REPORT TO CONGRESS FROM THE CHAIRMAN OF THE NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES

A Report to Congress

consistent with

Section 1701 of the
International Financial Institutions Act,
as amended by the Omnibus Appropriations Act, 1999,

Section 9006 of Division K of the
Consolidated Appropriations Act, 2016,

Title 22 of U.S. Code Section 262r-6(b)(2),

Section 9722(b) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021,

Section 6103(b) of the National Defense Authorization Act for Fiscal Year 2022,

Section 834(b) of the United States-Mexico-Canada Agreement Implementation Act,

United States Department of the Treasury

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INTRODUCTION

To promote sustainable, inclusive, and resilient global economic growth and support our national interests, the United States plays an active role in the policies and lending of the international financial institutions (IFIs). The IFIs are highly cost-effective means to further U.S. foreign policy and global security interests and encourage open markets and sound macroeconomic and financial policies. They also help to fight poverty, support robust and inclusive economic growth and development, enhance food security, develop quality infrastructure, promote private sector development, combat climate change, advance energy access and strengthen energy security, as well as respond to emerging crises and emergency situations, including pandemics, natural disasters, and the protracted displacement of refugees. Importantly, IFI financing serves as a high-quality alternative to nontransparent, unsustainable, and coercive lending from other sources.

U.S. leadership was instrumental in founding and designing most of these institutions, and they continue to reflect our values and priorities. Today, the United States remains the largest or joint largest shareholder at all the institutions of which it is a member, except the African Development Bank, where the United States is the largest non-African shareholder and second-largest overall. The United States uses its shareholding, voice on the governing bodies, and convening power to proactively shape IFI policies and programs in support of U.S. foreign policy, national security, and economic interests.

This report responds to the requirement in Section 1701 of the International Financial Institutions Act, as amended by Section 583 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277) that 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) report annually to Congress on the participation of the United States in the IFIs. It also reports on matters pursuant to the following provisions of law:

1. Section 9006 of Division K of the Consolidated Appropriations Act, 2016 (P.L. 114-113), which requires the Secretary of the Treasury to report annually on changes in the lending, surveillance, technical assistance (TA), and exceptional access policies of the International Monetary Fund (IMF), and any new or ongoing exceptional access loans;

2. Title 22 of U.S. Code Section 262r-6(b)(2), which directs the Secretary of the Treasury to report to Congress on how the World Bank's International Development Association-financed projects contribute to the eventual graduation of countries from concessional financial assistance;

3. Section 9722(b) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283), which requires the Secretary of the Treasury, as the Chair of the National Advisory Council on International Monetary and Financial Policies, to report on progress made to secure greater transparency with respect to the terms and conditions of financing provided by the government of the People's Republic of China to recipient member countries of each IFI;

4. Section 6103 of the National Defense Authorization Act for Fiscal Year 2022 (P.L. 117-81), which directs the Secretary of the Treasury to report on activities undertaken by the IMF to provide CD to Fund members to enhance their capacity to evaluate the legal and financial terms of sovereign debt contracts with multilateral, bilateral, and private sector creditors, and efforts by the United States to advocate that the IMF promote international standards and best practices with respect to sovereign debt contracts; and

5. Section 834 of the United States-Mexico-Canada Agreement Implementation Act (P.L. 116-113), which requires the Secretary of the Treasury to report on progress in having the North American Development Bank adopt certain performance measures.

It is a strategic priority for the United States to maintain its leadership position in the IFIs, with the goal of supporting U.S. interests and advocating for robust reform so that the institutions remain relevant to the challenges of the 21st century. Throughout 2023, the United States promoted policy reforms across the IFIs to improve (a) their governance and ability to respond to global challenges that undermine progress on poverty reduction and inclusive economic growth, such as climate change, pandemics, and fragility and conflict, (b) their focus on food and energy security, poverty reduction, and inclusive growth, and (c) their operating models and incentives so that they are more agile and responsiveness to countries' needs and better able to partner with others, including the private sector; and (d) the efficiency with which they use their financial resources and conduct their operations, while maintaining high fiduciary, social, and environmental standards.

