Executive Summary

The U.S. Department of the Treasury (Treasury) presents this report consistent with section 1701 of the International Financial Institutions Act, as amended by the Omnibus Appropriations Act, 1999 (P.L. 105-277, Div. A §101(d) [Title V, §583]), which directs the Chairman of the National Advisory Council on International Monetary and Financial Policies (the Secretary of the Treasury, as designated pursuant to Executive Order 11269 of February 14, 1966, as amended) to report to Congress on six topics:

(1) An assessment of the effectiveness of the major policies and operations of the international financial institutions;
(2) The major issues affecting United States participation;
(3) The major developments in the past year;
(4) The prospects in the coming year;
(5) The progress made and steps taken to achieve United States policy goals (including major policy goals embodied in current law) with respect to the international financial institutions; and
(6) Such data and explanations concerning the effectiveness, operations, and policies of the international financial institutions, such recommendations concerning the international financial institutions, and such other data and material as the Chairman may deem appropriate.

The international financial institutions (IFIs) play an essential role in ensuring financial stability, enhancing global security, promoting U.S. and global economic growth, fighting poverty; addressing environmental challenges, enhancing food security, and responding to emerging crises and emergency situations.

It is critical to retain America’s leadership in these vital institutions, which advance our national security, our economic interests, and our values.

This report covers the period from June 2012 through July 2013 and looks at prospects for 2013 overall. It also includes the Report to Congress on the International Development Association’s Contributions to Graduation, consistent with 22 U.S.C. § 262r-6(b)(2).
International Monetary Fund

Key U.S. Policy Goals Advanced by the IMF

International Financial Stability: The International Monetary Fund (IMF or Fund) plays a vital role in safeguarding the international financial system and promoting financial stability. It also promotes the key U.S. goal of strong, stable global growth through effective surveillance of the international monetary and financial system as well as individual economies. Since 2008, the IMF’s crisis-response efforts around the world have been critical to mitigating global contagion risks and promoting economic recovery. It has been able to respond quickly and flexibly and to provide its members with timely policy advice and financing for those countries experiencing balance of payments crises. As the world’s first responder to financial crises, the IMF helps protect the U.S. recovery and promotes increased global growth and stability, which supports U.S. jobs and exports, foreign direct investment in the U.S., our financial markets and our economic health.

Effective Surveillance: IMF surveillance of members’ exchange rates is at the core of the IMF’s responsibilities. The United States continues to work with the IMF to further strengthen IMF surveillance of exchange rate policies, focusing in particular on increasing the candor and transparency of IMF exchange rate assessments. For the IMF to fulfill its central role in the international monetary system, it must continue to strengthen its efforts to exercise firm surveillance over IMF members’ exchange rate policies, and it must be prepared to make tough judgments, especially when evaluating large countries that have systemic implications. Without firm surveillance, the global imbalances that contributed to the recent crisis risk going unaddressed and pose a threat to future global economic stability. Going forward, we will continue to carefully monitor the Fund’s surveillance activities with a view to ensuring that the IMF undertakes rigorous and high-quality analyses. The IMF’s decision in 2012 to publish a pilot External Sector Report, with substantially more information than before on exchange rates, reserves, intervention and capital flows, represents an important step forward in this regard. The United States will urge the IMF to continue efforts to further strengthen the analytical rigor and transparency of this product. We will also continue to strongly urge the Fund to address instances of excessively delayed Article IV reviews.

Strong, Sustainable and Balanced Growth: The IMF provides critical analytical support to the G-20 Framework for Strong, Sustainable, and Balanced Growth, where the overarching goal is to put the global economy on a robust recovery path. In addition to providing regular surveillance reports on current and future economic prospects, the IMF also provides assessments of members’ implementation progress against past policy commitments, with special focus on exchange rate, fiscal, and structural reform commitments. The IMF also has been providing assessments of the risks and vulnerabilities of the euro area and has looked into the causes of euro-area internal imbalances and needed policy requirements for a substantive and durable adjustment. A key contribution of the IMF to the G-20 cooperative policy process is its annual assessment of the collective consistency of G-20 members’ policies and the ability of those policies to achieve the goals of strong, sustainable, and balanced global growth.
Transparency/Accountability: The IMF promotes transparency through its strong data standards. Effective bilateral and multilateral IMF surveillance requires provision of timely, full, and accurate data. Transparency is a key determinant of the Fund’s effectiveness in contributing to global monetary and financial stability and in building broader economic knowledge. The IMF’s collection and publication of comparable data – including on exchange rates and reserves – remains a top U.S. priority. The IMF has begun collecting and disseminating comparable cross-country data in new areas, such as the Financial Soundness Indicators\(^1\), but more progress is needed. This year, the IMF is conducting a review of the IMF’s Transparency Policy to further strengthen transparency. As the Executive Board considers possible revisions to IMF transparency rules, the United States will urge revisions that encourage timely publication of all IMF documents.

Budget Discipline: The IMF has maintained a relatively tight budgetary framework, and is working toward making more efficient use of existing resources. The IMF’s medium-term budget framework includes a nominal one percent increase in FY 2014\(^2\), but does not increase the annual budget in real terms for FY 2014, FY 2015, or FY 2016. The United States continues to be a strong advocate of IMF budgetary stringency, and supported the IMF’s strategy of offsetting expenditures for new activities with a reduction in spending in other areas. In addition to expenditure restraint, the IMF established a new endowment from the proceeds of the sale of a portion of IMF gold holdings to help reduce reliance on lending income. The investment income from the endowment will provide an additional source of financing for the IMF’s operating budget and help to put the Fund’s finances on a more sustainable path in the long term.

Support for Low-Income Countries: The IMF plays a key role in assisting low-income countries (LICs) in achieving macroeconomic stability, a necessary condition for poverty reduction and higher long-term growth. A critical component of the international community’s response to the global financial crisis was ensuring that the IMF had adequate resources to address the needs of LICs. LICs were impacted by the global financial crisis through sharp drops in exports, Foreign Direct Investment (FDI), and remittances. In 2009, with strong U.S. support, the IMF Executive Board approved a package to greatly increase the resources available to LICs and to reform LIC facilities to increase their flexibility. The IMF more than doubled the resources available to LICs to up to $17 billion for the period from 2009 through 2014, and reduced interest rates to zero for all concessional lending through end-2012. U.S. leadership was then integral in extending zero interest rates through the end of 2014. Enhancing IMF support for low-income countries continues to be a top priority for the United States.

Assessment of the Effectiveness of the IMF’s Major Policies and Operations

The IMF is a critical forum for multilateral consultation and cooperation on international monetary and financial policy issues, as well as for promoting global economic and financial stability. In the sections below, we discuss the IMF’s critical functions in economic crisis prevention and response, as well as foreign exchange and financial sector surveillance, and support for low-income countries.

\[^1\] See http://fsi.imf.org.
\[^2\] The IMF’s fiscal year runs from May 1 through April 30. FY 2014 is from May 1, 2013 to April 30, 2014.
Effective crisis response: The IMF continues to play a central role in international efforts to resolve and prevent the spread of global economic and financial crises. It does so by providing its members with timely policy advice and financing if needed to address balance of payments problems. New IMF lending commitments totaled approximately $49 billion in FY 2012 (ending September 30, 2012), and about $116 billion in FY 2013 to date, of which $112 billion is for a renewal of multi-year precautionary Flexible Credit Lines (FCL) to Mexico, Poland, and Colombia.

Through the FCL and the Precautionary and Liquidity Line (PLL), the IMF is able to help its strongest-performing member countries meet a range of actual and potential balance of payments financing needs. Established in 2009, these facilities make it easier for members with strong economic policy frameworks to access resources rapidly to prevent the spread of a crisis. Over the past year, Mexico and Poland have initiated FCL programs and Morocco has initiated a PLL program.

Ongoing financial stresses in Europe’s periphery continue to pose a risk to the global economic and financial system and to the U.S. recovery. As Europe’s largest economic partner, the United States has a vested interest in the successful resolution of the current crisis. Europe accounts for over 20 percent of U.S. goods exports and over 35 percent of U.S. service exports. Also, Europe is the most significant foreign source of investment and jobs in America – at $1.6 trillion, the total stock of European FDI accounts for 70 percent of all FDI in the United States. Working closely with the European Union, which has made funds available to its members through the European Financial Stabilization Mechanism, the European Financial Stability Facility, and more recently the European Stability Mechanism, the IMF has played a key role in lending and providing policy advice to support fiscal adjustment and structural reforms to help support economic growth. Europe has committed about $325 billion in financial assistance to Greece, Ireland, Portugal, and Cyprus, representing approximately three-quarters of the total EU-IMF financing commitment. Europe will continue to provide the bulk of financing, augmented with support from the IMF, to secure financial and economic stability in Europe and beyond.

