U.S. DEPARTMENT OF THE TREASURY
INTERNATIONAL PROGRAMS
JUSTIFICATION FOR APPROPRIATIONS

FY 2011 BUDGET REQUEST

Treasury International Programs
Justification for Appropriations
FY 2011 Budget Request

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Executive Summary

President Obama has called for multilateral support to meet today's global challenges, including recovery from the financial crisis, poverty, fragile states, food security, climate change and transnational threats. Treasury's International Programs directly support these efforts through leadership of the multilateral development banks; on-the-ground assistance to strengthen government capacity in developing and fragile countries, including Iraq and Afghanistan; and management of new initiatives critical to U.S. objectives, such as addressing climate change and strengthening food security. Treasury actively manages this portfolio with an intense focus on how best to invest U.S. taxpayer dollars to leverage our contributions, and maximize development and growth around the globe.

As detailed in this document, Treasury requests Congressional support for the essential U.S. contributions to this portfolio of critical international activities. Specific program areas include:

- **Poverty reduction and economic growth:** Treasury leads the Administration's engagement with the multilateral development banks (MDBs) to address development needs. America's leadership role in the MDBs is critical to advancing our national security, values and policy priorities. Treasury's FY 2011 request includes investments in the MDBs that will leverage significant resources from other donors, help meet development goals, and further U.S. policy priorities, such as global health, education, entrepreneurship and growth.

- **Food security:** As part of the President's commitment to address global hunger and food security, Treasury has designed and launched a new multi-donor trust fund to provide financial support for poor countries committed to addressing their internal food security needs. In support of the U.S. effort to increase food security, Treasury is also seeking continued support for the International Fund for Agricultural Development.

- **Climate change and the environment:** Treasury is supporting the President's recent climate commitments in Copenhagen through funding of international efforts to combat global climate change and to help developing countries respond to its impacts. These investments will ensure the United States continues its international leadership on climate change, and helps developing countries pursue low-carbon and climate resilient economic growth.

- **Debt relief:** U.S. efforts on debt relief and restructuring are fundamental to helping some of the world's poorest countries stabilize, restart economic growth, and reduce poverty and instability. Countries such as Haiti, Afghanistan and Liberia have all benefitted from U.S. debt relief and restructuring programs.

- **Technical Assistance:** Treasury's Office of Technical Assistance helps governments in some 40 countries around the world, including Iraq, Afghanistan and Pakistan, to develop effective public financial systems. This work strengthens governments' ability to build human capacity and reliable, secure systems that deliver public services, sustainable economic growth, security and stability, supporting key U.S. national security objectives.

Table 1: **Summary of Appropriations and Requests**
Treasury International Programs
FY 2009 – FY 2011 (in millions of $)

	FY 2009	FY 2010		FY 2011		
	Approp.	Total Request	Approp.	Annual Commit.	Arrears Request	Total Request
Poverty Reduction and Economic Growth (MDBs)						
International Development Association (IDA)	1,115.0	1,320.0	1,262.5	1,235.0	50.0	1,285.0
African Development Fund (AfDF)	150.0	159.9	155.0	155.9		155.9
African Development Bank (AfDB)	0.8					
Asian Development Fund (AsDF)	105.0	115.3	105.0	115.3		115.3
Asian Development Bank (AsDB)				106.6		106.6
Multilateral Investment Fund (MIF)	25.0	25.0	25.0	25.0		25.0
Inter-American Investment Corporation (IIC)		4.7	4.7	0.0	21.0	21.0
Sub-total	**1,395.8**	**1,624.8**	**1,552.2**	**1,637.8**		**1,708.8**
Food Security						
Multilateral Food Security Fund (GAFSP)						408.4
Int'l Fund for Agricultural Development (IFAD)	18.0	30.0	30.0	30.0		30.0
Sub-total	**18.0**	**30.0**	**30.0**			**438.4**
Climate Change and the Environment						
Clean Technology Fund (CTF)	0.0	500.0	300.0			400.0
Strategic Climate Funds (SCF)		100.0	75.0			235.0
Global Environment Facility (GEF)	80.0	86.5	86.5	170.0	5.0	175.0
Tropical Forest Conservation Act (TFCA)*	20.0	20.0	20.0			20.0
Sub-total	**100.0**	**706.5**	**481.5**			**830.0**
Debt Relief						
Bilateral Debt Reduction/HIPC Trust Fund*	40.0	90.6	40.0			50.0
Multilateral Debt Relief Initiative (MDRI)	0.0	0.0	0.0			0.0
Technical Assistance						
Treasury Office of Technical Assistance	25.0	31.4	25.0			38.0
TOTAL TREASURY INTERNATIONAL PRORAMS	**1,578.8**	**2,483.4**	**2,128.7**		**76.0**	**3,065.2**

* The Debt Restructuring account consists of funding for: bilateral HIPC, poorest country debt reduction, HIPC Trust Fund programs, and TFCA.

Table 2: **Summary of Appropriations and Requests**
Treasury International Programs
FY 2009 – FY 2011 (in $)

	FY 2009	FY 2010		FY 2011		
	Approp.	Total Request	Approp.	Annual Commit.	Arrears Request	Total Request
Poverty Reduction and Economic Growth (MDBs)						
International Development Association (IDA)	1,115,000,000	1,320,000,000	1,262,500,000	1,235,000,000	50,000,000	1,285,000,000
African Development Fund (AfDF)	150,000,000	159,885,000	155,000,000	155,940,000		155,940,000
African Development Bank (AfDB)	801,651					
Asian Development Fund (AsDF)	105,000,000	115,250,000	105,000,000	115,250,000		115,250,000
Asian Development Bank (AsDB)				106,585,848		106,585,848
Multilateral Investment Fund (MIF)	25,000,000	25,000,000	25,000,000	25,000,000		25,000,000
Inter-American Investment Corporation (IIC)		4,670,000	4,670,000	0	21,000,000	21,000,000
Sub-total	**1,395,801,651**	**1,624,805,000**	**1,552,170,000**	**1,637,775,848**		**1,708,775,848**
Food Security						
Multilateral Food Security Fund						408,400,000
Int'l Fund for Agricultural Development (IFAD)	18,000,000	30,000,000	30,000,000	30,000,000		30,000,000
Sub-total	**18,000,000**	**30,000,000**	**30,000,000**			**438,400,000**
Climate Change and the Environment						
Clean Technology Fund (CTF)	0	500,000,000	300,000,000			400,000,000
Strategic Climate Funds (SCF)		100,000,000	75,000,000			235,000,000
Global Environment Facility (GEF)	80,000,000	86,500,000	86,500,000	170,000,000	5,000,000	175,000,000
Tropical Forest Conservation Act (TFCA)*	20,000,000	20,000,000	20,000,000			20,000,000
Sub-total	**100,000,000**	**706,500,000**	**481,500,000**			**830,000,000**
Debt Relief						
Bilateral Debt Reduction/HIPC Trust Fund*	40,000,000	90,630,000	40,000,000			50,000,000
Multilateral Debt Relief Initiative (MDRI)	0	0	0			0
Technical Assistance						
Treasury Office of Technical Assistance	25,000,000	31,440,000	25,000,000			38,000,000
TOTAL TREASURY INTERNATIONAL PROGRAMS	**1,578,801,651**	**2,483,375,000**	**2,128,670,000**		**76,000,000**	**3,065,175,848**

* The Debt Restructuring account consists of funding for: bilateral HIPC, poorest country debt reduction, HIPC Trust Fund programs, and TFCA.

Table 3: **Summary of Arrears**
Multilateral Development Banks
FY 2001 - FY 2010
(Budget Authority; in $)

MDBs	Arrears end-FY2001	Arrears end-FY2002	Arrears end-FY2003	Arrears end-FY2004	Arrears end-FY2005	Arrears end-FY2006	Arrears end-FY2007	Arrears end-FY2008	Arrears end-FY2009	Arrears end-FY2010
IDA	62,275,000	73,015,000	78,540,000	120,727,880	327,527,880	337,027,880	377,877,880	385,572,880	505,572,880	478,072,880
MIGA	6,022,000	10,892,087	9,271,689	8,154,321	8,154,321	6,867,321	6,867,321	6,867,321	6,867,321	6,867,321
AfDF	220,000	220,000	10,849,144	16,789,221	29,637,221	30,994,221	32,351,221	33,366,261	39,421,261	40,476,261
AfDB	13,420	13,420	42,126	67,315	619,934	2,036,730	3,453,526	1,433,026	631,375	615,239
AsDF	128,175,450	133,158,400	138,908,527	98,339,611	102,139,611	118,389,611	134,639,611	175,345,350	185,595,350	195,845,350
MIF	88,772,000	88,772,000	64,341,172	39,488,672	28,576,672	26,852,572	50,128,472	50,330,972	50,330,972	50,330,972
IIC	9,055,000	16,055,000	22,822,619	47,822,619	47,822,619	46,098,519	46,098,519	46,098,519	46,098,519	41,428,519
IFAD	11,000	11,000	104,857	189,339	309,339	459,339	3,609,339	3,683,722	3,683,722	3,683,722
GEF	203,937,600	210,937,600	171,585,848	140,668,364	141,528,364	169,828,364	170,628,364	169,527,644	169,527,644	163,027,644
EBRD	0	0	232,732	441,776	725,225	10,157	10,157	0	0	0
TOTAL	**498,481,470**	**533,074,507**	**496,698,714**	**472,689,118**	**687,041,186**	**738,564,714**	**825,664,410**	**872,225,695**	**1,007,729,044**	**980,347,908**

Note: The amount of AfDB arrears ($615,239) corresponds to the 51 capital shares from GCI-V forfeited by the United States.
The United States has not had arrears to the IBRD, IFC, IDB or IDB FSO, AsDB, or NADBank during the FY2001-FY2010 period.

