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U.S. Department of the Treasury  
International Programs  
Congressional Justification for Appropriations  
FY 2018

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## FY 2018 Executive Summary

The Treasury Department requests \$1.5 billion for International Programs in FY 2018. To help move the Nation toward fiscal responsibility, prioritize our military and domestic needs here at home, and focus on critical strategic objectives internationally, we will support the most critical investments in multilateral development institutions that provide strong benefits for taxpayers, while ensuring that U.S. contributions are set at an appropriate level relative to our partner countries. These investments by Treasury's International Programs strengthen U.S. national security by advancing a more secure, economically prosperous, and democratic world.

### Multilateral Development Banks

Our request includes \$1.3 billion for the multilateral development banks (MDBs). The MDBs play key roles in the effort to increase global economic growth and reduce poverty, which advances U.S. foreign policy objectives of sustaining peace and stability, promoting security, and combatting terrorism.

*International Development Association (IDA)*: \$1,097 million in support of IDA programs over the eighteenth replenishment (IDA-18; FY 2018 – FY 2020), including towards the first of three installments to IDA-18.

*African Development Fund (AfDF)*: \$171.3 million in support of AfDF programs over the fourteenth replenishment (AfDF-14; FY 2018 – FY 2020), including towards the first of three installments to AfDF-14. Together, these IDA and AfDF levels reduce the U.S. commitment by approximately \$650 million over three years compared to the previous Administration's pledges, while retaining the U.S. current status as a top donor at these institutions.

*African Development Bank (AfDB)*: \$32.4 million for the purchase of 2,170 shares towards the seventh of eight installments under the AfDB's Sixth General Capital Increase (GCI-6).

*Asian Development Fund (AsDF)*: \$47.4 million in support of AsDF programs over the eleventh replenishment (AsDF-12; FY 2018 – FY 2021), including towards the first of four installments to AsDF-12.

*North American Development Bank (NADB)*: Treasury is not requesting funding for NADB due to budget constraints, and in recognition that Congress has not provided authorization for NADB for the current general capital increase.

### Food Security

*International Fund for Agricultural Development (IFAD)*: \$30.0 million for the third of three installments towards IFAD's tenth replenishment (IFAD-10).

*Global Agriculture and Food Security Program (GAFSP)*: Treasury is not requesting funding for GAFSP as no new funding is required in FY 2018, since the 2012 pledge period is over, the United States has sufficient funding to meet its pledge, and other donors' support has been limited.

## **Environmental Trust Funds**

*Global Environment Facility (GEF)*: \$102.4 million toward the fourth of four installments to the sixth replenishment of the Global Environment Facility (GEF-6).

*Green Climate Fund (GCF)*: Treasury's request eliminates U.S. funding for the GCF in FY 2018, in alignment with ending the Global Climate Change Initiative (GCCCI) and with the President's promise to cease payments to the United Nations' climate change programs.

*Clean Technology Fund (CTF)*: Treasury is not requesting funding for the Climate Investment Funds (CIFs), including the CTF, reflecting the completion of the \$2 billion U.S. commitment to the CIFs in FY 2016 and the intention not to provide any further U.S. contributions, in alignment with eliminating the GCCCI.

*Strategic Climate Fund (SCF)*: Treasury is not requesting funding for the CIFs, including the SCF, reflecting the completion of the \$2 billion U.S. commitment to the CIFs in FY 2016 and the intention not to provide any further U.S. contributions, in alignment with eliminating the GCCCI.

## **Treasury Office of Technical Assistance**

*Treasury Office of Technical Assistance (OTA)*: \$25.5 million to support OTA's work to provide developing and transitional countries with the knowledge and skills required to strengthen revenue collection, plan and execute budgets, manage debt, build sound banking systems, and develop strong controls to combat economic crimes and terrorist financing regimes.

**Summary Tables**  
**Summary of Appropriations and Request**  
**Treasury International Programs**  
**FY 2016 - FY 2018**  
(in dollars)

	FY 2016 Enacted	FY 2017 Annualized CR Rate 1/	<i>FY 2017 Enacted</i>	FY 2018 Request
<b>Multilateral Development Banks (MDBs)</b>	<b>1,816,476,910</b>	<b>1,813,023,788</b>	<b>1,571,014,148</b>	<b>1,348,123,000</b>
International Development Association (IDA)	1,197,128,000	1,194,852,260	1,197,128,000	1,097,010,000
Int'l Bank for Reconstruction and Development (IBRD)	186,957,000	186,601,595	5,963,421	
Inter-American Development Bank (IDB)	102,020,448	101,826,507	21,939,727	
African Development Fund (AfDF)	175,668,000	175,334,055	214,332,000	171,300,000
African Development Bank (AfDB)	34,118,027	34,053,169	32,418,000	32,418,000
Asian Development Bank (AsDB)	5,608,435	5,597,773		
Asian Development Fund (AsDF)	104,977,000	104,777,439	99,233,000	47,395,000
North American Development (NADB)	10,000,000	9,980,990		
<b>Food Security</b>	<b>74,930,000</b>	<b>74,787,558</b>	<b>53,000,000</b>	<b>30,000,000</b>
Global Agriculture and Food Security Program (GAFSP)	43,000,000	42,918,257	23,000,000	
Int'l Fund for Agricultural Development (IFAD)	31,930,000	31,869,301	30,000,000	30,000,000
<b>Environmental Trust Funds</b>	<b>398,563,000</b>	<b>397,805,331</b>	<b>146,563,000</b>	<b>102,375,000</b>
Clean Technology Fund (CTF)	170,680,000	170,355,537		
Strategic Climate Fund (SCF) 2/	59,620,000	59,506,662		
Global Environment Facility (GEF)	168,263,000	167,943,132	146,563,000	102,375,000
<b>Treasury Office of Technical Assistance (OTA)</b>	<b>23,500,000</b>	<b>23,455,327</b>	<b>30,000,000</b>	<b>25,455,000</b>
<b>TOTAL</b>	<b>2,313,469,910</b>	<b>2,309,072,004</b>	<b>1,800,577,148</b>	<b>1,505,953,000</b>

1/ The FY 2018 President's Budget references the FY 2017 Annualized Continuing Resolution (CR) rate levels for Treasury 150 programs, since full-year FY 2017 appropriations for these accounts were not enacted at the time the Budget was prepared. However, the Treasury FY 2018 Congressional Budget Justification uses the FY 2017 enacted levels to calculate unmet commitments.

2/ Includes transfer from the Economic Support Fund, as required by sec. 7060(c)(5) of the Consolidated Appropriations Act, 2016.