In 2012, the IMF’s crisis-response in the MENA region has been crucial to encouraging macroeconomic stability in a number of countries. A stable and more prosperous MENA region helps promote peace, facilitates more orderly democratic transitions, and thereby opens up opportunities for American businesses in regional economies. The IMF is the sole international body capable of engaging closely and early on with these countries to deploy its tools for economic adjustment, in the face of very different economic and political circumstances. Importantly, U.S. participation in IMF programming leverages significantly more resources from other members. In Tunisia, the new IMF Stand-By Arrangement is designed to support short-term stabilization, while laying foundations to support growth and protect the vulnerable. In Yemen, the IMF responded rapidly to help stabilize the economy during a critical stage in the political transition, through the Rapid Credit Facility in April 2012. In Jordan, the IMF Stand-By Arrangement is helping provide a medium-term macroeconomic policy framework and financing to assist the government in addressing significant balance-of-payments and fiscal challenges. And, in Morocco, the IMF responded with a precautionary arrangement to help insure against vulnerabilities from the euro zone crisis and high oil prices.
**Surveillance:** The IMF is charged with providing effective bilateral surveillance over countries' policies as well as oversight of the global economy to promote coordination of policies. The United States continues to press for increased candor, transparency, and evenhandedness of IMF exchange rate surveillance. With strong U.S. support, the IMF produced its first External Sector Report in July 2012, which provides analysis of the developments in global external positions for the largest economies simultaneously, and points to potential policy responses. It represents a substantial enhancement to the IMF's work on external sector analysis, as it includes much greater in-depth coverage of IMF exchange rate assessments for the first time, as well as assessments of reserves, drivers of current account imbalances, and capital flows and measures. The IMF continues to provide spillover analysis through its annual Spillover Report, which was launched in 2011 to assess the impact of outward spillovers from countries whose policies significantly affect the stability of the international monetary system. Spillover reports are produced for China, the euro area, Japan, the United Kingdom, and the United States, and released in conjunction with these jurisdictions’ Article IV reports.

The IMF also has a critical surveillance role in the G-20. At the last two G-20 Summits, G-20 Leaders announced action plans for jobs and growth, as well as a strengthened accountability framework. The action plans focus on bolstering near-term growth and jobs prospects while also strengthening longer-term public finances by outlining G-20 members’ fiscal strategies. A strengthened accountability framework was proposed at Cannes in 2011, and put into place at the Los Cabos Summit in 2012. At Los Cabos, it was agreed that medium-term fiscal strategies would be developed to enhance longer-term fiscal sustainability. The IMF has been instrumental in providing advice and quantitative assessment of the economic impact of the various policies proposed in the action plans and in preparing independent reports on members’ implementation records. The IMF also has prepared reports on potential policy spillovers internationally, especially those with respect to advanced economies’ monetary policies and their impact on international capital flows. The IMF is also updating its earlier assessments of countries with large and persistent imbalances and needed policy adjustments.

The IMF works with other international organizations to promote stronger financial systems around the world. The joint IMF-World Bank Financial Sector Assessment Program (FSAP) has emerged as a critical instrument for financial sector surveillance and advice. The FSAP assessments are designed to gauge the stability of the financial sector and to assess its potential contribution to growth and development. Results from the FSAP are used to generate assessments of compliance with key financial sector standards such as the Basel Committee on Banking Supervision’s Core Principles for Effective Banking Supervision, the International Organization of Securities Commission’s Objectives and Principles of Securities Regulation, and the IMF’s own Code of Good Practices on Transparency in Monetary and Financial Policies. They also provide valuable input to the IMF’s broader surveillance of countries’ economies. The FSAP assessment results are summarized in Financial System Stability Assessments, which are often provided to the public.

Since the FSAP was launched in 1999, around 140 countries have completed the program (many more than once), and more than 25 assessments are currently under way or in the pipeline. The United States completed an FSAP in July 2010. In September 2010, it was agreed that financial stability assessments for jurisdictions with systemically important financial sectors, which
include the United States, should take place at least once every five years as a mandatory part of Fund surveillance.

**Support for Low-Income Countries:** During the global financial crisis, the IMF provided critical support to LICs, which were impacted through sharp drops in exports, FDI, and remittances. New lending commitments from the Poverty Reduction and Growth Trust (PRGT) totaled nearly $10 billion in 2009-2012, averaging over $2 billion each year, compared to an annual average of $1 billion from 2000-2008. In response to U.S. calls, the IMF eliminated Haiti’s entire outstanding debt to the Fund following its devastating earthquake. The United States will continue to strongly push the IMF to ensure that programs promote spending to reduce poverty. A Fund survey of 140 developing countries confirms that IMF programs have a positive and significant effect on social spending in low-income countries. On average, countries under IMF programs are able to increase spending for education by about 0.8 percentage points of GDP, and for health by about 1 percentage point of GDP, over a five-year period. As early as in the first year of a typical program, spending on education and health tends to increase by about 1.5 percentage point as a share of total government outlays.

**Major Issues Affecting U.S. Participation in the IMF**

**Quotas:** The United States participates in the IMF through a quota subscription. Quotas are the metric used by the IMF to assign voting rights, to determine contributions to the IMF’s general resources, and to determine access to IMF financing. In April 2008, IMF members reached agreement on a quota reform package as a step to modernize the IMF’s governance structure to keep pace with the rapid growth and greater economic weight of dynamic emerging market countries in the global economy. On June 24, 2009, the Supplemental Appropriations Act, 2009 (Public Law 111-32), was enacted, providing authorization and appropriations for an increase in the U.S. quota share in the IMF by the dollar equivalent of 4.97 billion Special Drawing Rights (SDRs) (about $7.71 billion as of June 24, 2009) as well as an increase in the U.S. participation in the New Arrangements to Borrow (NAB; discussed below). This increase in the U.S. quota share was completed in March 2011.

At the Pittsburgh Summit in September 2009, G-20 Leaders agreed to further reform in IMF quotas to shift at least five percent of quota share to dynamic and underrepresented emerging markets. Agreement was reached on a reform package in the fall of 2010 at the G-20 summit in Seoul that secured significant reform of the Fund’s governance structure and voting rights in order to better reflect today’s global economy and enhance the Fund’s legitimacy and effectiveness going forward. In particular, the reform will double total IMF quotas, with a corresponding rollback of the NAB; amend the Fund’s Articles of Agreement to move to an all elected Executive Board; shift more than six percent of quota shares to dynamic emerging market and developing countries; and preserve the quota and voting shares of the poorest member countries.

These reforms preserve the U.S. leadership position in the IMF and ability to exercise a veto on major institutional and financial decisions. U.S. leadership in the IMF promotes American core

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3 Under an all-elected Board, the U.S. would retain its single seat.
interests in three ways: as the first responder when financial crises abroad threaten jobs and growth at home, strengthening our national security, and designing and promoting rules for an open global trade and financial system. As the world’s first responder to financial crises, the IMF helps our trading partners stabilize and heal their economies. By preventing crises in other countries from spreading to the United States, the IMF protects U.S. jobs, exports, and household savings. The IMF is an important partner in strengthening our national security, for example helping to anchor economic stability in the Middle East—in Jordan, Morocco, Tunisia, and Yemen.

Currently, the United States is the largest shareholder in the IMF and the only country that has the ability to veto major institutional decisions. We need to preserve that leadership position as new economic powers seek greater influence. That is why we have asked Congress, in the President’s Budget, to safeguard U.S. leadership in the IMF by approving the 2010 quota and governance reforms. The reforms will expand the core quota resources of the IMF, with no net new U.S. financial commitment to the IMF. The President’s Budget request for the IMF is vital to preserve U.S. leadership in the IMF so we can continue to shape the norms and practices that ensure an open, resilient global economy. The vast majority of the IMF membership has now acted, and U.S. approval is the only remaining step for these important reforms to go into effect.4

**New Arrangements to Borrow (NAB):** In addition to quota subscriptions, the IMF maintains standing borrowing arrangements with financially strong members. The NAB is the IMF’s backstop of first recourse when its existing resources are substantially drawn down in rare circumstances that threaten the stability of the international monetary system.

In April 2009, G-20 Leaders committed to increase the size of the NAB by up to $500 billion. Existing and potential new NAB participants subsequently met in Washington, D.C., in November 2009 and agreed to amend and increase the NAB to more than $550 billion, delivering on the G-20 Leaders’ commitment. The United States led the way by committing to increase its participation in the NAB by up to $100 billion, which helped leverage resources from other countries. The expanded NAB became effective on March 11, 2011 after NAB participants had secured the necessary domestic approvals. The U.S. arrangement under the NAB is currently for SDR 69 billion (about $104 billion), which includes U.S. participation in the General Agreements to Borrow.5 When the 2010 quota reform enters into effect, U.S. participation in the NAB will be reduced by SDR 40.8 billion (about $63 billion), the same amount as the U.S. quota increase.

In 2012, in the absence of implementation of the 2010 quota increase, the IMF secured additional resource pledges from 39 creditor members totaling more than $450 billion. To date, bilateral agreements with 26 of these countries have been approved, amounting to over $400 billion in

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4 Before the quota increase can take effect, the amendments on reform of the Executive Board must be approved by three-fifths of the Fund's 188 members (or 113 members) having 85 percent of the Fund's total voting power. As of June 4, 2013, 139 members having 75.4 percent of total voting power had accepted the amendment. One hundred fifty one members representing 78.4 percent of quota have agreed to the quota increase.

5 The General Arrangements to Borrow (GAB) is a standing borrowing arrangement that preceded the NAB and totals about $26 billion, of which the U.S. share is about 25 percent.
additional IMF resources. The United States did not participate in this most recent round of bilateral borrowing by the Fund.

Major Developments in the Past Year

IMF Lending Arrangements: In calendar year 2012, the IMF Board approved 19 lending arrangements, of which 12 were for low-income country members under the Poverty Reduction and Growth Trust (PRGT) facilities. The Board approved four new arrangements in the first six months of 2013, none of which were under the PRGT. New IMF commitments totaled $120 billion in 2012 and $43 billion in the first half of 2013.