This report covers the period from January 2023 through December 2023 and looks at prospects for the remainder of 2024 – during which the IFIs will be focused on overcoming continued headwinds to global economic growth and poverty reduction, including spillover effects from Russia's war against Ukraine and the conflict in the Middle East; elevated debt sustainability risks; negative net financing flows to a wide range of low and middle income countries as debt service costs have been high and both private and official bilateral funding has slowed; and the need to increase investment from all sources to address the drivers and effects of fragility, conflict and violence, combat climate change, and promote sustainable infrastructure. This report covers the following IFIs: the IMF, the multilateral development banks (MDBs), including the World Bank Group, African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, and North American Development Bank, and the International Fund for Agricultural Development.

INTERNATIONAL MONETARY FUND (IMF)

U.S. engagement with the IMF continues to focus on supporting member countries as they grapple with macroeconomic vulnerabilities that emerged since the COVID-19 pandemic and the continued implications from Russia's war, alongside support for countries' efforts to raise their growth potential through macroeconomic and structural reforms and address longer term challenges from climate change and the consequences of fragility, conflict, and violence in the Middle East and elsewhere. During 2023, the United States played a leading role in strengthening the IMF as a quota-based institution and improving the representation of Sub-Saharan African members at its Executive Board with the planned creation of a third chair for the region. The United States continues to lead in efforts to enhance the IMF's toolkit and its ability to support vulnerable economies as they respond to various unprecedented shocks, while also pressing the IMF to remain focused on its core mandate of supporting countries through policy advice, capacity development and lending programs. With bipartisan congressional authorization for the United States to lend up to $21 billion to the Poverty Reduction and Growth Trust, which President Biden signed into law this spring, our focus will be on making sure that these resources are used effectively to support low-income countries as they undertake reforms to address balance of payments problems, boost growth, address debt sustainability challenges, and strengthen governance and anti-corruption efforts.

Major Issues Affecting U.S. Participation at the IMF

The United States plays a key role in shaping IMF policy and institutional issues as the IMF's largest shareholder. The United States participates in the IMF financially through a quota subscription and a contribution to the IMF's secondary line of resources, the New Arrangements to Borrow (NAB). The United States has the largest voting share of IMF members, currently 16.5%, and is the only member country with the ability to veto certain major institutional decisions. The planned implementation of the 16th General Review of Quotas later this year, pending congressional support, would maintain relative quota shares of the IMF's members and thus would preserve the U.S. veto.

IMF Financing and Policy Developments in 2023

The IMF plays an important role in safeguarding the international financial system and promoting economic and financial stability through its principal activities of surveillance, financing, and technical assistance. The IMF's bilateral and multilateral surveillance is aimed at encouraging policies that contribute to sustainable global growth and macroeconomic and financial stability. The IMF also discourages policies that are unsustainable or have harmful spillover effects on other countries. As part of the global financial safety net, IMF financing plays an important role in supporting the global economy and the prosperity of American workers, households, and businesses by reducing the frequency and severity of economic crises abroad. The IMF complements its financing with expert analysis and technical advice and helps governments build capacity to improve the efficiency and effectiveness of policies, including domestic revenue mobilization, debt management, monetary policy operations, financial sector oversight, and the design and implementation of anti-money laundering and combating the financing of terrorism (AML/CFT) policies.

As of end-2023, the IMF had 31 active financing arrangements with member countries using its general resources (quota resources) for a total commitment of $159 billion. This includes seven precautionary arrangements totaling $76 billion with Chile, Colombia, Jamaica, Mexico, Morocco, North Macedonia, and Peru. New financing arrangements approved during 2023 include Bangladesh, Cote d'Ivoire, Honduras, Jamaica, Kosovo, Mauritania, Mexico, Morocco, Pakistan, Seychelles, Sri Lanka, and Ukraine, as well as Papua New Guinea and Senegal, which are also eligible for concessional financing (see paragraph below). Previous arrangements in Mexico, Panama, Pakistan, and Senegal expired during 2023. As of end-2023, Argentina and Egypt had exceptional access programs using general resources; both programs were approved in 2022. For additional information on exceptional access programs, please see Annex I on IMF Exceptional Access Programs in 2023.

