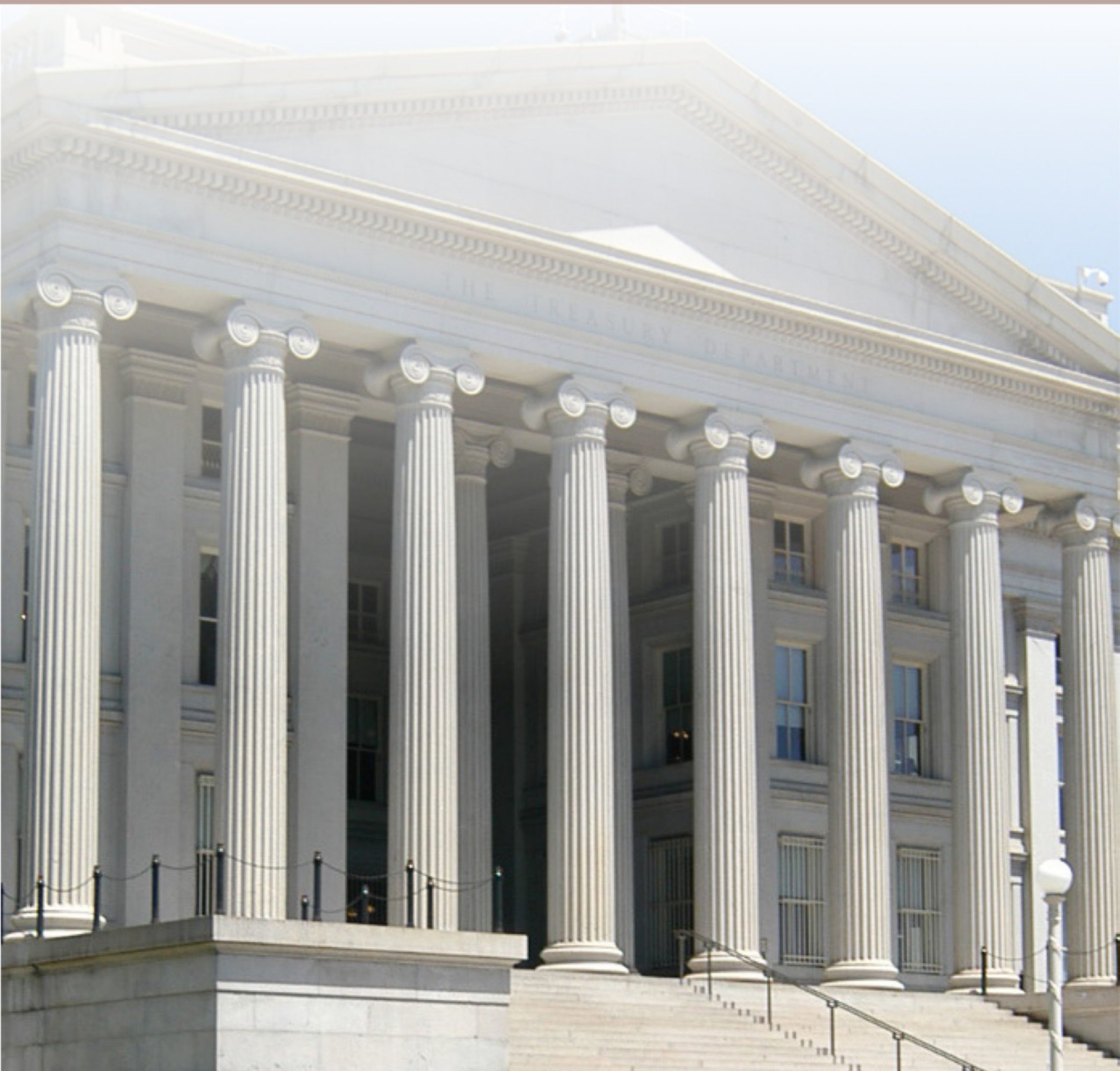
U.S. DEPARTMENT OF THE TREASURY

INTERNATIONAL PROGRAMS

JUSTIFICATION FOR APPROPRIATIONS

FY 2012 BUDGET REQUEST



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Justification for Appropriations
FY 2012 Budget Request

DEPARTMENT OF THE TREASURY
WASHINGTON, DC

Dear Member:

On behalf of President Obama, it is my pleasure to submit the Congressional Presentation Document for the Department of the Treasury's International Programs for Fiscal Year 2012.

Treasury's Fiscal Year 2012 request for International Programs reflects an extraordinary and unprecedented confluence of financing needs for the Multilateral Development Banks (MDBs), stemming from their aggressive and proactive response to the global financial crisis, as well as the urgent imperative to address critical global challenges such as food security and climate change. Because the MDBs are the primary source of support and development assistance to the world's poorest and most vulnerable nations, and critical partners in fulfilling many of the United States' national security, economic, and diplomatic priorities, a failure to respond to these pressing financing needs risks setting back progress on a range of U.S. policy goals in every corner of the world.

The need for new capital by the MDBs results in large part from the global financial crisis. Such needs are exceptional – this is the first request for new capital by any MDB in over a decade and marks the only time since the creation of the MDBs that we have faced simultaneous capital requests from all banks. These requests coincide with scheduled, recurring replenishments for the special facilities housed at the World Bank and African Development Bank that provide grants and low-cost loans to the world's poorest countries.

In the current, challenging budgetary environment, funding these requests represents a cost-effective approach to supporting our short- and long-term economic, political, and security objectives for the following reasons:

First, we depend on the MDBs to support development and reform in countries of strategic importance. For example, in Afghanistan and Pakistan, the MDBs are investing heavily in key sectors, such as water, power, and transportation, which are needed to underpin long-term stability. In this context, it is important to recognize that *only* the MDBs have the resources and technical capacity to finance infrastructure projects globally, as costs typically run into the hundreds of millions of dollars. As bilateral programs of other resource-constrained development partners are scaled back, the world will be relying even more heavily on MDBs to fill the gap.

Second, the MDBs are uniquely designed to help us address critical global priorities such as food security and climate change. These complex challenges, which know no geographic boundaries, imperil our prospects for global prosperity and poverty reduction if left unaddressed. And, because of the diffuse nature of the challenges, they can be addressed successfully via multilateral channels, through which all countries own the challenges and the tools needed to meet them.

Third, American taxpayers get excellent returns on our investments in the MDBs. For each dollar we provide to the World Bank, the institution can lend $25 to developing countries around the world. This burden-sharing, combined with strong U.S. leadership on MDB policies and governance, means that we can leverage billions of donor dollars for U.S. priorities, such as Africa, Afghanistan, Pakistan, and Haiti. We anticipate that these commitments by the United States and other shareholders will provide sufficient resources for the MDBs to fulfill their missions for years to come.

Fourth, supporting the MDBs enables them to cushion the poor against the full impact of external shocks, as demonstrated during the global financial crisis when these institutions augmented support for domestic social safety nets, including education, health and anti-poverty programs. To ensure their capacity to continue supporting the ongoing, but fragile, global recovery and to protect and improve the lives of the world's poor, we must provide them with additional resources today.

Finally, by supporting growth in poor and emerging economies, we are fostering the next generation of business opportunities, jobs, and economic partnerships for our own citizens. In short, our investments in the MDBs help generate new engines of growth that benefit U.S. workers and the U.S. economy as a whole.

I look forward to working with you on this important request and welcome your collaboration and engagement.

Sincerely,

Timothy F. Geithner

Timothy F. Geithner

"Together, we can deliver [… d]evelopment that offers a path out of poverty for that child who deserves better. Development that builds the capacity of countries to deliver the health care and education that their people need. Development that unleashes broader prosperity and builds the next generation of entrepreneurs and emerging economies. Development rooted in shared responsibility, mutual accountability and, most of all, concrete results that pull communities and countries from poverty to prosperity."

President Barack Obama (September 22, 2010)

"These institutions [the multilateral development banks] have reflected a shared vision of growth and development through political freedom and economic opportunity….This vision has become reality for many of us. Let us pledge to continue working together to ensure that it becomes reality for all."

President Ronald Reagan (September 29, 1981)

"[The World Bank's] IDA is the glue to coordinate donor efforts and ensure the systems and capacity are in place to build on results and sustain long term progress toward achieving the [Millenium Development Goals]. While fiscal times are tough, we can't forget the nuts and bolts of development. IDA is one of the most effective tools in getting countries on track for economic growth and poverty-reduction. "

The ONE Campaign (December 7, 2010)

"…the African Development Bank has taken several giant and impressive steps toward fulfilling its ambitious mission..[it] has clearly articulated a strategic vision, substantially shifted its loan portfolio to reflect this plan, and asserted leadership on a range of global issues critical to the future of Africa."

The Center for Global Development (May 2010)

"We cannot defeat the ideologies of violent extremism when hundreds of millions of young people face a future with no jobs, no hope and no meaningful opportunities. Nor can we build a stable, global economy when hundreds of millions of workers find themselves on the wrong side of globalization."

Secretary of State Hillary Rodham Clinton (January 6, 2010)

"Development and security are inextricably linked. You can't have development without security and you can't have security without development."

Secretary of Defense Robert Gates (September 28, 2010)

EXECUTIVE SUMMARY

Extraordinary Circumstances

Treasury submits its FY 2012 International Programs request recognizing the difficult choices facing the 112th Congress, while also seeking to meet an extraordinary and unprecedented confluence of financing needs for the Multilateral Development Banks (MDBs).

The MDB response to the worst financial crisis since the Great Depression was one of the most effective development interventions in generations due to its timing and scope. With more than $222 billion mobilized, millions of the world's poor were insulated from the full impact of the crisis, and economies of vital importance for U.S. exports have performed better than they would have absent this support. However, as a result of this robust response, the MDBs now face a funding shortfall, compelling them to seek new financial resources from their member countries or face precipitous drops in lending levels. This marks the first capital increase for a MDB in over a decade and the first time that all of the MDBs have faced the need for new capital at the same time.

Treasury's request also includes the latest replenishments of the International Development Association (IDA) in the World Bank and the African Development Fund (AfDF) in the African Development Bank. These recurring replenishments are renewed on a three-year basis due to the large grant element in the financing these funds provide to the world's poorest countries. IDA and AfDF are our most important partners in meeting development needs in Africa and globally, and they are recognized leaders in improving education, aiding women and children, and strengthening basic services in these countries. Their performance-driven investments are fundamentally aimed at creating the basis for lasting economic growth and development in low income countries so that these countries can move permanently from aid dependency to self-sufficiency. In each case, U.S. commitments leveraged more than the proportional increase in overall resources for these funds.

In addition, Treasury's request includes funding that will enable the MDBs to respond to critical global priorities, such as food security and climate change, which can be addressed most effectively through multilateral vehicles. The recent increases in food commodity prices – in some cases exceeding their 2008 highs – underscore the importance of boosting food supplies, particularly in poor countries where higher food prices have dramatic and negative impacts on the livelihoods of poor people and create social instability. In addition, climate change must remain a priority, due to risks of population displacement, declines in global food supply, major shortages of water, ecosystem failures, and worsening natural disasters – effects that increase global instability and lead to conflict. Investments to address both the causes and effects of climate change can mitigate these impacts and also catalyze the transition to a global clean energy economy, in turn supporting U.S. efforts to lead this transition with U.S. innovation, exports, and growth.

Finally, our FY 2012 budget submission will fund international debt relief commitments for the world's poorest countries and sustain our bilateral efforts to improve public financial management in developing countries through Treasury's highly effective Office of Technical Assistance.

A Critical Leadership Opportunity

Because the MDBs are the leading source of development finance globally, and critical partners in fulfilling many of the United States' national security, economic, and diplomatic priorities, a failure to respond to these pressing financing needs risks setting back progress on a range of policy goals in every corner of the world.

As a result, the United States has played a leadership role by developing a policy agenda to ensure that our financial contributions will be strongly leveraged by other donors and borrowers and that the MDBs' investments in the developing world directly support U.S. priorities. By leading with this agenda, we have secured an unprecedented number of policy commitments from the MDBs and their other shareholders as the basis for U.S. financing commitments. For example, the United States' commitment to IDA leveraged a commitment from China to *pre-pay* outstanding loans to the World Bank, which will generate over $2 billion in additional resources to support the World Bank's poorest clients over the next three years. At the Inter-American Development Bank (IDB), the United States was instrumental in securing a commitment from middle income countries in the region to devote $200 million annually to Haiti from interest earned on Bank lending to these countries.

U.S. leadership has also delivered critical support for Afghanistan through commitments from the Asian Development Bank and the World Bank to extend extraordinary financing to that country. These banks have proved their effectiveness in operating in difficult environments like Afghanistan, and this augmented financing will be critical to U.S. efforts there.

In addition, we have successfully improved the ways in which the MDBs do business to ensure effectiveness, accountability, and transparency. For example, U.S. leadership has resulted in the use of rigorous performance-based allocation systems, ensuring that financial support goes to countries where the banks have a willing partner with a track record of accountability and good policies.

A Cost-Effective Investment in Our Future

The United States receives tremendous value from its MDB funding. Because U.S. contributions comprise a small share of overall MDB resources, our funding leverages far more in on-the-ground assistance. Treasury's requested annual contribution to the MDBs of $3.32 billion, which represents approximately 5 percent of the 150 Account, can be expected to leverage over $100 billion in planned MDB development financial assistance in 2011, over $30 billion more than what was planned before the onset of the financial crisis.