Strengthening Global Financial Safety Nets/Precautionary Facilities Reform: The IMF has continued to refine its precautionary lending toolkit, and member countries are benefitting from these programs. In August 2012, for instance, the IMF Executive Board approved the first Precautionary and Liquidity Line for Morocco. In November, the Board approved Mexico’s request for a follow-on FCL, followed by Poland’s request for a follow-on FCL in January 2013. The IMF has also streamlined existing instruments for emergency assistance through the establishment of the Rapid Financing Instrument, which addresses urgent balance of payments needs specifically from post-conflict and natural disaster situations.

Improving IMF Surveillance: In July 2012, with strong U.S. support, the IMF produced a pilot External Sector Report (ESR), which represents a substantial enhancement to the IMF’s work on external analysis, as it includes much greater in-depth coverage of IMF exchange rate assessments, as well as assessments of reserves, drivers of current account imbalances, and capital flows and measures. The ESR introduces a new exchange rate assessment methodology – the External Balance Assessment – which looks at economies’ current account positions and real exchange rates relative to underlying fundamentals and desired policies. The IMF also adopted in July 2012 the Integrated Surveillance Decision, which updates the June 2007 legal framework for surveillance over members’ policies to reflect the increased focus by the IMF on multilateral surveillance, while retaining a strong emphasis on exchange rate surveillance. The United States continues to press for increased candor, transparency, and evenhandedness of IMF exchange rate surveillance. In September 2012, the IMF Executive Board endorsed a new Financial Surveillance Strategy that proposes concrete and prioritized steps to further strengthen financial surveillance.

Capital Flows: Over the past year, the IMF has been working toward a consistent framework to advise member countries, particularly emerging markets, on appropriate responses to a surge in capital inflows. In December 2012, the IMF released its new institutional view regarding the liberalization and management of capital flows. It acknowledges that there may be a role for capital flow management measures under certain circumstances. At the same time, it also recognizes the costs and distortions that such measures can impose on the domestic economy and the international monetary system. As such, the IMF continues to emphasize the key role of sound macroeconomic policies in dealing with the risks from capital flows – policies such as monetary, fiscal, and exchange rate adjustment, as well as financial supervision. The IMF further advises that any capital flow management measures should be temporary and nondiscriminatory, and should not be used to substitute for or avoid necessary macroeconomic adjustment.
Quota Formula Review: G-20 leaders agreed at their Summit in Seoul to complete by January 2013 a review of the IMF’s formula, which plays a significant role in determining quota share. Progress has been made in identifying key elements that could form the basis for a final agreement on a new quota formula that better reflects members’ relative positions in the global economy. A formula based on transparent and readily identifiable elements – of which GDP is the clearest and strongest variable – would help enhance the legitimacy of the Fund.

Support for Low-Income Countries: The United States has been a strong advocate for the Fund’s use of the windfall gold profits from the 2010 gold sales to support LICs. The decision to sell a portion of the IMF’s gold had been part of a broader agreement by the IMF Executive Board in 2008 to place the Fund’s finances on a more stable footing. Because of the sharp rise in gold prices in past years, the actual proceeds from the IMF’s gold sales were higher, by about $3.8 billion, than the amount needed to establish an endowment under the Fund’s new income model. With strong U.S. leadership, in 2009 the IMF Board agreed to use about $1.1 billion of the initial windfall profits to boost the PRGT’s concessional subsidy resources and to extend interest rate relief (zero interest) on all PRGT loans through the end of 2012. In 2012, led by the United States, the IMF Board decided to similarly direct the remaining $2.7 billion windfall to the PRGT and to extend the zero percent interest rate on PRGT loans for an additional two years through the end of 2014. These initiatives help put the PRGT on a more sustainable footing and safeguard the IMF’s role in promoting macroeconomic stability, higher long-term growth, and poverty reduction in low-income countries.

Major Prospects in the Coming Year

Budget Discipline: The United States continues to advocate for IMF budget discipline. In April, we opposed IMF management’s proposed 1.5 percent structural salary increase. Last year, management recommended, and we supported, a zero structural salary increase. The IMF’s overall budget for FY 2014-16 includes no real increases despite the across-the-board structural salary increase.

Surveillance: The United States continues to advocate for the improvement of IMF surveillance, emphasizing in particular the importance of rigorous surveillance on exchange rate policies. The recent crisis highlighted the need for the IMF to improve surveillance on a broader range of risks to the global economy. This year, the IMF will continue to refine its External Sector Report (ESR), which assesses the range of factors that impact external stability, including exchange rates, reserves, capital flows, and fiscal, financial, and monetary policy. The report aims to identify the sources of imbalances and whether these pose risks to external stability. The IMF continues to work to enhance its methodology for assessing exchange rates and drivers of current account imbalances, providing the basis for further strengthening analytical rigor and transparency of the ESR. This year, the IMF will also conduct further analytical work on reserve adequacy indicators for emerging markets and expand guidance on reserve issues, building upon the metric for assessing reserve adequacy developed in 2011.

IMF Programs: The IMF, in partnership with the Europeans, will continue to play an important part in promoting more orderly adjustment in the euro area by offering financing to support economic reforms and undertaking regular surveillance of euro area member countries’
economic and financial policies, as it does with all members. The Fund is also playing a critical role in providing support to countries as they undergo political and economic transition in the context of the Arab Spring. In addition, the IMF will continue to fulfill its core mandate to provide a financial safety net in promoting global economic and financial stability.

**Multilateral Development Banks**

The section on MDBs is divided into three main parts. The first part, *Key U.S. Policy Goals Advanced by the MDBs*, provides examples of MDB projects that support U.S. objectives. The second part, *Institutional Reforms and Effectiveness at the MDBs*, addresses elements that are common across several of the MDBs. The third part, *MDBs: Priorities, Performance, and Reforms*, focuses individually on each institution.

**Key U.S. Policy Goals Advanced by the MDBs**

**National security:** The MDBs directly benefit the United States by supporting investments that align with U.S. national security interests. Specifically, these institutions fund a wide range of operations that support governance and accountability and improve social services, all of which are critically needed to underpin stability in conflict and fragile states. Increasingly, the MDBs’ support for climate adaptation and mitigation is also becoming a national security issue because of the impact of climate change on food and water scarcity, and the risk that these issues will spark conflict and unrest.

Recent developments include the following:

- **Afghanistan:** In Afghanistan, the World Bank and the Asian Development Bank (AsDB) continue to be the largest donors after the United States. In 2012, AsDB approvals for assistance to Afghanistan increased by 27 percent from 2011, all in grants. This assistance is being used to build the country’s capacity and infrastructure in the lead-up to the drawdown of coalition forces in 2014.

- **The Middle East and North Africa:** Since the Arab Spring, the United States has strongly supported the MDBs’ role in the democratic transition and the development of private markets in the region. In 2012, 31 percent of African Development Bank (AfDB) loan and grant approvals were allocated to the North Africa region, amounting to $1.7 billion. In late 2012, the European Bank for Reconstruction and Development (EBRD) expanded its geographic mandate into the Middle East and North Africa, with three countries—Jordan, Morocco, and Tunisia—expected to begin accessing EBRD financing in the near future. The EBRD made commitments in 2012 for the region totaling about $240 million, and intends to ramp up operations in the region substantially.

- **Fragile States in Sub-Saharan Africa:** MDBs have played an important role in fragile states through projects that support economic stability and peace.
  - In the wake of January’s United Nations-backed military operation in Mali to halt an advance by al-Qaeda-linked fighters toward the Malian capital, the World
Bank moved quickly to ramp up programs to bolster stability and alleviate poverty in the country. Over the course of the past several months, the Bank has committed over $140 million to increase agricultural productivity, strengthen public financial management, and provide income support to the most vulnerable in the population. In addition, investment in 2014 and 2015 will help rebuild national infrastructure, increase climate resilience, and improve employment opportunities for youth. Through these efforts—and by working closely with the international community—the World Bank is helping to provide the foundations for Mali’s economic recovery and long-term stability.

- The AfDB has helped to rebuild Côte d’Ivoire’s capacity for economic governance and rebuild its core public services and infrastructure, restoring stability and helping to protect the most vulnerable segments of the population. Over the past three years, the AfDB has also responded to the unique needs of its region and approved 124 operations in fragile states, at a total value of nearly $2.5 billion, or over 40 percent of its total lending. This support has financed the construction of over 520 miles of feeder roads in fragile states and introduced improved land-use practices to more than 6,000 farmers, 60 percent of whom are women. The AfDB has invested in health, education, and other social services, providing tangible benefits to over 255,000 people in fragile states who now have access to improved health services.

- **Latin America:** The Inter-American Development Bank (IDB) has prioritized citizen security as a development priority amid the scourge of violence that has troubled Central America over the past decade. The IDB’s Citizen Security Initiative is a special fund aimed at improving the effectiveness of citizen security policies in the region by enhancing knowledge exchanges and experience among countries, standardizing citizen security statistics to improve data reliability, and strengthening planning and program evaluation. The IDB’s citizen security portfolio is focused on crime prevention in four target priority areas: 1) strategies aimed atcountering the factors that increase the risks of crime and victimization; 2) decreasing the opportunities to commit crimes; 3) preventive policing; and 4) social rehabilitation and prevention of repeat offenders. The IDB has ongoing citizen security programs in El Salvador, Jamaica, and Panama.