Unmet Commitments to Multilateral Development Banks

FY 2011 - FY 2018

(in thousands)

MDB	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Enacted	Enacted	Enacted	Enacted	Enacted	Enacted	Request
IDA	423,043	430,525	680,175	683,300	776,772	1,121,944	1,121,944
IBRD		5,964	5,964	5,963	5,963		
MIGA	6,867	6,867	6,867	6,867	6,867	6,867	6,867
AfDF	109,136	140,687	213,351	207,369	226,701	249,624	249,624
AfDB	615	2,316	2,316	2,316	615	615	615
AsDF	326,345	346,658	326,704	311,627	296,536	287,203	287,203
AsDB	213	5,609	5,609	5,608			
IDB	27,020	21,931	21,952	21,952	21,940		
MIF	50,381	35,386	29,088	25,710	25,710	25,710	25,710
IIC	15,801	15,801	15,801	15,801	15,801	15,801	15,801
IFAD	4,244	5,763	5,763	5,763	3,833	3,833	3,833
GEF	228,988	247,898	247,898	247,898	180,300	170,300	204,478
<b>TOTAL</b>	<b>1,192,653</b>	<b>1,265,403</b>	<b>1,561,485</b>	<b>1,540,173</b>	<b>1,561,038</b>	<b>1,881,897</b>	<b>1,916,075</b>

1. Projected amounts for IDA and AfDF include unmet commitments under the Multilateral Debt Relief Initiative (MDRI).
2. AfDB includes \$615,239, which corresponds to the 51 capital shares from GCI-V forfeited by the United States.
3. IIC includes \$15,800,519, which corresponds to the 1,580 capital shares forfeited by the United States.

## Multilateral Development Banks

### World Bank Group

The World Bank Group comprises the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Treasury is seeking funding for its current commitments to IDA.

#### International Development Association

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
1,197,128,000	1,194,852,260	1,197,128,000	1,097,010,000

Treasury requests \$1,097 million in support of IDA programs over the eighteenth replenishment (IDA-18; FY 2018 – FY 2020), including towards the first of three installments to IDA-18.

#### Program Description

IDA:

- Makes highly concessional loans and grants to the world’s 75 poorest countries – home to more than 450 million people living in extreme poverty.
- Is the largest source of development finance in the world’s poorest countries, and operates across a range of sectors, including basic health, primary education, clean water and sanitation, infrastructure, and business climate. As of February 2017, IDA supports 861 projects totaling \$83.9 billion across 10,605 locations in 75 countries.
- Is cost-effective: every \$1 contribution from the United States to IDA-18 helps leverage nearly \$23 in contributions from other donors, internal resources, and market borrowing.
- Has been recognized in several external studies, including the United Kingdom Multilateral Aid Review, Center for Global Development Quality of Aid Review, and the Publish What You Fund Aid Transparency Index, for its effectiveness, transparency, and commitment to development results.
- IDA requires replenishments of resources every three years to continue its activities. IDA’s most recent replenishment (IDA-18) was finalized in December 2016 and will allow IDA to make new development commitments of up to \$75 billion over three years, a \$19 billion increase over the previous replenishment. This increase in IDA

resources is achieved by IDA leveraging its own equity by borrowing from markets, while allowing for a decrease in donor contributions.

- The U.S. pledges \$3,291 million over three years towards the IDA-18 replenishment, which saves taxpayers \$580 million relative to the U.S. pledge to the previous replenishment. Even with this savings, the United States will maintain its status as the second largest donor behind the United Kingdom. The United States, however, remains the largest IDA donor historically and holds the largest voting share.

### **How IDA Promotes U.S. Interests**

Economic development has long been recognized as an essential pillar of U.S. national security. IDA supports U.S. economic and national security interests by:

- Reinforcing U.S. political and security objectives through economic growth, job creation, and the provision of social services in countries like Afghanistan and Pakistan.
- Advancing reforms that promote private investment, create jobs, and foster market-led economic growth in developing countries, thereby expanding markets for U.S. exports.
- Responding to and limiting the spread of global crises, for example, by providing support to countries affected by famine and the Ebola epidemic.

### **Meeting IDA Commitments**

U.S. unmet commitments to IDA replenishments and the Multilateral Debt Relief Initiative (MDRI) currently amount to approximately \$1.12 billion. Failing to meet commitments to IDA and MDRI reduces IDA's ability to provide loans and grants to invest in health and education, create jobs, build critical infrastructure, increase agricultural productivity, and provide energy in the poorest countries. Unmet commitments to IDA also damage U.S. credibility and undermine IDA's ability to deliver on policy goals sought by the United States during the IDA-18 replenishment negotiations, such as sharper focus on fragile states and private sector development.

A growing component of the U.S. unmet commitments to IDA involves MDRI. Launched in 2006 at the urging of the United States, MDRI provides 100 percent cancellation of eligible debt to IDA for countries that complete the conditions for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. MDRI has allowed scarce resources in low-income countries to be reallocated for poverty-reducing expenditures in areas such as health and education. To prevent a depletion of IDA resources from debt relief, donors committed to compensate IDA for the cancelled debt on a dollar-for-dollar basis. Of the 36 donors participating in MDRI at IDA, the United States is one of only a few countries behind on its commitments. At a 20.1 percent burden share, the U.S. share of the cost of MDRI under IDA-18 is \$592.5 million. In addition the United States carries \$497.9 million in MDRI unmet commitments from IDA-16 and IDA-17. The United States intends to apply credit that it earns for accelerating its core replenishment payments to IDA towards U.S. MDRI commitments.

## **Achieving and Measuring Results**

From FY 2011 – FY 2016, IDA has achieved the following:

- Provided 500 million people with essential health services;
- Provided access to better water services for 64 million people;
- Constructed, rehabilitated, or upgraded roughly 75,000 miles of roads; and
- Recruited or trained more than 7 million teachers.

In 2002, IDA adopted its Results Measurement System (RMS), an online scorecard that is updated annually and provides a snapshot of IDA's performance and results across countries. IDA was the first multilateral development institution to use a framework with quantitative indicators to monitor results and performance. This approach has since been emulated by other development institutions. As part of the IDA-18 replenishment, the United States and other donors supported enhancements to the IDA RMS to align it with the Sustainable Development Goals and ensure data quality, efficiency, and harmonization with the World Bank Corporate Scorecard. The United States pushed to better track results and to ensure strong monitoring and evaluation frameworks for projects throughout the project cycle. Furthermore, the World Bank is updating its Corporate Scorecard, and at the urging of the United States, will incorporate a new monitoring and evaluation target.

The World Bank's Independent Evaluation Group (IEG) measures the results of a completed IDA project against the indicators that the project set out to achieve. The IEG assigns ratings to completed projects based on the achievement of the projects' intended outcomes and development objectives. The percentage of IDA projects with outcome ratings of moderately satisfactory or above increased substantially from 69 percent for FY 2010-2012 to 83 percent for FY 2013-2015.

