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U.S. Department of the Treasury
International Programs
Congressional Justification for Appropriations
FY 2019

# FY 2019 Executive Summary

The Treasury Department requests $1.4 billion for International Programs in FY 2019. In recognition of the Administration's prioritization on national defense and security as well as a streamlined Federal Government that makes the best possible use of taxpayer dollars, we will support the most critical investments in multilateral development institutions, 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, economic growth, and influence by advancing a more secure, economically prosperous, and democratic world. In recent years, Treasury has driven shareholder support for the implementation of key reforms at the multilateral development banks (MDBs) aimed at improving governance, development effectiveness, and financial efficiency, and Treasury continues to pursue additional major reforms at several of the institutions. These include improved monitoring and evaluation, stronger independent compliance functions, more efficient use of capital, and a larger allocation of lending to the world's poorest countries.

## Multilateral Development Banks

Our request includes $1.3 billion for the 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 second 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 second of three installments to AfDF-14.

*African Development Bank (AfDB):* $32.4 million towards the eighth 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 second of four installments to AsDF-12.

## Environmental Trust Funds

*Global Environment Facility (GEF):* $68.3 million in support of GEF programs over the seventh replenishment (GEF-7; FY 2019 – FY 2022), including towards the first of four installments to GEF-7.

## Food Security

*Global Agriculture and Food Security Program (GAFSP):* No funding is requested in FY 2019.

*International Fund for Agricultural Development (IFAD):* No funding is requested in FY 2019.

## Treasury Office of Technical Assistance

*Treasury Office of Technical Assistance (OTA):* $30 million to help ensure that OTA is able to respond quickly and in a sustained way to growing demand for technical assistance in areas that are priorities for the United States. Such areas include: supporting our national security agenda by combating terrorist financing and financial crimes, reducing countries' dependence on foreign financial aid through improved domestic resource mobilization, and creating the conditions for private sector-led economic growth. This consists of improving the climate for private sector investment in infrastructure projects in developing and transitional countries.

# Summary Tables
## Summary of Appropriations and Request
## Treasury International Programs
## FY 2017 – FY 2019
(in dollars)

| | FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|---|
| Multilateral Development Banks (MDBs) | **1,571,014,148** | **1,560,345,391** | **1,348,122,159** |
| International Development Association (IDA) | 1,197,128,000 | 1,188,998,304 | 1,097,010,000 |
| Int'l Bank for Reconstruction and Development (IBRD) | 5,963,421 | 5,922,923 | |
| Inter-American Development Bank (IDB) | 21,939,727 | 21,790,734 | |
| African Development Fund (AfDF) | 214,332,000 | 212,876,471 | 171,300,000 |
| African Development Bank (AfDB) | 32,418,000 | 32,197,849 | 32,417,159 |
| Asian Development Fund (AsDF) | 99,233,000 | 98,559,109 | 47,395,000 |
| Food Security | **53,000,000** | **52,640,077** | |
| Global Agriculture and Food Security Program (GAFSP) | 23,000,000 | 22,843,807 | |
| Int'l Fund for Agricultural Development (IFAD) | 30,000,000 | 29,796,270 | |
| Environmental Trust Funds | **146,563,000** | **145,567,691** | **68,300,000** |
| Global Environment Facility (GEF) | 146,563,000 | 145,567,691 | 68,300,000 |
| Treasury Office of Technical Assistance (OTA) | **30,000,000** | **29,796,270** | **30,000,000** |
| TOTAL | 1,800,577,148 | 1,788,349,429 | 1,446,422,159 |

## Unmet Commitments to Multilateral Development Banks
## FY 2013 - FY 2019
(in thousands)

| MDB | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|---|---|
| | Enacted | Enacted | Enacted | Enacted | Enacted | Request | Request |
| **IDA** | 430,525 | 680,175 | 683,300 | 776,772 | 1,121,944 | 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** | 140,687 | 213,351 | 207,369 | 226,701 | 249,624 | 249,624 | 249,624 |
| **AfDB** | 2,316 | 2,316 | 2,316 | 615 | 615 | 615 | 615 |
| **AsDF** | 346,658 | 326,704 | 311,627 | 296,536 | 287,203 | 287,203 | 287,203 |
| **AsDB** | 5,609 | 5,609 | 5,608 | | | | |
| **IDB** | 21,931 | 21,952 | 21,952 | 21,940 | | | |
| **MIF** | 35,386 | 29,088 | 25,710 | 25,710 | 25,710 | 25,710 | 25,710 |
| **IIC** | 15,801 | 15,801 | 15,801 | 15,801 | 15,801 | 15,801 | 15,801 |
| **IFAD** | 5,763 | 5,763 | 5,763 | 3,833 | 3,833 | 3,833 | 3,833 |
| **GEF** | 247,898 | 247,898 | 247,898 | 180,300 | 170,300 | 204,478 | 204,478 |
| **TOTAL** | **1,265,403** | **1,561,485** | **1,540,173** | **1,561,038** | **1,881,897** | **1,916,075** | **1,916,075** |