As of end-2023, the IMF had 30 concessional financing arrangements with low-income countries (LICs) totaling $17 billion under the Poverty Reduction and Growth Trust (PRGT). During 2023, the IMF Executive Board approved 15 new concessional financing arrangements for Bangladesh, Burkina Faso, Burundi, Central African Republic, Comoros, Cote d'Ivoire, Ghana, Guinea-Bissau, Honduras, Malawi, Mauritania, Papua New Guinea, Rwanda, Senegal, and Somalia, while arrangements in Liberia, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, and the Gambia expired. The IMF is also working with low-income and vulnerable middle-income members to build resilience to external shocks and help ensure sustainable growth. As of end-2023, the IMF had 16 financing arrangements under the Resilience and Sustainability Trust (RST) totaling $6.9 billion. During 2023, the IMF Executive Board approved 13 new arrangements under the RST for Bangladesh, Benin, Cabo Verde, Jamaica, Kenya, Kosovo, Mauritania, Moldova, Morocco, Niger, Paraguay, Senegal, and Seychelles.

In continuing to respond to global economic shocks, in 2023, the IMF approved three concessional emergency financing arrangements for LICs (Burkina Faso, Haiti, and South Sudan) under the Rapid Credit Facility (RCF) totaling $301 million. No new emergency financing arrangements under the Rapid Financing Instrument (RFI) were undertaken in 2023. The RCF and RFI both provide emergency financial assistance to countries facing urgent balance of payments needs. The RFI is available to all member countries, while the RCF is available only to the low-income IMF members that qualify for the PRGT. All three of the RCF arrangements were under the temporary Food Shock Window (FSW) approved by the Executive Board in September 2022; the FSW expired in March 2024.

As countries continue to address heightened vulnerabilities following successive economic shocks from the COVID-19 pandemic and Russia's war against Ukraine, Treasury is pressing the IMF to provide assistance to those most in need. The United States has led a push to enhance the IMF's toolkit and its ability to support vulnerable economies in addressing both near- and longer-term challenges:

- *16th General Review of Quotas (16th GRQ):* In December 2023, the IMF Board of Governors approved an agreement on the 16th GRQ to increase quota shares for all members by 50 percent, while reducing the IMF's reliance on borrowed resources. Quota is roughly commensurate with a country's voting share at the IMF and broadly reflects a country's relative position in the global economy. The agreement under the 16th GRQ would increase members' quotas on an equi-proportional basis, thus all members' relative quota positions would remain the same. For the United States, this means we would maintain our position as the largest shareholder at the IMF with a quota share of 17.4% and a 16.5% voting share, above the IMF veto threshold of 15% for major institutional decisions. While many countries sought to change quota shares, the United States was able to lead a coalition to support the equi-proportional increase that maintains our key role at the Fund. The IMF's overall resources are currently comprised primarily of quota resources supplemented by borrowed resources from participating countries under the NAB and individual borrowing agreements under the Bilateral Borrowing Agreements (BBAs). The NAB and BBAs serve as the first and second backstops, respectively, if the IMF's quota lending capacity comes under strain. The agreement under the 16th GRQ would also reduce the overall size of the NAB, while slightly increasing the U.S. relative NAB share, and would fully eliminate the BBAs, in which the United States does not participate. This quota increase will make the IMF a more quota-based institution and reduce the possibility for lenders in the BBAs, with China among these lenders, to have soft power at the IMF.

- *The Poverty Reduction and Growth Trust (PRGT):* The PRGT is the IMF's concessional financing facility that provides highly subsidized loans to support 69 eligible LICs. Since the beginning of the pandemic, the PRGT has committed over $30 billion in zero-interest loans to more than 50 LICs—a roughly fourfold increase in lending from the PRGT's pre-pandemic average. This support has helped hard-hit LICs, which typically lack reliable access to global capital markets, maintain and, when needed, restore economic stability. IMF programs through the PRGT generally support policy reforms to help address longstanding economic, governance and debt sustainability issues that are resulting in balance of payments problems.