**U.S. economic growth:** The MDBs have supported U.S. economic interests by investing in emerging and transition economies that are becoming increasingly important U.S. trading partners. U.S. exports to emerging and developing countries increased by 148 percent from 2000 through 2012 to $726 billion (the latest year for which data are available), and growth in these markets will continue to be a predominant force in U.S. economic growth going forward. Growth in U.S. exports to Sub-Saharan Africa—a region of significant MDB attention and with enormous potential for growth—has been even more rapid at 304 percent from $6 billion in 2000 to $24 billion in 2012. The MDBs’ role in developing stronger private markets and new sources of global growth is firmly in our interest, as is their work in helping governments to improve governance, accountability, and public financial management.
The MDBs also directly benefit U.S. companies, large and small, through procurement opportunities. During FY 2012, for example, 110 U.S. small and medium-size enterprises (SMEs) from 25 states won contracts worth $102 million, including: $51 million for consulting contracts, $33 million for services, and $18 million for goods. Over the past seven years (2007-13), we have identified about $750 million in contracts going directly to U.S. companies. This figure almost certainly understates the MDB contracts awarded to U.S. companies since large U.S. companies—especially in the energy, information technology, and medical equipment sectors—tend to bid from their local, in-country offices. Thus, for example, the World Bank's award of a $100 million contract for General Electric gas turbines, as a sub-contractor for a power project in Bangladesh, appears as an award to a Bangladeshi company. Of the $750 million of direct contracts referenced above, the largest portion, about $525 million, was for consultancy services.

Critical global priorities: The MDBs are uniquely positioned to address critical global priorities including energy security, renewable energy, environmental degradation, and food security. Recent examples include:

- **Energy Security**: Energy security makes up a significant share of most MDB’s operations.
  
  - The World Bank’s International Development Association (IDA) has played a major role in supporting regional integration projects for energy access, especially in Sub-Saharan Africa. In FY 2012, a $35 million IDA grant was approved for the West African Power Pool (WAPP), a cooperative power pooling mechanism for integrating national power system operations into a unified regional electricity market. WAPP will provide electricity to four of IDA’s poorest countries: Côte d’Ivoire, Guinea, Liberia, and Sierra Leone. By leveraging the costs of large-scale electricity production across several markets, projects such as the WAPP will generate affordable electricity for the millions of individuals and firms that drive the region’s economic growth.

  - Additionally, through the “Power Africa” initiative, the U.S. government is partnering with the AfDB and other MDBs, African governments, and the private sector to double access to affordable and clean energy in Sub-Saharan Africa. Power Africa will build on Africa’s enormous power potential, including new discoveries of vast reserves of oil and gas, and support the development of clean geothermal, hydro, wind, and solar energy by helping countries develop newly-discovered resources responsibly, build out power generation and transmission, and expand the reach of mini-grid and off-grid solutions. With an initial set of six partner countries in its first phase, Power Africa aims to add more than 10,000 megawatts of cleaner, more efficient electricity generation capacity. The AfDB approved close to $1.2 billion in 2012 for six operations in the energy sector (about 21 percent of total investment) with the objective of providing access to modern power for at least 1.2 million households. For example, the AfDB’s rural

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6 The World Bank’s fiscal year runs from July 1 through June 30. All other MDBs have a fiscal year that corresponds to the calendar year.
Electrification project in Benin has helped to extend the grid with 972 kilometers of transmission lines. It connected an additional 16,000 households and increased the rural electrification rate from 20 to 28 percent.

- In Asia, the AsDB provided $4.9 billion in 2012 to support energy generation, distribution, and network expansion. In Central Asia in particular, the AsDB has served as a key partner in the Central Asia Regional Economic Cooperation program, which has expanded Central Asia’s electricity network by 2,300 kilometers.

- The IDB has also been active in energy security. For example, its Board recently approved financing for the installation of a combined cycle power generation plant in Uruguay, which will help to reduce reliance on hydroelectric power and thus the vulnerability of the electricity generation matrix to dry year shortages. The MDBs’ support of energy extends beyond the finance of projects to an increasingly important role in helping countries shape their regulatory and institutional frameworks. For example, the IDB has been instrumental in energy integration efforts, particularly in Central America. The IDB hosted a two-day Mesoamerica Energy Ministerial in order to generate action on key goals in the region under the Connect 2022 initiative. The Connect 2022 initiative was a key output of the Summit of the Americas in Cartagena, Colombia.

- **Renewable Energy**: The MDBs are playing an essential role in expanding renewable energy capacity worldwide.

  - Of the $8.2 billion in World Bank financing for energy projects in 2012, a record $3.6 billion (or 44 percent) went towards renewable energy projects. The Bank’s new energy strategy will limit support of coal powered plants. This new strategy is a major and unprecedented step forward, and reflects World Bank President Kim’s strong commitment to addressing climate change.

  - The AsDB’s clean energy investments exceeded $2.3 billion in 2012, representing 66 percent of all AsDB energy projects (up from 39 percent in 2011). As one example, the AsDB financed a run-of-the-river hydropower project in Bhutan that will expand electrification to thousands of rural households, helping the country meet its 100 percent electrification target.

  - Similarly, in 2012, the EBRD increased its renewable energy efforts by financing the first ever wind farm project in Mongolia, which will also be the country’s first private power project. The project will provide about five percent of Mongolia’s electricity needs, which are currently met almost entirely by aging, coal-fired power plants.

  - In 2009, the IDB launched the Sustainable Energy and Climate Change Initiative (SECCI), now a full department within the Bank. SECCI has managed to mainstream the importance of renewable energy and energy efficiency throughout
both the public and private sides of the Bank. Examples of projects approved in 2012 include financing for a greenfield solar energy project in Peru that will be the first large scale solar installation in Latin America, hydroelectric power in Costa Rica, wind power in Mexico, and three solar photovoltaic power plants in the Chile’s Atacama Desert.

- The North American Development Bank (NADB) has also expanded its investment in renewable energy—both solar and wind projects—in the last two years, focusing first on investments on the U.S. side of the border, and now moving into the Mexico market. The first five renewable energy projects financed by NADB reached commercial operation in 2012, and are expected to produce more than 1.5 million megawatt-hours of electricity in their first year of operation.

- **Environmental Degradation:** The MDBs are taking an active role in combating environmental degradation by helping to protect biodiversity and addressing climate adaptation.

  - In 2012, the World Bank launched its newest Environmental Strategy (2012-2022), which articulates a new vision for green, clean, and resilient development. This comprehensive approach, based on extensive consultations with over 2,300 Bank stakeholders throughout the world, includes several important initiatives. For example, one key initiative is a global partnership that promotes valuation of a country’s natural capital assets so that they can be incorporated into national accounts. Another addresses the protection of critical habitat areas, while also providing carbon storage benefits through continuing work on forests and land use linked to the Reducing Emissions from Deforestation and Forest Degradation program.

  - The AsDB has also made supporting environmental sustainability a priority in its long-term strategy. In the period 2010-2012, 45 percent of AsDB projects included environmental sustainability as a theme. In addition to protecting biodiversity and habitats, the AsDB has focused on decreasing greenhouse gases in transportation infrastructure through more than $1 billion in assistance to urban transport, rail, and inland waterways projects.

  - In the Western Hemisphere, over the past four years the IDB has broadened its work beyond mitigation and adaptation to climate change (and natural disasters) to focus on biodiversity. This includes launching its Biodiversity Platform at the Rio+20 United Nations Conference on Sustainable Development in 2012.

  - The International Fund for Agricultural Development (IFAD), an agency of the United Nations specialized in food and agriculture, has been very active in this area. For example, two IFAD-supported programs in Burkina Faso focus on managing soil fertility in areas suffering from increasing drought and erratic rains, successfully reducing soil erosion and reversing land degradation. These IFAD-
assisted improvements in indigenous soil and water conservation techniques have restored agricultural fertility, increasing millet and sorghum yields by up to 50 percent and enabling farm households to concentrate on new income-generating commodities such as livestock, cowpea, and non-wood forest products.

- **Food Security:** MDB investment in agriculture, food security, and nutrition have increased significantly in response to the food price crisis of 2008, as well as continuing food price volatility and the long-term challenge of feeding a global population of nine billion by 2050.

  - The World Bank invested $9.4 billion in the agricultural sector in 2012, a 50 percent increase from 2010. More than 90 percent of the Bank’s current agricultural portfolio focuses on productivity and access to markets for smallholder farmers, and roughly 10 percent focuses on the governance of land tenure, including securing access to land rights for the poor and for women. Within the portfolio, the Bank plans to triple its support for maternal and early childhood nutrition in 2013-14 to $600 million, up from $230 million in 2011-12. Another area of focus is increasing private-sector investment, which plays a critical role in providing finance, training, inputs, and employment for smallholder farmers throughout the supply chain.

  - The International Finance Corporation (IFC), the private-sector arm of the World Bank, has scaled up its investment in the agribusiness sector in 2012, providing $4.2 billion in financing—a 110 percent increase over 2011—with a quarter of new investments located in low-income countries.

  - Similarly, the AfDB is increasing its focus on the sector—with particular emphasis on agricultural infrastructure and renewable natural resources management—and has developed a projected project pipeline of $5.3 billion over the period 2010-2014.

  - IFAD is dedicated to working with poor rural populations to enable them to grow and sell more food and increase their incomes. At the end of 2012, IFAD was financing 255 ongoing programs and projects with investments of $5.3 billion in 97 countries. External co-financing and funds from domestic sources for the ongoing portfolio amounted to $6.6 billion, bringing the total value of ongoing programs and projects in 2012 to $11.9 billion. In 2012, IFAD financed seven new programs in Benin, Burkina Faso, Cape Verde, Democratic Republic of the Congo, the Gambia, Niger, and Nigeria for a total investment of $250.8 million. By mid-2012, IFAD had almost entirely achieved the ambitious end-period target of reaching 60 million people, doubling its outreach in four years.