## **Project Examples**

**Madagascar.** In 2015, IDA approved a \$40 million loan to support Madagascar's two safety net programs: (1) the human development (conditional) cash transfer program for 40,000 households with children under the age of 12 is linked to primary school attendance and promotes early childhood development and the nutrition of young children; and (2) the productive safety net program provides a reliable source of household incomes. These safety net programs cover 500,000 extremely poor people, mostly women and children. At least 75 percent of cash benefits go directly to women, and 32,000 households participate in regular cash-for-work activities. Under the project, a national beneficiary registry was established for social safety net beneficiaries, and children's primary school attendance rates improved to 97 percent.

**Nepal.** In 2009, IDA approved a \$130 million loan to support the "School Sector Reform Program." The program sought to ensure equitable access and improve the quality of basic and secondary education, especially for women and marginalized groups through the expansion of physical school facilities, the provision of targeted scholarships for marginalized groups to improve enrollment and attendance, and an emphasis on early childhood education and development. The project significantly increased enrollment for basic education from 73 percent to 91 percent and completion rates from 41 percent to 70 percent. It also achieved 100 percent

gender parity in enrollment for basic education and 98 percent gender parity in enrollment for secondary education, surpassing the original targets in this area.

## Asian Development Bank

The Asian Development Bank comprises the Asian Development Fund (AsDF) and the Ordinary Capital Resources of the Asian Development Bank (AsDB). As there are no outstanding capital obligations, Treasury is seeking funding only for AsDF.

### Asian Development Fund

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
104,977,000	104,777,439	99,233,000	47,395,000

Treasury requests \$47.4 million in support of AsDF programs over the eleventh replenishment (AsDF-12; FY 2018 – FY 2021), including towards the first of four installments to AsDF-12.

### Program Description

The AsDF is a grants-only fund that supports Asia’s poorest countries. There are 18 countries eligible for AsDF grants, including Afghanistan and Burma. AsDF grants help reduce poverty, support economic growth, mitigate and respond to disaster risks, and provide support for fragile and conflict-affected states.

- In 2016, total AsDF approvals were \$3.1 billion, half of which supported infrastructure projects including energy, water, and transportation.
- During 2017–2020, AsDF will provide up to \$200 million in grants for disaster risk reduction and up to \$218 million to facilitate faster disaster response and reduce humanitarian expenditures by AsDF countries and donors in the wake of natural disasters in the region.
- The merger on January 1, 2017 of the AsDF concessional lending resources and the Ordinary Capital Resources reduced the level of donor contributions needed for the AsDF-12 replenishment by 47 percent, while increasing the level of grants and concessional loans available to Asia’s poorest countries.
- The United States pledged \$189.6 million over four years, a 47 percent decrease from the previous replenishment. This allows for \$170 million in savings while remaining the third-largest donor, after Japan and Australia. Every dollar in U.S. contributions to AsDF-12 helps leverage \$20 in other donor contributions and internally generated resources.

### How AsDF Promotes U.S. Interests

AsDF assistance helps achieve key U.S. national security and foreign policy objectives in Asia and the Pacific, a region of strategic importance.

- **Rural Development and Transportation Infrastructure:** The AsDF has played an important role helping Afghanistan, the world's second most flood-prone country, to rehabilitate infrastructure damaged by severe flooding. Following extraordinary flooding in 2014, the AsDF committed \$56 million in grant resources to repair damaged irrigation systems, spillways, canals, and roads. AsDF's support has helped Afghanistan's economic development and reduced poverty.
- **Supporting Democracy:** AsDF has supported Burma's transition to democracy by providing assistance for policy reforms that restructured vital institutions like the ministry of finance and the central bank. The reforms, with \$3.5 million in AsDF funding, are helping to foster macroeconomic stability, fiscal sustainability, and improved public financial management.

### **Meeting AsDF Commitments**

The United States has \$287 million in unmet commitments to the AsDF, which adversely affect the AsDF and U.S. leadership in the institution. Without fully funding its commitments, the United States risks impairing the ability to shape the direction of AsDF policies and activities, as well its ability to ensure that sufficient concessional finance is available to strategically important countries like Afghanistan. The United States is the only AsDF donor with unmet commitments. The AsDF, moreover, allows other donors to withhold their pledged contributions proportionally based on U.S. unmet commitments.

### **Achieving and Measuring Results**

From 2013-2016, AsDF has achieved the following:

- Connected 125,000 new households to electricity;
- Built or upgraded 5,300 miles of road;
- Connected 531,000 households with new and updated water supplies;
- Supported 20.2 million students with new or improved educational facilities;
- Trained 2.4 million teachers to improve teaching quality and meet competency standards; and
- Improved the availability of financial services to 5.7 million people, more than 40 percent of them women.

### **Project Examples**

**Tonga.** AsDF helped Tonga reconstruct the electricity network and school facilities that were damaged by Cyclone Ian in January 2014. The \$4.5 million project upgraded the main electricity network in the Ha'apai Islands to make it more resilient to extreme weather events and disasters. All 10 government primary schools and two mission primary schools were rebuilt and disaster-proofed by the project. Thus far, classes have resumed in 16 upgraded schools. By making the electricity network and school buildings more resilient, donor funds are less likely to be needed for future repairs of damage caused by extreme weather events, which are prevalent in the South Pacific.

**Tajikistan.** In 2014, AsDF provided \$350,000 in technical assistance to the Government of Tajikistan to strengthen the anti-money laundering regime. AsDF resources were used to conduct a national money laundering and terrorist financial risk assessment; to help address legal and regulatory gaps to comply with requirements under Financial Action Task Force standards; and to train the financial intelligence unit, law enforcement agencies and financial institutions in anti-money laundering and combating the financing of terrorism practices. This work will help deter the incidence of terrorist financing and it aligns with U.S. efforts to decrease illicit financial flows.

**Kyrgyz Republic.** The AsDF provided \$50 million in grants and concessional financing to improve 47 miles of road over mountainous topography in the Kyrgyz Republic. The road rehabilitation project, which was completed in 2015, is part of a larger 539 kilometer road rehabilitation project called the Central Asian Regional Economic Cooperation Corridor 1 project that seeks to form a vital transportation link across Central Asia, and which is a priority of the Asian Development Bank's efforts to foster regional integration across Central and South Asia. The Kyrgyz Republic portion of the project led to a reduction in travel time by 20 percent from Naryn to Torugart; an increase in average daily road use from 700 to 1000 vehicles; increased road accessibility for 2.3 million individuals living near the road; and helped reduce extreme poverty in the project impact area from 25 percent in 2007 to 20 percent in 2015.

## African Development Bank Group

The African Development Bank Group comprises the African Development Bank (AfDB) and the African Development Fund (AfDF). Treasury is seeking funding for U.S. commitments to the AfDB and the AfDF.

### African Development Bank

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
34,118,027	34,053,169	32,418,000	32,418,000

Treasury requests \$32.4 million for the purchase of 2,170 shares towards the seventh of eight installments under the AfDB's Sixth General Capital Increase (GCI-6).