In additional to the traditional leverage provided by the contributions of other MDB shareholders (both donor and borrower countries) and the MDBs' own earnings, these institutions are increasingly leveraging private investment. Private sector co-financing of Asian Development Bank projects has grown 14 times over five years. The African Development Bank's private sector fund will support total investments nearly 26 times the initial size of approvals by leveraging private co-financiers and other development finance institutions.

With U.S. contributions supporting much higher levels of on-the-ground investment, the MDBs ultimately can deliver a very high return on U.S. taxpayer funds. With sustained investments in low income countries, the MDBs are helping to create the next generation of emerging market countries, which in turn will create important new markets for U.S. exports and create jobs here at home. The developing world represents the fastest source of growth in U.S. exports and the MDBs are helping to drive that growth.

Finally, our contributions to the MDBs provide an important and unique benefit in terms of our national security. For example, in Afghanistan and Pakistan, the MDBs are investing heavily in major sectors, such as water, power and transportation, which are needed to underpin long term stability. In this context, it is important to recognize that *only* the MDBs have the resources and technical capacity to finance infrastructure projects globally, as costs typically run into the hundreds of millions of dollars, and that as bilateral programs of other resource-constrained development partners are scaled back, we will be relying even more heavily on the MDBs to fill the gap.

Our Most Effective Development Partners

External experts have long recognized the MDBs as providing high quality assistance to developing countries. This view was most recently expressed in the independent Quality of Official Development Effectiveness Assessment (QuODA), a comprehensive survey of development institutions that ranked MDBs highly in maximizing efficiency, fostering local institutions, and reducing transaction costs. Similarly, in its 2008 and 2010 Reports on Multilateral Aid, the Organization for Economic Cooperation and Development's (OECD's) Development Assistance Committee has found that, relative to bilateral agencies as a whole, multilaterals more effectively target aid to the poorest countries and provide aid more efficiently.

The MDBs' unique ability to leverage donor contributions gives them the scale to reach every part of the developing world. Together, the MDBs comprise the largest source of development finance in the world's poorest countries and are the leading source of support for critical sectors, such as water, transportation, and education. This size enables significant economies of scale, but it also allows the MDBs to become knowledge centers and to understand what works and replicate it across the globe. This expertise also gives the MDBs a unique ability to engage with candor and credibility about the toughest development challenges.

Finally, it is important to recognize that the MDBs are uniquely positioned to finance major infrastructure projects – which are often key to unlocking growth potential in developing and emerging markets – and do so in conjunction with policy reforms as well as social and environmental safeguards.

A New, Coordinated Approach to Development

Treasury's FY 2012 request reflects a new, coordinated U.S. government strategy designed to promote development objectives. The Presidential Policy Directive on Global Development – the culmination of months of interagency research and debate – concludes that we should "redouble our efforts to support, reform, and modernize multilateral development organizations most critical to our interests," and to that end, "renew our leadership in the multilateral development banks." The FY 2012 request includes $27 billion to achieve the goals outlined in the PPD by supporting programs focused on sustainable development, economic growth, democratic governance, game-changing development innovations, and sustainable systems for meeting basic human needs. Treasury's budget request, 90 percent of which is channeled through the MDBs, directly supports this call.

A key outcome of the new Directive is the President's Partnerships for Growth (PfG), a strategy which calls for enhanced engagement in countries that have demonstrated a strong commitment to market-oriented and growth enhancing policies. For the initial PfG candidates – El Salvador, Ghana, the Philippines and Tanzania – Treasury will advocate, explore and pursue mechanisms to better coordinate USG engagement in these countries with that of the MDBs, and look for new opportunities for the MDBs to focus on the constraints identified and to better coordinate donor operations. In addition, we will seek to work with PfG countries to pursue various opportunities within the MDBs, including trust fund access and engagement with each MDB's private sector window.

We are confident that this effort has good prospects for success because the MBDs already have collaborative partnerships across the full range of Treasury and MDB engagements. In Mozambique, for example, Treasury, USAID, the Millennium Challenge Corporation and the African Development Bank are working together on an initiative to bring together public and private financing to enhance energy access in the region. And in Afghanistan, the Asian Development Bank (AsDB) is pursuing a partnership with the U.S. Army Corps of Engineers to oversee critical rehabilitation and construction efforts on Afghanistan's "Ring Road." Last year, Generals Petraeus and McNabb underscored the ability of the AsDB to support U.S. priorities on the ground. In a letter to Secretary Geithner from May 2010, they wrote: "…both United States Transportation Command and United States Central Command are eyewitnesses to the valuable contributions the AsDB is making in a region of great importance to the United States."

Summary of Appropriations and Requests
Treasury International Programs
FY2010-FY2012 (in millions of $)

	FY 2010 Approp.	FY 2011 CR Level	FY 2012 Request	FY 2012 Request Full Numbers
Poverty Reduction and Economic Growth (MDBs)				
International Development Association (IDA)	1,262.5	1,262.5	1,358.5	1,358,500,000
Int'l Bank for Reconstruction and Development (IBRD)			117.4	117,364,344
Inter-American Development Bank (IDB and FSO)			102.0	102,018,035
Multilateral Investment Fund (MIF)	25.0	25.0	25.0	25,000,000
Inter-American Investment Corporation (IIC)	4.7	4.7	20.4	20,428,519
Asian Development Bank (AsDB)		0.0	106.6	106,585,848
Asian Development Fund (AsDF)	105.0	105.0	115.3	115,250,000
African Development Bank (AfDB)			32.4	32,417,720
African Development Fund (AfDF)	155.0	155.0	195.0	195,000,000
European Bank for Reconstruction & Development (EBRD)			0.0	0
Subtotal	1,552.2	1,552.2	2,072.6	2,072,564,466
Food Security				
Global Agriculture and Food Security Program (GAFSP)	*	0.0	308.0	308,000,000
Int'l Fund for Agricultural Development (IFAD)	30.0	30.0	30.0	30,000,000
Subtotal	30.0	30.0	338.0	338,000,000
Combating Climate Change and Environmental Degradation				
Clean Technology Fund (CTF)	300.0	300.0	400.0	400,000,000
Strategic Climate Fund (SCF)	75.0	75.0		
Pilot Program for Climate Resilience (PPRC)			40.0	40,000,000
Forest Investment Program (FIP)			130.0	130,000,000
Scaling-Up Renewable Energy Program (SREP)			20.0	20,000,000
Global Environment Facility (GEF)	86.5	86.5	143.8	143,750,000
Tropical Forest Conservation Act (TFCA)	20.0	20.0	15.0	15,000,000
Subtotal	481.5	481.5	748.8	748,750,000
Debt Relief				
Bilateral Debt Reduction/HIPC Trust Fund	40.0	40.0	0.0	0
Multilateral Debt Relief Initiative (MDRI) for IDA15**			91.0	91,000,000
MDRI for IDA16, AfDF12***			83.5	83,500,000
Subtotal	40.0	40.0	174.5	174,500,000
Technical Assistance				
Treasury Office of Technical Assistance	25.0	25.0	30.1	30,120,000
TOTAL TREASURY REQUEST	**2,128.7**	**2,128.7**	**3,363.9**	**3,363,934,466**

* In FY 2010, the U.S. Agency for International Development transferred $66.6 million in Development Assistance funds to Treasury for payment to the Global Agriculture and Food Security Fund.

** This funding will both meet the U.S.'s remaining commitment to MDRI under IDA15 and cancel IDA15 arrears, assuming full funding of IDA's FY2011 request.

*** $76 million is for the FY 2012 IDA16 MDRI commitment and $7.5 million is for the FY 2012 AfDF MDRI commitment.

Summary of Arrears
Multilateral Development Banks
FY2001 - FY2011
(Budget Authority; in $)

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	Arrears end-FY2010	Arrears end-FY2011*
IDA	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	478,072,880	450,572,880
MIGA	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	6,867,321	6,867,321
AfDF	220,000	220,000	10,849,144	16,789,221	29,637,221	30,994,221	32,351,221	33,366,261	39,421,261	40,476,261	41,416,261
AfDB	13,420	13,420	42,126	67,315	619,934	2,036,730	3,453,526	1,433,026	631,375	615,239	615,239
AsDF	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	195,845,350	206,095,350
AsDB	0	0	0	0	0	0	0	0	0	0	106,585,848
MIF	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	50,330,972	50,330,972
IIC	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	41,428,519	36,758,519
IFAD	11,000	11,000	104,857	189,339	309,339	459,339	3,609,339	3,683,722	3,683,722	3,683,722	3,683,722
GEF	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	163,027,644	220,277,644
EBRD	0	0	232,732	441,776	725,225	10,157	10,157	0	0	0	0
TOTAL	**498,481,470**	**533,074,507**	**496,698,714**	**472,689,118**	**687,041,186**	**738,564,714**	**825,664,410**	**872,225,695**	**1,007,729,044**	**980,347,908**	**1,123,203,756**

* End-FY2011 figures assume a U.S. contribution at the annualized CR level and no payment to the AsDF due to lack of authorization

Note: The amount of AfDB arrears ($615,239) corresponds to the 51 capital shares from GCI-V forfeited by the United States.
The United States has not had arrears to the IBRD, IFC, IDB or IDB FSO, or NADBank during the FY2001-FY2011 period.

POVERTY REDUCTION AND ECONOMIC GROWTH

The World Bank Group

"When years from now, the story is told about how Liberia overcame the immense challenges it faced, a golden page will be dedicated to the role of the World Bank."

Augustine Ngafuan, Finance Minister of Liberia, January 2009

International Development Association (IDA)

Request: $1,358.5 million
First of three installments
Last Replenishment: 2009

Treasury requests $1,358.5 million for the first of three annual payments to the 16th replenishment of the International Development Association (IDA16). IDA is a facility within the World Bank Group that makes highly concessional loans and grants to the world's 79 poorest countries – home to 2.5 billion people – and is the centerpiece of U.S. multilateral development assistance. No other development facility has IDA's global reach or capacity – it is the single largest source of development finance globally across a range of sectors, addressing primary education, basic health services, clean water and sanitation, environmental safeguards, business climate improvements, infrastructure and institutional reforms.

IDA's 2010 commitments reached a record $15 billion, and during the last decade IDA funding has helped save at least 13 million lives. Achievements over this period included: immunizing over 310 million children, building over 73,000 miles of roads (enough to circle the globe nearly three times), constructing and renovating 23,000 health facilities, and providing access to water and sanitation for over 177 million people. In addition, the examples below provide a snapshot of IDA's important work:

- In 2003, IDA launched a Social Investment Program Project to benefit the poorest people in **Bangladesh** by financing local infrastructure, basic services, and livelihood opportunities.

Since then, over 350,000 households (representing around 3.5 million people, in about 1,000 villages) have benefited from this program through access to drinking water, roads and bridges, as well as to credit, markets, and opportunities for income generation.

- In **Cambodia**, IDA is helping to finance a Land Allocation Project which provides land, livelihood support, infrastructure, schools, health centers, and markets to poor and land-poor families in three provinces. So far, the project has given land and livelihood support to 1,254 families. A key element of this project is its support for female-headed households, which is critical to improving household welfare, especially in rural areas.

- In **Mongolia**, an $18 million IDA project has created a new insurance market in the country that has led to 14,000 policies covering the livestock critical to the 30 percent of Mongolians who are nomadic. This type of risk management has been identified as an essential component of strategies designed to support smallholder farms.

Country-specific results can be found at: http://www.worldbank.org/ida/ida_abc.html.

IDA is also a critical resource for the world's most fragile and vulnerable countries, such as Haiti and Afghanistan, where it provides resources, builds local capacity, and helps governments coordinate and manage other sources of financial assistance. For example, IDA has contributed to the mobilization of over 25,000 community development councils and the return of 6 million children to school. In addition, a $22 million IDA credit in Afghanistan helped develop the legal and regulatory regime for the telecommunications sector, which has attracted $1 billion in private investment and seen the cost of phone calls decline 95 percent to 10 cents/minute.

IDA's strong leveraging of other donor contributions and internal Bank resources make it an effective place to invest limited U.S. development resources. Every $1 contribution from the United States leverages almost $12 in contributions from other donors and internal Bank resources. There are now 51 country donors to IDA.

The World Bank's internal resources will be particularly strong in this three-year IDA16 period, comprising $17.5 billion in loan reflows (including accelerated repayments from IDA graduates like China) and income transfers from IBRD and IFC, compared to only $10 billion in IDA15. This replenishment will support over $16 billion per year in IDA lending beginning in July 2011.

As a result of this leveraging of diverse resources, the United States is able to secure its position as the leading donor to IDA, and enjoy the critical policy influence that this position affords, while accounting for just 8.3 percent of the overall replenishment, down from 8.9 percent in IDA15.

U.S. Leadership

The United States was the driving force behind the creation of IDA in 1960 and remains its largest shareholder. U.S. funding for IDA has helped eradicate extreme hunger and poverty around the world, while also providing the United States with an opportunity to pursue initiatives that advance strong accountability, allocate resources based on a country's performance, increase the provision of grants for heavily indebted countries, and target growth investments.

During negotiations for the IDA16 replenishment, the United States led efforts to reach agreement on new commitments by the World Bank to:

- Accelerate the repayments of IDA loans by recent IDA "graduates" such as China. These prepayments will generate about $2.7 billion in additional resources to support the World Bank's poorest clients over the next three years ($2.1 billion of which results from prepayments from China).

- Create a special crisis response window to provide resources for countries hit by natural disasters, such as Haiti, as well as those who may experience severe, external economic shocks. The World Bank will make $2 billion available for crisis response, which will help further reduce the burden on U.S. bilateral aid in challenging situations.

- Extend Afghanistan's special status as a post-conflict country, which will allow the country to access substantially more funding.