- *Resilience and Sustainability Trust (RST):* The RST provides long-term affordable financing to low- and vulnerable middle-income countries to build resilience to external shocks and support balance of payments stability. The RST complements the IMF's existing lending tools by addressing longer-term fiscal and external risks related to energy security, climate change, and pandemic preparedness. RST programs must be accompanied by an upper credit tranche (UCT) IMF program. In 2023, the IMF Executive Board approved $5.6 billion in commitments across 13 RST programs to implement critical reform measures needed to strengthen countries' external sectors and enhance their growth and stability, which in turn supports a more resilient global economy.

- *Debt and the Common Framework:* The IMF, in coordination with the World Bank, continues to support debt restructurings within and outside of the G20 Common Framework for LICs and middle-income countries (MICs). In 2023, Zambia, Sri Lanka, and Ghana all moved forward with IMF-supported debt restructurings. Since last year, official bilateral creditors have completed debt treatments for most of the outstanding debt restructuring cases, including those under the G20 Common Framework. The Global Sovereign Debt Roundtable (GSDR), co-led by the IMF, World Bank, and the G20

President, has helped propel this progress by building consensus among relevant stakeholders on ways to resolve the key impediments to more expeditious, orderly, and efficient debt restructurings.[1] The GSDR plans to hold additional technical discussions and workshops to help achieve this goal.

- *Temporary General Resources Account (GRA) and PRGT Access Limits:* In March 2023, the IMF Executive Board approved increases to countries' normal access borrowing limits under the GRA for one year, raising normal access limits from 145% of quota annually and 435% cumulatively to 200% and 600%, respectively. This has allowed a handful of members (Cote d'Ivoire, Jordan, Ukraine, and Senegal) with exceptional needs and limited sources of financing to receive greater IMF support over the past year in the face of an uncertain global economic environment. In December 2023, the Board approved the increase in PRGT's normal access borrowing limits to re-align with the GRA at the temporarily higher limits and extended the timeline for these limits until end-2024. No member has taken advantage of the higher PRGT access limits or the extension of the GRA's access limits since those changes were instituted.

- *Governance Issues:* The IMF continues to incorporate governance issues, where macrocritical, into its surveillance and policy advice and to provide capacity development to enhance members' ability to fight corruption. In early 2023, the IMF Executive Board reviewed implementation of the IMF's 2018 Framework for Enhanced Fund Engagement on Governance. The 2018 Framework strengthened the scope for IMF assessments of the economic impacts of corruption and poor governance and provided scope for IMF engagement on these issues through surveillance, policy engagement, and program conditionality where IMF staff deem them macro-critical. The Review found that IMF engagement with member countries on governance and corruption has been broadly systematic, candid, effective, and evenhanded, in line with the objectives of the 2018 Framework. The Review also provided concrete proposals to strengthen engagement in these areas, guided by macro-criticality and the core expertise of the IMF. In line with the Framework, the IMF has also worked with country authorities to write and publish several country diagnostic reports on governance and corruption over the course of 2023, including for Benin, Cameroon, Mauritania, Sri Lanka, and Zambia.

- *AML/CFT Strategy:* The IMF's 2023 Review of the Fund's Strategy on AML/CFT proposed to deepen the integration of financial integrity issues with the Fund's fiscal, financial sector, and structural priorities. Since the 2018 Review of the AML/CFT strategy, the Fund has increased its coverage of AML/CFT issues in surveillance and related conditionality in Fund-supported programs, on a mandatory basis when these issues are macro-critical and on a voluntary basis when requested by the member country. AML/CFT inputs are included in every financial sector assessment program (FSAP), and the 2023 Review recommended a closer look at the nexus of financial integrity and financial stability. The increase in regional, multi-country, and thematic CD projects has resulted in assistance to a broader range of countries and more targeted and impactful engagements. Lastly, the Review highlighted the need to deepen the Fund's engagement

[1] The GSDR is a group of official bilateral creditors, sovereign borrowers, and representatives of private sector creditors.

on AML/CFT issues to complement the work of other bodies, including the Financial Action Task Force (FATF), and proposed two Fund-led assessments per year.