### Program Description

- The AfDB provides public sector financing at market-linked rates to 20 member countries, and provides loans, equity investments, lines of credit, and guarantees to the private sector in all 54 African member countries. The AfDB had approximately \$8.5 billion in approvals in 2016, 69 percent of which were to sovereigns and 31 percent to the private sector. Forty-one percent of 2016 approvals were to infrastructure projects (primarily energy, transportation, and water supply and sanitation) and 28 percent to the finance sector, with other key sectors including governance, social sectors, and agriculture and rural development.
- The AfDB is financed by capital contributions from shareholders, borrowing from international capital markets, and retained earnings. Shareholders approved GCI-6 in 2010 to allow the AfDB to expand its support to African countries and the private sector in the wake of the global financial crisis. The United States is the largest non-regional shareholder at the AfDB, with 6.6 percent of total shareholding, and the second-largest shareholder overall, after Nigeria. Every dollar of U.S. paid-in capital for the AfDB has supported \$125 in historical lending.

### How AfDB Promotes U.S. Interests

- **Supports U.S. Interests in North Africa:** In 2016, the AfDB provided approximately \$2.8 billion in financing to Tunisia, Morocco, and Egypt, all of which are important U.S. partners in the fight against terrorism. AfDB financing to these countries supports governance and business-climate reforms, infrastructure development, and job creation.
- **Creates Opportunities for U.S. Businesses:** The AfDB plays a critical role in developing and opening African markets for U.S. businesses. AfDB financing develops physical and telecommunications infrastructure that boosts trade, leverages business climate reforms, supports local small and medium enterprises (SMEs), and contributes to the growth of an African middle class of consumers.

- **Combats Illicit Finance.** The AfDB is working closely with the U.S. and African countries to identify and implement specific actions to improve transparency, combat corruption and criminal activity, and increase government accountability in Africa.

### **Meeting AfDB Commitments**

Failure to meet commitments to GCI-6 would result in further dilution of U.S. shareholding and could risk our single-country seat on the Executive Board, where the United States is the only shareholder to have its own seat. It would significantly weaken U.S. credibility and influence at the AfDB and impair our ability to advance key U.S. strategic priorities in Africa.

### **Achieving and Measuring Results**

From 2013-2015, the AfDB Group:

- Supported the creation of 3 million jobs;
- Provided microcredits to 150,000 small businesses;
- Provided 4.2 million people with new or improved energy access, half of them women;
- Provided 45 million people with improved health services, half of them women;
- Improved transparency and anti-corruption in 14 countries; and
- Improved the business environment in nine countries.

The AfDB Group instituted a new evaluation policy in 2016, which will enhance the effectiveness and strengthen the independence of its independent evaluation office. The AfDB Group also introduced a new business model that places a premium on results measurement and institutional performance. The AfDB Group is currently finalizing a new 2016-2025 Results Measurement Framework to support this new business model. The Results Measurement Framework will track the AfDB Group's performance on approximately 100 indicators, organized in four interconnected levels: 1) development progress in Africa; 2) the AfDB Group's contribution to development in Africa; 3) the quality of the AfDB Group's development operations; and 4) the AfDB Group's organizational efficiency.

### **Project Examples**

**Tunisia.** Completed in 2010, the AfDB's \$83 million Electricity Distribution Network Rehabilitation Project in Tunisia increased energy distribution and reliability, thereby enhancing the country's economic competitiveness. The project constructed 900 miles of new power lines, renovated 2,100 miles of existing networks, constructed or rehabilitated 1,700 substations, and supported the purchase of hardware to maintain the improvements and ensure project sustainability. The project reduced the duration of network power failures by two-thirds, from 360-444 minutes to 104-130 minutes, cut the level of undistributed energy from 11 GW to 6 GW, and supported 534,000 new electricity connections.

**Gabon.** From 2009-2014, the AfDB's \$260 million Road Network Development Program in Gabon enhanced trade and growth by improving transport accessibility and efficiency. The project constructed 153 miles of roads and constructed or rehabilitated a range of social and economic infrastructure, including three roadside agricultural stalls, 26 schools, 15 wells, and two community centers. It also provided agricultural equipment to 80 rural women's

associations and hygiene and HIV/AIDS sensitization to 4,526 people. The project had a significant impact on travel efficiency, reducing vehicle operating costs by three-quarters and cutting travel times on the three main roads it developed by over half, from 2-4 hours to 0.5-1.5 hours. It also helped reduce teacher absentee rates from 30 percent to 10 percent and medical absentee rates from 35 percent to 10 percent.

**African Development Fund**

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
175,668,000	175,334,055	214,332,000	171,300,000

Treasury requests \$171.3 million in support of AfDF programs over the fourteenth replenishment (AfDF-14; FY 2018 – FY 2020), including towards the first of three installments to AfDF-14.

**Program Description**

- The AfDF provides grants and highly concessional loans to the 38 poorest countries in Africa, of which nearly half are fragile and conflict-affected states. The AfDF approved approximately \$1.9 billion in financing in 2016. Fifty-four percent of 2016 approvals were to infrastructure projects (comprising transport, energy, communications, and water supply and sanitation), with other key sectors including governance, agriculture and rural development, social sectors, and finance.
- The AfDF is financed by donor countries, including the United States, and requires new donor resources every three years. In November 2016, the United States joined other donors to conclude negotiations on the AfDF-14 replenishment, which totaled \$5.9 billion. The United States pledged \$513.9 million over three years, which represents \$71.1 million in savings relative to the previous replenishment. Even with this reduction, the United States is the second largest donor to AfDF-14 (behind the United Kingdom). The United States is historically one of the largest donors to the AfDF and currently has a 5.3 percent voting share at the AfDF (just behind Japan). Every dollar in U.S. contributions to AfDF-14 will help leverage \$11 in other donor contributions and internally generated resources.

**How AfDF Promotes U.S. Interests**

- **Supports National Security:** Eighteen of the AfDF’s 38 client countries are fragile and conflict-affected states, including countries such as Mali, Chad, and Niger that are on the front-lines of the fight against terrorism in Sub-Saharan Africa. Over the next three years, approximately half of the AfDF’s financing will be used to combat instability in fragile and conflict affected states, including through projects to strengthen governance and anti-corruption.
- **Reduces Humanitarian and Health Crises:** AfDF financing addresses the root causes of migration flows and humanitarian crises in Africa’s poorest countries. The AfDF helps reduce fragility, builds infrastructure, strengthens food security, and supports private-sector led growth and economic diversification, thereby creating jobs for Africa’s growing youth population. The AfDF was also a first responder to the 2014 Ebola crisis and played a critical role in helping stem the spread of the disease.

### **Meeting AfDF Commitments**

U.S. unmet commitments to the AfDF replenishments and the Multilateral Debt Relief Initiative (MDRI) currently amount to approximately \$249.6 million. The United States is the only major donor country with protracted unmet commitments. These unmet commitments decrease the financial capacity of the AfDF, thereby reducing the funding available to address instability in fragile states, the root causes of migration and humanitarian crises, and health emergencies. They also undermine U.S. credibility and leadership at a time when the AfDB Group is undertaking many critical reforms on which the United States is a leading voice.