FY 2011 Request
Summary of Accounts

Poverty Reduction and Economic Growth (Multilateral Development Banks)

International Development Association (IDA). The request of **$1,285,000,000** includes the third installment of the U.S. three-year commitment to the IDA15 replenishment ($1.235 billion) and $50 million to pay down a portion of arrears to IDA. Through IDA, the World Bank supports 79 of the world's poorest countries by providing the largest source of interest-free loans, grants, and debt relief of any multilateral development institution. Major IDA15 initiatives and policy reforms include: an expanded results measurement system; improvements to World Bank engagement in fragile and post-conflict states; measures to further improve debt sustainability; and progress towards greater transparency and accountability at the institution. IDA funding is also necessary to meet the U.S. share of debt relief costs for the poorest indebted countries through the Multilateral Debt Relief Initiative (MDRI).

African Development Fund (AfDF). The request of **$155,940,000** includes the third of three installments of the U.S. contribution to the AfDF11 replenishment. AfDF is the African Development Bank's concessional window and serves 40 of the poorest countries in Africa by providing highly concessional loans, grants, and debt relief. Funding of the U.S. AfDF11 commitment is critical to ensuring support for the poorest African countries to counter the impact of the global financial crisis. U.S. financing also supports the implementation of reforms championed by the United States during the replenishment process, such as the performance-based allocation system and the results-measuring system. AfDF11 also created a Fragile States Facility to provide additional assistance to post-conflict countries to accelerate the transition process from conflict and decline to stability and growth. In addition, AfDF funding is necessary to meet the U.S. share of the costs of debt relief for the poorest indebted countries through MDRI.

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

Asian Development Bank (AsDB). The request of **$106,585,848** will cover the first of five paid-in capital subscriptions of the U.S. subscription to the fifth General Capital Increase (GCI V) of the Asian Development Bank. The GCI increases the capitalization of the AsDB's Ordinary Capital Resources (OCR) window, which provides market-linked financing to developing member countries of the AsDB. The OCR, considered the hard-loan window, provides development financing for investments in infrastructure, energy, transport, environment, private-sector development, and public sector management. In the GCI V agreement, the United States secured a number of important policy reforms, including: improvements in environmental safeguards, strengthening risk management and anti-corruption, and increasing resources to the poorest.

Multilateral Investment Fund (MIF). The request of **$25,000,000** is for the fifth installment of the U.S. contribution to the first replenishment of the MIF, which the U.S. committed to in April 2005. The MIF is administered by the Inter-American Development Bank (IDB) and works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF projects incorporate a significant degree of counterpart financing, with a goal of having 50 percent of project costs financed by local counterpart contributions. The MIF is providing highly-focused support for private sector development in Latin America and the Caribbean through the provision of technical assistance on regulatory and legal reforms, re-training of the workforce, and increasing productivity and competitiveness of small businesses and micro-enterprises.

Inter-American Investment Corporation (IIC). The request of **$21,000,000** will clear 50 percent of U.S. arrears to the IIC. These arrears must be paid by calendar year 2010 in order for the United States to not lose capital shares at the IIC. Any shares lost by the United States likely would be purchased by other shareholder countries. The IIC promotes private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

Food Security

Multilateral Food Security Fund. The request of **$408,400,000** for the Multilateral Food Security Fund, a new multi-donor trust fund also known as the Global Agriculture and Food Security Program (GAFSP), is to help developing countries improve food security and reduce poverty. The U.S. will make an initial contribution to the fund of $475 million, using FY 2011 and FY2010 funds. The fund was developed through the leadership of the United States, Canada, and Spain, and is administered by the World Bank. GAFSP is an important component of the Administration's Global Hunger and Food Security Initiative. GAFSP will make medium to long-term investments though a variety of international financial institutions in five key areas critical to a comprehensive approach to food security: raising agricultural productivity; linking farmers to markets; reducing risk and vulnerability; improving non-farm rural livelihoods; and technical assistance, institution building, and capacity development. GAFSP will offer financing through a public sector and a private sector window. For both windows, priority will be given to proposals that leverage resources from other domestic and international partners, both public and private. GAFSP will leverage the resources and expertise of the World Bank, International Fund for Agricultural Development (IFAD) and other multilateral institutions that complement and reinforce the efforts of our bilateral food security programs.

International Fund for Agricultural Development (IFAD). The request of **$30,000,000** will cover the second of three payments of the U.S. contribution to IFAD8, the fund's eighth replenishment, which the U.S. committed to in February 2009. IFAD is the only multilateral development institution focused exclusively on reducing rural poverty and hunger through improving agricultural productivity. Because of its mission and expertise, IFAD plays a key role in supporting the renewed focus on agricultural development and food security. IFAD8 makes key commitments to a number of U.S. priorities: a strengthened results measurement framework; human resources reform; a renewed performance-based allocation system; and a commitment to developing a comprehensive environmental strategy that will help poor farmers adapt to the likely impacts of climate change.

Climate Change and the Environment

Clean Technology Fund (CTF). The request of **$400,000,000** is for the CTF, an effort to reduce the growth of greenhouse gas emissions in emerging economies by catalyzing large-scale private sector investments through financing the additional costs of commercially available cleaner technologies over dirtier, cheaper alternatives. By funding the extra cost, the CTF is able to attract new investor capital and mobilize investments in clean energy technologies, such as wind and solar power, for development projects, such as a new energy plant or expanded public transportation system. The CTF uses national investment plans to identify key high-emissions sectors wherein targeted investments could stimulate low carbon growth and scalable uptake of clean technologies alternatives. The CTF is part of the Climate Investment Funds (CIFs).

Strategic Climate Fund (SCF). The request of **$235,000,000** is for the SCF, a suite of three programs which pilot activities aimed at specific climate change-related challenges in developing countries. The SCF, which is also part of the CIFs, is comprised of the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Program for Scaling-Up Renewable Energy in Low Income Countries (SREP). The PPCR will help very poor countries better prepare for the unavoidable effects of climate change through innovative development plans, strategies, and projects. The FIP will reduce deforestation in developing countries through improved governance and forest management, and by addressing the drivers of deforestation. The SREP will demonstrate the economic, social and environmental viability of low carbon development pathways in very poor countries.

Global Environment Facility (GEF). The request of **$175,000,000** is in anticipation of donor governments' agreement to GEF5, the fifth replenishment of the GEF in 2010. The total amount for the fifth replenishment is expected by March 2010. The U.S. commitment will total $680 million, to be paid in four equal installments of $170 million from FY 2011 through FY 2014. During the replenishment negotiations, the United States has so far achieved important policy reforms to improve the GEF's overall effectiveness, particularly with regard to country owned business plans for GEF funding and resource allocation. The FY 2011 request includes $170 million for the first installment of GEF5 and $5 million for a portion of U.S. arrears to the GEF, for a total request of $175 million.

Tropical Forest Conservation Act (TFCA). The request of **$20,000,000** for the TFCA will be used to authorize debt relief for low and middle-income countries to support conservation of tropical forests. Under TFCA, treated debt is "redirected" to enable a forest fund in the beneficiary country to make grants to local NGOs and other entities engaged in forest conservation. The United States uses appropriated funds to pay for the budget cost of this debt reduction/redirection. A total of 15 agreements have been signed with 13 countries, generating more than $218 million over time for tropical forest conservation. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs. Nine of the 15 TFCA agreements have utilized the public/private mechanism.

Debt Relief

Heavily Indebted Poor Countries (HIPC) Initiative. The request of **$50,000,000** will be used to make a substantial contribution towards meeting the $75.4 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled. The enhanced HIPC Initiative was launched to provide deeper, broader, and faster debt reduction for the poor, heavily-indebted countries that have made a real commitment to economic reform and poverty reduction. For the poorest and most heavily indebted countries, the United States will continue support for bilateral debt relief though the Paris Club of official creditors and the enhanced HIPC Initiative. Treasury's request for its Debt Restructuring Account also includes funding for TFCA (see above).

