483 billion, including contributions to the International Financial Institutions (IFIs) of $2.341 billion, $110.63 million for Debt Restructuring, and $31.44 million for Treasury's International Affairs Technical Assistance Programs.

Purpose of Program

The mission of Treasury International Programs is to promote economic growth and poverty reduction in developing countries through U.S. participation in the multilateral development banks (MDBs), efforts to prevent the buildup of unsustainable debt burden in poor countries and technical advice to developing countries on building market-based economies.

International Programs FY 2009 Budget Highlights
(Dollars in Thousands)

	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2008 Enacted	$1,277,289	$20,235	$30,055	$1,327,578
Increases/(Decreases)	215,711	4,765	29,945	250,422
FY 2009 Enacted	$1,493,000	$25,000	$60,000	$1,578,000
FY 2010 President's Budget Request	**$2,341,305**	**$31,440**	**$110,630**	$2,483,375

FY 2010 Program Requests

International Financial Institutions (IFIs) ($2,341,305,000)

The FY 2010 President's Budget requests $2.34 billion to the multilateral development banks (MDBs), including $600.0 million to the Climate Investment Funds and $100.0 million to pay a portion of outstanding U.S. arrears, which now exceed $1 billion.).

International Development Association (IDA) ($1,320,000,000)

The request of $1,320.0 million includes the second installment of the U.S. three-year commitment to the IDA15 replenishment ($1,235.0 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. 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) ($86,500,000)

The FY 2010 President's Budget requests $80.0 million for the final installment to the fourth replenishment of the Global Environment Facility (GEF-4) and an additional $6.5 million to pay off a portion on 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 (CIF) ($600,000,000)

The request provides $600.0 million to the Climate Investment Funds, two new multilateral trust funds at the World Bank. $500.0 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 $100.0 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) ($25,000,000)

The request of $25.0 million is for the fourth installment of the U.S. contribution to the first replenishment of the MIF. The MIF 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. MIF projects incorporate a significant degree of counterpart financing, with a goal of having 50% of project costs financed by local counterpart contributions. The MIF is providing highly-focused support for private sector development 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.

Inter-American Investment Corporation (IIC) ($4,670,000)

The request of $4.7 million 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.

Asian Development Fund (AsDF) ($115,250,000)

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, 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.

African Development Fund (AfDF) ($159,885,000)

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. 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 needed to ensuring that reforms championed by the United States during the replenishment process, such as the performance-based allocation system and the results-measuring 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.

International Fund for Agricultural Development (IFAD) ($30,000,000)

The request of $30.0 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. 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. Although prices have fallen from their peak, the rural poor remain profoundly vulnerable to the volatility of food, fertilizer, and food prices. IFAD8 makes key commitments to a number of U.S. priorities: a strengthened results measurement framework; human resources reform; 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.

Debt Restructuring ($110,630,000)

The FY 2010 President's Budget requests $110.63 million for the cost of debt restructuring programs, including 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 a total of $90.63 million in funding for the cost of debt restructuring programs, including bilateral HIPC and poorest country debt reduction and the HIPC Trust Fund. 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 outstanding U.S. pledges to the HIPC Trust Fund to support debt relief from the regional development banks. $20.0 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.

Technical Assistance ($31,440,000)
The FY 2010 President's Budget requests $31.440 million for 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.

Explanation of Programs

International Financial Institutions ($2,341,305,000 from direct appropriations)
International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies to promote growth and poverty reduction through their support of public and private projects, programs, and policy reforms. The IFIs are responding to the financial 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.

*Debt Restructuring ($**110,630,000** from direct appropriations)*
Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

International Affairs Technical Assistance ($31,440,000 from direct appropriations)
International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports

economic policy and financial management reforms focusing on the functional areas of budget, revenue, government debt, financial institutions and financial crimes law enforcement.

International Monetary Fund
Realigning IMF quotas is part of a larger effort to reform the Fund's governance structure to ensure country voting weights reflect the rapid growth and increasing significance of dynamic emerging economies. Because the Fund's overall quota resources will be expanded to facilitate the realignment, an increase in the U.S. nominal quota is necessary to keep the U.S. voting share constant at 16.7 percent of total voting power in the Fund, and thus maintain our leadership role and our ability to shape the future of the institution.