**Institutional Reforms and Effectiveness at the MDBs**

The MDBs are global leaders in development effectiveness and the implementation of safeguards and best practice development standards. Nonetheless, the United States continues to advocate
strongly for the on-going evolution of policies in order to deliver even greater effectiveness. In 2012, the MDBs continued to implement robust reform agendas reflecting the broad array of reform priorities, including expanding transparent and competitive procurement practices, ensuring sound financial management, protecting biodiversity and vulnerable peoples, and increasing MDB accountability to its shareholders and the public. The current replenishment negotiations for IDA and the African Development Fund (AfDF) represent near-term opportunities for further strengthening of standards and development effectiveness. In these negotiations, the United States is looking to secure several key objectives, including strengthening assistance to fragile states, increasing the focus on developing vibrant private sectors, and supporting gender equality.

Some of the key reforms areas in which we have seen developments during the past year include the following.

**Safeguards Reviews:** The IFC completed its first full year of implementing its new Sustainability Framework composed of the Policy on Environmental and Social Sustainability, the Performance Standards, and the Access to Information Policy. Notably, the framework incorporates labor and working conditions as well as a recognition of the responsibility of businesses to respect human rights. The World Bank is undergoing a multi-year review of its environmental and social safeguards to develop a strengthened and integrated framework. Treasury has consulted extensively with Congress and non-governmental organizations (NGOs) to help shape our proactive engagement on this review, which we view as a top priority. NGO engagement on this review is also a routine part of regular monthly meetings that Treasury holds with the broader NGO community. In the coming months, we will continue to reach out regularly to Congress and NGOs to provide updates on the review, as well as continue to gather input from other U.S. government agencies.

**Procurement Review:** In response to the Bank’s evolving portfolio and new lending instruments, the World Bank is, for the first time, conducting an extensive review of its procurement policies. In addition, the MDBs have now fully implemented the cross-debarment agreement, which requires that an MDB not award a procurement contract to a firm that has been barred from bidding on contracts at any other MDB because of corruption, fraud, coercion, or collusion.

**Risk Management:** The MDBs have implemented several reforms aimed at strengthening risk management. The AfDB’s Credit Risk Committee is in its first year of full operation and provides credit risk assessments, particularly in the private sector. The AfDB’s newly completed risk management “dashboard” monitors key risks faced by the AfDB. And the IDB has also adopted financial management reforms as part of its risk management framework.

**Transparency and Accountability:** In the past year, the MDBs have increased their transparency and accountability through reforms that strengthen whistleblower protections, update disclosure policies, publicly disclose audited annual project financial statements, and strengthen accountability mechanisms. For example, in 2012, the AsDB updated its public disclosure policy to increase transparency, improved its Accountability Policy to increase Board oversight, and took key steps to strengthen the Office of the Auditor General and the Office of Anticorruption and Integrity.
Focus on Core Mission: The World Bank has revitalized its core mission—poverty reduction—by setting the ambitious goals of eliminating extreme poverty by 2030 and boosting shared prosperity. The AfDB has also announced its Ten-Year Strategy, which emphasizes inclusive and green growth. This strategy also reaffirms the AfDB’s commitment to maintaining a strategic focus on its core areas of comparative advantage, which include infrastructure, regional integration, fragile states, and governance.

Multilateral Development Banks: Priorities, Performance, and Reforms

Below we summarize the major developments and coming prospects for each institution, with a description of progress made and steps taken to achieve U.S. policy goals.

WORLD BANK

2013 Priorities: Negotiations for the seventeenth replenishment (IDA-17) of IDA, the arm of the World Bank that provides funding for the poorest countries, are underway. Key priorities for the United States during IDA-17 include: 1) enhancing private sector development in IDA’s poorer countries; 2) increasing the effectiveness of IDA engagement in fragile states; 3) continuing to press for increased use of evaluation and feedback from results in Bank-supported projects; and 4) improving IDA’s approach toward gender issues.

Against a rapidly changing global context and evolving client needs, the World Bank will be devising a new strategy to tighten the Bank’s focus on its core mission—a world free of poverty—by aligning Bank activities toward the achievement of two goals: 1) reducing extreme poverty to three percent by 2030; and 2) fostering income growth of the bottom 40 percent of the population. This strategy will build on the Bank’s Modernization Agenda, launched in 2010, and will focus on improved client and on-the-ground engagement. Bank management intends to share the strategy with the Bank’s Governors by the 2013 World Bank/International Monetary Fund Annual Meetings in October 2013.

Bank Performance in 2012: During FY 2012, the World Bank committed $52.6 billion. This assistance included the following:

- $20.6 billion by the International Bank for Reconstruction and Development (IBRD) in loans and technical assistance to middle income countries. Europe and Central Asia (30 percent) and Latin America and the Caribbean (30 percent) received the largest shares of IBRD’s new lending, followed by East Asia and Pacific (17 percent). Lending differed across sectors (types of economic activity) and themes (Bank objectives or goals). Among sectors, Public Administration, Law, and Justice received the largest commitment (26 percent), followed by Transportation (17 percent), Energy and Mining (14 percent), and Health and Other Social Services (12 percent). The themes receiving the highest share of commitments were Financial and Private Sector Development (16 percent), followed by Public Sector Governance (13 percent), and Human Development (13 percent).
$14.8 billion by IDA in highly concessional credits and grants to the 81 poorest countries in FY 2012. In FY 2012, the largest share of resources was committed to Africa (50 percent), followed by South Asia (36 percent), and East Asia and Pacific (8 percent). India (18 percent) and Nigeria (9 percent) were the largest country recipients. Commitments for Infrastructure, reached 34 percent of total IDA financing. Significant support was also committed to Education, Health, and other Social Services (23 percent); Public Administration, Law, and Justice sector (22 percent); and Agriculture (14 percent). The themes receiving the highest share of commitments were Rural Development (24 percent), Human Development (16 percent), and Urban Development (13 percent).

$15.5 billion in investments by the IFC, the private sector arm of the World Bank, to support the private sector in developing countries. In FY 2012, IFC mobilized an additional $5 billion from the private sector for development projects. Nearly half of IFC projects (283 out of 576) went to the world’s poorest countries.

$2.7 billion in guarantees by the Multilateral Investment Guarantee Agency (MIGA) to provide political risk insurance. MIGA is an agency of the World Bank that provides guarantees against losses related to currency transfer restrictions, expropriation, war and civil disturbance, breach of contract, and non-honoring of sovereign financial obligations. The most recent level of guarantees represents a 27 percent increase from last year’s record high issuance. The majority (58 percent) of MIGA’s new business volume in FY 2012 was in the infrastructure sector.

Key Institutional Reforms:

**IBRD/IDA:** The first ever comprehensive World Bank Strategy will be considered by the Board of Governors at the Annual Meeting in October 2013. President Kim has emphasized the need for greater synergies across the entire Bank and a more selective and strategic focus for the Bank’s activities. The Bank strategy review is also an opportunity to better align the budget process to Bank priorities, especially given the new corporate goals to end extreme poverty by 2030 and boost shared prosperity.

In addition, the World Bank launched the first ever comprehensive review of its procurement policies in May 2012. The procurement review will assess how the Bank’s procurement policies should be updated in light of an evolution in the Bank’s lending portfolio, changes in global procurement practices, and development of country capacity to manage procurement processes. Proposed improvements include a more robust complaints mechanism for bidders, greater engagement by the Bank across the entire contract cycle, and a commitment to strengthen the capacity of both borrowing countries and Bank procurement staff.

A key issue is to what degree and under what circumstances the World Bank should allow borrowers to use their own procurement processes and procedures. Bank management has conducted a wide-ranging set of consultations with governments and the private sector in countries around the world to inform the update of its procurement policies. The Bank is in the process of finalizing a framework paper that would outline the principles underpinning an updated procurement policy. The Bank plans to release the framework paper later this year and
undertake a second set of consultations with external stakeholders before developing its updated procurement policy. The United States will continue to closely monitor the review to help ensure that the Bank maintains high standards in order to safeguard Bank resources, hold the Bank accountable for creating a level playing field for all bidders, and support capacity building in client countries.

The World Bank is also undertaking a review of its environmental and social safeguards. The intent is to update the eight core environmental and social safeguard policies used for investment lending, and the policy on use of borrower safeguard systems. In doing so, the Bank will consider several emerging areas—such as labor, climate change, and human rights—for possible inclusion in the updated safeguards regime. The Bank launched an extensive consultation process in fall 2012 with a range of stakeholders including borrower countries and civil society groups worldwide. The Bank is now considering the input it received through these consultations, with a view to presenting a draft framework to the Board later this year. Based on the U.S. Treasury’s aforementioned extensive consultations with Congress and the NGO community, as well as other U.S. government agencies, the United States has taken a vocal stance on the need for the Bank to strengthen policies across a range of areas. These areas include labor (where the Bank has no safeguards policy), social impact assessment generally, and climate change.

Additionally, the World Bank recently reaffirmed its commitment to its flagship analytical product on the business climate—the Doing Business Report. The report, which the Bank has published for ten years, assesses regulations affecting small and medium-sized domestic firms in 185 economies and ranks the economies in ten areas of business regulation, such as starting a business, resolving insolvency, and trading across borders. Many Bank client countries find the report an invaluable tool in motivating business climate reforms. Despite opposition to the report from some emerging market countries who criticize the report’s ranking of countries and its ranking methodology, President Kim, with strong support from the United States and a majority of the Bank’s shareholders, committed to keeping the report and its aggregate ranking. The Bank will review ways in which to strengthen the report’s data collection, methodology, and rankings.