Technical Assistance

Treasury Technical Assistance Programs. The request of **$38,000,000** is for Treasury's Office of Technical Assistance (OTA) to carry out the International Affairs Technical Assistance Program. The Program provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The program supports economic policy and financial management reforms, focusing on five core areas: revenue policy and administration; government debt issuance and management; budget and financial accountability; banking and financial institutions; and economic crimes. The FY 2011 budget request will support approximately 80 technical assistance projects worldwide. The proposed investment acknowledges OTA's important role in the Administration's international development and security agenda and will allow OTA to pursue several key objectives in FY 2011. OTA will broaden and deepen its engagements in support of U.S. and Treasury priorities and continue building capacity to counter terrorist finance and financial crimes; encourage investment, growth and job creation through development of capital markets and infrastructure finance; and promote increased access to finance for small- and medium-sized enterprises. The proposed budget supports OTA's work to strengthen financial infrastructure and combat terrorist financing in national security priority countries, such as Iraq, and other countries of vital national security interest to the U.S. where long-term stability will depend on strong financial governance. By providing increased funding directly to Treasury, OTA will be well-positioned to continue this important work and to respond to new and emerging national security challenges.

Authorization Requests for FY 2011

Asian Development Bank Fifth General Capital Increase (GCI V). The Administration will be seeking authorization for the U.S. commitment of $13,323,173,083, with $532,929,240 authorized to be appropriated for paid in shares of the Bank and $12,790,243,843 authorized to be appropriated for callable shares of the Bank. This increase in the United States capital stock subscription will be committed over five years, subject to obtaining the necessary appropriations.

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

Multilateral Food Security Fund (GAFSP). The Administration will be seeking authorization for a U.S. commitment to a multi-donor food security trust fund to be established at the World Bank, subject to obtaining the necessary appropriations.

Climate Investment Funds (CIFs): Clean Technology Fund and Strategic Climate Fund. The Administration will be seeking authorization for the U.S. contribution of $1,625,000,000, subject to obtaining the necessary appropriations.

Heavily Indebted Poor Countries (HIPC) Initiative. The Administration will be seeking an extension to 2013 of the authorization of appropriations for the HIPC Initiative.

Heavily Indebted Poor Countries (HIPC) Trust Fund. The Administration will be seeking an extension to 2013 of the authorization of appropriations for U.S. contributions to the HIPC Trust Fund.

Tropical Forest Conservation Act (TFCA). The Administration will be seeking authorization to use $20 million for TFCA programs out of amounts appropriated for debt restructuring in FY 2011.

Poverty Reduction and Economic Growth

President Obama has called for multilateral support to meet today's global challenges, including recovery from the financial crisis, poverty, fragile states, food security, climate change and transnational threats. The multilateral development banks (MDBs) are fundamental to this effort, and are efficient and effective vehicles to channel U.S. development dollars. Together, they provide support to the world's poorest in every corner of the globe, strengthening institutions, rebuilding states, addressing the effects of climate change, and fostering economic growth and entrepreneurship. America's leadership role in the MDBs is critical to advancing America's national security, values and policy priorities.

In 2008-2009, the MDBs collectively implemented more than $222 billion in programs to help countries withstand the financial crisis, and provided vital assistance to cushion its impact on the poorest. Their ability to reprogram and accelerate funds demonstrated that despite their size, these institutions can be nimble and responsive.

There is no better example of this agility than during the aftermath of the catastrophic earthquake in Haiti. Both the World Bank and Inter-American Development Bank were quick to augment and mobilize assistance. Only 10 days after the earthquake, the World Bank was able to transfer $12 million dollars to support the government's urgent budgetary needs. The Bank also rapidly prepared a comprehensive needs assessment to help coordinate and inform donors.

The MDBs remain critical partners in countries where successful development can reduce major national security threats to the United States, providing $2 billion in assistance to Afghanistan and $123 million to Iraq. This support is fundamental to underpinning fragile security gains.

America's leadership in these institutions ensures that the U.S. can help shape the global development agenda, leveraging its investments to ensure effectiveness and on-the-ground impact. For example, due largely to U.S. pressure, a significant component of MDB lending is now in the form of grants, helping to break the lend-and-forgive cycle that previously crippled development in many countries. U.S. leadership has also led to the adoption of new lending policies that focus on results, instead of volumes, and reward the strongest performers.

The United States' legacy of leadership on the fight against global poverty is also a signal of America's broader global engagement. By retaining its leadership position as a founding member and major financial support of the MDBs, the U.S. underscores its commitment to global prosperity and security. U.S. contributions to the MDBs also help facilitate the development of an emerging global middle class, which will enhance U.S. economic opportunities through increased export and trade opportunities.

In addition to the U.S. commitments to the MDBs and funding for dedicated trust funds on important global challenges, the United States must also address the almost $1 billion in arrears it has pledged to the MDBs. The bulk of our unmet commitments are to the concessional windows, which provide grants and concessional loans to the poorest countries. Our large arrears undermine U.S. leadership at these institutions, due to significant skepticism of the willingness of the United States to deliver on any initiatives that require significant funding. Additionally, funding for arrears to the International Development Association's fifteenth replenishment (IDA15) is critical in helping the United States meet its international debt relief commitments under the Multilateral Debt Relief Initiative (MDRI). Without full funding to clear longstanding arrears to the Inter-American Investment Corporation (IIC), the United States will permanently lose capital shares in the institution.

The World Bank Group

International Development Association (IDA) Request: $1.285B

Description

IDA is the largest provider of multilateral official development assistance to low-income countries, and is the concessional or "soft loan" financing window of the International Bank for Reconstruction and Development. Currently, 79 countries are eligible to receive IDA resources, accounting for 2.5 billion people, half of the total population of the developing world. Africa has received the most support from IDA and South Asia the second largest amount, reflecting the urgent development needs of those regions. IDA is focused on assisting countries that are well governed and enact pro-growth policies. It utilizes a performance-based allocation system, which is one of the most selective systems of any donor organization in the world. Countries performing in the top 10 percent as ranked by the system receive nearly seven times more assistance (on a per capita basis) than the countries performing in the lowest 10 percent.

Justification

The Administration is requesting $1.235 billion for the second of three payments under the U.S. commitment to its most recent replenishment, IDA15, and $50 million to clear a portion of outstanding U.S. arrears, for a total request of $1.285 million. Payment of arrears to the current replenishment is necessary in order to meet the United States' commitment to the Multilateral Debt Relief Initiative. The U.S. contribution to IDA is effective because it leverages resources to maximize return on U.S. development dollars by:

- Providing over $11 in IDA15 loans and grants for every $1 of U.S. funding.
- Helping to stabilize the poorest nations in the wake of the global financial crisis. For example, IDA commitments following the financial crisis increased more than 50 percent over the same period in the previous replenishment cycle, reflecting IDA's rapid response to the crisis.
- Supporting fragile states that are critical to U.S. national security interests. For example, in Afghanistan, IDA has helped develop village-level councils in which women play a key role and help reach consensus on local development priorities, and use grants to meet their specific needs. As of August 2009, nearly 50,000 community projects in Afghanistan have been funded through these grants.
- Ensuring the U.S. retains its leadership role in IDA. The United States is currently the second largest donor to IDA with a cumulative contribution of 22 percent.
- Capitalizing on IDA's capacity to convene multilateral donors and governments to coordinate responses, align development strategies to improve government ownership of reforms, and tap its global development expertise, thereby supporting U.S. bilateral efforts.

Additional Information

IDA operations are financed primarily through donor contributions, but IDA also receives funding through repayments from existing loans, investment income, and direct transfers from IBRD and IFC income. Agreement on the most recent IDA replenishment of resources, IDA15, was reached in December 2007. The agreement provides $41.6 billion for the poorest countries for the period covering July 2009 through June 2011. The United States pledged $3.705 billion ($1.235 billion per year) to IDA15.

U.S. priorities for IDA during FY 2011 focus on continued, strong and timely implementation of the policies and reforms agreed to under the IDA15 agreement. Major IDA15 initiatives and policy reforms include:

- An expanded results measurement system to increase the effectiveness of IDA operations;
- Improvements to World Bank engagement in fragile/post-conflicts states;
- Measures to further improve debt sustainability; and,
- Progress towards greater transparency at the institution itself.

IDA-financed operations, including zero-interest loans, grants, and technical assistance, address needs such as primary education, basic health services, clean water and sanitation, infrastructure and public sector strengthening. These projects help lay the foundation for sustainable economic growth and poverty reduction.

The African Development Bank Group

African Development Fund (AfDF) **Request: $155.9M**

Description

The AfDF is the concessional or "soft loan" affiliate of the African Development Bank Group, providing grant financing and loans on highly concessional terms to Africa's poorest countries. AfDF financing supports investments in infrastructure, agriculture, water supply and sanitation, public financial management and higher/vocational education, and promotes basic economic policy and institutional reforms needed for sustainable economic growth and development. AfDF operations are financed primarily by periodic financial infusions from donors (replenishments), as well as repayment inflows and annual contributions from the net income of the AfDB. In 2009, the AfDF approved 62 projects totaling $3.4 billion, of which $1.35 billion were grants.