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. Inter-American Investment Corporation (IIC) includes $15,800,519, which corresponds to the 1,580 capital shares forfeited by the United States.
4. FY 2018 column assumes enactment of the FY 2018 President's Budget.

# 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 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 1,197,128,000 | 1,188,998,304 | 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 second of three installments to IDA-18.

**<u>Program Description</u>**

IDA:

- Makes highly concessional loans and grants to the world's 75 poorest and most vulnerable countries.

- 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 January 30, 2018, IDA supports 831 active projects totaling $79.4 billion across 73 countries.

- 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. IDA is planning to leverage future reflows by borrowing from markets for the first time while allowing for a decrease in donor contributions, and is in the process of exploring legal modalities for issuing debt to U.S. and global investors.

- The United States pledged $3,291 million over three years towards the IDA-18 replenishment, which saves taxpayers $580 million relative to the amount of the U.S. pledge to the previous replenishment. Even with these savings, the United States will maintain its status as the second largest donor behind the United Kingdom. The United

States, however, still remains the largest IDA donor historically and holds the largest voting share.

- Is cost-effective: every $1 contribution from the United States to IDA-18 helped leverage nearly $16 in new donor contributions and internally generated resources.

## How IDA Promotes U.S. Interests

Economic development has long been recognized as a 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 health emergencies, such as Yemen.

## 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. 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 a sharper focus on fragile states and allowing additional space for the private sector to operate.

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. The United States is 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

During FY 2011 – FY 2017, IDA reports achieving the following:
- Provided 602 million people with essential health services;
- Immunized 250 million children;
- Provided access to better water services for 72 million people;

- Constructed, rehabilitated, or upgraded roughly 83,000 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. IDA projects with outcome ratings of moderately satisfactory or above increased from 69 percent for FY 2010-2012 to 83 percent for FY 2013-2015 on a volume-weighted basis.

## Project Examples

**Nigeria.** IDA approved a $95 million IDA credit in 2009 for the "Lagos Eko Secondary Education Project" in Nigeria. The project intended to improve the quality of public secondary education in Lagos State, the second most populous state in Nigeria. In 2014, IDA provided an additional $42 million IDA credit to scale up early gains. The project financed (i) training for 22,457 teachers in core subject areas and leadership to improve educational quality, and (ii) the standardization of academic testing of students to increase transparent reporting and monitoring of results. In coordination with federal and state-level reforms, the project shows significant gains in student performance with the pass rate of public students taking the West Africa Senior Secondary Certificate Examination increasing by 50 percent in English, by 43 percent in math, and 60 percent in science over the baseline by project completion.

**Bangladesh.** In 2010, IDA approved a $115 million IDA credit for the "Social Investment Program Project II" in Bangladesh. The project scaled-up village-level programs aimed at creating income-generating opportunities for poor and vulnerable households. By the project completion date, 432,919 individuals received loans through village credit organizations, and 17,000 households received one-time grants. Training and management support services were also provided to community groups. Notably, 62 percent of targeted households increased their incomes by at least 50 percent.

# 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 U.S. capital commitments, Treasury is seeking funding only for AsDF.

## Asian Development Fund

| FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 99,233,000 | 98,559,109 | 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 second 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. AsDF grants help reduce poverty, support economic growth, mitigate and respond to disaster risks, and provide support for fragile and conflict-affected states.

- In 2017, total AsDF approvals were $551 million, over three-quarters of which supported infrastructure projects, including transportation and energy.
- 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 AsDB's 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 allowing the United States to remain the third-largest donor, after Japan and Australia. Every $1 contribution from the United States to AsDF-12 leverages almost $20 in new donor contributions and internally generated resources.