International Finance Corporation (IFC): The IFC has increased its focus on fragile and conflict-affected situations (FCS), IDA-eligible countries, and frontier regions of middle-income countries. About two-thirds of IFC’s Advisory Services expenditures are in IDA countries. The IFC Roadmap for FY 2014-2016 lays out a plan for substantially increasing IFC staffing resources and operations in FCS countries.

The IFC is projecting a 50 percent increase in volume in FCS commitments between FY 2012 and FY 2016. This is a bold, comprehensive approach including long-term equity investment and advisory services to provide a strategic focus on FCS. Such a strategy includes hiring a critical mass of FCS-dedicated investment staff with local knowledge and networks to maximize opportunities and develop new business. Part of this strategy includes creating more operational flexibility for projects in FCS by developing tailored processes and documentation, while maintaining appropriate integrity and due diligence standards. Because the development of projects in FCS is outside of the IFC’s normal risk tolerance—necessitating increased capital
requirements and working with inexperienced local sponsors—the IFC is working closely with other parts of the Bank to support the private sector in FCS.

In FY 2013, the IFC continued implementation of its IFC Development Goals (IDGs) initiative, with an objective of integrating results measurement with business strategy by tracking both the IFC’s and the clients’ performances. Two of the six IDGs—health and education, and financial services for micro/individual and SME clients—have been included in departmental scorecards and management’s performance objectives. Three other IDGs have undergone further testing with the objective of being introduced in FY 2014 to the scorecards and performance objectives.

AFRICAN DEVELOPMENT BANK

2013 Priorities: In April 2013, the AfDB Board adopted a new Ten-Year Strategy to guide its operations over the next decade. In line with key U.S. priorities for the region, the two overarching goals of the strategy are to promote inclusive and green growth, underpinned by five operational priorities: infrastructure development, regional integration, private sector development, governance and accountability, and skills and technology. Areas of special emphasis include fragile states, agriculture and food security, and gender.

The coming year will also see the first steps towards returning the AfDB to its headquarters in Abidjan, Côte d’Ivoire. AfDB headquarters have been temporarily located in Tunis, after civil war caused its move from Côte d’Ivoire in 2003. The return to Abidjan was officially endorsed by Governors in May 2013.

Lastly, we hope the AfDB will approve a new safeguard policy, the Integrated Safeguards System.

Bank Performance in 2012: In 2012, AfDB approvals totaled $6.4 billion, representing a significant decline from 2011, when approvals totaled $8.6 billion. To a large extent, the impact of the Arab Spring explains both the increase seen in 2011 and the lower uptake in 2012. Furthermore, the AfDB’s outlay on heavily indebted poor countries debt relief operations witnessed a sharp decline. Of the total approvals for 2012, $5.4 billion (85 percent) were in the form of loans and grants, compared to $6.2 billion (73 percent) in 2011.

During 2012, approvals at the AfDB hard-loan window amounted to $3.1 billion (49 percent of total approvals), a decline of about 44 percent compared to 2011. The decline was not due to low demand, but rather to the reaching of sustainable lending thresholds for the year by some countries. AfDF approvals reached $2.8 billion (44 percent of total), a three percent increase. The distribution of AfDB loan and grant approvals by sub-region was as follows: North Africa (31 percent); Southern Africa (13 percent); East Africa (12 percent); West Africa (12 percent); and, Central Africa (9 percent). Loans and grants approvals for multinational projects and programs amounted to 23 percent.

Approvals in 2012 included: infrastructure (which represented nearly 50 percent of total approvals, of which Energy was the dominant subsector, followed by Transport, and Water and
Sanitation); the Social Sector (15 percent); Multi-Sector (14 percent); Finance (11 percent); Agriculture and Rural Development (9 percent); and Industry, Mining, and Quarrying (3 percent).

Key Institutional Reforms: The AfDB maintained reform momentum in 2012 with a focus on enhancing results-oriented operational efficiency at headquarters and in the field, and increasing capacity to respond rapidly to client needs in accordance with priorities in the Ten-Year Strategy. Key institutional reforms included transitioning to the Ten-Year Strategy, budget management, decentralization, and an information technology strategy.

Transitioning to the Ten-Year Strategy. The AfDB is now operating on a Ten-Year Strategy that covers 2013-2022. The Bank will have annually updated and approved three-year rolling programs—including operational objectives, budgets, and expected outputs and outcomes. The annual budgets will be overseen by the Budget and Policy Departments, based on a related results monitoring system. Country strategy papers—formed by the Ten-Year Strategy, and developed in consultation with sector departments—will be at the center of planning and budgeting.

Decentralization. Field presence has increased (35 percent of operations staff are now field-based), including pilot Regional Resource Centers (RRCs) in Nairobi and Pretoria to enable a faster response to regional member countries’ requests for technical and specialized skills. Also, the Delegation of Authority Matrix was updated, moving decision-making closer to clients. The AfDB also introduced a framework for engagement with civil society organizations. The new South Sudan Country Office (in Juba) increased field presence to 12 of the 18 countries eligible for support from the Fragile States Facility. In total, there are offices in 34 countries—29 Country Offices, the two RRCs, and three customized liaison offices—including the latest liaison office in Mauritius, which spurred plans for further offices in Congo-Brazzaville, Equatorial Guinea, Mauritania, and Benin in 2013. Strengthened field presence is resulting in improved portfolio management, enhanced country dialogue, and greater visibility.

Risk dashboard. A full risk dashboard was completed by an in-house multi-departmental team in December 2012. This risk dashboard provides a comprehensive view of all the risks faced by the AfDB and highlights areas of concerns to be adequately monitored. A more enhanced dashboard, with full automation and drill-down capacity, will be developed with the assistance of an external consulting firm that is currently being recruited.

Creation of a new Credit Risk Committee. The Credit Risk Committee, a key pillar of the AfDB’s Credit Risk Governance, became fully operational from the third quarter of 2012. It has been instrumental in deepening the assessment of credit risk issues, particularly for private sector operations. A review of the Committee will be conducted after its first year of operations and any possible fine-tuning and enhancements from lessons learned will be proposed to AfDB senior management.

Adoption of the Operations Risk Management (ORM) Framework. This Framework was approved in 2012 to facilitate coherent and comprehensive governance (including the setting up of a cross-departmental operational risk management committee), including the identification,
assessment, mitigation, control, and reporting of risks across the AfDB. Following the approval of the Framework, the AfDB adopted a phased implementation approach, starting with a pilot run that involved three business units. The pilot risk assessment workshops were completed in December 2012 and results are currently being finalized, after which implementation will be extended to all critical business units of the AfDB.

*Updating of the Disclosure Policy.* Following the Board of Directors' approval of the AfDB's Disclosure and Access to Information (DAI) Policy in May 2012, the Policy became effective in February 2013. The DAI Policy re-affirms the AfDB’s commitment to the principles of good governance, particularly transparency, accountability, and sharing of information, mostly pertaining to its operations. The DAI Policy reflects a paradigm shift from a restricted disclosure process based on a positive list of documents to be disclosed, to a presumption of disclosure with limited exceptions (a negative list). This presumption of disclosure is further reinforced through a right of appeal. The Information Disclosure Committee will be the first stage of appeal of failure or refusal to provide information eligible for disclosure under the DAI Policy.

*AfDF Replenishment:* Negotiations for the thirteenth replenishment (ADF-13) of the AfDF began in February 2013, and are expected to conclude in September 2013. As part of the AfDF replenishment, Treasury has been encouraging the AfDF to build on its strong track record in infrastructure by increasing its focus on crowding in private sector funds for viable infrastructure projects. Key U.S. priorities include:

- encouraging the AfDF to develop new concessional risk mitigation and credit enhancement instruments to catalyze private finance for infrastructure projects in Africa;
- restructuring the AfDF’s project preparation facility to provide advisory services for complex transactions and early stage project development, while also continuing to focus on strengthening the quality of regulatory environments;
- revising the Results Measurement Framework to align it with priorities identified in the Ten-Year Strategy;
- strengthening support for gender objectives through better use of gender-disaggregated data and indicators and a revised gender framework that tracks gender outcomes;
- strengthening effectiveness of assistance to those fragile states demonstrating the political will to take on key reforms; and
- strengthening the financial sustainability of AfDF by reducing loan concessionality and adopting differentiated lending terms for higher income countries that nonetheless still qualify for borrowing from the AfDF.
2013 Priorities: The key priorities for the United States include: ensuring that the AsDB continues its strong engagement on our national security priorities, such as Afghanistan and Burma; enhancing regional economic integration; promoting sustainable lending practices, such as raising loan charges; and encouraging the AsDB to engage several middle-income countries on graduation.

Bank Performance in 2012: In 2012, the AsDB committed $10.1 billion in non-concessional resources, and the Asian Development Fund (AsDF), the Bank’s concessional arm, committed $3 billion. Top recipients of funds were India (19 percent), China (14 percent), Vietnam (10 percent), Indonesia (9 percent), and Bangladesh (8 percent). AsDB operations for lending focused primarily on infrastructure projects (73 percent), mainly in the Energy (22 percent), Transportation (34 percent), and Water Supply and Sanitation sectors (14 percent).

As part of Strategy 2020, the AsDB included regional cooperation and integration as part of the bank’s strategic priorities, and set a target that 30 percent of AsDB operations would promote regional cooperation and integration by 2020. In 2012, the AsDB exceeded its interim target by reaching 15 percent. In addition, the AsDB provided critical support to U.S. foreign policy priorities in Afghanistan and Burma. To support Afghanistan during a critical time as the International Security Assistance Force begins to draw down, the AsDB approved $376 million in grants to Afghanistan, a 27 percent increase from 2011. In Burma, the AsDB supported the country’s reengagement with the world by rapidly responding to Burma’s request for arrears clearance. In addition, the Bank is helping to develop the country’s energy and tourism strategies to improve the country’s fiscal footing, as well as providing assistance to improve public financial management and institutional capacity.