- Develop a stronger framework for project impact evaluation that will improve accountability and direct development resources towards successful models.

- Intensify efforts to mainstream gender into IDA projects – that is, routinely take gender issues into account in the full range of its work, including on policy frameworks, project design and country dialogue. For example, all country strategies will include analysis of gender issues, and results indicators will be gender-disaggregated where relevant.

U.S. leadership has helped IDA become a pioneer on initiatives to help measure – and improve – project impact. In 2002, IDA became the first institution to systematically aggregate project-level results up to the portfolio level in an effort to better measure and understand the broad-based impact that water, transportation, health and education projects were having in their recipient countries. IDA is now developing comparable indicators for urban development, information and communication, and small/medium enterprise. In addition, IDA has a "Results Framework" that measures the quality of its institutional efforts (e.g. quality of project design, problem projects restored to "satisfactory" status in 12 months).

International Bank for Reconstruction and Development (IBRD)

Request: $117.4 million
First of five installments
Last GCI: 1988

The International Bank for Reconstruction and Development (IBRD) is the largest global development institution and aims to reduce poverty in middle-income and creditworthy poorer countries through loans, guarantees, risk management products, and analytical and advisory services. In addition, the IBRD plays an especially unique and essential role in mobilizing and coordinating donor assistance, often to assist countries suffering the effects of natural disasters or conflict.

Treasury requests $117.4 million for the first of five installments of the United States capital subscription to the World Bank's General Capital Increase (GCI), which funds IBRD. This is the first capital increase for the IBRD since 1988, and reflects the World Bank's extraordinary response to the global financial crisis, which generated an extraordinary commitment of over $152 billion in lending. Of this amount, the World Bank Group has disbursed more than $96 billion, more than any other multilateral financial institution, and tripled its lending prioritizing the protection of social safety nets in developing countries, including education, health and anti-poverty programs.

As a global institution, the World Bank was best positioned to respond quickly and at a scale that simply would not have been possible for regional or bilateral development institutions. The Bank's singular ability to finance at this scale is matched by its unique store of technical expertise across a range of critical development sectors, from water infrastructure to the delivery of basic social services through innovative tools like conditional cash transfers.

Without the GCI, the World Bank estimates lending would fall from an average of $15 billion a year in real terms (the average prior to the global financial crisis) to less than $8 billion a year in FY 2012 (July 2012-June 2013). The reduced level would be less than a third of even the most conservative projections of demand for lending in FY 2011, and is a small fraction of projected demand going forward. In addition, there are risks to U.S. leadership if we fail to meet our commitment to the World Bank. Specifically, our shareholding could fall from its current level of 16.4 percent to below 15 percent, at which point the United States would lose its ability to veto changes to the Articles of Agreement, the World Bank's governing agreement and a key source of leverage.

Our support for the capital increase will have a very strong multiplier effect, as each additional dollar of U.S. capital for the GCI will support additional lending of $25 due to burden-sharing with other shareholders and an increase in the Bank's ability to borrow in the markets.

The funding will also support lending in regions and countries that are a national priority. In Pakistan, for example, the IBRD's loan program of $3.9 billion has supported important programs to aid recovery from the 2005 earthquake, provided micro credits to more than 275,000 borrowers, installed water systems for more than 9,000 families in Baluchistan, increased school enrollments, particularly among girls, and improved sanitation systems for 80 rural communities in Northern Pakistan. The Bank has indicated it will also provide $1 billion in support for Pakistan in the current fiscal year, of which $300 million will help finance critical imports.

In addition, we depend heavily on the Bank to mobilize and coordinate donor responses in the aftermath of conflicts and/or natural disasters. For example, when tropical storm Agatha hit Guatemala in mid-2010, causing almost $1 billion in damage, the World Bank made available up to $85 million in crisis response financing. These funds backed government rescue operations – including the evacuation of over 150,000 people – as well as longer-term efforts to reconstruct public infrastructure. More recently, the Bank extended $150 million in emergency support to Colombia to finance immediate needs related to the affects of devastating rains. And, in response to one of the worst natural disasters in Brazil's history, the World Bank said it will provide a $485 million loan to help the government finance the relocation of families from risk areas and build new homes for those displaced by the mudslides.

Finally, the Bank has repeatedly played a highly visible role in supporting post-conflict relief efforts, as evidenced by their management of trust fund operations in places like Bosnia, Kosovo, East Timor, Iraq, and Afghanistan, among others. Going forward, the Bank is poised to take a leading role in supporting a comprehensive development plan to build a stable and prosperous economy in Southern Sudan, should it emerge as a new country.

U.S. Leadership

As the Bank's leading shareholder for more than 65 years, the United States has helped shape the global development agenda, advancing approaches that encompass core American values, such as universal access to health and education, enabling environments for the private sector, policies that promote good governance (e.g., transparency and accountability), and a more prominent role for civil society.

Since the last capital increase in 1988, our leadership in the institution has allowed us to successfully advocate for major changes at the World Bank, which have created a more well – managed, effective, transparent, and accountable Bank. Specific accomplishments include:

- More effective audit and internal control functions to enhance the Bank's oversight and accountability;
- A substantially more expansive disclosure policy that will allow greater public access to the Bank's deliberations and operations;
- The adoption of enhanced new procurement standards that ensure a balanced playing field for all companies seeking contracts from the Bank, including those from the United States;
- The strengthening of independent evaluation and integrity offices that are empowered to examine the Bank's policies and impacts at arm's length from management; and
- The creation of a special panel to which citizens concerned about a project's impact can appeal for redress.

More recently, we took advantage of this new capital increase request to secure significant new commitments. These include:

- *More support for the poorest*. World Bank management has agreed to provide additional support for the world's poorest clients (as opposed to the middle income borrowers) through a transfer of internal resources. Specifically, each $1 contributed to capital will leverage nearly $8 in income transfers from IBRD to IDA, providing a total of $6.6 billion over the next 10 years for the poorest around the world. Without the capital increase, the dramatic decline in lending would mean that the income needed to support transfers would be absent for years to come – placing a greater burden for IDA contributions on the shoulders of donors.
- *A greater focus on results.* The World Bank has agreed to report on results using the same system that IDA (the Bank's concessional window) recently instituted, also at our urging. Once

in effect, outputs achieved through IBRD financing will be aggregated and reported in a single concise framework.

- *Greater fiscal responsibility.* The World Bank is instituting a financial framework that will consolidate all major financial and budgetary decisions to a single period in the fiscal year, forcing tradeoffs and improving fiscal responsibility. As a result, the interest rate that the Bank charges on loans will be set to cover a larger share of the Bank's administrative budget.

Finally, we have seen a significant – and welcome – shift in development paradigms, as reflected in a new candor about corruption and its effects on development, a heightened awareness to the importance of sustainability, sensitivity to environmental risks, and a sea change in engagement with civil society organizations. Our leadership has also spurred new special multilateral operations designed to promote environmental sustainability and mitigate the impact of climate change.

International Finance Corporation (IFC) — Request: $0 — Last GCI: 1991

The IFC is the private sector arm of the World Bank and fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

For FY 2012, Treasury requests authorization for the U.S. Governor to vote in favor of a Selective Capital Increase (SCI) at the IFC. Treasury is *not requesting funding as part of this SCI,* which is fundamentally intended to enhance the IFC's legitimacy by giving developing and emerging economies greater representation and responsibilities in the institution, reflecting their increasing role in the global economy.

Under the SCI, U.S. voting power will decrease from 23.6 to 21 percent but *we will retain veto power over certain key decisions*, such as the ability to block any future increases in IFC's capital stock.

U.S. Leadership

The United States has been a strong advocate of the IFC's mission to promote private sector development, and played an important role in encouraging the IFC to scale-up its investments in low-income countries and, specifically, in capital-starved conflict-ridden countries such as Afghanistan and Pakistan, and post-conflict countries such as Sierra-Leone and Liberia. For example, through its Conflict-Affected States in Africa Initiative, the IFC designed and implemented integrated strategies to support economic recovery in countries where war has destroyed economies and caused widespread poverty, such as the Democratic Republic of Congo, Liberia and Sierra Leone. Through the program's immediate assistance and long-term support, these countries rebuild their private sectors, increase economic stability, reduce poverty, and return people to work.

More recently, the IFC approved a $35 million emergency investment program after the earthquake in Haiti to help private companies get back to business, reestablish critical services and create or preserve jobs. The IFC is also financing the expansion of an important garment manufacturer in Northern Haiti, which will create 4,000 new jobs by the end of 2011. The IFC also structured the bidding for the public-private partnership that led to Haiti's largest foreign direct investment since the earthquake - a $99 million investment by Viettel, a Vietnamese company, in Telecommunications d'Haiti in order to expand telecommunications services in the country.

The United States has encouraged socially responsible investment by supporting the adoption of strong environmental and social safeguards. The IFC's performance standards not only have driven the increasingly high levels of responsibility with which the IFC operates, but the standards also have been adopted by almost 70 private sector financial institutions. The "Equator Principles," as they are known, now govern the way many of the world's largest lenders measure and treat environmental and social sustainability. In addition, the IFC has recently identified several new opportunities to improve on these standards, including by requiring client companies to account publicly for green house gas emissions associated with IFC-supported investments.

African Development Bank Group

"The steadiness of the Bank and its management under the leadership of Dr. Kaberuka in responding to the recent financial crisis and prioritization of infrastructure financing in many African countries is a clear manifestation of the potential the Bank has in the transformation process of Africa."

Syda Bbumba,
Ugandan Minister of Finance, Planning and Economic Development, May 2010

African Development Fund (AfDF)

Request: $195 million
First of three installments
Last Replenishment: 2009

Treasury requests $195.0 million for the first of three annual payments to the twelfth replenishment of the African Development Fund (AfDF-12). The African Development Fund is the facility within the African Development Bank Group that works with the 40 poorest countries in Africa, offering "soft" or concessional loans and grants. With over $11 billion in financing for water, power, communication and transportation projects over the past three years, the AfDB Group is the largest financier of infrastructure in Africa. Moreover, because AfDF resources are significant compared to the limited government revenues mobilized by low-income African governments, it is playing an especially vital role in advancing the region's development objectives. For example, Rwanda's annual AfDF allocation is equal to almost one quarter of total government revenue.

We have also encouraged a streamlining within the Bank to avoid duplication of other donor efforts and concentrate more directly on infrastructure, especially projects that promote regional integration. We believe this is the right emphasis for the Bank because infrastructure investments are fundamental to catalyzing the region's growth and require substantial resources and technical capacity – the African Development Fund's core strengths. Moreover, the results of the institution's interventions in this area have been very promising:

- In West Africa, AfDF financing for the *Nigeria-Benin Interconnection Project* linked the Nigerian electricity grid to the common grid supplying Benin and Togo, enabling these two countries to import 40 percent of their annual electricity consumption from Nigeria, which is both more environmentally-friendly and affordable. The success of the Interconnection Project subsequently led to an AfDF-financed electrification project in Benin. As a result, health facilities can now conserve vaccines properly, new lighting in schools has boosted attendance and improved teacher and student performance, rural libraries are now offering Internet access, and municipal lighting has both made the streets safer and proven popular for evening studying, thus reinforcing educational outcomes.

- AfDF co-financed the *Kicukiro-Kirundo Road Project* in Rwanda, establishing a permanent link between Rwanda and Burundi, helping people get goods to market and knitting together broader regional markets. As part of the project, a joint border post at Nemba helped to halve the transit time for commercial vehicles between the two countries, while 120 kilometers of completed feeder roads on both sides of the border are connecting an estimated 600,000 rural dwellers to a major marketing corridor.

- A regional road project in Mali and Guinea increased Mali's access to the port of Conakry, contributing to a tenfold increase in trade volume at the Conakry port and reduced the border crossing time from 6 hours to 15 minutes.

The AfDF is also a flexible organization that has proven capable of employing its comparative advantage in infrastructure to address emerging priorities, such as food security and climate change. For example, AfDF's *Smallholder Irrigation Project in Malawi* supported a farmer-managed scheme to improve water management and train farmers in improving the way they manage water collectively. The project contributed to impressive results: between 2000 and 2008, maize yields in the valleys increased threefold from 1.0 to 3.5 tons per hectare. Valley farmers have gone on to establish credit cooperatives to diversify their livelihoods into areas like agro-processing, taking advantage of small-scale electricity generation also funded through the project. The Bank's pipeline of upcoming projects includes a focus on agricultural infrastructure with recent projects in Tanzania and Cameroon.

Additionally, the AfDF's Fragile States Facility is helping meet the extraordinary infrastructure and governance needs of countries emerging from conflict, such as Sierra Leone, where AfDB funding to rehabilitate hydroelectric generation helped reduce power costs in the country by 60 percent and provided new access to 8,000 customers. This assistance helps reduce the risk that fragile states slip back into conflict, which creates higher long-run costs in terms of humanitarian needs and security vacuums.

The AfDF is an important partner in U.S. whole-of-government approaches to meeting development challenges in Africa. For example, road infrastructure needs are enormous, and effective solutions require cooperation from multiple donors. In Tanzania, the AfDF is financing the upgrading of 193 kilometers of unpaved road between Namtumbo and Tunduru. The road will directly connect with the upgraded Namtumbo-Songea-Mbamba Bay Road financed by the Millennium Challenge Corporation, greatly enhancing the value of this MCC investment. Together, these projects will help complete the corridor linking ports on Lake Malawi to the coast. In addition, the AfDF project is providing HIV/AIDS and road safety awareness training to 35 villages and 44 primary and secondary schools along the route.