## How AsDF Promotes U.S. Interests

AsDF assistance helps achieve U.S. national security and foreign policy objectives in Asia and the Pacific.

- **Rural Development and Transportation Infrastructure:** The AsDF has played an important role helping Afghanistan to develop and rehabilitate its infrastructure. AsDF is providing $330 million in grants to support the completion of Afghanistan's national ring road, which will create jobs and boost trade. AsDF's support has helped Afghanistan's economic development and reduced poverty.

- **Regional Integration and Trade:** The AsDF supports regional cooperation and integration, expanding markets for U.S. exports and investment. The Asian Development Bank serves as the Secretariat for the South Asia Subregional Economic Cooperation (SASEC) Program, which strengthens both intraregional trade and linkages to the global market for Bangladesh, Bhutan, India, Maldives, Burma, Nepal, and Sri Lanka. The AsDF provides grants to improve cross-border connectivity, modernize customs administrations, and boost trade.

## 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. AsDF rules, moreover, allow other donors to withhold their pledged contributions proportionally based on U.S. unmet commitments.

## Achieving and Measuring Results

In 2016, AsDF reports achieving the following:

- Connected 100,000 new households to electricity;
- Built or upgraded over 1,100 miles of road;
- Connected 278,000 households with new and improved water supplies;
- Supported 930,000 students with new or improved educational facilities;
- Trained 278,000 teachers to improve teaching quality and meet competency standards; and
- Provided microfinance accounts to more than 2 million people, of which over three-quarters were women.

The AsDB reports on results through its annual Development Effectiveness Review (DEfR) and Performance Scorecard, which compiles project-level outputs. In particular, the DEfR measures whether projects are effective, completed on time and according to benchmarks, and sustainable after the conclusion of AsDB or AsDF involvement. These standards are used to compile lessons learned and improve future projects.

Results in recent years have shown continued progress on the AsDF's development effectiveness. During 2014-16, 78 percent of completed AsDF projects that were validated by the AsDB's Independent Evaluation Department (IED) were rated successful, up from 64 percent in 2011-2013. Technical assistance projects were among the most successful, with success rates near 90 percent. From 2013-2015, the IED rated 56 percent of AsDF projects as both successful and sustainable. The metric allows AsDF staff to measure factors, including policy and regulatory environments and administrative capacity, that impact the ultimate success of projects after AsDF involvement ends.

## Project Examples

**Nepal.** AsDF's $25.6 million grant helped rehabilitate and address damage caused by monsoon floods in Nepal's eastern and far western regions that affected 300,000 people. The project, completed in 2015, restored agricultural activity on almost 7,000 hectares of farmland, including about 2,500 hectares that were severely damaged. Land productivity in lightly and moderately damaged areas has surpassed pre-flood levels, and farmers have switched to crops suitable for sandy soil in severely damaged areas. All rehabilitated infrastructure incorporated a flood-resistant design standard, reducing the likelihood that donor funds will be needed to address the occurrence of similar floods in the future.

**Solomon Islands.** AsDF provided a $12 million grant to improve access to socioeconomic opportunities in the Solomon Islands by rehabilitating and maintaining land, sea, and air transport infrastructure. The grant supported reform of the government's transport sector institutional structure, civil works, and technical and managerial capacity development. As a result of the project, the proportion of the Solomon Islands' road network in maintainable condition rose from 38 percent in 2011 to 67 percent in 2017, and the proportion of wharves in maintainable condition rose from 32 percent to 48 percent. The project helped improve travel times and the volume of cargo and passengers, stimulating private sector development.

# 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 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 32,418,000 | 32,197,849 | 32,417,159 |

Treasury requests $32.4 million towards the eighth 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 $6.3 billion in approvals in 2017, 62 percent of which were to sovereigns and 38 percent to the private sector. Approximately 38 percent of 2017 approvals were to infrastructure projects (primarily energy and transportation), with other key sectors including finance, agriculture, and social sectors.

- 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 $253 in historical lending.

### How AfDB Promotes U.S. Interests

- **Supports U.S. Interests in North Africa:** In 2017, the AfDB provided approximately $1.1 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 United States 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

In 2016, the AfDB Group reports achieving:

- Provided 7 million people with improved access to transport, half of them women;
- Provided 3.7 million people with new or improved access to water and sanitation, half of them women;
- Supported improvements in agricultural productivity benefiting 5.6 million people;
- Constructed or improved 1,800 miles of power distribution and transmission lines; and
- Provided loans and other financial services to 156,000 small businesses.