The present financial crisis demonstrates that, in a world of globalization and substantial international capital flows, the magnitude of crises can be larger than in earlier decades. The IMF does not have sufficient resources to cope with the problems facing member countries in today's world. The G-20 has called for a very substantial increase in the IMF New Arrangements to Borrow (NAB) and expanding NAB membership to more G-20 countries.

Consistent with the budgetary treatment recommended by the President's Commission on Budget Concepts in 1967, the U.S. transactions with the IMF under the quota and NAB are monetary exchanges that would not increase the deficit in any year.

Description of Performance

International Financial Institutions
Responding to Financial and Food Crises

The IFIs have responded aggressively to the financial and food crises of the last year and full funding of the FY 2010 request for the MDBs is necessary to help ensure that they continue to assist developing countries withstand the impact of these crises and meet other pressing needs. To counter the impact of the financial crisis, IFIs are taking a number of steps to support emerging market governments, the poorest countries, and the developing world’s private sector. For example, to meet the critical needs of the poorest countries the IFIs are making up to $3 billion in concessional resources available faster than these window’s replenishments originally planned. The IFIs have also made a concerted effort to support the private sector, including new investments of over $13 billion in bank recapitalization and liquidity facilities, trade finance, and infrastructure financing.

The IFIs have also responded with a number of initiatives and programs to respond to emerging food and agricultural needs. The World Bank approved a $1.2 billion Global Food Crisis Response Program in May 2008, the African Development Bank is seeking to provide up to $600 million in support for food crisis response and prevention, and the Asian Development Bank is planning to provide up to $500 million in budgetary support over the next year to strengthening social safety net programs and facilitate access to agricultural inputs. Finally, the International Fund for Agricultural Development approved approximately $650 million in loans and grants in 2008, a 10% increase over 2007, including $200 million to give poor farmers access to essential inputs such as seed and fertilizer.

Reforms within International Financial Institutions
Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. In recent years, these reforms included:

- Increased grant financing for the poorest countries at IDA, the AfDF, AsDF and other MDBs;
- Adoption of a debt sustainability framework to provide increased grant resources for the poorest countries and to help break the lend-and-forgive cycle of development assistance;
- Development of robust results-based management systems to incorporate measurable performance goals and demonstrate positive results on the ground;
- Improvement of performance based allocation systems to maintain the centrality of performance in the distribution of resources; and
- Increased efforts to promote greater transparency and combat corruption at institutional, project, country and regional levels.

Debt Relief
The 2005 Multilateral Debt Relief Initiative – a landmark debt relief effort – will cancel 100 percent of debt obligations owed to the World Bank's International Development Association, the African Development Fund, and the IMF by the world's poorest and most heavily indebted countries. Through U.S. efforts, a similar debt relief initiative was approved in 2007 for the Fund for Special Operations at the Inter-American Development Bank. This initiative will provide critical debt relief to Bolivia, Guyana, Haiti, Honduras and Nicaragua, helping to end the lend-and-forgive-cycle development assistance, while freeing-up funds for other poverty reduction efforts.

Results Measurement
Results measurement systems have been expanded significantly through the IDA14 and 15, AfDF10 and 11, and AsDF9 and 10 replenishment agreements which adopt clear, measurable goals and targets, and results-based management processes and standards. The management for results agenda emphasizes measures to strengthen the focus on delivering positive development results on the ground and the institutional management policies and procedures required to deliver them. A two-tiered results measurement framework is in place in IDA and the AfDF to measure, monitor, and report on outcomes and outputs at the project, country, regional and institutional levels. The AsDF replenishment agreement went further to cover the entire institution (that is, both tha AsDF and AsDB) across a four-tiered results measurement framework.

Transparency and Fighting Corruption
Through U.S. leadership, the MDBs have continued strong efforts to improve transparency, including disclosure of MDB documents and processes, and to fight corruption at the project, country and institutional levels. For example, the World Bank is fully implementing the recommendations made in the 2007 Volcker Panel Report which was a review and evaluation of the work and oversight mechanisms of the Bank's Department of Institutional Integrity.