The AfDF's leveraging of other donor contributions and internal Bank resources make it an effective place to invest limited U.S. development resources. Each $1 contributed by the United States leverages about $15 in contributions from other donors and the AfDB. This replenishment will support about $3 billion per year in new project approvals from 2011-2013.

U.S. Leadership

The United States is the largest AfDF shareholder, reflecting our strong and enduring commitment to provide basic humanitarian aid and enhance growth and prosperity in the poorest region of the world. The United States has a vested interest in supporting the region's growth because its economies have the potential to become vibrant partners for our businesses, farmers, and workers, and will help create a more dynamic cycle of opportunity on both continents. Additionally, U.S. support for the AfDF helps fragile nations, such as Liberia, grow out of conflict and instability.

The United States has been a leading voice for initiatives to maximize the AfDF's effectiveness and we have recently helped secure a number of new policies, including strengthened environmental and social safeguards, the adoption of common development measurement indicators, stronger quality control on project design and country strategy development, and a stronger independent evaluation group.

African Development Bank (AfDB)

Request: $32.4 million
First of eight installments
Last GCI: 1999

The African Development Bank (AfDB) is the hard loan window that makes public sector loans to the 15 middle-income countries in Africa and private sector loans to both middle- and low-income countries at rates well below what these countries could access independently. Through its support for growth in Africa's middle-income countries, the AfDB is helping solidify new democracies, creating stable societies than can govern effectively and meet the needs of the people. In addition, it is helping create a new generation of markets for U.S. businesses and workers and enhancing the region's capacity to move beyond aid in coming generations.

Treasury requests $32.4 million for the first of eight annual payments to the Sixth General Capital Increase of the AfDB. Shareholders agreed to a capital increase for this window for the first time since 1999 to avoid what would otherwise be a 50 percent drop in lending levels to under $1 billion per year and because of the significant improvements in the quality and focus of Bank programs in recent years. When completed, this general capital increase (GCI) will enable the Bank to increase its lending capacity to more than $5 billion per year. These resources will help address the enormous infrastructure gap which is holding back economic growth and poverty reduction in Africa, where one in four people does not have access to electricity, the need for back-up generators can triple or quadruple electricity costs for struggling firms, and transportation costs are twice as high as those for a typical Asian country.

U.S. capital contributions to the AfDB ($32.4 million each year for eight years) will translate into lending levels 25 times as high, due to burden-sharing with other shareholders and the Bank's ability to borrow in the markets.

As with the concessional window (the African Development Fund), the United States has encouraged a strategic focus on infrastructure, especially to support regional integration. In addition, we have advocated for a heightened focus on private sector development, including in low-income countries and fragile states. As illustrated by the following examples, the African Development Bank has oriented its portfolio to reflect these priorities and is achieving important development results:

- Two recent AfDB power projects installed 2800 MW of capacity and upgraded transmission lines, providing over 52,000 people with a new electricity connection.

- Bank financing of the construction and rehabilitation of nearly 1,300 primary, secondary and tertiary health centers, provision of new equipment, and training of over 13,000 health professionals benefitted 6.5 million people.

- Eight recent agriculture projects financed over 1,700 km of feeder roads, 49 rural marketing facilities, over 280 social facilities (rural schools, health centers), improved water management systems on 50,000 hectares of land, and vaccination of 2,000 head of livestock.

- A $60 million investment from the AfDB in 2009 helped finance 7,000 kilometers of submarine fiber optic cable from Portugal to Accra in Ghana, and Lagos in Nigeria, completed in October 2010. The system includes subsequent branching units to the Canary Islands, Morocco, Senegal, and Côte d'Ivoire.

Due to U.S. engagement and leadership, the AfDB has also internalized our interest in climate resilience and low-carbon development projects. For example, the Bank has integrated tree planting into its road building projects, and is increasingly focused on developing renewable energy projects, such as the Lake Turkana Wind Farm project in Kenya. In addition, a series of AfDB projects in Morocco's electricity sector, including a $97 million solar thermal power plant project, is helping the country diversify its energy sources by increasing its renewable energy potential and strengthening power grid interconnections to facilitate electricity imports from neighboring countries.

U.S. Leadership

The United States has been a shareholder in the AfDB since 1983 when the Bank was opened to non-regional shareholders. During the recent negotiations for the GCI, the United States' leadership position and engagement helped secure a robust set of policy commitments related to the AfDB's finances and operations. Among them were:

- An updated financial framework, which has already generated about $4 billion in additional lending opportunities, and is permitting more effective leveraging of new capital;

- An increase in loan charges to ensure cost-sharing between donor and borrowing countries;

- A new, comprehensive financial model that will better integrate decisions on loan pricing, administrative expenses, net income allocation (including increased transfers to the Bank's concessional window, the African Development Fund), and capital adequacy;

- Stronger risk management functions to safeguard AfDB resources, with particular attention to risks associated with private sector operations in low-income countries with weak investment climates;

- A more expansive disclosure policy and practice to meet the highest standards that will include strengthening the presumption of disclosure by eliminating the positive list and emphasizing a limited negative list; and

- A Bank-wide "results framework" that measures progress toward high-level development outcomes (e.g., the percentage of rural population that can access an all-season road or how many people gained access to an improved water source) and Bank effectiveness and efficiency, such as the amount of time needed to complete bids.

Asian Development Bank Group

"…Both United States Transportation Command and United States Central Command are eye-witnesses to the valuable contributions the Asian Development Bank is making in a region of great importance to the United States."

General David Petraeus and General Duncan McNabb,
Memorandum for the Secretary of the Treasury, May 2010

Asian Development Fund (AsDF)

Request: $115.3 million
Third of four installments
Start of current Replenishment: 2010

The Asian Development Fund is the premier provider of development finance for the poorest countries in the Asia-Pacific region. Successful financing for core infrastructure – which is the AsDF's focus – is critical to relieving a major bottleneck for growth. For member countries with low per capita income and limited access to financial markets, the AsDF is an absolutely vital source of financing. For FY 2012, Treasury requests $115.3 million for the third installment of a four-year commitment under the agreement of the ninth replenishment of the AsDF (AsDF10).

The AsDF leverages donor contributions through the use of co-financing, which has increased three-fold since 2004, to approximately $284 million in 2009. The United States' contribution to AsDF10 is leveraged by a factor of nearly 24 in other funding, stretching each dollar invested in the Fund.

U.S. Leadership

The U.S. has successfully directed the AsDF's resources towards infrastructure finance in U.S. priority countries, including Afghanistan where the AsDF is the third largest donor. For example:

- The AsDF is investing heavily in the Afghan energy sector which will enable 65 percent of urban households and 25 percent of rural households gain access to power. Moreover, the expansion of electrical capacity in combination with other AsDF investments in irrigation capacity is expected to lead to an annual increase in agricultural output of 6 percent per year and in agricultural exports of 9 percent per year through 2015.

- In 2010, the AsDF completed the construction of Afghanistan's first railway, the Hairatan-Mazar-e-Sharif Railway. Commercial operations are expected to begin in 2011, and will provide trade connections to Europe through Central Asia.

The Asian Development Fund's activities have been recognized by the United States national security community as critical to the success of our political and security objectives in Afghanistan.

To help manage risks in challenging environments like Afghanistan, its work is monitored, tracked and assessed by one of the most advanced systems in the MDBs. Tools for enforcement include frequent site visits, tracking of disbursements, financial audits and strict sanctioning of violators. And, due to the vigorous enforcement of the AsDB's anti-corruption policies, the AsDB sanctioned 46 individuals and 35 firms, and carried out five project procurement related reviews in 2010 alone.

Finally, the United States was instrumental in persuading the AsDF to adopt a new grants framework to support debt sustainability in the poorest countries, an important tool to reducing the lend-and-forgive cycles that have crippled many development efforts. As a result, approximately 20 percent of the AsDF's resources are being distributed as grants, compared to only five percent under the last replenishment.

Asian Development Bank (AsDB)

Request: $106.6 million
Second of five installments
Last GCI: 1994

The Asian Development Bank provides loans, technical support and policy advice to creditworthy but needy countries in Asia. The AsDB's comparative advantage is infrastructure finance in core sectors such as as energy, transport, and water, which typically comprise 80 percent or more of AsDB operations in a given year.

For FY 2012, Treasury requests $106.6 million for the second of five capital contributions for the fifth capital increase of the AsDB (GCI V). In 2009, the Asian Development Bank sought support for a 200 percent capital increase – its first in 15 years - to forestall a dramatic drop in lending from $10 billion annually to $4 billion. Shareholders agreed that new capital was necessary to ensure an adequate level of development assistance to the region with the world's largest number of people living in absolute poverty. In addition, the United States supported the request because we wanted to ensure that ample resources would remain available to reinforce stabilization efforts in Pakistan. The U.S. contribution to the AsDB GCI will be leveraged by a factor of more than 6 through the contributions of other shareholders.

As with the Asian Development Fund (the Bank's low-interest loan window for poor countries), we have been able to direct resources to priority countries, such as the tsunami-affected countries like Indonesia and, more recently, to Pakistan where the Asian Development Bank is a major donor. For example, the AsDB is Pakistan's largest development partner in the energy sector and has made four large, long-term investment agreements totaling $2.9 billion. These investments should help address major distortions and inefficiencies in energy generation, power transmission, and tariff schemes, all of which are key impediments to Pakistan's economic growth and the lives of its people.

The water sector and irrigation is another significant target of AsDB's assistance program for Pakistan where an ongoing $900 million multi-year, multi-tranche facility is helping revamp and modernize irrigation infrastructure and improve agricultural productivity in Punjab. Similar facilities are planned for the Sindh province and the North West Frontier province. Finally, the AsDB is supporting large road transport projects in Pakistan, including a national trade corridor.

U.S. Leadership

The United States has been a leading shareholder of the Asian Development Bank since it was established in 1966 and our leadership in the Bank has had a significant impact on its policies. In fact, U.S. engagement and leadership during the capital increase negotiations enabled us to leverage meaningful changes within the Bank to direct more resources to the poor, strengthen safeguards, increase civil society participation, improve internal accountability, and measure results:

- *More resources for poor countries.* U.S. leadership has been integral to increasing the share of the Bank's net income (i.e., profits) to the Asian Development Fund (AsDF), the Bank's facility for its poorest borrowers. This has led to a tripling of the net income allocation to the AsDF to $120 million annually.

- *Stronger Environmental Safeguards.* In 2010, the Bank revised its safeguards policy, which strengthens protections and harmonizes with the safeguard policies of other MDBs (particularly the World Bank and the International Finance Corporation*). As a result, the ASDB requires disclosure of an environment impact assessment at least 120 days prior to the Board vote on the associated project, consistent with the Pelosi Amendment's requirements on environmental due diligence.* Since the adoption of the new AsDB safeguards policy in January 2010, environmental mainstreaming has become an integral part of the institution's project design.

- *A greater role for civil society.* The Bank has strengthened partnership and cooperation with civil society organizations. As a result, the proportion of sovereign operations that included participation with civil society institutions averaged 75 percent in the last three years, and cofinancing grew to $3.6 billion in 2010, up from $3.3 billion in 2009.

- *Better oversight and accountability.* The AsDB has taken important steps to strengthen risk management practices through increased technical staffing and better integration of risk management into project design. The AsDB has also established an Office of Anticorruption and Integrity (OAI), agreed to greater independence for the Bank's audit function, and strengthened the AsDB's Whistleblower Policy. Finally, the AsDB has improved the level of transparency in publication of sanctioned firms and entities, including cross-debarment with other MDBs.

- *Focusing on results.* Finally, the AsDB has been among the most proactive of the MDBs in devising and implementing a new framework aimed at measuring project implementation and outcomes. Specifically, the AsDB has expedited the use of improved performance reporting systems to monitor implementation, has introduced innovative methodologies to mainstream gender considerations into operations, and, in line with the AsDB's new human resources management, strengthened staff resources dedicated to project design. In addition, the 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 annual Development Effectiveness Report.

Inter-American Development Bank Group

"The IDB's participation in the development of key sectors for our development - agriculture, housing, the financial markets, infrastructure - has helped, without a doubt, to improve the competitiveness of the economies of Latin America and the Caribbean, and most importantly, to improve the quality of life of millions."

Felipe Calderón, President of Mexico, March 2010

Inter-American Development Bank (IDB)

Request: $102.0 million
First of five installments
Last GCI: 1994

Established in 1959, the IDB is the largest source of development financing for Latin America and the Caribbean, a region of significant commercial and strategic importance to the United States. In aggregate, the IDB provides 26 borrowing member countries close to 50 percent of their multilateral financing.

For FY 2012, Treasury is requesting $102.0 million for the first of five installments for the Inter-American Development Bank's (IDB) Ninth General Capital Increase (GCI 9). This recapitalization will help avert a sharp reduction in lending to approximately $7 billion per year, well below our estimates of the $12 billion in borrowing needs of member countries. *The GCI agreement also secures $2 billion in grants for Haiti through 2020.*

Beyond this grant funding, the IDB is Haiti's lead multilateral development partner in six of the key sectors for the post-earthquake recovery and development of Haiti, including education, transportation, water and sanitation, agriculture, energy, and private sector support, especially for small and medium-sized enterprises. Specific projects include:

- $250 million to reform the education system over 2010-2014;
- Road construction and repair, as well as port and airport repair and rehabilitation;
- $50 million to develop an industrial park in the northern region of Haiti; and
- A partial credit guarantee fund, as well as a social investment fund, designed to provide credit for small and medium sized businesses that are currently excluded from the national credit markets.