Allocating Resources Based on Performance. The eleventh replenishment of the AfDF (AfDF11) maintains the centrality of performance in the allocation of concessional financing, with 75 percent of resources allocated directly through the performance based allocation (PBA) system, and another 17.5 percent linked to the PBA system indirectly through regional projects (for which one third of funding comes from PBA allocations). Thus far, about 65 percent of AfDF11 resources have been allocated to the countries rated in the top 40 percent by performance.

Justification

The Administration is requesting $155.9 million for the third installment of a three-year commitment under the agreement for AfDF11. The total $468.05 million commitment by the United States for AfDF11 is part of an $8.9 billion total replenishment. The U.S. contribution to AfDF supports U.S. priorities by:

- Building institutional capacity within Africa—a critical effort called for by President Obama—to help strengthen the ability of African governments to address long-term development challenges in their countries.

- Supporting post-conflict and fragile states to accelerate the transition to economic stability and foster growth. For example, AfDF's Fragile States Facility supported arrears clearance for Cote d'Ivoire, and supplementary financing for projects such as agricultural development in Liberia and infrastructure in Sierra Leone.

- Maintaining U.S. leadership and partnership with Africa to foster growth, stability and economic opportunities. The United States is the second-largest contributor to AfDF, having paid 11 percent of the total cumulative contribution as of end-September 2009. In the current AfDF11 replenishment, the U.S. share is 8.7 percent (behind UK, Germany and France).

- Ensuring stability following the financial crisis. The AfDF concessional loans and grants were rapidly made available to low-income countries following the crisis and helped avert more negative impacts.

Additional Information

Partly in response to U.S. demands, the AfDF has taken a number of steps to increase its focus on development results. These include establishing a Quality Assurance and Results Department in 2008, standardizing results frameworks in operations documents, piloting readiness reviews for operations, beginning roll-out of an automated results reporting system, and increased attention to project supervision and completion reporting. The AfDB's management recognizes the need for ongoing attention to the results agenda, and has developed an action plan focused on:

- Improving the quality of project design ("quality at entry");
- Instilling a results-oriented supervision culture;
- Enhancing learning and accountability through evaluation;
- Improving data and systems for results reporting; and,
- Accelerating decentralization and harmonization.

Based on AfDF11 commitments, and in line with the Bank's medium-term strategy, AfDF11 resources are focused on infrastructure (including agricultural infrastructure), governance and regional integration, where the AfDB has identified its comparative advantage. The Bank is phasing out of other areas like health, basic education, and traditional agricultural extension projects, where other donors are active and have demonstrated a comparative advantage.

The Asian Development Bank Group

Asian Development Fund (AsDF) **Request: $115.3M**

Description

The AsDF is the concessional or "soft loan" financing window of the Asian Development Bank (AsDB), and supports the poorest countries in the Asia-Pacific region. AsDF funds are primarily used by those member countries with low per capita incomes, limited debt-repayment capacity, and limited access to financial markets to promote economic growth and reduce poverty. AsDF operations are financed by periodic financial replenishments from donors, as well as repayment inflows and annual contributions from net income of the AsDB. In 2009, the AsDF approved a total of $3.1 billion in loans and grants.

Justification

The Administration is requesting $115.3 million for the second installment of a four-year commitment under the agreement of the ninth replenishment of the AsDF (AsDF10). The U.S. total four-year commitment for AsDF10 of $461 million contributed to a total $11 billion replenishment, as agreed upon in May 2008, which will provide up to $2.75 billion in grant assistance. The U.S. contribution to AsDF provides:

- Highly leveraged return on U.S. development dollars—the U.S. contribution is leveraged almost 24 times when combined with contributions from other donors, reflows in the fund and other capital drawdown.

- Development support for some of the region's poorest and most vital states, including Afghanistan, Pakistan and Bangladesh. For example, Afghanistan is the largest recipient of AsDF grants, receiving $250 million in commitments in 2009 (approximately $1 billion is expected during AsDF10).

- Results-based monitoring and evaluation processes, as well as dissemination of best practices and lessons learned for development efforts in the region. For example, in Pakistan, the Country Partnership Strategy focuses on a few areas that are considered long standing binding constraints to growth and inclusiveness, such as energy, transport, institutional reforms and urban services. AsDB is working closely with the IMF and other multilateral lenders to support macroeconomic stabilization. The indicative lending level is about $1.5 billion a year.

- Additional support to countries to ensure their resilience to the financial crisis. Total AsDF resources devoted to the crisis response in 2008-2010 is $1.2 billion.

- Continued U.S. leadership in the development efforts of the regions—the United States' AsDF10 commitment accounted for 11 percent of total donor contributions, following Japan (35 percent), which is the largest contributor to the AsDF.

Additional Information

The AsDB is currently implementing its second governance and anticorruption action plan, which the United States strongly supports. Much of the work involves support for technical assistance in member countries. AsDB has a robust pipeline of public financial management and finance sector initiatives that emphasize good governance.

The AsDB has integrated a results focus in key components of the public sector management projects it implements. Since 2006, AsDB technical assistance operations have promoted a management strategy to improve planning, monitoring, and evaluation called managing for development results (MfDR). This assistance has benefited 22 developing member countries, resulting in improved country systems for results-based public management. In 2008 and 2009, AsDB approved six technical assistances operations for $4.6 million.

A grants framework is now fully integrated into the AsDF operations. A total of $2.66 billion has been approved for grants through 2009.

The Asian Development Bank Group

Asian Development Bank (AsDB) Request: $106.6M

Description

The AsDB focuses on promoting sustainable economic development, reducing poverty, stimulating private sector-led growth, and facilitating sub-regional cooperation in the Asia-Pacific region. The AsDB's "hard loan" window (Ordinary Capital Resources or OCR) provides assistance in the form of loans, guarantees, equity investments and co-financing to governments and private sector projects at market rates. AsDB lending is financed by periodic capital contributions by shareholders, bond issues on the international financial markets, loan repayments, and interest earnings on existing loans. In 2009, the AsDB approved $12.48 billion from the OCR window, which included rapidly growing private sector assistance amounting to $442 million. The AsDB also provided $270 million for technical assistance projects in 2009.

Justification

For FY 2011, the Administration is requesting $106.6 million in paid in capital to meet the United States' commitment to the AsDB's General Capital Increase V (GCIV). The U.S. commitment also requires approximately $5 billion in callable capital. The U.S. investment will yield the following benefits:

- Every U.S. dollar invested in the AsDB is leveraged by more than 6 times through the contributions of other participants in the GCI, thereby extending the value of U.S. taxpayer dollars towards economic growth in the region.

- The U.S. contribution will help maintain the United States' leadership position in the bank. The United States is a founding member of the AsDB and is the largest shareholder along with Japan.

- Since the Bank's inception in 1966, U.S. firms have won contracts worth $6.42 billion under AsDB-funded procurement, yielding $1.45 in contract awards for every dollar contributed to the Bank.

- GCIV will help ensure the AsDB sustains its lending levels, which were particularly important to stabilizing the region following the financial crisis. For example, the AsDB has supported a program in Pakistan to develop short-term social safety net measures for the poor, among other activities. Without a GCI, lending would have declined by more than 50 percent after 2010.

- The AsDB has actively pursued a reform agenda per U.S. support, including stronger improvements in internal governance, the incorporation of safeguard policies to minimize or mitigate potential environmental impacts and social costs, and the development of a time-bound plan to professionalize human resources.

- The AsDB has committed to increase net income transfers to the AsDF from $40 million to $120 million. Sufficient resources for the AsDF are necessary for the Bank to support its grant facility operations, such as in Afghanistan.

Additional Information

The AsDB is committed to a reduction in its lending share to China over the medium-term. Moreover, lending to China is increasingly focused on environmental sustainability and projects in the central and western provinces (i.e. not the booming, export oriented east coast). Results of this reshaping are already apparent: in 2009, the U.S. supported over 60 percent of AsDB projects in China, deeming that they were consistent with basic human needs, up from 50 percent in 2007.

Performance Evaluation. In 2008, the AsDB established a quantitative results framework with baselines and targets for tracking progress within the AsDB as a whole, including the AsDF. The results framework tracks progress through indicators at four levels: outcomes (e.g., poverty and human development indicators); outputs in five operational areas (transport, energy, water, education, and finance), operational effectiveness (e.g., measures of whether individual projects are run well, target the right areas), and organizational effectiveness (e.g., administrative expenses, loan processing time). Through the annual Development Effectiveness Review, the AsDB evaluates progress against the indicators, and highlight successes, challenges, and needed actions. For example, the review of 2008 performance found that a high proportion of recently completed projects in transport, energy, and education met benchmarks set by the AsDB, but the success rate for projects targeted at water and finance outcomes was lower. The results framework allows the AsDB to scrutinize its performance and systematically apply lessons identified.

The Inter-American Development Bank Group

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

Description

The MIF promotes small- and medium-size enterprise growth in the Western Hemisphere and is administered by the Inter-American Development Bank (IDB). MIF works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF projects incorporate a significant degree of counterpart financing with a goal of having 50 percent of project costs borne by local counterpart contributions. In 2009, MIF donors approved 163 technical assistance and investment projects totaling $122 million, of which 140 were grant projects totaling $76 million and 23 were investments totaling $46 million.