In 2016, the AfDB Group continued to implement its new business model, which places a premium on results measurement and institutional performance. The AfDB Group also finalized its 2016-2025 Results Measurement Framework to support this new business model. The Results Measurement Framework tracks and holds the AfDB Group accountable for its performance on 105 quantitative 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

**Egypt.** Completed in 2017, the Ain Sokhna power plant added 1300 MW in energy generation capacity to Egypt's national grid. The AfDB provided $370 million for the project, which also received financing from the Government of Egypt, the World Bank, and other development finance institutions. The plant utilizes high-efficiency, supercritical natural gas and steam generation technology. In addition to substantially increasing capacity on the national grid, which serves almost the entire population of Egypt, the project created 3,000 direct jobs and came in 27 percent under budget.

## African Development Fund

| FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 214,332,000 | 212,876,471 | 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 second 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 half are fragile and conflict-affected states. The AfDF approved approximately $2 billion in financing in 2017. Approximately 53 percent of 2017 approvals were to infrastructure projects (mainly energy, transportation, and water supply and sanitation), with other key sectors including agriculture, finance, and social sectors.

- 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. With this reduction, the United States is the third largest donor to AfDF-14 (behind the United Kingdom and Germany). 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 $1 in U.S. contributions to AfDF-14 leverages more than $11 in contributions from other donors and internally generated resources.

### How AfDF Promotes U.S. Interests

- **Supports National Security:** Nineteen 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. During 2017-2019, 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. 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

In 2016, AfDB reported that their programs in AfDF countries:

- Created 1.6 million jobs, half of them for women;
- Constructed, rehabilitated, or maintained 1,300 miles of roads;
- Provided 2.9 million people with new or improved access to water and sanitation, half of them women;
- Supported improvements in agricultural productivity benefiting 5 million people; and
- Improved budgetary and fiscal management in three countries and improved transparency and accountability in three countries.

AfDF-14 includes a set of 41 commitments for the AfDF to achieve over 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 job creation commitment, the AfDF's interventions aim to support jobs for 3.6 million youths and provide job training for 2.2 million people by 2019. The AfDF will provide a progress report to donors on achievement of these commitments in 2018.

## Project Examples

**West Africa.** Completed in 2015, the AfDF's $48 million Cotton-Textile Subsector Support project reduced rural poverty in Benin, Burkina Faso, Mali, and Chad by improving agricultural productivity and incomes. The project trained over 80,000 farmers, promoted improved seed production, built and rehabilitated supporting infrastructure (e.g., rural roads and warehouses), and developed local sector organizations. As a result, farmers' yields for cotton, maize, sorghum, and millet increased by an average of 19 percent, and farmers' incomes increased by an average of 16 percent.

**Kenya.** Completed in 2016, the AfDF's $53 million Eldoret-Timboroa Road Rehabilitation Project increased transport and commerce on the primary transport corridor between Nairobi, Kenya and Kampala, Uganda. The main component of the project was the rehabilitation of a 45 mile stretch of the transit corridor. Upon completion, transit cargo on the road increased by 51 percent, including a 200 percent increase in local agricultural cargo, and average travel time decreased by 12 percent. The project also stimulated a number of commercial investments along the road (including a Toyota plant, a mall, and hotels) and was accompanied by a 66 percent increase in trade between Kenya and its neighbors.

# Food Security

| | FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|---|
| Global Agriculture and Food Security Program | 23,000,000 | 22,843,807 | - |
| International Fund for Agricultural Development | 30,000,000 | 29,796,270 | - |

Treasury is not requesting funding for multilateral agriculture and food security programs in the FY 2019 budget.

## Global Agriculture and Food Security Program (GAFSP)

Treasury is not requesting funding for the GAFSP as no new funding is required in FY 2019, since other donors' support has been limited. The USG and other donors provide funding to support similar agricultural investments in poor countries through other mechanisms.

The United States is the largest of 11 donors to GAFSP, having contributed $653 million out of a total of $1.7 billion from all donors 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 2012 pledge period is over.

## International Fund for Agricultural Development (IFAD)

With the completion of funding for the last IFAD replenishment (IFAD-10) in 2018, the U.S. will focus its food security funding in the FY 2019 Budget on bilateral programs for agricultural development and food security funded principally by the U.S. Agency for International Development (USAID). USAID programs are aligned with U.S. strategic priorities and also have a major focus on increasing resilience of vulnerable populations and addressing the root causes of recurrent food crises in countries that receive significant U.S. humanitarian assistance.