The U.S. contribution will leverage significant additional resources: every additional dollar of U.S. capital allows lending to increase by over $10 due to burden-sharing with other shareholders and increase the Bank's ability to borrow in the markets.

U.S. Leadership

For over 50 years, the United States has been the leading shareholder of the IDB, ensuring that the investments made by the American people in partnership with the other members of the Bank are financially sound, and advance the economic and social development of Latin America and the Caribbean. By virtue of our large shareholding in the institution (30 percent), the United States exercises strong influence over the Bank's policies and programs, which further strengthens the role of the IDB as a partner in advancing U.S priorities in the Western Hemisphere. The United States' influence was reflected during the capital increase negotiations, during which we effectively consolidated key institutional reforms of the IDB, including:

- *More responsible resource management.* The IDB adopted a comprehensive income management model that allocates income and adjusts loan pricing to cover the Bank's complete lending and grant programs; provides minimum annual transfers of $200 million to the grant facility for Haiti; ensures adequate capital to preserve the financial soundness of the Bank; and covers all administrative expenses.

- *A new framework for development effectiveness.* The IDB is formulating a new "development effectiveness matrix" that will impose more discipline over project development and promote a greater emphasis on project outcomes and impact. The Bank will also disclose all project-level analysis, compliance with institutional priorities, and economic rate of return (ERR) calculations for projects approved each year, as well as formal evaluations of project impacts.

- *Stronger environmental safeguards.* The IDB agreed to reform environmental and social safeguards to be fully consistent with the recommendations of the independent advisory group on sustainability and in line with international best practices.

- *New transparency and accountability standards.* The IDB is establishing a new disclosure policy that is consistent with the highest standards applied by other multilateral financial institutions. Key elements include the replacement of a "positive list" of disclosed policies with a limited "negative list," a presumption of disclosure; the release of Board/Committee minutes; voluntary disclosure of Executive Directors' statements; and disclosure of project-level results.

- *A new and more credible Inspection Mechanism.* The IDB is improving the scope of its inspection mechanism by agreeing to phase-in the coverage of all Bank policies within the next three years.

- *More support for the private sector.* The Bank has agreed to remove its cap on lending to the private sector, which will now be subject to a new capital adequacy model.

Multilateral Investment Fund (MIF) **Request: $25.0 million**

Sixth of six installments

Start of current Replenishment: 2007

The MIF is a special facility within the Inter American Development Bank that promotes micro- and small- enterprise growth in Latin America. The MIF works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce and broaden the economic participation of smaller enterprises. For FY 2012, Treasury requests $25.0 million for the sixth and final installment payment of the first replenishment of the MIF (MIF II). Each dollar of U.S. funding is matched by over $2.5 in contributions from other donors.

U.S. Leadership

The United States was the primary force behind the creation of the MIF. Since its establishment in 1993, its focus has been on areas prioritized by the United States. For example, in April 2009, the MIF agreed to participate in a new partnership announced by the White House, together with the U.S. Overseas Private Investment Corporation (OPIC), and the Inter-American Investment Corporation (IIC), to create a fund to provide up to $250 million to microfinance institutions to weather the global financial crisis and allow them to continue to help small businesses in the Western Hemisphere.

In addition, the MIF moved quickly to establish a $3 million credit line to help past and present MIF partners in Haiti get up and running following the earthquake. One beneficiary of this funding was INDEPCO, a network of micro-entrepreneurs in the garment sector, which almost immediately received $180,000 from the MIF to help rent new space and purchase new equipment and motorbikes to allow its micro producers to quickly return to supplying the rising demand they had been enjoying from both domestic and international markets.

Inter-American Investment Corporation (IIC) **Request: $20.4 million**

Arrears Payment

The IIC promotes private small and medium-sized enterprises in Latin America and the Caribbean by offering a combination of direct loans and equity investments in individual companies, lending through private local banks, and participation in regional equity funds. The IIC supports key objectives of the Administration, especially the promotion of private small and medium-sized enterprises.

For FY 2012, Treasury requests $20.4 million to clear remaining U.S. arrears to the IIC. The deadline to pay for subscribed shares from the 1999 capital increase expired March 31, 2008 (the original deadline was October 31, 2007, but we were granted an extension). Despite reluctance by IIC membership to extend the deadline further, the United States was able to successfully broker another extension in which the United States would pay 10 percent of its arrears in 2010, 45 percent of its arrears in 2011, and 45 percent of its arrears in 2012. Our failure to meet this financing deadline would result in the reduction of shareholding in the IIC to 22 percent (from 25 percent), and would raise questions more broadly about the value of U.S. pledges of financial support.

Each dollar of U.S. contribution to the IIC's capital stock is matched by three dollars in contributions from other donors. This leveraging is compounded by a significant degree of counterparty financing and joint financing by the private sector and other bilateral donors.

U.S. Leadership

The United States played the lead role in the creation of the IIC in 1984 due to our long-standing commitment to fostering economic growth, especially through the primacy of open markets and private sector-led growth. The IIC's mission is closely aligned with these priorities and has had significant impacts in the region. In 2010, the IIC expanded its equity and quasi-equity investments in the region, seeking to broaden the range of products the IIC offers and create greater value added for SMEs through new, more flexible financing instruments. In partnership with the Department of Commerce, in 2010 the IIC developed a training program for SMEs on the adoption of best practices for business ethics.

European Bank for Reconstruction and Development

"In the past two decades, the European Bank for Reconstruction and Development has been an important partner to Croatia in its endeavors to achieve sustainable economic development based on the principles of a market economy."

Jadranka Kosor, Prime Minister of Croatia, May 2010

European Bank for Reconstruction and Development (EBRD)

Request: $0
Last GCI: 1996

The 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.

In 2009 and 2010, EBRD sharply increased its lending and investment activities in response to the effects of the financial crisis on Eastern Europe and the former Soviet Union. The EBRD's crisis response efforts proved critically important to U.S. interests, which include a stable and prosperous European continent, but placed new demands upon the institution's capital. As a result, we are seeking authorization to support a temporary 50 percent increase in the EBRD's capital.

Specifically, Treasury requests Congressional authorization to make a binding commitment that would make available $1.25 billion (€900 million) in the event of a "call" on capital. *We are not seeking appropriations because the EBRD tapped internal resources ($1.39 billion) to cover the paid-in portion of the GCI*. The temporary callable capital will be cancelled once the regional effects of the financial crisis have begun to recede, with a first assessment scheduled in 2015.

This GCI will enable the EBRD to remain an important partner the region, especially in volatile areas such as Ukraine, Kosovo, Georgia and the Caucasus, the Kyrgyz Republic and the Central Asian states that border Afghanistan. For example:

- The EBRD has invested nearly $1 billion in the Kyrgyz Republic, and is working closely with other donors to mobilize resources to help stabilize the Kyrgyz economy as the country recovers from recent civil unrest. In particular, EBRD has worked to maintain support for microfinance institutions in the Kyrgyz Republic that are key financial intermediaries.

- In Georgia, the EBRD was a critical partner, alongside the MCC and other U.S. bilateral programs, in providing financing necessary to support economic stability following the political crisis in 2008. In March 2010, EBRD signed a €80 million ($111 million) sovereign loan for the construction of Black Sea High Voltage line- one of the largest infrastructure investments in Georgia. This project will help interconnect the Georgian and Turkish power sectors, improving the reliability of the power supply and stimulating development of renewable energy in the Caucasus.

The United States has also supported EBRD investments to promote energy efficiency and renewable energy as part of its ongoing Sustainable Energy Initiative. Projects in this sector account for 19 percent of total commitments in 2009. Many of the economies in the region have much higher levels of energy intensity per unit of economic output than economies in Western Europe, making them more vulnerable to changes in energy prices. The EBRD's investments helped to improved the energy efficiency of the region's economies, and have reduced CO_2 emissions by nearly 27 million tons.

U.S. Leadership

With strong encouragement from the United States and other partners, the EBRD played a vital role in supporting a successful and timely response to the global financial crisis. Working jointly with other multilateral institutions, the EBRD helped prevent a disorderly unwinding of cross-border financial exposures in Eastern Europe, and is now working to address the region's excessive reliance on foreign currency borrowing and saving. Related to the recent economic turmoil in Europe, the EBRD has also agreed to provide credit lines with subsidiaries of National Bank of Greece in Bulgaria and Romania to help maintain the supply of credit in the Balkans.

In the discussions of the capital increase, the United States was instrumental in securing the unique formulation that included the use of EBRD's internal resources (for the paid-in portion) and a temporary GCI. In conjunction with this innovative approach, the United States also secured commitments to:

- Reduce the concentration of lending to Russia;
- Reaffirm a graduation policy for the advanced transition countries in Central Europe (Slovakia, Slovenia, Hungary, Poland, Latvia, Lithuania and Estonia).

As a result, the EBRD will reduce concentration risk and will do more business in the less advanced transition economies where it offers the greatest additional impact.

FOOD SECURITY

Today, nearly one billion people suffer from chronic hunger. With a rising population, global food supplies will have to increase by an estimated 50 percent over the next 20 years to meet projected demand. This challenge is compounded by climate change, soil erosion, water shortages, and, in many of the world's poorest countries, stagnant agricultural productivity.

At L'Aquila, the G-8 committed to achieve sustainable global food security through the strategic alignment of donor resources in results-based, country-owned, accountable investment plans. The Obama Administration has made strengthening global food security a priority for its development policy through the Feed the Future initiative. By working to address the causes of food shortages and by increasing productivity, especially among rural populations, the United States in coordination with other donors and recipient governments has an opportunity to lift the lives of the world's poorest and foster broad-based economic growth. And Treasury is playing an important role in supporting these efforts through its leadership in the Global Agriculture and Food Security Program (GAFSP) and sustained support for the International Fund for Agricultural Development (IFAD) outlined below.

> *"…this fund [the Global Agriculture and Food Security Program] symbolizes the G20s willingness to act in a coordinated manner on an issue that is fundamental to our countries' growth and development."*
>
> **Finance Ministers from nine African countries (Ethiopia, Kenya, Liberia, Malawi, Nigeria, Rwanda, Senegal, Sierra Leone, and Uganda)**
> **Letter to the G-20, October 2010**

The Global Agriculture and Food Security Program (GAFSP)

Request: $308 million
Trust Fund Contribution

For FY2012, Treasury requests $308 million for GAFSP, a multilateral trust fund that invests in the agricultural sector of the world's poorest countries. The United States was the driving force behind the fund, which prioritizes financing for countries that demonstrate a comprehensive approach to agriculture, including by committing their own resources. An initial U.S. contribution of $67 million in 2010 in concert with U.S. diplomatic efforts and additional U.S. funding commitment has so far leveraged an additional $387 million in contributions. In 2010, the fund committed $337 million to eight countries in Africa, Latin America and Asia. The United States' continued financial leadership in GAFSP will be critical to attracting additional resources from new and existing donors.

The GAFSP also has an innovative, competitive structure under which all of the eligible multilateral institutions can compete to design and implement projects. GAFSP promotes sustainable gains in food security by:

- Providing a focused and coordinated approach;
- Creating incentives for developing countries to prioritize agriculture and promote policy reforms, as well as requiring recipients to direct their own resources to and align them with sustainable food security goals;
- Establishing measurable performance for these investments that is tied to the Millennium Development Goals for hunger and poverty; and
- Serving as a vehicle to advance innovation and build on lessons learned on reforms within multilateral development institutions.

U.S. Leadership

As part of the Administration's food security initiative, Treasury worked with our partners in the G-8 and G-20 to establish the GAFSP, which was launched on April 22, 2010 by Secretary Geithner. U.S. leadership led to several noteworthy features in the design of the Fund:

Making allocations based on quality proposals that align with L'Aquila commitments. The fund is generating strong incentives among poor countries to complete robust, evidenced-based agricultural development strategies, and commit their own resources to this important sector. Strong competition and selectivity, based on an independent review of proposals is contributing to improvements in the quality of projects.

Including the voice of small farmers. The United States also played a critical role in promoting a role for recipient countries and civil society. As a result, the main decision making body has equal representation between donors and recipient countries, in the capacity as voting members. Three civil society organizations – two from developing countries and one from industrialized countries – as well as representatives from the GAFSP implementing agencies act as non-voting members on the steering committee. And because the steering committee operates on a consensus basis, the United States retains veto authority over funding decisions.

Promoting greater transparency. With Steering Committee representation for all stakeholders (donor and recipient countries, civil society organizations, and multilateral development institutions), GAFSP demonstrates the importance of a fully transparent fund. This transparency extends to the general public as well. For example, the criteria used by the Technical Advisory Committee in its independent review process are publicly available online, as are proposals, minutes of meetings, and other relevant information. (http://www.gafspfund.org/gafsp/content/technical-advisory-committee)

Measuring the impact of our investments. The fund has set aside up to 2.5 percent of its resources for rigorous impact evaluations. These evaluations will be conducted by a third party (not the MDB implementing the project or the recipient government) to ensure independence. The results of these evaluations will be publicly available. Treasury is working with State and the World Bank on a common set of indicators so that the impact on the MDGs can be measured.