Justification

For FY 2011, the Administration is requesting $25 million for the fifth installment of the first replenishment of the MIF (MIF II). The U.S. contribution to the MIF is important because:

- Enhancing small- and medium-size enterprise growth is increasingly seen as essential to fostering economic growth and sustainable development in the region. By strengthening the economies of the Western Hemisphere, the United States also strengthens its trade and investment opportunities given the strong linkages between the region's economies and the U.S.

- MIF's ability to partner directly with non-governmental organizations and business groups, as well as government entities, has made it an important instrument for reaching out to a broader spectrum of groups in the development process, thereby strengthening its impact.

- MIF has been internationally recognized for its groundbreaking work on remittances. Working with other international financial institutions, MIF works towards better measurement of these flows and seeks to explore emerging technology trends in the market for remittance transfers to identify ways to further reduce the cost of sending money.

- The United States is one of the largest contributors to the MIF, and U.S. leadership in this area is important for our ongoing regional partnerships.

Additional Information

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

In 2009, MIF continued to finance projects to increase small- and medium-size enterprise access to credit by developing financial institutions in rural areas, increasing the impact of worker remittances on development, and assisting bank and non-bank institutions to develop new credit vehicles such as factoring and franchising. MIF small- and medium-size enterprise development projects range across all sectors, including agriculture, tourism, manufacturing, and services.

The Inter-American Development Bank Group

The Inter-American Investment Corporation (IIC) Request: $21.0M

Description

The IIC promotes sustainable economic growth in the Western Hemisphere through the funding and support of private small- and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations. In 2009, the IIC approved 40 projects totaling $299.8 million while leveraging another $148 million from other sources mobilized by the IIC.

Justification

For FY 2011, the Administration requests $21 million to clear 50 percent of the remaining U.S. arrears to the IIC according to a successfully brokered second extension of the deadline for U.S. payment of subscribed shares from the 1999 capital increase (the original deadline was October 31, 2007, and this was originally extended to March 31, 2008). Failure to clear these arrears will result in reallocation of U.S. shares to other IIC members on a *pro rata* basis.

- The United States is the largest single shareholder in the IIC, with 19.72 percent of the total shares.

Additional Information

The IIC has focused on reforms, new systems and initiatives for:

- Ex-ante assessment, tracking, and reporting on the development impact and additionality of IIC projects. To be eligible for IIC financing, projects must have a score at or above a minimum threshold that increases as the project's expected financial contribution decreases.

- Project completion assessments, which involve independent reviews by the Inter-American Development Bank's evaluation office.

- A new working capital initiative to address the lack of short-term credit available during the economic crisis.

- An effort to re-launch equity and quasi-equity investments, which will broaden the range of products the IIC offers and create more value added for SMEs via more flexible financing arrangements.

- Technical assistance as part of IIC support for small- and medium-sized enterprises, which focuses on improving competitiveness, targeting improvements and enhancing planning, financial management, and family business governance.

Other Multilateral Development Banks Without FY 2011 Funding Requests

The following seven international financial institutions remain an important part of Treasury's portfolio but the Administration is not seeking funding for these institutions at this time. Brief descriptions of each institution's mandate and financial outlook follow.

International Bank for Reconstruction and Development (IBRD)

IBRD seeks to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development and economic growth through loans, guarantees, risk management products, and analytical and advisory services. The IBRD is a AAA-rated borrower in international financial markets and issues bonds to fund the bulk of its lending operations. Loanable resources are also provided from retained earnings, paid-in capital from shareholders and the flow of repayments on outstanding loans. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer countries good borrowing terms. IBRD drew on its strength to respond aggressively to the financial crisis by increasing lending in World Bank FY 2009 by almost three-fold over the previous year, to $32.9 billion.

International Finance Corporation (IFC)

The IFC is a member of the World Bank Group. It makes loans and equity investments in private sector projects in developing countries, mobilizes private capital in addition to its own resources, and provides advisory and technical assistance services to advance the development of the private sector. The United States is the largest shareholder, owning 24 percent of shareholder capital.

In FY 2009, IFC made 42 percent of its total investments in countries that are beneficiaries of the International Development Association (IDA). In addition, it implemented crisis response facilities for infrastructure, financial services, trade finance and microfinance totaling $5 billion. In each case, IFC plans to leverage donor government or bilateral agency funds and other private sector investors to catalyze its efforts to restart the flow of private capital to emerging markets that have been disproportionately affected by the financial crisis.

Multilateral Investment Guarantee Agency (MIGA)

MIGA, also a member of the World Bank Group, encourages foreign direct investment by providing investment insurance (guarantees) against non-commercial risks (i.e., expropriation, transfer restrictions, currency inconvertibility, and political violence) in developing countries. The Overseas Private Investment Corporation (OPIC) has reinsured and co-insured U.S. investment projects in developing countries with MIGA. The United States is MIGA's largest shareholder with 15 percent of the voting shares.

In FY 2009, MIGA issued $1.4 billion in guarantees, a decline of 30 percent from FY 2008 due to the reduced investment flows stemming from the financial crisis. MIGA issued 46 percent of its guarantees for investments in IDA countries in FY 2009.

African Development Bank (AfDB)

The AfDB is the non-concessional or "hard loan" lending window of the African Development Bank Group. The AfDB promotes sustainable economic growth and poverty reduction in Africa, lending at market-based rates to creditworthy, middle-income African countries with limited access to capital markets, and private sector borrowers in both middle and low income African countries. The United States is the second-largest shareholder (after Nigeria) with 6.3 percent of the total shareholding. In 2008, the AfDB adopted a medium-term strategy narrowing its sectoral focus to infrastructure, private sector development, governance and higher/vocational education, and aiming to increase its sovereign and especially its private sector operations. In recent years the AfDB has undertaken reforms to strengthen its institutional capacity in key areas, including internal governance and managing for results.

In FY 2009, the AfDB dramatically increased new loan approvals to about $8.6 billion in new loans (from $2.8 billion in 2008) to meet the spike in short-term demand associated with the global financial crisis. This financing was focused on the energy sector (37 percent), governance and budget support (30 percent), and the financial sector (17 percent).

Inter-American Development Bank (IDB) and the Fund for Special Operations (FSO)

The Inter-American Development Bank Group is composed of the Inter-American Development Bank (IDB), the Fund for Special Operations (FSO), the Multilateral Investment Fund (MIF), and the Inter-American Investment Corporation (IIC). The primary goal of all the elements of the Bank Group is to reduce poverty by promoting economic growth in Latin America and the Caribbean. The Bank's primary lending window is non-concessional or "hard loan" Ordinary Capital (OC). During the Bank's last capital increase (IDB8) in 1994, the United States agreed to purchase shares of paid-in capital worth a total of $153.7 million, with subscriptions to be provided in six equal installments from 1995 through 2000.

The FSO is the concessional window of the IDB and focuses on economic development in the hemisphere's poorest nations: Bolivia, Guyana, Haiti, Honduras, and Nicaragua. The FSO makes concessional loans with interest rates of 1 to 2 percent and maturities of up to 40 years to help these countries address critical development needs. Haiti received $50 million in grants in 2008 and $122 million in 2009.

European Bank for Reconstruction and Development (EBRD)

The EBRD promotes private sector development, foreign investment, privatization, and efficient capital markets in the former communist countries of Central and Eastern Europe and the former Soviet Union. The Bank's countries of operation are expected to be "committed to and apply the principles of multi-party democracy, pluralism, and market economics." The EBRD also has a mandate to promote environmentally sound and sustainable development. The United States is the largest shareholder with a 10 percent share. In response to the financial crisis, EBRD invested $7 billion in crisis response facilities and operations that have supported Eastern Europe's financial sector, hit hardest by the crisis. In 2009, EBRD increased its total volume by 52 percent to $11 million from 2008. In addition, the EBRD invested over $300 million for post-conflict recovery in Georgia in 2008.

North American Development Bank (NADBank)

The NADBank provides financing for environmental infrastructure projects, such as water/wastewater and solid waste disposal infrastructure and air quality improvements along the U.S.–Mexico border region. A portion of its capital also finances community adjustments and investment projects related to the North American Free Trade Agreement (NAFTA) in both countries. Under NADBank's charter, the United States and Mexico contributed equally to NADBank's capital, a total contribution of $450 million in paid-in capital and $2.55 billion in callable capital. The U.S.-Mexico Border Environment Cooperation Commission (BECC) is NADBank's sister institution that is designed to provide environmental certifications for all NADBank financed projects. The U.S. State Department and the Environmental Protection Agency make contributions to the BECC.

As of December 2009, NADBank had approved $549.87 million in loans for 56 projects and $89.78 million in grants for 39 projects certified by BECC. The Bank has also administered $556.23 million in EPA funded grants to 81 projects in Mexico and the United States. The total investment value of all the projects to which it provides or administers funding is approximately $3.17 billion.