### **Achieving and Measuring Results**

From 2008-2015, the AfDF:

- Provided 49.2 million people with improved access to transport, half of them women;
- Provided 13.4 million people with improved access to water and sanitation, half of them women;
- Provided 455,000 microcredits to businesses and entrepreneurs;
- Improved budgetary and financial management in 17 countries; and
- Improved transparency, accountability, and anti-corruption in 16 countries.

AfDF-14 includes a robust set of 41 commitments for the AfDF to achieve from 2017-2019. These commitments cover the AfDF's development work as well as its institutional efficiency and effectiveness. Each commitment includes at least one measurable indicator; for example, under the water and sanitation commitment, the AfDF's water and sanitation interventions aim to benefit 4.4 million people by 2019.

### **Project Examples**

**West Africa.** From 2005-2012, the AfDF's \$34 million Multinational Nerica Rice project increased food security and reduced poverty in seven West African countries: Benin, Ghana, Guinea, Mali, Nigeria, Sierra Leone, and The Gambia. The project introduced more productive and nutritious rice varieties, rehabilitated feeder roads, and provided technical assistance and capacity building to farmers in order to increase rice production and yields. As a result of the project, 241,000 families tripled their rice yields from 714 pounds per acre to 2,230 pounds per acre. This in turn tripled the families' incomes.

**Ethiopia.** Completed in 2012, the AfDF's \$26 million Harar Water Supply and Sanitation project supported economic growth by improving health and sanitation in the towns of Harar, Haremaya, Aweday, Adele, and Dengego. The project built and rehabilitated water production and transmission infrastructure, including wells, pump stations, reservoirs, and 99 miles of pipelines and networks. It also provided education on water and sanitation practices for 75 percent of the local population. Upon completion, the project provided potable water to 250,000 people and helped reduce water-borne disease by 75 percent.

**North American Development Bank**

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
10,000,000	9,980,990	-	-

Treasury is not requesting funding for the North American Development Bank (NADB) due to budget constraints, and in recognition that Congress has not provided authorization for NADB for the general capital increase.

**Program Description**

NADB, founded in 1994 by the United States and Mexico, provides financing for environmental infrastructure projects within the areas up to 100 kilometers (62 miles) north and 300 kilometers (186 miles) south of the U.S.-Mexico border. These projects, implemented on both sides of the border, improve the quality of life for residents of the border region, strengthen municipal services, and create new jobs and business opportunities. Key areas of focus include wastewater collection and treatment, air quality improvements, solid waste management, and renewable energy. NADB’s sister institution, the Border Environment Cooperation Commission (BECC), which is in the process of integrating with NADB, must certify the environmental benefits of all projects before they are eligible for NADB financing. NADB is well-respected among states and communities along the border, where it has had a tangible impact on the environment and the lives of the area’s residents.

Under NADB’s charter, the United States and Mexico agreed to contribute equally to NADB’s initial authorized capital stock, a total contribution of \$450 million in paid-in capital and \$2.6 billion in callable capital. The United States and Mexico each have a 50 percent voting share.

## Food Security

### International Fund for Agricultural Development

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
31,930,000	31,869,301	30,000,000	30,000,000

Treasury requests \$30 million for the third of three installments towards the International Fund for Agricultural Development’s tenth replenishment (IFAD-10).

#### **Program Description**

- IFAD is a small multilateral fund, supported by 176 member countries and dedicated to alleviating poverty, hunger, and malnutrition, and to raising farmers’ productivity and incomes to improve the quality of their lives. Most IFAD-supported projects are in remote rural areas where few donors operate.
- In 2016, IFAD’s program of loans and grants was \$987 million. IFAD expects the total program of loans and grants over the course of the IFAD-10 (2016-2018) replenishment period to reach \$3.2 billion.
- The United States is a founding member of IFAD and its largest historical contributor. The U.S. commitment to the IFAD-10 replenishment accounted for 8.7 percent of total commitments.

#### **How IFAD Promotes U.S. Interests**

- Through its singular focus on supporting rural economic growth, IFAD contributes to key U.S. priorities, including advancing inclusive growth and reducing poverty in the neediest areas of poor and fragile countries.
- Funding for IFAD also advances U.S. national security interests by supporting economic and political stability in fragile states around the world, helping to reduce pressures that drive terrorism and migration flows.

#### **Meeting IFAD Commitments**

As the largest contributor to IFAD, other member states look to the United States for leadership. Given the relatively small size of IFAD, therefore, failure to fully fund the U.S. commitments would have an immediate, negative impact on the institution’s delivery capacity, particularly its ability to offer highly concessional or grant financing to low-income and fragile countries with higher rates of poverty and hunger. Current U.S. unmet commitments to IFAD amount to \$3.83 million.

## **Achieving and Measuring Results**

Between 2010 and 2015, 44 million IFAD beneficiaries enjoyed substantial increases in agricultural revenues and about 24 million beneficiaries escaped poverty. In addition, as of the end of 2015, active IFAD projects had:

- Reached nearly 113 million people;
- Helped 22.2 million beneficiaries open savings accounts, mobilizing a total of \$6.1 billion in savings; and
- Constructed or rehabilitated nearly 10,200 miles of rural roads to connect farmers with markets.

IFAD is updating its comprehensive approach for measuring impact results. Activities conducted under this approach include aggregating project-level monitoring and evaluation results for reporting through the corporate-level Results and Impact Management System (RIMS), as well as implementing an effectiveness checklist to ensure compliance and quality of project documents and carrying out systematic analyses of IFAD's development investment portfolio. Management anticipates that these updates will help enhance learning and strengthen accountability, supporting more rigorous evidence-based decision-making.

IFAD has an Independent Office of Evaluation (IOE) that reports directly to the Executive Board. The IOE validates project completion reports and conducts corporate-level reviews on governance and operational effectiveness. The IOE also conducts thematic reviews, such as an upcoming report that will assess IFAD's efforts to increase its development impact by opening local country offices. The 2016 IOE annual report finds solid performance in the relevance of IFAD operations and rural poverty impact, as well as in bolstering household incomes, increasing food security, and in overall project achievement. On average, IFAD activities are on par with, or better than, the performance of MDBs in the agriculture sector. However, the IOE has highlighted the need for IFAD to refine its targeting approach to ensure that it recognizes differences among groups of poor rural farmers, improve the contribution that higher agricultural productivity can make to food security, and more systematically strengthen the quality of its monitoring and evaluation systems.