GAFSP Awards as of February 2011:

To date, in several countries, GAFSP projects are already approved and becoming operational:

Country	**Grant Amount** (date of award)	**Project Focus**
Bangladesh	$52.5 million (June 2010)	To enhance agricultural productivity through new technologies and improved water management.
Ethiopia	$54 million (November 2010)	To promote agribusiness development and the improvement of small-scale rural agricultural infrastructure.
Haiti	$36.75 million (June 2010)	To support the adoption of higher yielding technologies to boost agricultural productivity.
Mongolia	$13.125 million (November 2010)	To increase market access to rural livestock-based farm systems and improve livestock quality and productivity.
Niger	$34.6 million (November2010)	To create water harnessing infrastructure and address upstream erosion that damage these structures.
Rwanda	$52.5 million (June 2010)	To finance water management infrastructure, hillside agricultural development, and rural access to financial services.
Sierra Leone	$52.5 million (June 2010)	To finance the commercialization of smallholder farmers, support small-scale irrigation infrastructure, and improve agricultural services with new technology and training.
Togo	$41 million (June 2010)	To support the adoption of higher yielding technologies and reduce post-harvest losses of rice, maize, and cassava.
Total	**$337 million**	

International Fund for Agricultural Development (IFAD)

Request: $30.0 million
Third of three installments
Start of current Replenishment: 2010

For FY 2012, Treasury requests $30 million for the third of three payments to the eighth replenishment of IFAD (IFAD8). Through low-interest loans and grants, IFAD develops and finances projects that help smallholder farmers increase agricultural productivity and incomes, improve nutritional levels, and access larger markets. Forty percent of IFAD's funding supports agricultural development in the poorest countries in sub-Saharan Africa.

IFAD is the only multilateral development institution focused exclusively on reducing poverty and improving food security in the rural areas of developing countries. IFAD's mandate is critically important in the fight against poverty, as about 70 percent of the world's 1.4 billion poorest people (defined as those subsisting on less than $1.25 a day) live in rural areas, mainly as small-scale producers and subsistence farmers.

IFAD's comparative advantage is rooted in its unique mandate and wealth of experience in building partnerships at all levels – from grass-roots farmers' organizations in remote rural areas to private and government partners in national, regional and global food security initiatives. IFAD designs sound and innovative programs – in agricultural production, financial services, rural infrastructure, livestock and fisheries, research and training, market and enterprise development, and natural resources management – that respond to the priorities and constraints identified by the rural poor themselves.

Recent examples of IFAD successes include:

- A project in *Western Mindanao, Philippines* designed to help former combatants return to civilian life after decades of conflict. The $750,000 grant targeted households of former combatants to help them with access to land and become productive farmers and fisherfolk. Originally intended for 1,000 returnees, the project benefitted 3,860 people in the area, increasing beneficiaries' income by as much as 60 percent. Some have used this extra income to buy household appliances and fishing boats, while others can now afford to send their children to primary and secondary schools.

- A project in *Lesotho* to finance woolsheds and train farmers in improved animal health as well as care and management of the grasslands on which their herds feed. This project is enabling small-scale sheep and goat farmers to lift themselves out of a subsistence existence and obtain better prices for their wool. The absence of woolsheds meant that many farmers had to walk days to reach the nearest woolshed and faced substantial risk and loss of goats and sheep. Only a few months after the construction of a new woolshed, however, more than 4,900 sheep had been shorn and almost 16,000 kg of wool had been baled and sent for auction at a large regional market. As a result of the project, farmers will be getting substantially better prices for their wool in the marketplace.

U.S. funding for IFAD8 will leverage an additional $1.1 billion in contributions from other donors and support a work program of $3.0 billion over 2010-2012.

U.S. Leadership

As the largest contributor to IFAD, the United States has led efforts to improve its development effectiveness. Under the last replenishment, notable new commitments included:

- A results measurement framework based on improved results monitoring at the country and project levels;

- The establishment of a new resources allocation system that rewards strong performers;

- An independent office of evaluation;
- Strengthened internal governance, including a fraud and corruption policy with whistleblower protections; and
- Development of an institutional strategy for climate change and a policy on environment and natural resources management.

These commitments are translating into better results. According to IFAD's independent office of evaluation, its impact on rural poverty has improved markedly: for the 2002-2004 period, 48 percent of the projects evaluated were rated "moderately satisfactory" or better; this figure improved to 86 percent in 2007-2009.

The likelihood that project benefits will be sustained after projects close, an important element of project impact, is on an upward trend in IFAD. Among projects evaluated by IFAD's independent evaluation office, the proportion of projects judged to have a moderately satisfactory (or above) likelihood that its benefits will be sustained rose from 40 percent in 2002-2004 to 65 percent in 2007-2009.

CLIMATE CHANGE AND THE ENVIRONMENT

"As developing countries, we are on the cusp of an energy revolution, and the Climate Technology Fund offers us the door through which we can go to access the needed support, financially and technologically."

Zaheer Fakir, Deputy Director-General, International Cooperation and Relations, Department of Environmental Affairs, South Africa, November 2010

Climate change is contributing to global instability and, left unchecked, will lead to significant population displacement, declines in global food supply, and major shortages of water. This is a transnational challenge that requires multilateral solutions. While developing countries account for nearly all of the growth in global greenhouse gas emissions, greenhouse gas pollution mixes globally and poses the same threat to the United States regardless of where it is emitted. An international response and effort to reduce greenhouse gases is therefore critical to an effective solution.

While facing the climate change challenge, the United States is also presented with an opportunity to lead the development and manufacture of innovative energy technologies that can address the central issues while also building American industry, innovation and expanding exports. U.S. funding for multilateral efforts to address climate is therefore important for resolving a fundamental global challenge while also helping to increase U.S. economic competition.

Clean Technology Fund (CTF) — Request: $400 million Trust Fund Contribution

For FY 2012, the Administration requests $400 million for the Clean Technology Fund (CTF), which is one of two multilateral Climate Investment Funds (CIFs). The CTF aims to reduce global emissions growth and combat climate change by helping to close the price gap in developing countries between commercially available clean technologies and dirtier conventional alternatives in the power sector, the transport sector, and in energy efficiency. The CTF focuses on spurring large-scale clean energy investments in middle income developing countries with rapidly growing emission profiles. For example, with CTF resources a country can construct cleaner, but more expensive wind farms instead of having to rely on cheaper, dirtier coal-fired power plants.

U.S. participation in the CTF magnifies our "bang for the buck" in a number of ways. It not only attracts other donors to the fund, but also leverages other government, multilateral development bank (MDB) and private sector resources in the actual projects. Specifically, each U.S. dollar contributed to the fund has leveraged nearly five additional dollars from other donors. In addition, the CTF has endorsed 14 clean energy investment plans that blend $4.3 billion of fund money with financing from other sources to mobilize total planned investments of over $40 billion - leveraging nearly $10 from other sources for each CTF dollar spent.

These 14 country-owned plans, developed in partnership with the MDBs by Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, Nigeria, Philippines, South Africa, Thailand, Turkey, Ukraine, Vietnam, and a regional program in the Middle East and North Africa, include over 50 large-scale, emissions reducing projects that are under development. Current contributions have allowed the CTF to provide a total of $1.4 billion in financing for the first 19 of these projects which mobilize over $11 billion dollars in total investments and each year will avoid over 14 million tons of greenhouse gas pollution.

Specific examples of CTF successes include:

- *Wind farm development in Mexico's Oaxaca region:* In May 2009, the CTF approved a small, but long-term loan for a 67.5 megawatt private-sector wind farm. The loan attracted commercial lenders because it offset the high costs of obtaining long-term financing and mitigated any perceived risks held by commercial lenders. By providing this initial investment, the CTF is helping to catalyze wind energy development in Mexico.

- *Geothermal Power in Indonesia:* For decades, Indonesia held the world's largest potential for geothermal power but it was largely unsuccessful in promoting its development. Through the work of two programs, the Global Environment Facility addressing the policy and investment environment, and the CTF mobilizing financing for large-scale demonstration projects, Indonesia is now on the way to unlocking nearly a gigawatt of this valuable renewable resource in the next few years for use as base load energy.

U.S. Leadership

The United States, alongside the United Kingdom and Japan, led international efforts in 2008 to develop and launch the CTF. Strong and consistent U.S. leadership over the past two years has helped the CIFs become the largest vehicle for mobilizing international finance. Our engagement helped place the CIFs at the leading edge of the President's new approach to global development by ensuring that the funds pursue a clear comparative advantage, maximize leverage and results, and strengthen transparency and accountability. U.S. efforts have moreover ensured that the funds make selective and targeted engagements, promote country ownership, international coordination, value for money and greater private sector participation.

The U.S. and our CIFs partners developed a robust results measurement framework designed to assess the impacts of our efforts and generate knowledge at the fund, regional/country/local, and project level. A key component of this is the CIFs' Global Support Program which provides a multi-stakeholder platform for capturing learning and translating it into actionable knowledge products that benefit the global transition to the clean energy economy of the future.

The CTF employs an innovative, independent governing committee that gives developed and developing countries equal voice, and includes participation from other development partners, civil society and the private sector. Decisions by the committee are taken on a consensus basis. The United States serves on the committee with seven other donors, and eight developing countries including Brazil, China, Egypt, India, Morocco, Nigeria, South Africa and Turkey.

Strategic Climate Fund (SCF) — Request: $190 million Trust Fund Contribution

The Strategic Climate Fund (SCF), the other fund of the multilateral Climate Investment Funds (CIFs), supports three targeted programs: the Pilot Program for Climate Resilience, the Forest Investment Program, and the Program for Scaling-Up Renewable Energy in Low-Income Countries. Each program seeks to pilot new approaches and scaled-up activities to address climate change challenges in developing countries, while promoting low-carbon, climate resilient economic growth. For FY 2012, the Administration requests $190 million for the SCF.

- The *Pilot Program for Climate Resilience* (PPCR) helps ensure that the unavoidable effects of climate change will not undo our ongoing poverty reduction and economic growth efforts in developing countries. Through pilot programs in a small number of the most vulnerable countries, PPCR is demonstrating innovative ways to incorporate forward-looking climate considerations into broader development activities and investments. The knowledge generated by these pilots will help ensure that "climate-proofed" growth strategies become the norm in all developing countries.

- The *Forest Investment Program* (FIP) is working to reduce deforestation in developing countries by addressing the circumstances that lead to it. FIP is working with a small number of pilot countries to develop innovative approaches to a wide variety of challenges – from regulation and enforcement, to financing, to understanding and addressing the many social and economic implications of forest management. The knowledge generated by these pilots will help all developing countries build sustainable forestry into their broader economic growth strategies.

- The *Program for Scaling-Up Renewable Energy in Low Income Countries* (SREP) helps poor developing countries improve energy security and access, while stimulating economic growth through expanded use of their natural renewable energy resources. Through a small number of pilot programs, SREP is developing innovative ways to establish viable renewable energy markets in the poorest countries. The knowledge generated in these pilots will produce information on best practices and lessons learned that can be used in all developing countries.

U.S. Leadership

Like in the CTF, Unites States engagement with the SCF, and each of the fund's three programs, has helped place it at the leading edge of the President's new approach to global development by ensuring that the funds pursue a clear comparative advantage, maximize leverage and results, and strengthen transparency and accountability. U.S. efforts have moreover ensured that the SCF programs make selective and targeted engagements, promote country ownership, international coordination, maximize value for money and promote greater private sector participation.

For example, in Bangladesh, the most climate-vulnerable country in the world, PPCR funding will support a number of projects, including a long-term reconstruction plan to shore up its coastal embankments to withstand cyclones and storm surges, and financing to increase climate resilience of their water supply, sanitation and other coastal infrastructure investments. PPCR funding will complement existing support to Bangladesh from other development partners for its vital adaptation work.

The U.S. and our CIFs partners developed a robust results measurement framework designed to assess the impacts of our efforts and generate knowledge at the fund, regional/country/local, and project level. A key component of this is the CIF's Global Support Program which provides a multi-stakeholder platform for capturing learning and translating it into actionable knowledge products that benefit the global transition to the clean energy economy of the future.

Like the CTF, the SCF programs employ innovative, independent governing committees that give developed and developing countries equal voice, and include participation from other development partners, civil society and the private sector. Decisions by the committees are taken on a consensus basis. The United States serves on both SCF governing committee as well as the operational sub-committees for each of the three programs.

Global Environment Facility (GEF)

Request: $143.75 million
Second of four installments
Start of current Replenishment: 2011

The Global Environment Facility (GEF) is a multilateral facility that provides incremental funding-mostly grants-for projects that provide global environmental benefits, such as reducing greenhouse gas pollution and conserving biodiversity.

Treasury requests $143.75 million for the second of four installments to the fifth replenishment of the Global Environment Facility (GEF-5), which will cover the period from July 2010 through June 2014. During the GEF-5 replenishment negotiations, the U.S. sought and achieved important policy reforms to improve the GEF's effectiveness, particularly with regard to country-owned business plans for GEF funding and resource allocation. The total U.S. commitment to the GEF replenishment will be $575 million, to be paid in four equal installments of $143.75 million from FY 2011 through FY 2014.

The GEF supports capacity building and innovative and cost-effective investments whose design and environmental benefits can be duplicated (and financed) elsewhere. Projects fall into seven categories. Cumulative grants to these areas since 1991 have been allocated as follows: biodiversity conservation (33 percent); reducing or avoiding Greenhouse Gas emissions (33 percent); international waters (13 percent); combating desertification and deforestation (5 percent); reducing persistent organic pollutants (3 percent); cross-cutting projects (11 percent); and phasing out ozone-depleting chemicals (3 percent).

GEF projects are implemented by other international agencies, including the United Nations Development Program, and the MDBs. Since its creation in 1991, the GEF has approved more than $9.2 billion in grants, which leveraged approximately $40 billion in co-financing to support more than 2,700 projects in 165 countries.

The Fifth GEF Replenishment was concluded in May 2010 with a record 52 percent increase in new donor funding. Each dollar pledged by the United States was matched by five dollars from other donors, for a total of $3.5 billion in new donor resources, and $4.25 billion in available resources, over the FY 2011 to FY 2014 period. The GEF has 179 member countries and a 32 member governing board. The World Bank serves as the trustee of the GEF Trust Fund.