Food Security

In July 2009 at the G-8 Summit in L'Aquila, Italy, President Obama committed more than $3.5 billion in U.S. agricultural development assistance over the next 3 years to help reduce hunger and poverty. In response to U.S. leadership, leaders of the Group of Eight and other countries committed $20 billion to agriculture development over three years, and to establish a new approach to development assistance for agriculture and food security. The following budget requests will help address persistent hunger in order to foster greater economic, development and political security around the world.

Multilateral Food Security Fund

Global Agriculture and Food Security Program (GAFSP) Request: $408.4M

Description

The United States will be one of the foundational donors of GAFSP, which will finance developing country efforts to create and sustain improvements in their food security by strengthening agricultural productivity, nutrition, and access to food. The World Bank, which will administer the GAFSP, expects initial contributions to the fund will exceed $1 billion. The United States, Canada and Spain are likely to be the initial contributors to the fund, while several other donors have expressed interest in participating. The GAFSP will seek to accelerate the disbursement of funds, with an initial target of summer 2010 for the receipt of the first financing request. The United States will make an initial contribution to the fund of $475 million, using FY 2011 and FY 2010 funds.

Justification

The fund underscores U.S. leadership on and commitment to global food security, and will also support U.S. efforts to reduce hunger and poverty and improve food security by:

- Providing a flexible and additional source of financing and development expertise to support technically sound, country-led strategies that adopt a comprehensive approach to improving food security;
- Complementing our bilateral food security programs by supporting and helping to align support for projects and activities, including irrigation and infrastructure projects directly related to improving agricultural yields and regional, national, and local agricultural trade ;

- Leveraging the funds of other donors, particularly non-traditional donors who may not have the capacity to directly fund agricultural development activities; and,
- Providing a clear and transparent mechanism for fulfilling financial commitments made at the G-8 Summit in L'Aquila.

Additional Information

The World Bank Board approved the establishment of the GAFSP on January 12, 2009. GAFSP will leverage the resources and country program expertise of the World Bank, International Fund for Agricultural Development (IFAD) and other multilateral institutions that will implement individual investments. GAFSP will offer financing through public sector and private sector windows; the latter will provide loans, credit guarantees, and equity to support private sector activities to improve agricultural development and food security. It will have an effective governance structure that gives equal voice to donor and potential recipient countries, and includes participation by civil society and the private sector. The GAFSP will be closely aligned with country priorities and harmonized with the activities of development partners already working in country and will develop quantitative performance metric to measure its impact.

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

Description

IFAD is the only multilateral development institution focused exclusively on reducing rural poverty and hunger. Through low-interest loans and grants, IFAD develops and finances projects that enable small farmers to increase their productivity and incomes, improve their families' nutritional levels, and access larger markets. IFAD designs innovative programs in agricultural production, financial services, rural infrastructure, livestock and fisheries, research and training, market and enterprise development, and sustainable natural resource management

Justification

Treasury requests $30 million for the second of three payments to the eighth replenishment of IFAD (IFAD8), which the United States committed to in February 2009. The total U.S. contribution to IFAD8 will leverage an additional $1.1 billion in contributions from other donors—approximately 13 times the initial U.S. investment.

- U.S. investment in IFAD will also further support the Administration's efforts to improve global food security through comprehensive agricultural development and investment into smallholder agriculture.

- From its contribution to IFAD, the U.S. and its partners will benefit an estimated 60 million people, 25 million of whom live in Sub-Saharan Africa.

Additional Information

IFAD's mission is of critical importance in the global fight against poverty as nearly 900 million (75 percent) of the world's 1.2 billion poorest people live in rural areas, mainly as small-scale producers and subsistence farmers, many of them women. The United States is the largest shareholder among IFAD's 165 member states, accounting for 14.4 percent of cumulative contributions. The U.S. share of IFAD8 is 7.5 percent, unchanged from its share of IFAD7. IFAD has increased its operational effectiveness and has delivered on its commitments to reform sought by the United States.

IFAD is achieving results on the ground. In its 2008 annual report on development effectiveness, IFAD's independent Office of Evaluation shows that 82 percent of IFAD projects are moderately satisfactory or better in two key evaluation criteria: project performance and overall project achievements. The report also shows that IFAD's project sustainability continues to improve, with 73 percent of evaluated projects sustainable, versus 40 percent in 2002.

Case Study: Pakistan

IFAD recently completed a project in remote areas of Pakistan's northwestern frontier province, achieving an increase in the incomes of at least 1,500 women and reducing poverty overall in the area. The $25 million project (consisting of $16.5 million from IFAD, $6 million from the government, and $2.5 million from beneficiaries) relied on village and women's organizations to implement activities in agriculture and livestock development. Activities included social forestry (targeting the poorest in increasing access to nearby forest resources), soil and water conservation, village and irrigation infrastructure including roads, and off-farm employment generation. Among other results, the project improved irrigation for 6,000 households and trained 900 community livestock workers, nearly half women, to lead hundreds of vaccination and de-worming campaigns and animal health and feeding demonstrations.

Climate Change and the Environment

President Obama has committed the United States to international leadership in forging a global solution to climate change and addressing its impacts, both at home and abroad. In the Copenhagen Accord, the President and the leaders of the other major economies agreed to accept responsibility for confronting climate change. The following budget request supports the President's commitment to international efforts to combat global climate change, seek low-carbon, climate-resilient growth, and to help the most vulnerable countries prepare for and respond to its impacts. The Climate Investment Funds, consisting of the Clean Technology Fund and the Strategic Climate Fund, form the bulk of this request, representing the President's focus on these multilateral efforts.

Clean Technology Fund (CTF) — Request: $400.0M

Description

The CTF is one of the two multi-donor Climate Investment Funds. The CTF seeks to reduce the growth of greenhouse gas emissions in developing countries through financing the additional costs of deploying commercially available cleaner technologies over dirtier, conventional alternatives. By funding the extra cost, the CTF is able to attract new investor capital and mobilize investments in clean energy technologies, such as wind and solar power, for development projects, such as a new energy plant or expanded public transportation system. As of December 2009, CTF has endorsed nine country-led clean energy investment plans with $3.6 billion in CTF funding and total planned investments of more than $34 billion—a leverage rate of nearly 10 times the initial investment.

Justification

Treasury's request of $400 million for the CTF will enable the United States to continue efforts with its international partners to reduce the growing greenhouse gas emissions of developing countries.

- Since the emissions of developing countries are rising rapidly and will soon surpass those of developed countries, CTF funded projects are critical to protecting Americans and the world from the harmful effects of climate change pollution.

- This effort supports the U.S. commitment in the Copenhagen Accord as agreed upon by President Obama, and helps establish a framework for financing future, scaled-up climate assistance.

- Because the multilateral development banks (MDBs) are the largest source of public finance for development projects, the CTF also helps the U.S. make the MDBs greener.

Additional Information

The World Bank serves as trustee for the CTF. As a multilateral trust fund, the CTF has an independent governance structure that is led by the CTF Trust Fund Committee, which oversees operations and decides on the activities of the CTF. The United States serves on the committee with seven other donors: United Kingdom, Japan, Germany, France, Australia, Sweden, and Spain. The eight developing countries on the committee are Brazil, China, Egypt, India, Mexico, Morocco, South Africa and Turkey. The CTF also includes representation from civil society groups and the private sector. The CTF is an interim fund that will be reviewed when a new international climate agreement is reached. The CTF is developing quantitative performance metrics to measure its impact.

Case Study: Mexican Wind Farm

In May 2009, the CTF approved a $15 million loan for a private sector $187 million, 67.5 megawatt wind farm project in the Oaxaca region of Mexico. The CTF loan attracted commercial lenders to the project because it offset the high costs of obtaining long-term financing—particularly difficult following the financial crisis—and mitigated any perceived risks of commercial lenders. This project represents a critical first step in a broader program to accelerate wind development in Mexico's promising, yet untapped wind sector. A handful of additional, similar-sized projects will receive support to build the total wind sector capacity, which is expected to allow Mexico to establish wind as a reliable source of energy and therefore help reduce greenhouse gas emissions in the region.

Strategic Climate Fund (SCF) Request: $235.0M

Description

The SCF is the second of the multi-donor Climate Investment Funds. It supports three targeted programs: the **Pilot Program for Climate Resilience**, the **Forest Investment Program**, and the **Program for Scaling-Up Renewable Energy in Low-Income Countries**. Each program seeks to pilot new approaches and scaled-up activities to address climate change challenges in developing countries, while promoting low-carbon, climate resilient economic growth.

Justification

The U.S. investment in the SCF allows the United States and its partners to help developing countries mitigate the effects of and adapt to climate change.

- The programs will pursue innovative approaches in a variety of contexts, such as infrastructure investments to reduce risks from flooding and sea level rise; improvements in forest management and land planning; and, expanding energy access and stimulating deployment of renewable energies in the poorest countries.
- This effort supports the U.S. commitment in the Copenhagen Accord as agreed upon by President Obama, and helps establish a framework for financing future, scaled-up climate assistance.
- Because the multilateral development banks (MDBs) are the largest source of public finance for development projects, the SCF also helps the U.S. make the MDBs greener.