AsDF Replenishment: In 2011, donors agreed on a replenishment level of $12.4 billion for the tenth replenishment (AsDF-11) of the AsDF covering the four-year period from 2013-2016. Approximately 37 percent of the replenishment came from donors and the rest from internal AsDF resources and transfers from AsDB net income. While the overall size of the replenishment at $12.4 billion represents a 10 percent increase from AsDF-10, the U.S. pledge declined by 22 percent from AsDF-10. This reduced pledge amount is part of a multi-year plan to clear U.S. unfulfilled pledges at the AsDF. We have requested the AsDF-10 level of funding for the AsDF, and will use the difference for partial clearance of unfulfilled pledges.

The AsDB committed to a number of reforms during the AsDF-11 negotiations, which have been implemented or are in the process of being implemented. These include: 1) transferring $120 million annually from the AsDB’s non-concessional window to the AsDF; 2) extending the phase-out of Afghanistan’s exceptional post-conflict assistance; and 3) liberalizing procurement rules to allow universal procurement eligibility for all co-financed projects.

Key Institutional Reforms: The AsDB continued to implement reforms negotiated in 2009 as part of its general capital increase, including whistleblower and witness protection provisions. At U.S. urging, the AsDB revised its Public Communications Policy to increase transparency and accountability. The new Policy became effective in April 2012. Modifications improved upon a
policy that already followed a presumption in favor of disclosing all information about Bank-assisted operations (subject to very limited exceptions). Three specific improvements to the Policy are: 1) disclosing the majority of Board documents to the public at the time that they are circulated to the Board for consideration; 2) disclosing project-level audited financial statements; and 3) providing assistance to member country governments and private sector clients in developing project or program communications strategies, which will be an integral part of consultation with and participation by affected people and other interested stakeholders.

Bank management and the Board have taken steps to bolster the independence of the Office of the Auditor General (OAG). In addition, the OAG is taking steps to strengthen the office, based on recommendations made by the peer review team from the Institute of Internal Auditors. These recommendations include: improving risk assessment and documentation processes, expanding fraud-related training, and expanding the use of computer-assisted audit techniques. In addition, the Office of Anticorruption and Integrity continues to report quarterly to the Audit Committee of the Board. Staffing changes in several key accountability roles also bode well for increased strength and independence of these offices.

Finally, the AsDB’s revised Accountability Mechanism Policy took effect in May 2012. This revised Policy incorporates several positive changes, including: (1) a more streamlined process for receiving and reviewing complaints, which will result in improved access and ease-of-use for affected persons; (2) measures to increase awareness of the Policy in developing member countries; and (3) increased Board oversight and reduced management influence over compliance review panels. The Compliance Review Panel is the independent entity that investigates alleged noncompliance by the AsDB with its operational policies and procedures that has caused, or is likely to cause, direct and material harm to project-affected people.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

2013 Priorities: A key priority for the United States and the EBRD is continued progress on geographic expansion to the Middle East and North Africa (MENA) region. The EBRD began investments in the new region in late 2012 using a Special Fund. Unanimous ratification of amendments to the Agreement Establishing the EBRD, which is needed to permit the EBRD to extend its region of operations to include the Southern and Eastern Mediterranean, was achieved in July 2013. Other priorities for the year include strengthening the EBRD’s approach to gender and economic inclusion issues, and a review of the Bank’s Environmental and Social Policy, its Public Information Policy, and its Project Complaint Mechanism. Discussions will intensify this year on the EBRD’s approach to the graduation of the more advanced transition countries.

Bank Performance in 2012: The EBRD continued to provide financing in response to financial challenges in Europe, and its investments in 2012 reached $11.8 billion. Eighty percent of EBRD investments were directed to the private sector. The EBRD supported a record 393 operations in 2012. Top recipients of investments were Russia (29 percent), Turkey (12 percent), Ukraine (11 percent), Poland (8 percent), and Romania (7 percent). EBRD business volume in 2012 was concentrated in the following sectors: Financial Institutions (32 percent), Corporations (28 percent), Infrastructure (21 percent), and Energy (20 percent).
The EBRD maintained a focus on its transition mandate, with 92 percent of projects signed in 2012 rated good or excellent in terms of their potential for promoting transition to a market economy. In 2012, the EBRD launched Phase 3 of its Sustainable Energy Initiative, which aims to help EBRD’s countries of operation mitigate and adapt to climate change, and improve energy efficiency in these countries.

In 2012, there was substantial progress toward achieving a U.S. priority to support emerging democratic states in the MENA region in their transition to more market-oriented economies. The EBRD launched investment operations in Egypt, Jordan, Morocco, and Tunisia in late 2012, investing a total of $239 million in the region. The United States was successful in achieving another long-term objective, as sufficient support from shareholders was obtained to approve Kosovo’s membership in the EBRD.

Key Institutional Reforms: In line with our institutional reform objectives, the EBRD continued to increase the proportion of its investments in the early (less advanced) transition countries (ETCs), reaching a record business volume of $1.45 billion in 2012. For the third consecutive year, more than 30 percent of EBRD’s transactions were completed in ETCs.

With U.S. support, the EBRD began in 2012 to consider improvements to its results framework, including enhancements to its transition impact measurement. Work has continued in 2013, with the goal of adopting a new approach by the end of the year.

Revised codes of conduct for both EBRD personnel and for officials of the Board of Directors entered into effect in 2012. The new codes of conduct have been aligned with the current best practice of comparable institutions. Among the enhancements are the establishment for Board officials of the obligation to report suspected misconduct and the concomitant duty to refrain from retaliation against whistleblowers. The revised codes also provide for a more transparent procedure for dealing with alleged breaches of the codes.

The Board of Directors approved a new evaluation policy in 2012. The new policy sets out the principles guiding evaluation at the EBRD, highlighting that evaluation is a bank-wide effort and not solely the responsibility of the Evaluation Department. The Evaluation Department developed an improved self-assessment template for bankers, which was introduced on a pilot basis in 2012.

INTER-AMERICAN DEVELOPMENT BANK

2013 Priorities: Key priorities for the IDB include improving the effectiveness of policies, strategies, and reforms stemming from commitments in the Ninth General Capital Increase (GCI-9) agreement. Since the previous report, the IDB’s independent Office of Evaluation and Oversight (OVE) has undertaken a comprehensive mid-term review of all of the reforms that were agreed as part of the GCI-9. The evaluation analyzed both the extent to which the reforms were implemented, and the reforms’ effectiveness. The presentation of the results of this review was the centerpiece of discussion among Governors at the March 2013 Annual Meetings.
Overall, the evaluation found that the IDB has fully implemented almost all of the agreed reforms. However, OVE determined that the effectiveness of the reforms has been mixed. Areas identified for improvement include the effectiveness of the Independent Consultation and Investigation Mechanism, the Macroeconomic Stability Assessments, and the IDB's work on private sector development. Management and the Board of Directors are working closely on plans that address the concerns outlined by OVE.

Although substantial progress has been made on the implementation of the Corporate Results Framework, which helps track the IDB’s effectiveness in generating results and operational efficiency, additional efforts are needed to simplify it and foster a greater sense of ownership within the institution. The IDB will also continue improving the management framework for technical cooperation and knowledge products. The evaluation of the Bank’s support for Haiti emphasized the substantial effort and commitment to Haiti of the Bank and its partners. Top priorities in designing and implementing the IDB’s Haiti program will be project quality, local capacity-building, and the country’s absorptive capacity. The IDB is currently reviewing operational policies to create an up-to-date, comprehensive, and binding set of policies that will be closely tied to all institutional strategies and sector frameworks.

The IIC Board approved a safeguards policy for the IIC in June 2013, which is expected to enter into force late in the year.

**Bank Performance in 2012:** The IDB committed $11.4 billion in loans and grants for 169 projects in 2012. Top recipients of IDB lending in 2012 were Brazil (18 percent), Mexico, (13 percent), Argentina (12 percent), and Costa Rica (6 percent). The lending was spread across many sectors, with the largest amounts going to Transport (15 percent), Water and Sanitation (15 percent), Reform/Modernization of the State (13 percent) and Energy (11 percent). In addition, 43 percent of the volume of total lending went to small and vulnerable borrowing countries, which was a key goal of the GCI-9.

The IDB has been one of the most committed partners in leading reconstruction efforts in Haiti after the devastating 2010 earthquake. The IDB approved $246 million in new grants and disbursed $200 million last year for critical projects in priority sectors in Haiti.

**Key Institutional Reforms:** The IDB made significant progress in implementing its GCI-9 commitments. Areas that OVE noted are well implemented and effective include financial and risk management and information disclosure. OVE also favorably reviewed the IDB’s progress in combating fraud and corruption, implementing environmental and social safeguards, and putting in place the Development Effectiveness Framework. Key findings on a few of these issues are highlighted below.

- **Financial and Risk Management:** The Income Management Model (IMM) was a key achievement for the United States in the financial reforms included in the GCI-9 agreement. The IMM clearly links the IDB’s loan charges to its administrative expenses and lending capacity. The OVE report confirms that the IMM (along with other financial management reforms in the capital adequacy policy and risk management framework) has been fully implemented and is working as intended. OVE notes that the parameters
imposed within the IMM are stricter than those at comparator institutions, and thus recommends that management periodically review the parameters through scenario testing to see if additional flexibility could be given without jeopardizing the IDB’s AAA credit rating or financial stability.