U.S. Leadership

In addition to improving the environment around the world through various country projects, the U.S. contribution to the GEF also directly benefits the United States by:

- Reducing harmful, long-lived chemicals in U.S. air and water;
- Protecting international marine resources, such as international fish stocks; and
- Protecting tropical rain forests and other natural areas that both maintain biodiversity and reduce carbon dioxide emission from deforestation and land degradation.

The GEF is governed by a board of 32 members that includes 16 developing countries, 14 developed countries, and two economies in transition. Decision-making strives for consensus, but can revert to a double-majority voting (60 percent of board members and 60 percent of contributions). Meetings are open to observers from civil society and virtually all meeting documentation is available on the internet.

Tropical Forest Conservation Act (TFCA) — Request: $15 million Debt Restructuring

The Tropical Forest Conservation Act (TFCA) allows eligible low- and middle-income developing countries with significant tropical forests to relieve certain official debt owed to the United States while generating funds to support forest conservation.

Treasury's FY 2012 budget request of $15 million would be used for debt treatment under the TFCA to conserve, maintain, and restore tropical forests. TFCA is funded out of Treasury's Debt Restructuring account.

TFCA helps protect the biodiversity found in tropical forests around the world, while also protecting critical ecosystems. Additionally, the TFCA offers a unique opportunity for public-private partnerships. Third party funders (usually international conservation NGOs) participate in many deals, increasing the size of individual agreements and contributing additional expertise to the management of programs. To date, 10 of the 17 TFCA agreements have utilized this public-private mechanism.

Under the TFCA, eligible countries can treat a portion of their debt to the United States through one of three debt treatment options: a debt swap with an eligible third party, usually an international environmental non-governmental organization, in which the USG may participate as well; a bilateral debt reduction agreement with the USG, or a debt buyback. Resulting payments on the treated debt are used to support grants to local NGOs and other entities engaged in a variety of forest conservation activities.

U.S. Leadership

The Treasury Department recently concluded a TFCA agreement with Brazil and a second TFCA deal with Costa Rica, and is currently in negotiations with Indonesia on a second TFCA agreement.

To date, the United States Government has concluded 17 TFCA agreements in 14 countries: Bangladesh, El Salvador, Belize, Peru (two agreements), the Philippines, Panama (two agreements), Colombia, Jamaica, Paraguay, Guatemala, Botswana, Costa Rica (two agreements), Indonesia and Brazil. These agreements will together generate over $260 million for tropical forest conservation, which will help further reduce the impact of climate change.

DEBT RELIEF

> *"Today we are virtually debt free….We have won back our reputation, we have regained our financial independence, and we will use that new freedom to speed up development. With this burden of debt lifted, we can spend the money saved on improving the lives of our citizens."*
>
> **Ellen Johnson Sirleaf, President of Liberia, January 2011**

U.S. efforts on debt relief and restructuring are fundamental to helping some of the world's poorest countries stabilize, restart economic growth, and reduce poverty and instability. These programs include the Heavily Indebted Poor Countries (HIPC) Initiative, the HIPC Trust Fund, the Tropical Forest Conservation Act (see page 42), and the Multilateral Debt Relief Initiative (MDRI). Over forty countries, including Haiti, Afghanistan and Liberia, have benefitted from U.S. debt relief and restructuring programs.

U.S. Leadership

The United States has been a leader under the enhanced HIPC initiative, fostering support to help some of the world's poorest countries reduce or restructure their debt. For example, with strong U.S. support, Liberia qualified for $4 billion of HIPC and MDRI debt relief in June 2010. The United States also played a lead role in the Paris Club of bilateral creditors who agreed to forgive all of their claims on Liberia. The United States implemented this agreement swiftly, signing a bilateral agreement in December 2010 to forgive Liberia's remaining debts to the United States.

The United States has also led important initiatives outside of the HIPC and MDRI programs. In early 2010, within days of Haiti's devastating earthquake, Secretary Geithner called for all of Haiti's debts to the international financial institutions (beyond those already relieved through HIPC and MDRI) to be relieved. Less than six months later, the United States, together with other donors, eliminated the total debt stock that Haiti owed to the international financial institutions at the time of the January earthquake. This was an exceptionally innovative effort: With a U.S. contribution of $248 million, we achieved a cancellation of over $800 million in debt and made available an additional $318 million in new grant resources for Haiti's recovery.

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative / HIPC Trust Fund — Request: $0

Treasury is not requesting funding in FY 2012 for the HIPC Trust Fund, although our remaining pledge is $75.4 million. The United States, which pledged an additional $150 million after a G-8 Leaders' Summit in 2002, is the only country except Italy that had not yet met its pledge to the HIPC Trust Fund as of the end of FY 2010.

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 Multilateral Debt Relief Initiative (MDRI), which provides 100 percent debt cancellation on eligible obligations to the International Monetary Fund (IMF), the International Development Association (IDA), and the African Development Fund (AfDF).

The Heavily Indebted Poor Countries initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) are excellent examples of promises kept and results delivered. A 2010 DATA report on G-8 commitments calls them "the clearest examples of a promise fulfilled." In total, 36 out of the 40 HIPCs have qualified for HIPC initiative assistance, of which 30 have reached the "completion point" and received irrevocable debt relief from the international financial institutions. They are benefitting from debt relief that, together with MDRI, will lower their stock of debt by over 80 percent, allowing for increased poverty reduction expenditures in areas such as basic health, education, and rural development. Debt relief committed under the HIPC and MDRI initiatives to-date amounts to about $127 billion in nominal terms.

Multilateral Debt Relief Initiative (MDRI)

Building upon the Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI) provides 100 percent cancellation of remaining eligible debts owed to the World Bank's International Development Association (IDA), the African Development Bank's African Development Fund (AfDF), and the International Monetary Fund (IMF) for countries that complete the HIPC initiative. MDRI is expected to provide over $53 billion in additional debt relief beyond HIPC to 42 countries. IDA is expected to provide the greatest level of debt relief at over $36 billion (nearly 70 percent of the total), while AfDF is expected to provide nearly $9 billion. In 2007, the Inter-American Development Bank (IDB) also agreed to provide debt relief comparable to MDRI.

In order to make this major debt relief initiative possible, donors committed to offset the cost of MDRI debt relief at IDA and the AfDF on a dollar-for-dollar basis. To meet its share of this effort, the United States has committed, subject to the enactment of appropriations legislation, to provide a total of about $7.6 billion for IDA and $1 billion for AfDF over roughly four decades. The timing of these contributions is spread out over a long period in order to match the period during which these debts would have otherwise been repaid. Internal resources were available to cover the costs at the IMF and the IDB.

Multilateral Debt Relief Initiative for IDA15: Request: $91 million
Same schedule as IDA

Treasury's request for $91 million for the remaining U.S. commitment to MDRI under IDA15 will allow the World Bank to continue to offer 100 percent cancellation of eligible debts owed to IDA for countries that have completed the HIPC initiative. Until this year, the U.S. Government used an approach known as "early encashment," rather than additional cash outlays, to fund U.S. MDRI commitments at both IDA and AfDF. When the United States pays its IDA and AfDF replenishment commitments over a shorter time period than required by the replenishment agreement, this generates additional credits that are applied to the U.S. MDRI commitment at each institution. In essence, the United States gets to use its IDA and AfDF contributions toward meeting both replenishment commitments and MDRI commitments. This benefit is maximized when the U.S. fully funds its replenishment commitments and MDRI commitments. However, because several payments of IDA15 were underfunded, Treasury must now request additional funding for MDRI for IDA15.

Multilateral Debt Relief Initiative for IDA16 and AfDF12: Request: $83.5 million
Same schedule as IDA and AfDF

Treasury requests $83.5 million in FY 2012 as payment toward the U.S. MDRI commitment in the IDA16 and AfDF12 periods. As much as an additional $122 million could be generated for MDRI over the next three years by the early encashment of full and timely payments of the U.S.'s IDA16 and AfDF12 contributions. Beyond the IDA15 replenishment period, donor commitments to MDRI, including from the United States, will increase in order to match the original schedule over which beneficiary countries would have repaid the debts. This will make early encashment credits alone insufficient to cover the full cost of U.S. MDRI commitments and separate direct authorization and appropriations will be required in order to meet those commitments.

OFFICE OF TECHNICAL ASSISTANCE

"The level of trust that I developed with ... the OTA-US Treasury organization was […] instrumental during my tenure as head of the Central Bank of Paraguay. I was able to leverage on their collective expertise on several matters, ranging from monetary policy issues, inflation measurements, reserve management, Central Bank bill issuance, and re-capitalization of Central Bank matters, amongst others."

Monica Perez dos Santos, former President of Central Bank of Paraguay, February 2008

Effective government financial management is the core element of a functioning state. It fosters national economic growth and enables a government to provide better services for its citizens. For over 20 years, Treasury's Office of Technical Assistance (OTA) has been highly successful in helping developing countries worldwide to strengthen their capacity to manage public finances – through efficient revenue collection, well-planned and executed budgets, judicious debt management, fundamentally sound banking systems, and strong controls to combat corruption and economic crimes.

Treasury International Affairs Technical Assistance

Request: $30.1 million
Program Funding

Acknowledging the fundamental importance of OTA's mission, the President's FY 2012 budget request for OTA provides $30.1 million to strengthen economic and financial governance in fragile and developing countries.

The request supports OTA's focus on five core financial disciplines: revenue policy and administration, budget and financial accountability, government debt issuance and management, banking and financial services, and economic crimes. The President's request also allows for a modest, but important expansion of OTA's work in priority areas, including infrastructure finance, and increasing access to financial services and climate finance, both G20 commitments. The request also invests in

OTA's efforts to promote regional integration and increased capital flows among countries in East Africa, West Africa, and Central America.

U.S. Leadership

OTA's experts work side-by-side with government officials in finance ministries and central banks in more than fifty countries around the globe – in Asia, the Middle East, Africa, and Latin America and the Caribbean. OTA advisors are engaged in national security priority countries, including Iraq, Afghanistan, Pakistan, and Haiti. They are also helping to increase public financial management effectiveness and remove constraints on economic growth in countries targeted under the President's Partnership for Growth, such as El Salvador, Ghana, and Tanzania. By building public financial capacity, OTA's work is an investment in the success and sustainability of other U.S. foreign assistance – from agriculture to global health to democracy to conflict prevention. Further, Treasury technical assistance provides countries with the knowledge and skills required to move towards financial self-sufficiency – the capability to raise and better manage their own revenues and eventually to move beyond international aid. At its heart, OTA programs build a necessary condition and framework for a country's anti-corruption efforts through direct means – mentoring the investigation of financial crimes – and indirect means – improving the professionalism of the civil service.

OTA is recognized as one of the most comprehensive repositories of U.S. Government expertise in financial sector capacity building and one of the greatest values for the U.S. development dollar. With a relatively modest budget, OTA helps partner countries to safeguard scarce public resources, finance critical services, and achieve sustainable and tangible outcomes that affect peoples' lives, such as:

- In Haiti, OTA's mentoring and training of the national police and the financial intelligence service has resulted in the seizure of significant criminal assets. Evidence gathered by Haiti's financial intelligence service resulted in the forfeiture of $20 million in narcotics trafficking-related money laundered through Haitian and U.S. financial institutions. Additionally, a total of $2.6 million in seized criminal assets was restored to the Government of Haiti and is being utilized to strengthen their law enforcement and financial intelligence services.

- In Guatemala, OTA work focuses on increasing access to financial services for small borrowers. These borrowers are typically among the poorest – often women from indigenous communities. Even small loans can enable these borrowers to engage in self-employment projects that generate an income. Our work focuses on creating a policy and regulatory environment that is prudentially sound and that enables innovative financial inclusion.

- In Ghana, OTA provided key assistance in creating a pioneering $750 million bond issue, diversifying the country's sources of financing for key public services, including energy and transportation infrastructure and paving the way for sub-Saharan Africa to integrate into the international financial system. As a result of these efforts, Ghana became the first post-HIPC country to enter the international bond markets and proved by example the progress and achievement possible for developing countries in the region.

- Within the East African Community, OTA works to increase capital flows among member countries. In cooperation with the Governments of Kenya, Uganda, Tanzania, Burundi, and Rwanda, our assistance is supporting regional economic growth by harmonizing fiscal, monetary, and economic policies. The goal is a larger, more efficient market and more robust cross-border trade and investment. Citizens benefit through wider availability of goods and services, lower prices, increased economic opportunity, and ultimately a higher standard of living.

In addition to its internal performance monitoring and evaluation efforts, OTA was one of seven agencies studied in a 2010 assessment of U.S. aid effectiveness. The State Department/USAID-commissioned report repeatedly singled out Treasury technical assistance for praise in strengthening host country capacities, showing support for principles of country ownership, achieving alignment with host country priorities, managing for development results, fostering mutual accountability with host country officials, and evaluating its own performance.

MDB BASICS

What are the MDBs?

The United States is a member of several multilateral development institutions, including the:

- World Bank
- Inter-American Development Bank
- Asian Development Bank
- African Development Bank
- European Bank for Reconstruction and Development
- International Fund for Agricultural Development
- North American Development Bank

The development banks are not banks in the usual sense. They are owned by member countries and provide financial and technical assistance to emerging markets and developing countries. The United States is the largest shareholder in the World Bank and Inter-American Development Bank, the co-largest shareholder (with Japan) at the Asian Development Bank, and the largest non-regional shareholder of the European Bank for Reconstruction and Development and the African Development Bank.