In addition to bilateral funding, the United States Government and other donors support agricultural investments in poor countries through other mechanisms, and in particular through multilateral development banks (MDBs). MDB annual funding for agricultural development is several billion dollars per year. MDBs can also be encouraged to employ lessons learned from IFAD in their program selection and implementation.

# Environmental Trust Funds

## Global Environment Facility

| FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 146,563,000 | 145,567,691 | 68,300,000 |

Treasury requests $68.3 million towards the first of four installments to the seventh replenishment of the Global Environment Facility (GEF-7). The United States will pledge $273.2 million to GEF-7, roughly 50 percent less than our GEF-6 pledge. At this level, the U.S. will continue to support important international environmental, toxic chemical, and biodiversity conservation activities through the GEF, while pursuing a more balanced share among donor countries as we seek to advance shared priorities.

### 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. For example, GEF projects:

- Reduce pollution and prevent toxic chemicals such as mercury 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, thereby leveling the playing field for lumber and other related products;

- Fight wildlife trafficking and strengthen protected area enforcement, eliminating a source of funding for criminal groups in Africa and the Middle East with the aim of reducing conflicts and promoting national security interests; and

- Conserve fish stocks outside U.S. waters and promote sustainable fishing practices in the Pacific and Atlantic oceans, as well as the Gulf of Mexico, which are critically important to the U.S. food supply chain and a significant revenue source for U.S. fishing companies.

Since the GEF was established, over 127 U.S. companies, universities, NGOs, and consultants from 29 states have directly benefited from 119 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 first GEF-7 pledge will help to maintain U.S. influence and allow Treasury to promote difficult policy changes at the GEF, such as lowering allocations for climate change projects and increasing co-financing expectations for middle-income recipient countries. Fulfilling the FY 2018 and FY 2019 President's Budget requests would leave $204.5 million in cumulative unmet commitments to the GEF, from both GEF-6 and GEF-2.

## Achieving and Measuring Results

Between the start of GEF-6 and November 2017, the fund has approved a total of 230 projects, which are expected to achieve the following results:

- Protection and sustainable use planning of 450 million hectares of landscapes and seascapes to promote animal and plant biodiversity conservation;
- Investments in multi-country projects to improve management and use of 25 shared lakes, rivers, and estuaries, promoting security and stability, as well as sustainable sources of income in these regions;
- Safe disposal of 73,344 metric tons of toxic and hazardous pesticides and reduction of more than 644 metric tons of mercury emissions, thereby promoting healthy communities, water quality, and food systems; and
- Stabilization of 12 percent of globally over-exploited fisheries and promotion of more sustainable levels of fishing to ensure such resources are available for future generations.

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

**Brazil Sustainable Transport and Air Quality Project** ($8.5 million grant, $25.5 million in co-financing from the World Bank). This investment sought to promote an increase in sustainable transport in cities to reduce transport-related air quality problems. One component of the project addressed the need for increased efficiency of freight transport in urban areas. A small business based in Massachusetts was contracted to develop analytical tools for planning and evaluating projects and policies that improve freight transport in selected metropolitan regions.

**Madagascar Foundation for Protected Areas and Biodiversity** ($10 million grant, $135 million in co-financing from foreign bilateral agencies, the World Bank, NGOs, and participating governments). This project sought to improve wildlife protection, mainstream conservation into economic decision making, and facilitate the establishment of sustainable financial mechanisms for environmental protection in Madagascar. This investment led to the creation of 2.4 million hectares of national parks and 4.5 million hectares of forestry corridors. A U.S. company based in North Carolina received the contract to develop the initial forest zoning studies and help strengthen the enforcement of laws in the forestry and biodiversity sectors.

# Technical Assistance

## Office of Technical Assistance

| FY 2017 Enacted | FY 2018 Annualized CR Rate | FY 2019 Request |
|---|---|---|
| 30,000,000 | 29,796,270 | 30,000,000 |

Treasury is seeking $30 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. 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 will use any increased budget resources in FY 2019 to be able to respond quickly and in a sustained way to this growing demand in areas that are priorities for the United States, including combating terrorist financing and financial crimes, reducing countries' dependence on foreign financial aid through improved domestic resource mobilization, and creating the conditions for private sector-led economic growth, including by improving the climate for private sector investment in infrastructure projects in developing and transitional countries.