## **Project Examples**

**Burkina Faso.** IFAD completed a \$33 million project in 2014 to reduce poverty, food insecurity, and desertification in 395 villages. Beneficiaries saw higher incomes and increased employment due to higher agricultural yields, diversification of crops, participation in income generating activities (especially for women and youth), greater access to microfinance, and improved livestock production. The project also improved the living conditions of the poor by reversing pervasive land degradation, developing watershed basins, and increasing land tenure among participants. Ultimately, the project served 416,810 beneficiaries (of which 67 percent were women and 85 percent were youth) and improved 155,291 acres of land.

**Nepal.** IFAD completed a \$16 million project in 2015 to sustainably reduce the poverty of poor and food insecure households living along degraded forests. The project targeted women in

particular, who are traditionally responsible for working in the forest. The project had three main objectives: 1) to encourage the formation of forestry groups and provide land development resources, 2) to improve the livestock sector by providing training and veterinary services, and 3) to increase access to financial services for beneficiaries. Overall, the project served 40,638 households and rehabilitated 4,853 acres of degraded forests. Beneficiaries saw increases in income and herd size, and improved water sources and sanitation facilities.

**Global Agriculture and Food Security Program**

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
43,000,000	42,918,257	23,000,000	-

Treasury is not requesting funding for the Global Agriculture and Food Security Program (GAFSP) as no new funding is required in FY 2018, since the 2012 pledge period is over, the United States has sufficient funding to meet its pledge, and other donors’ support has been limited.

**Program Description**

GAFSP is a multi-donor trust fund called for by G-20 leaders in 2009 to fund projects that support the agricultural investment plans of poor countries. GAFSP, which is administered by the World Bank, leverages the expertise and implementing structures of other MDBs (including the African Development Bank, Asian Development Bank, and Inter-American Development Bank), as well as UN agencies (including the International Fund for Agricultural Development, the World Food Programme, and the Food and Agriculture Organization). GAFSP operates through two windows:

- The Public Sector Window provides grant financing to support country-developed agriculture and food security investment plans. Grants are awarded on the basis of a transparent, competitive process involving independent technical experts. As of end-April, 2017, GAFSP’s Public Sector Window has awarded \$1.18 billion in grant financing to 31 countries in Africa, Asia, and Latin America, funded contributions from Australia, the Bill and Melinda Gates Foundation, Canada, Ireland, South Korea, Spain, the United Kingdom, and the United States.
- The Private Sector Window provides loans, credit guarantees, and equity to support private sector activities that improve agricultural development and food security. Private Sector Window investments are expected to reach semi-commercial smallholders and subsistence farmers mainly. As of the end of 2016, GAFSP’s Private Sector Window had approved \$226.4 million of investments in 24 countries, funded from contributions from Canada, Japan, the Netherlands, the United Kingdom, and the United States.

The United States is the largest of 10 donors to GAFSP, having contributed \$645.2 million since GAFSP's inception. The United States contributed \$475 million towards the initial GAFSP pledge in 2009. In 2012, the U.S. pledged to contribute \$1 for every \$2 in new contributions from other donors over the period of the pledge, up to a maximum of \$475 million.

The USG and other donors provide funding to support similar agricultural investments in poor countries through other mechanisms.

## Environmental Trust Funds

### Global Environment Facility

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
168,263,000	167,943,132	146,563,000	102,375,000

Treasury requests \$102.4 million towards the fourth of four installments to the sixth replenishment of the Global Environment Facility (GEF-6). The United States pledged \$546 million to GEF-6 as part of the \$4.43 billion replenishment. The FY 2018 requested level is 75 percent of the full annual installment, reflecting the Administration's focus on environmental goals and activities other than addressing climate change and its impacts. Treasury will communicate to the GEF the importance of its non-climate environmental goals to health, safety, and prosperity.

#### **Program Description**

The GEF is a multilateral trust fund that provides grants for environmental projects in developing countries and emerging markets. Currently, the GEF funds projects in 165 countries in areas such as wildlife trafficking, chemical pollution, and conservation of oceans and land.

#### **How GEF Promotes U.S. Interests**

The GEF benefits the U.S. economy and environment by addressing many external environmental problems that affect our domestic health, safety, and prosperity. GEF projects:

- Reduce pollution and prevent toxic chemicals from making their way into the air, water, and U.S. food supply;
- Support America's logging industry by curbing international illegal logging through sustainable forest management projects;
- Fight wildlife trafficking and strengthen protected area enforcement, eliminating a source of funding for organized crime and terrorist groups in Africa and the Middle East, and;
- Conserve fish stocks outside U.S. waters, which are critically important to the U.S. food supply chain and to U.S. companies.

Since the GEF was established, over 110 U.S. companies, universities, NGOs, and consultants in at least 25 states and the District of Columbia have directly benefited from GEF projects by providing goods and services, leading to jobs for American workers. Most of these opportunities have been in emerging market economies whose demand for such goods and services will continue to expand. In many countries, GEF investments pave the way for greater business

opportunities for U.S. companies by helping to establish new markets and improving the investment climate related to environmental conservation and protection.

### **Meeting GEF Commitments**

Making a payment towards our GEF-6 commitment will help to maintain U.S. influence to promote policy changes at the GEF during the seventh GEF replenishment negotiations that will conclude in April 2018. The FY 2018 request will leave \$204.5 million in cumulative unmet commitments to the GEF, for both GEF-6 and GEF-2.

### **Achieving and Measuring Results**

Since the start of GEF-6, the fund has approved a total of 271 projects, which are expected to achieve the following results (as of June 2016):

- Protection and planning of 256 million hectares of productive landscapes and seascapes to promote biodiversity conservation;
- Investments in multi-country coordination to improve management of seven shared freshwater systems, promoting security and stability in these regions;
- Safe disposal of 117,480 metric tons of pesticides and reduction of more than 374 metric tons of mercury emissions; and
- Stabilization of 14 percent of globally over-exploited fisheries and promotion of more sustainable levels of fishing.

The GEF is effective at setting goals, learning from experience, and measuring impact and success. Every four years, the GEF's Independent Evaluation Office produces a comprehensive evaluation of past project and operational performance. These evaluations influence the programming objectives for the next replenishment period.

### **Project Examples**

**Global Partnership on Wildlife Conservation and Crime Prevention** (\$130 million grant, more than \$704 million in co-financing from bilateral agencies, the private sector, and participating governments). This global program seeks to halt poaching and trafficking of wildlife in 19 countries in Africa and Asia. Major investments will focus on supporting law enforcement efforts to crack down on poaching. The program will include efforts to reduce trafficking of several endangered species, including rhinoceros, snow leopards, elephants, tigers, pangolins, and gorillas.

**Global Opportunities for Long-term Development of the ASGM Sector** (\$45.3 million grant, more than \$135 million in co-financing from bilateral agencies, the private sector, and participating governments). Artisanal and small-scale gold mining (ASGM) is the largest source

of global mercury emissions, which are toxic to humans and result in damage to the nervous, digestive, and immune systems. The mercury used in ASGM is also a major source of pollution of fisheries, which can affect local communities as well as developed countries that import large amounts of seafood. To address the negative environmental and health impacts of mercury pollution, this global project seeks to reduce or eliminate mercury use in ASGM in several countries.