What is Treasury's role?

In the United States Government, Treasury is charged with leading the United States' engagement in the multilateral development banks. For the five largest institutions, the United States appoints an Executive Director (USED), who is based at the banks and represents U.S. interests. Treasury works closely with the USEDs and a wide-ranging interagency group on development bank issues, with the Department of State and USAID playing important roles as Alternate Governors of the MDBs.

How do the MDBs finance development projects?

Most of the MDBs have two financing facilities, which are frequently referred to as "windows," from which they make loans and provide grants:

- The "soft loan" window is for concessional lending that provides loans on highly favorable terms (e.g., extremely low or no interest, long repayment periods and/or grants) to countries that are too poor or unstable to borrow from private markets. These are the "soft loan" or concessional windows for each MDB:

    - International Development Association (World Bank Group)
    - African Development Fund (African Development Bank Group)
    - Asian Development Fund (Asian Development Bank Group)
    - Fund for Special Operations (Inter-American Development Bank)

Because the European Bank for Reconstruction and Development is private sector-oriented, it does not have a concessional window.

- The "hard loan" window is for non-concessional lending that provides loans to middle-income countries, such as Colombia and Botswana, and some creditworthy low-income countries, such as Indonesia and Nigeria, at market-based interest rates. These are the "hard loan" or non-concessional windows:

    - The International Bank for Reconstruction and Development (World Bank)
    - African Development Bank
    - Asian Development Bank
    - Inter-American Development Bank
    - European Bank for Reconstruction and Development

How are the MDBs funded?

Countries are referred to as "shareholders" in an institution and hold a certain percentage of shares based on their contributions.

At times, shareholders provide new funding to support the hard loan and/or soft loan windows. This funding can take three forms:

- Capital replenishments
- General capital increases
- Selective capital increases

Capital Replenishments: Because financing for the "soft loan" windows is provided on such generous terms to the very poorest countries, concessional funds need to be replenished every three to four years. When fully funded, U.S. funding commitments are paid out in equal installments over the replenishment period.

FY12 Note: In the FY12 Budget Request, the Administration seeks funding to support **replenishments** of the soft loan windows of the World Bank and the African Development Bank, both of which are negotiated on a three-year cycle. We also request funding for the third year (out of four) of the Asian Development Fund's replenishment.

General Capital Increases

Under a general capital increase (GCI), MDB shareholder governments agree to increase capital to support the MDBs "hard loan" windows by purchasing additional shares in the institution. Unlike replenishments, GCIs happen infrequently because these windows are largely self-financing. Periodically however, MDBs will seek to bolster their capital in order to increase or sustain lending levels.

The financing arrangements for GCIs are unique. Unlike replenishments, only a small portion of the total commitment is paid directly to an MDB. This portion is called "paid-in" capital, and typically ranges from 5-10 percent of the total increase. The pay-in period often ranges significantly (e.g., from three to eight years).

> **FY12 Note**: For FY12, the Administration requests appropriations for the first installment of three **GCI commitments**, and the second installment of the U.S. payment to the Asian Development Bank. We also request Congressional authorization for a temporary callable capital increase for the European Bank for Reconstruction and Development.

The remainder of the commitment is made in the form of "callable capital." Callable capital represents a financial commitment made by shareholders, but there is no actual transfer of funds. These commitments are meaningful because they enable the MDBs to borrow against them, and, in turn, lend to borrowers at rates lower than what they could obtain in the markets. An MDB can only seek the transfer of callable capital to their own accounts in the unlikely event that it becomes unable to access private capital markets or use its own resources to cover obligations on its own loans (i.e., funds borrowed on the market) or on loans it has guaranteed. No MDB has ever made a call on callable capital.

Selective Capital Increases

A selective capital increase (SCI) is not, strictly speaking, a fundraising vehicle, but is used to allocate new shares to eligible members based on economic weight, financial contributions and development contributions. An SCI is a means of realigning shareholding to increase the share of developing countries and countries with economies in transition in a bank's decision making. Unlike a GCI, where shares are allocated to members in proportion to their existing shareholding, this realignment is important to better reflect global trends and ensure that the poorest countries have a voice.

> **FY12 Note**: For FY 2012, Treasury requests authorization to support an SCI at the International Finance Corporation, in which the United States will not participate. This will allow other countries to provide new capital, diluting our share by 2.6 percent.

What do new capital commitments mean for the United States?

Negotiations for new capital are not limited to questions of financing needs. In fact, the United States has used the opportunity created by capital increase negotiations to pursue a robust agenda for new policy commitments from the institution and other shareholders. The United States has consistently used its leadership position to advocate for new initiatives designed to strengthen development effectiveness. Typically, we focus on policies to strengthen transparency, governance, accountability and results. Recently, we have also emphasized the need for policies to strengthen fiscal discipline within the MDBs and protect capital. In addition, we have successfully pressed for MDBs to transfer an increasing share of profits from the hard loan windows to the soft loan windows that support the poorest. These transfers achieve two important objectives: They help the MDBs maintain their focus on the neediest borrowers and they reduce the financial burden on shareholders.

What are the implications for failure to meet these U.S. obligations to the MDBs?

GCIs: When a shareholder fails to purchase the shares that it agreed to buy in the capital increase negotiations, the relative shareholding of that country will become diluted. Voting shares are adjusted to reflect contributions as they come in from shareholders, such that delayed contributions will have an impact on the U.S.'s current voting share. Any shares allocated to a country that are not paid for within the allotted subscription period will be moved to the Bank's unallocated capital, potentially making them available for other shareholders to acquire.

For example, at the Asian Development Bank, the United States has had an important governance arrangement where both the U.S. and Japan have 12.5 percent shareholding and together have a veto over key issues. Because other member countries have already elected to pay for their subscriptions, China now has a larger voting share than the United States and is second behind only Japan. If the United States fails to make its GCI payments on time, its shareholding could become further diluted, weakening the U.S. leadership in the institution. If the United States fails to pay for its shares, the U.S. will permanently lose its leadership position at the AsDB which would likely alter the strategic direction of the Bank.

Replenishments: Almost two-thirds of U.S. arrears to the MDBs are to the institutions that provide support for the poorest countries (International Development Association, the Asian Development Fund, and the African Development Fund).

Our large and longstanding arrears not only deprive MDB recipient countries of resources, they also undermine our leadership in these institutions. For example, during the negotiations at the latest replenishment of the GEF, the United States sought to leverage a significant increase in U.S. support in exchange for similarly large increases from other donors. However, other shareholders pointed to the significant U.S. arrears as evidence that the U.S. would not be able to deliver on an increased pledge and scaled back their own pledges accordingly. Similarly, some countries now link their contributions to U.S. payments, which magnifies the impact of any U.S. arrears.

AUTHORIZATION REQUESTS FOR FY 2012

New Replenishments

International Development Association, Sixteenth Replenishment (IDA16). The Administration seeks authorization for the U.S. contribution of $4,075,500,000 over the three-year replenishment period, subject to obtaining the necessary appropriations.

African Development Fund, Twelfth Replenishment (AfDF12). The Administration seeks authorization for the U.S. contribution of $585,000,000 over the three-year replenishment period, subject to obtaining the necessary appropriations.

Debt Relief

Multilateral Development Relief Initiative (MDRI) - International Development Association and African Development Fund. The Administration seeks authorization of $474,000,000 for U.S. MDRI commitments to IDA and for $61,502,123 for U.S. MDRI commitments to the AfDF, consistent with the 2005 agreement.

General Capital Increases

International Bank for Reconstruction and Development General Capital Increase and Selective Capital Increase plus International Finance Corporation Selective Capital Increase

General Capital Increase. The Administration seeks authorization for the U.S. commitment of $9,780,361,991 with $586,821,720 authorized to be appropriated for paid-in shares of the Bank. The balance of authorized capital is callable and does not require appropriated funds. This increase in the United States capital stock subscription will be committed over five years, subject to obtaining the necessary appropriations.

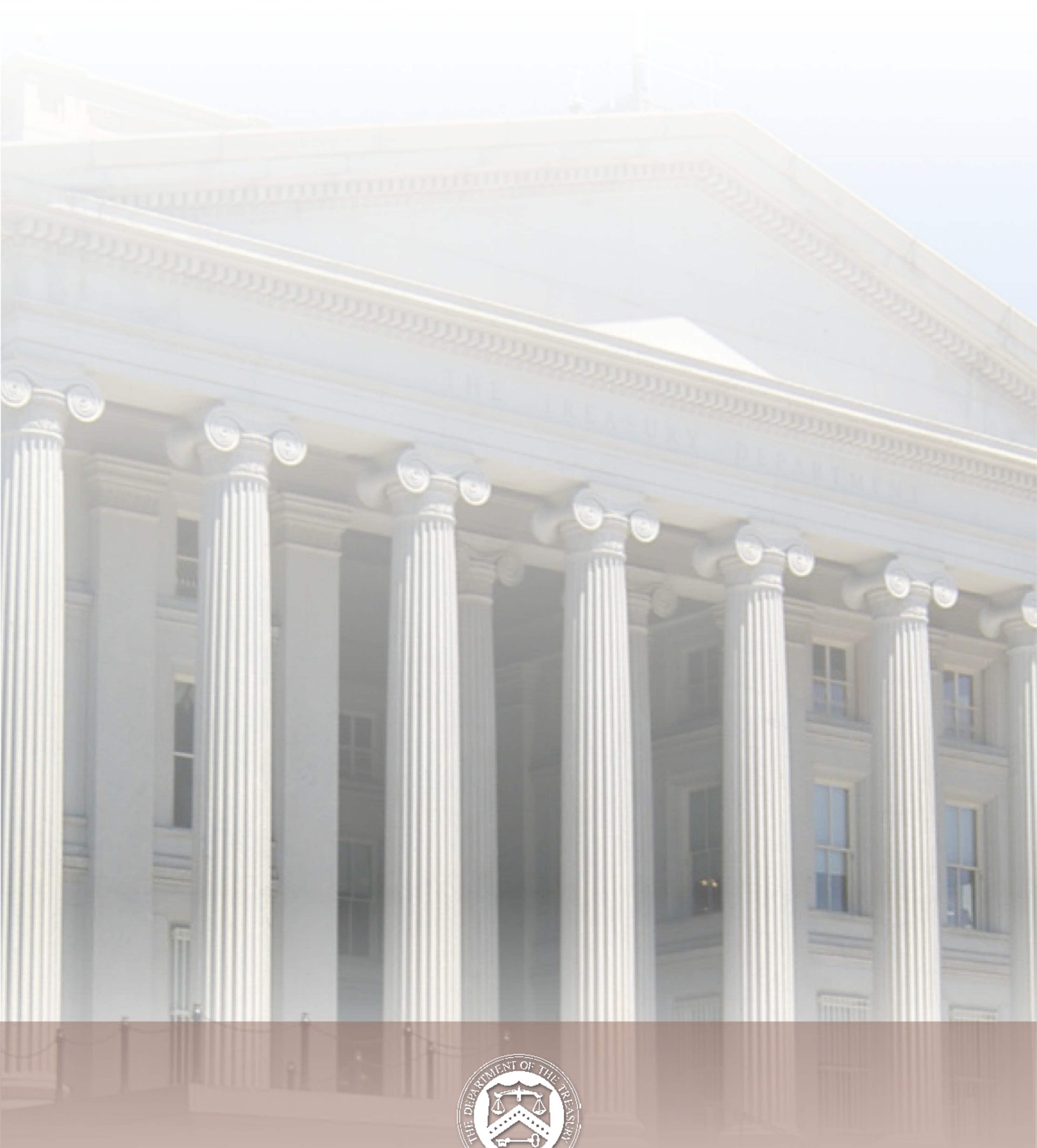
Selective Capital Increase. The Administration seeks authorization for the U.S. commitment of $4,639,501,466, with $278,370,088 authorized to be appropriated for paid-in shares of the Bank. The balance of authorized capital is callable and does not require appropriated funds. This increase in the United States capital stock subscription will be committed over four years, subject to obtaining the necessary appropriations. The Administration will also be seeking authorization to accept an amendment of the IBRD's Articles of Agreement to increase the basic votes of all members as agreed in 2008.

International Financial Corporation Selective Capital Increase. The Administration seeks authorization for the U.S. Governor of the IFC to vote in favor of a decision to increase the capital base of the Corporation – an increase in which the U.S. will not participate. The Administration will also be seeking authorization to accept an amendment of the IFC's Articles of Agreement to increase the basic votes of all members.

African Development Bank Sixth General Capital Increase. The Administration seeks authorization for the U.S. commitment of $4,322,228,221 with $259,341,759 authorized to be appropriated for paid-in shares of the Bank. The balance of authorized capital is callable and does not require appropriated funds. This increase in the United States capital stock subscription will be committed over eight years, subject to obtaining the necessary appropriations.

Inter-American Development Bank Ninth General Capital Increase. The Administration seeks authorization for the U.S. commitment of $21,004,064,337 with $510,090,175 authorized to be appropriated for paid-in shares of the Bank. The balance of authorized capital is callable and does not require appropriated funds. This increase in the United States capital stock subscription will be committed over five years, subject to obtaining the necessary appropriations. The Administration will also be seeking an authorization for the U.S. Governor to vote in favor of an increase of the capital stock of the Bank that will allow for the increased U.S. subscription.

European Bank for Reconstruction and Development Temporary Callable Capital. The Administration seeks authorization for the U.S. commitment of $1,252,331,952 in temporary callable capital, with no accompanying paid-in capital. This callable capital does not require appropriated funds.



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