- *Exceptionally High Uncertainty Policy:* In March 2023, the IMF Executive Board approved changes to the IMF's financing assurances policy to address situations of "exceptionally high uncertainty," involving exogenous shocks that are beyond the control of country authorities and the reach of their economic policies, and which generate larger than usual tail risks. The policy change allows a member experiencing such conditions to receive an UCT program by enhancing IMF safeguards and allowing official bilateral creditors to provide an upfront credible assurance to deliver debt relief and/or financing along with a contingent second stage element of debt relief and/or financing once the exceptionally high uncertainty is resolved. The policy change also extends the use of capacity-to-repay assurances from emergency financing to UCT arrangements. Ukraine's Extended Fund Facility (EFF) program, approved on March 31, 2023, relied on this policy change.

- *Precautionary Facilities Review:* In September 2023, the IMF Executive Board approved the review of its precautionary lending facilities which strengthened the qualification criteria for members seeking to access a Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL), or Short-term Liquidity Line (SLL). IMF staff clarified the criteria to note that members that are on the FATF's grey list (i.e., jurisdictions under increased monitoring while addressing deficiencies in their AML/CFT regimes) would likely not qualify for precautionary financing from the IMF. IMF staff will also be required to brief the Executive Board in the event of significant economic policy changes within a member who maintains a precautionary facility. Finally, members that continue to meet the qualification criteria and maintain limited precautionary financing access of 200 percent of their quota or less under an FCL or SLL will no longer be required to develop a strategy to exit the facility. IMF staff and Treasury will continue to rigorously assess whether members who request such facilities meet the qualification criteria, as such financing is reserved for the highest quality policy frameworks.

IMF Priorities in 2024

In addition to supporting the IMF's financial assistance in response to the economic and financial spillovers from global economic shocks, Treasury is engaging with the IMF on several policy priorities in 2024, including:

- *16th General Review of Quotas (GRQ):* As discussed above, in December 2023, the IMF Board of Governors approved an equi-proportional 50 percent increase in the IMF quotas alongside a rollback of a portion of the New Arrangements to Borrow (NAB) and complete elimination of the Bilateral Borrowing Agreements (BBAs) that would maintain the IMF's overall lending capacity at current levels. Treasury is seeking Congressional appropriations and authorization to consent to the increase in U.S. quotas by the November 2024 deadline, which would be a critical step in maintaining the leadership and central role of the United States at the IMF. The IMF is working with all members to meet the deadline and secure the consent of 85 percent of its members.

- *New Arrangements to Borrow (NAB):* The current NAB period expires at the end of 2025, and the IMF Executive Board is taking steps to set a new NAB period through 2030. Extending the NAB requires both approval by the Executive Board as well as the individual consent of NAB participants, including, if applicable, approval under a participants' domestic law. The U.S. Congress recently authorized the United States' continued participation in the NAB through 2030. In January 2024, the IMF Executive Board put in place mechanisms to reduce the NAB when the quota increase under the 16th GRQ is made effective. The rollback in the NAB, as well as the elimination of the BBAs, will keep the IMF's overall lending capacity constant after the quota increase under the 16th GRQ is implemented, as planned.

- *PRGT:* The IMF Executive Board will undertake a comprehensive assessment of the IMF's framework for concessional financing under the PRGT, including the appropriate role of the PRGT, its lending terms, and options to restore the long-term financial viability of the Trust. This review comes in the aftermath of unprecedented demand for PRGT lending as LICs were disproportionality impacted by the COVID-19 pandemic and spillovers from Russia's war against Ukraine. As LICs continue to grapple with post-pandemic scarring and work toward their macroeconomic objectives, demand for concessional financing is expected to remain elevated. In this context, additional grant and loan resources have been required to restore the PRGT's self-sustainability and meet elevated demand for PRGT resources over the longer term. As part of the FY 2024 budget, President Biden signed into law a bipartisan bill authorizing the United States to lend up to $21 billion to the PRGT. This is the largest contribution by any member to the PRGT loan account and will put the loan resources on a sustainable footing. This year, Treasury will work with the IMF to operationalize this loan with the objective of ensuring that our resources are used effectively to support low-income countries as they undertake reforms to boost growth, address debt sustainability challenges, and strengthen governance and anti-corruption efforts.