**How OTA Promotes U.S. National Security**

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's role 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.

## 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 project in the budget area 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.

## Recent Examples of Successful Projects

**India harnesses capital markets for critical infrastructure.** The Indian city of Pune launched a landmark $31 million bond issue with OTA assistance, pointing the way for local governments in India to tap capital markets – not foreign aid – to fund critical infrastructure. At the request of the Government of India's Ministry of Finance and Ministry of Urban Development, OTA guided the Pune staff in conducting a debt capacity analysis, drafting and implementing an appropriate debt management policy, ensuring the requisite three years of audited financial statements, securing bond ratings, and hiring legal counsel and underwriters. The issuance was the first of a planned series of bonds that is expected to total $350 million, the largest municipal bond authorization in India's history. Proceeds will be used to develop Pune's water supply, which is currently available for four to six hours per day. The upgrade will allow for 24/7 availability along with new water towers, pipe replacement, user metering, and an electronic management system.

**Reorganized asset forfeiture regime in Peru successfully targets criminal assets.** In 2016, the Peruvian government implemented significant changes to the structure of its asset forfeiture regime. With OTA guidance, the newly created National Asset Management Program (PRONABI) under the Ministry of Justice set up its organization structure, developed operational protocols, and issued improved regulations with the goal of enhancing public safety and security by removing the proceeds of crime and other assets relied upon by criminals and their associates. OTA helped PRONABI to cultivate more effective working relationships with critical Peruvian stakeholders including prosecutors, police, and the judiciary. These efforts led to a number of positive outcomes such as well-coordinated seizure operations, greater transparency with respect to the management of seized and forfeited assets, and productive asset disposal practices. For example, PRONABI successfully completed a public auction of seized and forfeited assets in October 2017 that added $3.5 million to the government's forfeiture fund.

# Annex 1: MDB Basics

## What are the MDBs?

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

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

The development banks are international financial institutions, but they differ from commercial banks in their mandate and structure. They are owned by both borrowing and non-borrowing 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, European Bank for Reconstruction and Development and the International Fund for Agricultural 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 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 primarily provide loans at market-linked interest rates to middle-income countries, such as Colombia, Egypt, Indonesia, and Botswana.

- The concessional windows provide some combination of grants, very low interest loans with long tenors, 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)
    - 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. The Asian Development Bank provides both non-concessional and concessional loans from its Ordinary Capital Resources; the Asian Development Fund provides only grants.

## 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 strengthen their credit ratings and reduce borrowing costs, 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 intended primarily as 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, but the total capital increase under an SCI is typically much smaller than under a GCI.

# Annex 2: FY 2019 Appropriations Language and Authorization Request

Below is a summary of proposed appropriations language and authorization request.

## FY 2019 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, $68,300,000, to remain available until expended.*

**CONTRIBUTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION**
*For payment to the International Development Association by the Secretary of the Treasury, $1,097,010,000, 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, $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 U.S. share of the paid-in portion of the increase in capital stock, $32,417,159, 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 U.S. share of such capital stock in an amount not to exceed $507,860,806.*

**CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND**
*For payment to the African Development Fund by the Secretary of the Treasury, $171,300,000, 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, $30,000,000, to remain available until September 30, 2021, which shall be available notwithstanding any other provision of law.*

# FY 2019 Authorization Request

**North American Development Bank General Capital Increase**

*SEC.___. (a) Part 2 of subtitle D of title V of Public Law 103–182, as amended (22 U.S.C. 290m et seq.), is further amended by adding at the end thereof the following new section:*
*"Sec. 547. Capital Increase.*
*“(a) Subscription Authorized.—*
*“(1) The Secretary of the Treasury may subscribe on behalf of the United States to 1,000 additional shares of the capital stock of the Bank.*
*“(2) Any subscription by the United States to the capital stock of the Bank shall be effective only to such extent and in such amounts as are provided in advance in appropriations Acts.*
*“(b) Limitations on Authorization of Appropriations.—*
*“(1) In order to pay for the increase in the United States subscription to the Bank under subsection (a), there are authorized to be appropriated, without fiscal year limitation, $10,000,000 for payment by the Secretary of the Treasury.*
*“(2) The amount authorized to be appropriated under paragraph (1) shall be for paid-in shares of the Bank”.*