Additional Information:

Pilot Program for Climate Resilience (PPCR) ($90 million). PPCR helps many of the poorest countries prepare for and respond to the unavoidable effects of climate change by integrating climate adaptation into their core development planning. PPCR will initially operate in nine of the most vulnerable countries/regions: Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia, the Caribbean, and the South Pacific.

Forest Investment Program (FIP) ($95 million). FIP will reduce deforestation in developing countries through improved forest management and by addressing the drivers of deforestation. Local communities in developing countries often cut down forests to sell timber, plant lucrative crops, or build homes. A lack of local governance structures and economic incentives, among other issues, leads to the unsustainable use of forests, often resulting in permanent destruction. FIP will help address this by implementing systems for forest monitoring and inventory, land tenure reform and forest law enforcement, among other activities. In February 2010, five to eight countries will be selected to host FIP pilots.

Program for Scaling-Up Renewable Energy in Low Income Countries (SREP) ($50 million). SREP will support a small number of the poorest countries in their efforts to expand energy access and stimulate economic growth through the scaled-up deployment of renewable energy solutions. SREP seeks to provide a trigger for transformation of the renewables market in each pilot country. SREP will begin operations in February 2010.

As with the Climate Technology Fund (CTF), the World Bank serves as trustee, and the SCF has an independent governing committee, including the U.S. and United Kingdom, Japan, Germany, France, Australia, Sweden, Canada, Demark, Norway, Netherlands, Switzerland, and Spain. It is an interim fund that will be reviewed when a new international climate agreement is reached. The SCF is developing quantitative performance metrics to measure its impact.

Global Environment Facility (GEF) — Request: $175.0M

Description

The GEF is a multilateral financier of projects that improve the environment. It provides partial funding, mostly in grants, for projects that provide global environmental benefits, such as reducing greenhouse gas emissions and conserving biodiversity. GEF projects are implemented by other international agencies, including the United Nations Development Program, and the multilateral development banks (MDBs). Since its creation in 1991, the GEF has approved more than $8.3 billion in grants, which leveraged approximately $30 billion in co-financing to support more than 2,000 projects in 165 countries.

Justification

Treasury's request for the GEF includes $170 million for the first installment of the GEF replenishment and $5 million to pay off a portion of U.S. arrears to the GEF. During the replenishment negotiations, the U.S. sought and achieved important policy reforms to improve the GEF's effectiveness, particularly with regard to country-owned business plans for GEF funding and resource allocation. The total U.S. commitment to the GEF replenishment will be $680 million, to be paid in four equal installments of $170 million from FY 2011 through FY 2014.

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

- Reducing harmful, long-lived chemicals in U.S. air and water;
- Protecting international marine resources, such as international fish stocks; and
- Protecting tropical rain forests and other natural areas that reduce atmospheric carbon.

Additional Information

In March 2010, donors to the GEF will reach agreement on the total for its next replenishment (GEF5). The GEF has 179 member countries and a 32 member governing board. The World Bank serves as the trustee of the GEF Trust Fund.

The GEF's basic mission is to support capacity building and innovative and cost-effective investments whose design and environmental benefits can be duplicated (and financed) elsewhere. Projects fall into seven categories. Grant allocations to these areas under the fourth replenishment have been allocated as follows: biodiversity conservation (33 percent); reducing or avoiding greenhouse gas emissions in the energy sector (33 percent); international waters (12 percent); combating desertification and deforestation (10 percent); reducing persistent organic pollutants (10 percent); cross-cutting projects (1 percent); and phasing out ozone-depleting chemicals (1 percent). Fifty-one percent of GEF funding goes towards reducing greenhouse gas emissions, consisting of all energy sector projects (33 percent), all desertification and deforestation projects (10 percent), and one quarter of biodiversity conservation projects (8 percent).

The GEF maximizes its effectiveness by supporting projects in well-governed countries that offer the greatest environmental opportunities. It allocated $2 billion from 2006-2010 for biodiversity and climate change to countries based on their performance in two indices: potential to generate global environmental benefits, and government performance. Under GEF5, 40 percent of the country allocation for climate change and biodiversity will be allocated to countries performing in the top 20 percent of the country performance index. In a performance evaluation of 210 projects completed in GEF4, the GEF's Evaluation Office found that 80 percent of projects achieved satisfactory or higher outcomes, as compared to the benchmark norm of 75 percent. A recent peer review of the GEF found that the Evaluation Office "produces solid evaluation work, at the forefront of the state of the art with a welcome emphasis on methodological rigour and clarity." [1]

[1] GEF Evaluation Office, *Fourth Overall Performance Study of the GEF: Progress Toward Impact; Annex 3: Executive Summary of the Peer Review of the GEF Evaluation Function and the Response of the GEF Evaluation Office* (2009, unedited version)

Tropical Forest Conservation Act (TFCA) Request: $20.0M

Description

TFCA is a U.S. Government (USG) effort that allows eligible low- and middle-income developing countries with significant tropical forests to relieve certain official debt owed to the United States while generating funds in local currency to support conservation activities. To date, the USG has concluded 15 TFCA agreements in 13 countries (Bangladesh, El Salvador, Belize, Peru [two agreements], the Philippines, Panama [two agreements], Colombia, Jamaica, Paraguay, Guatemala, Botswana, Costa Rica, and Indonesia). These agreements will together generate over $218 million for tropical forest conservation.

Justification

The budget request of $20 million would be used for debt treatment under the TFCA to conserve, maintain, and restore tropical forests. TFCA is funded out of Treasury's Debt Restructuring account.

- The program conserves tropical forests, which harbor an enormous amount of valuable biodiversity.
- In addition, tropical forests provide a number of critical ecosystem services, including carbon sequestration. Deforestation and associated land use change are significant sources of greenhouse gas emissions.
- The TFCA offers a unique opportunity for public-private partnerships. Third party funders (usually international conservation NGOs) participate in many deals, increasing the size of individual agreements and contributing additional expertise to the management of programs. To date, nine of the 15 TFCA agreements have utilized this public-private mechanism.

Additional Information

Under the TFCA, eligible countries can treat a portion of their debt to the United States through one of three debt treatment options: a debt swap with an eligible third party, usually an international environmental non-governmental organization, in which the USG may also participate; a bilateral debt reduction agreement with the USG, or a debt buyback. Resulting payments on the treated debt are used to support grants to local NGOs and other entities engaged in a variety of forest conservation activities. This model of financing forest conservation helps establish a framework for financing future scaled-up protection of carbon stocks needed to address climate change.

The Treasury Department recently concluded a TFCA agreement with Indonesia, and is currently discussing a agreements with potential new and existing TFCA countries.

Debt Relief

U.S. efforts on debt relief and restructuring are fundamental to helping some of the world's poorest countries stabilize, restart economic growth, and reduce poverty and instability. These programs include the Heavily Indebted Poor Countries (HIPC) Initiative, the HIPC Trust Fund, the Tropical Forest Conservation Act (see page 39), and the Multilateral Debt Relief Initiative (MDRI). Countries such as Haiti, Afghanistan and Liberia have all benefitted from U.S. debt relief and restructuring programs.

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative — Request: $50.0M

Description

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

Justification

The United States has been a leader under the enhanced HIPC Initiative, fostering support to help some of the world's poorest countries reduce or restructure their debt. Treasury's request for $50 million for HIPC would be used to make a substantial contribution towards meeting the $75.4 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled.

- With strong U.S. support, **Haiti** qualified for $1.2 billion of HIPC and MDRI debt relief in June 2009. The U.S. also played a lead role in the Paris Club of bilateral creditors, securing an agreement that Paris Club creditors will forgive all of their claims on Haiti. The U.S. was the first Paris Club member to implement this agreement, signing a bilateral agreement in September 2009 to forgive Haiti's remaining debts to the United States.

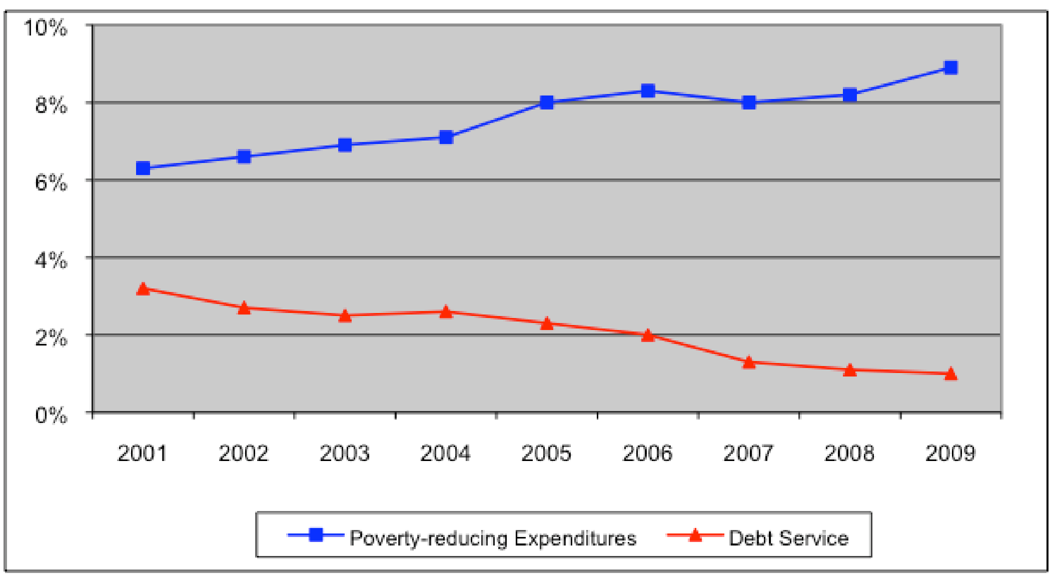
- In January 2010**, Afghanistan** qualified for over $1.3 billion in debt relief under HIPC and MDRI, including approximately $114 million in bilateral debts owed to the United States. To secure this debt relief, Afghanistan undertook important reforms to promote economic growth and poverty reduction, including increased transparency in the extractive industries sector and improved adherence to fiduciary standards.