## Technical Assistance

### Office of Technical Assistance

FY 2016 Enacted	FY 2017 Annualized CR Rate	FY 2017 Enacted	FY 2018 Request
23,500,000	23,455,327	30,000,000	25,455,000

Treasury is seeking \$25.455 million for its Office of Technical Assistance (OTA).

#### **Program Description**

OTA works with finance ministries, central banks, and related government institutions to support efficient revenue collection, well-planned and executed budgets, judicious debt management, sound banking systems, and strong controls to combat money laundering and other economic crimes. OTA complements the work of Treasury’s offices of International Affairs and Terrorism and Financial Intelligence by helping the governments of developing and transitional countries build the human and institutional capacity to implement improvements in economic and terrorist financing policies. OTA also supports partner countries’ efforts to more effectively raise their own domestic resources, reducing dependence on foreign assistance over the long run. OTA’s work is critical for meeting U.S. foreign policy goals, such as private sector-led economic growth, reduced corruption, and increased accountability and transparency. OTA is a small, cost-effective program that leverages a cadre of highly experienced technical advisors who work side-by-side with host country counterparts. Currently, OTA has projects in approximately 50 countries in Latin America, Africa, Europe, Asia, and the Middle East.

Demand for OTA assistance around the world is strong and continues to increase. OTA would use any increased budget resources in FY 2018 to initiate and expand engagements in priority assistance areas, notably combating terrorist financing and financial crimes, spurring domestic resource mobilization, and increasing access to finance.

#### **Achieving and Measuring Results**

OTA implements a well-crafted system to monitor and evaluate program performance, from project initiation through execution, to post-project evaluation. For each project, OTA and the relevant foreign ministry or central bank identify the high-level aims of the engagement, which are reflected in signed terms of reference. The terms of reference are complemented by a detailed work plan specifying the activities, deliverables, and timelines for achieving those goals, as well as the outcomes that will provide evidence that the goals have been met. In addition, OTA advisors provide monthly reports and trip reports to Treasury leadership and other stakeholders on the execution of the work plan, including progress against project objectives.

These reports are validated through ongoing dialogue with advisors coupled with on-site project reviews conducted by OTA management. In addition, post-project reports evaluate the results of

completed technical assistance, and are used as a basis to improve the planning and execution of future projects.

Each year OTA evaluates the level of “traction,” or the degree to which changes in partner governments’ behavior occur as a result of OTA assistance (e.g., the number of foreign officials who are taking an active role in pursuing change, or interim deliverables that are on time or ahead of schedule). OTA also evaluates “impact,” or the extent to which the objectives are actually achieved for each technical assistance project. Levels of traction and impact are measured by OTA advisors and headquarters staff according to specific indicators that are relevant to each of the five OTA core areas. For example, an evaluation of a revenue administration project may consider the extent to which the engagement improved the capacity of the partner country to audit tax returns, including in specialized sectors such as financial services. In the budget area, the evaluation may measure the extent to which the project helped to enhance transparency, accountability, and control over financial resources through the implementation of a new budget classification system.

Finally, OTA uses a customer survey instrument to collect information directly from country counterparts who have first-hand knowledge of OTA engagements. OTA monitoring and evaluation have consequences: projects showing results receive continued investment of OTA resources, while poorly performing projects, such as those where OTA’s counterparts lack political will to implement reform, are terminated and the resources reallocated to other projects.

### **How OTA Promotes U.S. Interests**

OTA performs an important role in support of U.S. national security by helping developing and transitional countries combat financial crimes, money laundering, and terrorist financing. In addition, OTA support stabilizes banking systems, develops capital markets, improves the investment climate, including for infrastructure, and improves transparency and accountability in government finances, helping to spur private-sector led economic growth which, in turn, supports the development of foreign markets for U.S. exports.

### **Recent Examples of Successful Projects**

**Ukraine Stabilizes Banking System.** OTA advisors working in the National Bank of Ukraine and the Ukrainian Deposit Guarantee Fund have played a major supporting role in stabilizing the banking sector and resolving the country’s largest and most systemically important bank (Privat Bank). Progress on banking sector reform is contributing to Ukraine’s broader effort to stabilize and grow the economy and to implement Ukraine’s IMF program.

**Cambodia Increases Debt Collection.** Implementing OTA recommendations, the Cambodian General Directorate of Taxation (GDT) improved its collection of arrears to \$84 million in 2016, 34 percent more than the previous year. OTA advisors worked with the GDT to achieve this by optimizing and standardizing procedures, training staff, and distributing written procedural manuals.

**Guatemala Makes Progress in Combatting Money Laundering.** With OTA support, Guatemala's Financial Intelligence Unit, Public Ministry, and other arms of the government froze more than \$1.2 million in assets belonging to the former Guatemalan President and Vice President as part of the prosecution of a major corruption case (La Linea). In 2014, with OTA support, Guatemala successfully prosecuted a complex \$48 million money laundering case.

**Jordan Reduces Debt-Rollover Risk.** With OTA assistance, the Government of Jordan has expanded its domestic debt market issuance and significantly reduced its liability portfolio risk. OTA strengthened institutional and staff capacity in debt forecasting, analysis and strategy, as well as public and investor relations. By the end of 2016, the average maturity of Jordan's domestic debt portfolio exceeded three years compared to the prior 1.7-year average maturity. Additionally, Jordan issued floating rate securities for the first time in 2016 and established a six-month benchmark index to serve as the mechanism for re-pricing floating rate bonds.

## Annex 1: MDB Basics

### What are the MDBs?

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

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

The development banks are financial institutions, but they differ from commercial banks in their mandate and structure. They are owned by member countries and provide financial and technical assistance to developing countries. The United States is the largest shareholder in the World Bank, Inter-American Development Bank, and European Bank for Reconstruction and Development; the co-largest shareholder (with Japan) in the Asian Development Bank; and the largest non-regional and second-largest overall shareholder in the African Development Bank.

### What is Treasury's role?

In the U.S. Government, Treasury is charged with leading U.S. engagement in the multilateral development banks (MDBs). For the five largest MDBs in which the United States participates, a U.S. Executive Director (USED), who is based at each bank, is appointed by the President and confirmed by the Senate to represent U.S. interests, engaging daily in meetings at various levels and casting votes throughout the year. Treasury works closely with the USEDs and a wide-ranging interagency group on MDB issues. Additionally, Treasury provides direction for how to vote on projects and policies to the USEDs. The Secretary of the Treasury traditionally serves as the U.S. Governor to each MDB, and votes on high-level institutional matters that involve major changes to the structure or financing of the organization.