• **Information Disclosure:** The GCI-9 agreement requires that the Bank’s information disclosure policy be expanded, bringing it in line with its peer institutions. The new disclosure policy took effect on January 1, 2011. The OVE evaluation finds the new policy to be a major step forward, noting that it is broadly consistent with the IDB’s peers. However, OVE is concerned with the policy’s approach towards “country specific information” (information that the country might consider to be confidential) and how it might undermine the significant improvements in IDB transparency. Specifically, the policy included an exception that allowed countries to block publication of an entire document rather than just redacting sensitive information. Management agreed with OVE’s concern and made changes in line with OVE’s recommendations. In February 2013, these changes were made to the access to information guidelines, which are posted on the IDB website.

• **Combating Fraud and Corruption:** OVE found that the IDB made substantial progress in improving its work to combat fraud and corruption, particularly in relation to protecting IDB finance activities. Reforms include strengthening the independence of the Office of Institutional Integrity, adopting an improved sanctions structure, and finalizing a cross-debarment agreement with other MDBs. With regard to helping the IDB’s borrowing countries combat corruption, OVE finds that while the IDB has many projects to improve public management and strengthen institutions, this agenda has not received sufficient attention and support. We continue to press the IDB to strengthen its incorporation of anticorruption and governance issues in the individual country strategies.

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**2013 Priorities:** IFAD has outlined an ambitious agenda in its Medium-Term Plan (MTP) for 2013-2015, which centers on lifting 80 million rural individuals out of poverty. In response to a call by donors to maximize efficiency, IFAD is aiming to amplify its impact without increasing its resource base. To this end, IFAD is committed to scaling up successful and innovative approaches to smallholder development.

**Fund Performance in 2012:** IFAD’s total portfolio stood at $13 billion at the end of 2012, of which $5.9 billion represented IFAD’s own financing; the remainder is co-financing from other parties. IFAD committed $998 million in loans and grants for 33 projects in 2012. Top recipients of IFAD financing in 2012 were China (9 percent), Nigeria (7 percent), Democratic Republic of Congo (7 percent), Afghanistan (6 percent), and Burkina Faso (5 percent). Close to 40 percent of approvals were to Sub-Saharan Africa, followed by Asia and the Pacific (35 percent), Latin America and the Caribbean (15 percent), and Near East, North Africa and Europe (10 percent). Approximately 71 percent of IFAD’s approvals went to low-income food-deficit countries. Funding for Agriculture and Natural Resource Management remained IFAD’s top
priority with over 30 percent of resources directed to that category, followed by Rural Market Services (15 percent), Market and Related Infrastructure (15 percent), Policy and Institutional Support (10 percent), Community-Driven Human Development (9 percent) and Small and Microenterprises (6 percent).

IFAD’s reported results for 2012 include: (1) training 4.8 million people in improved agricultural practices and technologies; (2) improving management standards for 3.7 million hectares of common-property resource land; (3) constructing or repairing 21,000 kilometers of roads; (4) forming or strengthening 16,000 marketing groups; (5) training 1.5 million people in business and entrepreneurship; and (6) assisting 4.3 million active borrowers, 69 percent of which are women, through IFAD-assisted microfinance institutions.

In February 2013, Kanayo Nwanze was re-elected as the President of IFAD for a second four-year term of office. A Nigerian national, Nwanze has 35 years of experience across three continents on methods of promoting poverty reduction through agriculture, rural development, and research.

Key Institutional Reforms: IFAD intends to further improve its institutional efficiency by increasing its average project size, engaging in further decentralization, incentivizing higher performance and productivity among its staff and consultants, streamlining internal processes, improving risk management, upgrading information and communication technology, and more closely monitoring budget performance. A new suite of cost tracking tools and process efficiency indicators will help to monitor success, including improvements in the way staff resources are deployed.

IFAD has improved its financial management system and modernized its approach to portfolio management by providing sound investment guidelines in support of its recently updated investment policy, which outlines IFAD’s investment goals and risk appetite. In addition, IFAD recently adopted an improved cash flow management system that will align IFAD with best practices at other MDBs. IFAD is also in the process of better linking pay to performance within its Human Resources policies.

NORTH AMERICAN DEVELOPMENT BANK

2013 Priorities: The NADB continues expand its visibility as a key source of finance for environmental infrastructure along the U.S.–Mexico border. NADB’s renewable energy portfolio has grown significantly in the last few years in response to heightened investor appetite in solar and wind investments on the U.S. side of the border. NADB has also started disbursing from the new Community Assistance Program, which is a grant facility set up in 2011 to provide water/wastewater infrastructure financing for low income communities. Building on this momentum, NADB management is exploring the role that it could play in bringing the government and the private sector together to help fund border infrastructure.

Bank Performance in 2012: Since its establishment, NADB has provided approximately $1.9 billion in loans and grants that are benefiting an estimated 17.2 million residents. In 2012,
NADB approved a record 19 projects for a total of $583.8 million, with a growing number of private sector deals mainly in the renewable energy sector. The majority of NADB projects are in the United States (61 percent), compared to Mexico (39 percent), largely driven by large renewable energy projects approved in the last year. Renewable Energy accounts for 58 percent of NADB's sectoral lending, following by Air Quality (15 percent), Water and Wastewater Disposal (15 percent), and Solid Waste Disposal and Storm Drainage (11 percent). The total investment value of all the projects to which it provides or administers funding is approximately $5.5 billion. Loans past due remain consistently low at five percent of the portfolio.

NADB and its sister institution – the Border Environmental Coordination Commission (BECC) - have had a measurable impact on improving access to environmental infrastructure along the border. Key accomplishments include:

- providing 123 Water and Wastewater projects valued at $2.4 billion for new or improved services to 12 million border residents with a capacity to adequately treat more than 450 million gallons per day (MGD) of wastewater discharges;

- supporting 23 Solid Waste projects accommodating approximately 1,550 tons/day of waste that had been previously disposed of in open or uncontrolled sites, benefiting more than 3.5 million people;

- implementing 12 Air Quality projects related to paving and urban mobility, which eliminate approximately 170,000 tons per year of dust caused by vehicular traffic on unpaved roadways;

- supporting 25 Water Conservation projects estimated to save energy and to decrease water losses by approximately 330 MGD, enough to serve the average demands of some four million people; and

- supporting the development of 13 Clean and Efficient Energy projects anticipated to prevent greenhouse gas emissions equivalent to almost 1,265,665 metric tons of CO2 per year.

Looking ahead, NADB projects strong growth in its loan portfolio, with loans outstanding projected to increase from $897 million to $1.5 billion by 2017. The extraordinary increase in lending has resulted in some institutional capacity constraints that management is monitoring. NADB began borrowing from private capital markets in 2010 to support its capital needs, and has thus far raised $720 million from the market. Fitch just announced its first ever rating for NADB at a AA+/Stable outlook.

Key Institutional Reforms: In the last year, NADB’s growth both in lending activities and in raising capital has been accompanied by stronger financial policies to more effectively manage risks. NADB’s efforts in strengthening financial management have been validated by strong credit ratings, including: a AA Stable rating from Fitch, a AAA Stable rating from Moody, and an A+ Negative rating from S&P. NADB has also increased training and capacity building as it enters newer sectors within its mandate. NADB has made good progress in strengthening its
results measurement capacity with the launch of project completion reports and new impact
evaluations that are planned for the coming year. Looking forward, NADB intends to focus on
managing operational risks as it continues to target an ambitious growth plan over the next five
years.
Report on IDA Contribution to Graduation

The U.S. Department of the Treasury presents this report consistent with 22 U.S.C. § 262r-6(b)(2). That section directs the Secretary of the Treasury to report to Congress on how International Development Association (IDA) financed projects contribute to the eventual graduation of a representative sample of countries from reliance on financing on concessionary terms and international development assistance.

IDA provides highly concessional funds to the poorest countries, and ideally supports growth and development that ultimately enables these countries to graduate from IDA. The highest priority for scarce concessional resources is the poorest countries whose access to alternative sources of finance is highly constrained. The process of graduation from IDA is normally triggered when a country’s per capita income exceeds the operational graduation threshold (currently $1,195) for at least two consecutive years, and the country is deemed to be creditworthy enough to receive loans from the International Bank for Reconstruction and Development (IBRD). The graduation process involves a phase-out of IDA funding along with a phase-in of IBRD lending. Before graduation, there is usually an intermediate stage in which countries are designated as IBRD/IDA “blend” countries. There are currently 17 IDA-blend countries: Armenia, Bolivia, Bosnia-Herzegovina, Cape Verde, Dominica, Georgia, Grenada, India, Mongolia, Pakistan, Papua New Guinea, Sri Lanka, St. Lucia, St. Vincent, Uzbekistan, Vietnam, and Zimbabwe (which is not borrowing due to arrears).

Five countries will graduate from IDA by June 2014 (the end of IDA-16): Angola, Armenia, Bosnia-Herzegovina, Georgia, and India. In FY 2012, these five countries represented nearly 13 percent of IDA lending. India, which is currently the largest borrower from IDA (accounting for 11 percent of IDA lending in FY 2012) is the only current graduate that faces a hard constraint in its access to IBRD lending (due to limitations on the amount that any single country can borrow from the IBRD). As a result, India cannot replace lost IDA funding with IBRD loans. In order to smooth India’s graduation to “IBRD-only” status and avoid a steep decline in combined IDA/IBRD resources, India is likely to receive limited “transitional assistance” from IDA. This transitional support to India would follow a downward trajectory and be available on less concessional (closer to IBRD) terms.