- Together with other donors, in March 2009, the United States supported **Liberia's** efforts to clear its approximately $1.2 billion in commercial debts through the IDA Debt Reduction Facility. Liberia leveraged $38 million in donor funds, including a $5 million contribution from the United States, to extinguish these debts on extremely discounted terms of about three cents on the dollar, comparable to the amount of debt relief expected to be provided by the official sector under HIPC.

Additional Information

Under the enhanced HIPC Initiative, 35 countries had demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points as of the end of FY 2009. They are benefiting from debt relief that, together with MDRI, will lower their stock of debt by over 80 percent, allowing for increased poverty reduction expenditures in areas such as basic health, education, and rural development (see figure below).

Figure 1: **Poverty-Reducing Expenditures Increase as External Debt Service Decreases for Post-Decision Point Countries**
(Weighted average, percent of GDP)



Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 16, 2009. Data for 2009 are projections.

Table 4: **Debt Relief under HIPC Initiative**
(Total HIPC relief committed, $US Millions)

	Enhanced HIPC Decision Point	Total HIPC Debt Reduction	
		In NPV Terms	Nominal
Countries that have reached Completion Point (26 countries)			
Benin	Jul. 2000	262	460
Bolivia*	Feb. 2000	1,330	2,060
Burkina Faso*	Jul. 2000	553	930
Burundi	Aug. 2005	833	1,366
Cameroon	Oct. 2000	1,267	4,917
Central African Republic	Sept. 2007	578	804
Ethiopia	Nov. 2001	1,935	3,275
Gambia	Dec. 2000	67	112
Ghana	Feb. 2002	2,187	3,500
Guyana*	Nov. 2000	610	1,354
Haiti	Nov. 2006	140	213
Honduras	Jun. 2000	556	1,000
Madagascar	Dec. 2000	836	1,900
Malawi	Dec. 2000	939	1,628
Mali*	Sept. 2000	539	895
Mauritania	Feb. 2000	622	1,100
Mozambique*	Apr. 2000	2,143	4,300
Nicaragua	Dec. 2000	3,308	4,500
Niger	Dec. 2000	644	1,190
Rwanda	Dec. 2000	651	1,316
Sao Tome & Principe	Dec. 2000	117	263
Senegal	Jun. 2000	488	850
Sierra Leone	Mar. 2002	675	994
Tanzania	Apr. 2000	2,026	3,000
Uganda*	Feb. 2000	1,027	1,950
Zambia	Dec. 2000	2,499	3,900
Countries that have reached Decision Point (9 countries)			
Afghanistan	Jul. 2007	571	1,272
Chad	May 2001	170	260
Congo, Dem. Rep. (DRC)	Jul. 2003	6,311	10,389
Congo, Rep. (Congo-B)	Mar. 2006	1,679	2,881
Cote d'Ivoire	Mar. 2009	3,005	3,415
Guinea	Dec. 2000	545	800
Guinea-Bissau	Dec. 2000	416	790
Liberia	Mar. 2008	2,845	4,008
Togo	Nov. 2008	270	360
Total HIPC		42,644	71,952

* Countries that received a portion of debt relief under the original HIPC Initiative.

Other Potentially Eligible Countries (5 countries)		
Comoros	Kyrgyz Republic	Sudan
Eritrea	Somalia	

Source: IMF/World Bank, *HIPC and MDRI – Status of Implementation*, September 16, 2009.

Multilateral Debt Relief Initiative (MDRI)

FY 2011 Funding through IDA and AfDF

Description

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

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

Justification

No direct appropriation is requested for MDRI at this time as the U.S. is meeting its MDRI debt relief commitments through accelerated contributions to IDA and AfDF. It is important to note the reasons why no direct appropriation is currently required and how this may change in the future.

- To date, the U.S. government has used an approach known as "early encashment", rather than additional cash outlays, to fund U.S. MDRI commitments at both IDA and AfDF. When the U.S. pays its IDA and AfDF replenishment commitments over a shorter time period than required by the replenishment agreement, this generates additional credits which are applied to the U.S. MDRI commitment to each institution. In essence, the U.S. gets to use its IDA and AfDF contributions towards meeting both replenishment commitments *and* MDRI commitments. This benefit is maximized when the U.S. fully funds its replenishments on an accelerated basis and quickly diminishes as the U.S. falls into arrears on a replenishment.

- The "early encashment" approach may not work as expected for the full IDA15 replenishment period if there are funding shortfalls and/or delays in IDA appropriations that reduce the amount of additional credit earned by the United States.

- Beyond the IDA15 replenishment period, donor commitments to MDRI, including from the U.S., will increase in order to match the original schedule over which beneficiary countries would have repaid the debts these institutions have forgiven. This will make early encashment credits alone insufficient to cover the full cost of U.S. MDRI commitments and separate direct authorization and appropriations will be required in order to meet those commitments.

Technical Assistance

Treasury Technical Assistance Programs — Request: $38.0M

Description

The Office of Technical Assistance (OTA) at the Treasury Department works closely with governments in some 40 countries around the world to develop effective public financial systems. OTA programs strengthen governments' ability to build human capacity and reliable, secure systems that support delivery of public services, sustainable economic growth, security and stability. In short, OTA's efforts are critical to helping developing countries build and maintain the essential capacities of a functioning state. This work is fundamental to U.S. national security, and OTA advisors are resident in many countries of vital interest to the U.S., including Afghanistan, Pakistan, and Iraq, among others.

Justification

The request of $38 million for FY 2011 will allow OTA to carry out its mandate to strengthen economic and financial governance in fragile and developing countries. Demand for technical assistance has never been higher and the need—for economic development and U.S. national security interests—has never been greater.

- At the proposed funding level, OTA will implement approximately 80 technical assistance programs worldwide.
- OTA will look to expand existing projects in Southern Africa and selectively expand in other regions like Southeast Asia and Western Africa.
- OTA will continue building capacity to counter terrorist finance and financial crimes; encourage investment, growth and job creation through development of capital markets and infrastructure finance; and promote increased access to finance for small and medium sized enterprises.
- OTA will strengthen financial infrastructure and combat terrorist financing in national security priority countries, such as Iraq.

Additional Information

Treasury's OTA works on a cooperative basis with the technical assistance programs of the IMF, the World Bank, the regional development banks, and other bilateral donors. Projects are coordinated with the State Department and USAID, as well as with individual embassies, USAID missions and other donors. Treasury actively coordinates with State/Counter Terrorism and State/Bureau for International Narcotics and Law Enforcement Affairs on projects designed to address money laundering, corruption, and other financial crimes.

Case Study: Afghanistan

OTA's Economic Crimes efforts in Afghanistan have included developing a financial intelligence unit (FIU) staffed and trained to develop, populate, and access a database that contains reports on large cash transactions and suspicious activities from financial service providers, including, significantly, *hawaladars*. FIU analysis of information in this database supports, and is shared with, law enforcement in Afghanistan and strengthens the regulatory regime to conform to international norms for preventing money laundering and terrorist financing. OTA efforts in Afghanistan have resulted in greater regional and international information exchange and cooperation.

Case Study:
Tackling Roadblocks to Development – Infrastructure

Adequate infrastructure, such as roads, airports, energy facilities, schools, hospitals and other services, is fundamental to economic development. In 2009, OTA created the Infrastructure Finance Experts Corps (IFEC), an initiative focused on enhancing infrastructure in Latin America and the Caribbean by strengthening the capacity of governments to structure and implement public-private partnerships and other means of financing for projects. OTA specialists work in collaboration with the Chilean government to provide technical assistance to help accelerate development and implementation of well-designed and fiscally sound infrastructure projects throughout the region. The Costa Rican government is currently hosting the IFEC program as a pilot, with several high-profile projects in development, including an international airport, a primary commercial seaport, and light rail and toll road projects in San Jose. This effort is a new strategic focus for OTA and the lessons learned from the pilot project will inform the program going forward.

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