### 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, provide guarantees and other financial instruments, and provide grants: the “non-concessional” window (also referred to as “hard loan windows”) and the “concessional” window (also referred to as “soft loan windows”). Some institutions have a third window for private sector operations, whereas others make private sector investments from their “non-concessional” windows. Each institution can also serve as trustee for specialized funds established at the request of member countries.

- The non-concessional windows provide loans at market-linked interest rates to middle-income countries, such as Colombia, Egypt, Indonesia, and Botswana.

- The concessional windows provide grants, no or very low interest loans, and a limited supply of market-linked loans to countries with per capita incomes below a certain threshold and that lack the creditworthiness to access other financing sources, including the non-concessional windows. These are the concessional windows for each MDB:
  - International Development Association (World Bank Group)
  - Asian Development Fund (Asian Development Bank Group)
  - African Development Fund (African Development Bank Group)

The United States is also a contributor to the International Fund for Agricultural Development, which functions like an MDB concessional window. Because the European Bank for Reconstruction and Development and North American Development Bank are private sector-oriented, they do not have a concessional window, while the Inter-American Development Bank provides both non-concessional and concessional funding from one window.

### **How are the MDBs funded?**

Countries are referred to as “shareholders” in an MDB and hold a certain percentage of shares, and therefore voting power, based on their contributions.

At times, shareholders provide new funding to support the non-concessional or concessional windows. This funding can take three forms:

- Donor replenishments
- General capital increases
- Selective capital increases

#### ***Donor Replenishments***

Because the concessional windows provide most of their funding to the poorest countries as grants or very low-cost, long-term loans, these windows deplete their funding over time and require periodic “replenishment” by donor countries every three to four years. When fully funded, U.S. funding commitments are paid out in equal installments over the replenishment period.

#### ***General Capital Increases***

Under a general capital increase (GCI), MDB shareholder governments decide to provide additional capital to support the MDBs’ non-concessional or private sector windows by purchasing new shares in the institution. Unlike concessional windows, the non-concessional and private sector windows are expected to be more financially self-sustaining, requiring additional member state contributions less frequently, provided they follow prudent capital management policies. However, global and regional economic conditions or shareholders’ desire to see an MDB provide higher levels of finance in support of particular aspects of a region’s development agenda may lead to member countries negotiating to provide new capital to the MDB through a GCI. In these cases, member countries negotiate the total amount of additional capital required and the amount to be provided by each member.

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).

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. This capital is “callable” under limited and specifically enumerated circumstances to meet the obligations of the respective MDBs. No MDB has made a call on callable capital to date.

If a shareholder fails to purchase the shares that it decided to buy in the capital increase negotiations, the relative shareholding and voting power of that country will be diluted. Under the rules in place for most GCIs, voting shares are adjusted to reflect contributions as they come in from shareholders, such that delayed contributions will have an impact on the current voting share. Any shares allocated to a country that are not paid for within the allotted subscription period are moved to the MDB’s unallocated capital, potentially making these shares available for other shareholders to acquire. Several countries seeking to expand their influence in the MDBs have expressed an interest in purchasing shares when they become available in this manner.

### ***Selective Capital Increases***

A selective capital increase (SCI) is not used as, strictly speaking, a fundraising vehicle, but is used to allocate new shares to effect changes in the relative voting power of members of an MDB or accommodate accession by new members. Unlike a GCI, where shares are allocated to members in proportion to their existing shareholding, countries subscribe to different levels of shares under an SCI to achieve the desired realignment in voting power. Countries may have to purchase shares under an SCI in order to maintain their voting power or limit dilution.

## **Annex 2: FY 2018 Appropriations Language and Authorization Request**

Below is a summary of proposed appropriations language and authorizations requests. Brackets indicate proposed deletions from the Consolidated Appropriations Act, 2016. Italics indicate insertions.

### **FY 2018 Appropriations Language**

#### **GLOBAL ENVIRONMENT FACILITY**

For payment to the International Bank for Reconstruction and Development as trustee for the Global Environment Facility by the Secretary of the Treasury, [\$168,263,000] *\$102,375,000*, to remain available until expended.

#### **CONTRIBUTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION**

For payment to the International Development Association by the Secretary of the Treasury, [\$1,197,128,000] *\$1,097,010,000*, to remain available until expended.

#### **CONTRIBUTION TO THE ASIAN DEVELOPMENT FUND**

For payment to the Asian Development Bank's Asian Development Fund by the Secretary of the Treasury, [\$104,977,000] *\$47,395,000*, to remain available until expended.

#### **CONTRIBUTION TO THE AFRICAN DEVELOPMENT BANK**

For payment to the African Development Bank by the Secretary of the Treasury for the [United States] U.S. share of the paid-in portion of the increase in capital stock, [\$34,118,027] *\$32,418,000*, to remain available until expended.

#### **LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS**

The United States Governor of the African Development Bank may subscribe without fiscal year limitation to the callable capital portion of the [United States] U.S. share of such capital stock in an amount not to exceed \$507,860,808.

#### **CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND**

For payment to the African Development Fund by the Secretary of the Treasury, [\$175,668,000] *\$171,300,000*, to remain available until expended.

#### **CONTRIBUTION TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

For payment to the International Fund for Agricultural Development by the Secretary of the Treasury, [\$31,930,000] *\$30,000,000*, to remain available until expended.

## INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE

For necessary expenses to carry out the provisions of section 129 of the Foreign Assistance Act of 1961, [\$23,500,000] \$25,455,000, to remain available until September 30, [2018] 2020, which shall be available notwithstanding any other provision of law.

### FY 2018 Authorization Requests

#### **MDB REPLENISHMENTS**

*SEC. 7063. (a) The Asian Development Bank Act, Public Law 89–369, as amended (22 U.S.C. §§ 285 et seq.), is further amended by adding at the end thereof the following new section: "Sec. 36. Eleventh Replenishment.*

*"(a) The United States Governor of the Bank is authorized to contribute, on behalf of the United States, \$189,580,000 to the eleventh replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.*

*"(b) In order to pay for the U.S. contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, \$189,580,000 for payment by the Secretary of the Treasury."*

*(b) The International Development Association Act, Public Law 86–565, as amended (22 U.S.C. §§ 284 et seq.), is further amended by adding at the end thereof the following new sections: "Sec. 30. Eighteenth Replenishment.*

*"(a) The United States Governor of the International Development Association is authorized to contribute on behalf of the United States \$3,291,030,000 to the eighteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.*

*"(b) In order to pay for the U.S. contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, \$3,291,030,000 for payment by the Secretary of the Treasury."*

*(c) The African Development Fund Act, Public Law 94–302, as amended (22 U.S.C. §§ 290g et seq.), is further amended by adding at the end thereof the following new sections: "Sec. 225. Fourteenth Replenishment.*

*"(a) The United States Governor of the Fund is authorized to contribute on behalf of the United States \$513,900,000 to the fourteenth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.*

*"(b) In order to pay for the U.S. contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, \$513,900,000 for payment by the Secretary of the Treasury."*