Debt Restructuring

The Enhanced Heavily Indebted Poor Country (HIPC) Initiative continues to make more resources available to poor, heavily indebted countries, while providing a framework for growth enhancing reforms. Thirty-three countries demonstrated sufficient progress to reach their HIPC Decision Points as of the end of FY 2008. Creditors have committed to reduce the external debt of these 33 countries by over $68 billion (nominal terms) under the HIPC framework, freeing resources to support poverty reduction and economic growth, particularly in areas prioritized in their Poverty Reduction Strategy. In 2000, poverty-reducing expenditures in the post-Decision Point HIPCs were only about 50% larger than debt service payments. Consistent with the goal of increasing poverty reducing expenditures, by 2007 poverty reducing expenditures were estimated to be over eight times as large as debt service payments.

Under the Tropical Forest Conservation Act (TFCA), a total of 14 agreements have now been signed with 12 countries, generating more than $188 million over time for tropical forest conservation. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs.

Technical Assistance

The Office of Technical Assistance (OTA) continues to provide financial technical assistance worldwide; currently 49 resident projects and 55 intermittent projects are being conducted in 48 countries around the globe. OTA programming in counterpart countries strengthens laws, systems, and processes and sustains financial institutions (ministries, banks, bond markets, financial crime investigation and prosecution, and revenue collection). While OTA sometimes assists in policy development, its principal focus is on practical applications such as: drafting laws and regulations to reform financial and administrative policies; establishing procedures for auditing large taxpayer accounts; setting up bond markets; building working financial intelligence units on detection and prosecution of crime; or closing non-performing banks.

In most projects, OTA assists transition and developing countries to build strong government systems and services that increase financial integrity, build capacity (both human and systems), integrate public and private aspects of the economy, eliminate weak or non-functioning organizations of government financial management, draft improved legislation, and fight corruption and terrorist financing. Some projects are assist countries with weak and fragile financial systems. In FY 2008, OTA provided assistance to 17 countries in various states of HIPC completion–Afghanistan, Burundi, Ethiopia, Ghana, Haiti, Honduras, the Kyrgyz Republic, Liberia, Madagascar, Malawi, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome & Principe, Uganda, and Zambia. In some instances, OTA acts as a first-responder in conflict and post-conflict countries (as it did and continues to do in Afghanistan, Bosnia, Kosovo, and Iraq). In such cases, the OTA projects become part of the military-civilian struggle to bring an end to the chaos of war and take steps toward reestablishing civil society through the building of strong government financial systems.

Examples of results achieved by OTA in FY 2008:

A regional project supported the Latin America Small Business Lending Initiative (LASBI) to increase the number of loans made to small businesses and micro-finance institutions, and leverage the $20.5 million non-reimbursable line of credit extended by the Inter-American Development Bank. Support provided in Paraguay to the Central Bank and the Ministry of Finance resulted in development of the country's first National Debt Strategy. In Niger, the tax administration gave significant credit to OTA assistance in raising tax revenues from 10.3% to 11.7% over a two-year period. The OTA Debt project in Rwanda has resulted in issuance of two and three year government bonds; and set the stage for corporate issuance of a 5 year bond. Through an Economic Crimes project, the Philippines has been removed from the Non-Cooperating Countries and Territories list, become a member of the Egmont group and of the Steering Committee of the Asia Pacific Group (FATF), and completed training for 1,000 law enforcement personnel. OTA recommended eighteen improved performance indicators to the government of Costa Rica that have proved so effective in pilot ministries that they are being expanded to government-wide application. A Revenue project in Honduras has resulted in a planned government roll-out of civil service reform including legal prohibitions against non-merit based human resources decisions. Improvements in Nicaragua's tax administration recommended by OTA resulted in a 34% ($10.6 million) increase in enforced collections from January to August 2008.

Although it is difficult to measure activities related to such varied technical assistance projects (quantitative measures fail to fully describe the impact of this important work), OTA conducted three separate organizational evaluation efforts in FY 2008: a systematic client/customer survey; a program peer revue carried out by the Australian Treasury; and a revised measurement system approved by OMB and highlighted as an innovative practice at the annual Excellence in Government conference. Each of these performance evaluation initiatives provided both positive confirmation of OTA's past and current effectiveness, and has provided precise information on areas where further program strengthening may be realized.