- *RST:* In May 2024, the IMF Executive Board completed the interim review of the RST, which looked back on the considerable progress made under the RST since it was established in 2022 and considered technical improvements to its administration. The interim review also discussed operationalizing the pandemic-preparedness component of the RST, which, in addition to climate change, is the second of the two structural challenges the RST is intended to address. The IMF is engaging with the World Bank and World Health Organization to formalize principles of collaboration for cooperation on developing pandemic-preparedness related reforms that address external stability and remain firmly within the IMF's mandate.

- *Precautionary Balances:* IMF precautionary balances provide a buffer to protect the Fund against potential losses resulting from credit, income, and other financial risks. The IMF Executive Board completed the precautionary balances review in March 2024, and reaffirmed the adequacy of the current precautionary balances target of $33 billion, which the IMF forecasts it will reach this year. The Executive Board is considering next steps once precautionary balances reach this target, including a potential transfer of precautionary balances that are in excess of the target amount to support the PRGT subsidy account.

- *General Review of Access Limits:* With temporary increases in access limits set to expire end-December, the IMF Executive Board will undertake a comprehensive examination of the adequacy of normal annual and cumulative access limits to resources under the GRA, with the aim of setting new normal GRA access limits. The comprehensive review will also cover other access-related policies, including Post-Financing Assessment (PFA) thresholds. PFAs are surveillance reports after the conclusion of a country's program which assesses its capacity to repay the Fund if its credit outstanding is more than 200 percent of its quota from the GRA, PRGT, RST, or some combination of these accounts or above some nominal amount of financing (SDR1.5 billion from the GRA or SDR380 million from the PRGT or RST).

- *Surcharges Review:* The IMF Executive Board plans to review the Fund's surcharge policy. Currently, the IMF applies a two-percentage point surcharge to its basic rate of charge on credit outstanding above 187.5 percent of quota and an additional one percentage point surcharge on the portion of credit outstanding above the threshold for more than 36 months for Stand-by Arrangements and 51 months for EFF programs. Surcharges do not apply to borrowing under the PRGT. Surcharge reviews generally occur following a change in normal access limits. The Executive Board last adjusted the surcharge policy in 2016 following the 14th GRQ while surcharge revenues have increased over four-fold since 2019. Treasury will work closely with IMF staff and other Board members to guide this review to help maintain the principle of insuring the Fund against increased credit risk from large borrowers and incentivizing early repayment of IMF credit.

- *Program Design and Conditionality:* The IMF Executive Board will begin consideration of the Review of Program Design and Conditionality, a five-year regular review that evaluates the efficacy and applicability of these elements in IMF-supported programs. Prior reviews have evaluated the following elements: realism of program baseline assumptions, timetables for structural reform implementation and payoff, granularity of fiscal conditionality, attention to sustainable and inclusive growth, and the degree of focus on social protection.

- *Lending into Official Arrears (LIOA) and Financing Assurances Review:* In mid-April, the IMF Executive Board endorsed staff recommendations for reforms designed to help strengthen and streamline IMF support to countries undergoing debt restructuring. The reforms consist of clarifying when and how to apply additional safeguards under IMF's lending into official arrears policy, greater clarity around the application of the IMF's financing assurances policy and stronger financing assurances review, and more flexibility to use the IMF's Approval-in-Principle procedures. The reform also clarifies the conditions under which the IMF can lend to members with official arrears impacted by exogenous, emergency situations.

- *Low-Income Country Debt Sustainability Framework (LIC-DSF) Review:* The IMF and World Bank Executive Boards will jointly begin consideration of debt-related policy issues as part of a comprehensive review of the LIC-DSF, a tool for assessing debt vulnerabilities and guiding members' borrowing and lending decisions. The review will seek improvements so that the LIC-DSF remains fit-for-purpose, including in the context of debt restructurings. Since the previous LIC-DSF review in 2017, financing conditions and the debt landscape for LICs have evolved considerably, reflecting a growing heterogeneity of debt situations and macroeconomic performance among LICs. Application of the LIC-DSF has become more common amid the increase in requests for debt restructurings over the past few years. Beginning in 2024, the IMF and World Bank plan to undertake broad consultations with key stakeholders to holistically evaluate the framework and aim to complete the review by the end of 2025.

- *Capacity Development (CD):* In April 2024, the IMF Executive Board reviewed the Fund's Capacity Development Strategy. The Review called for CD to become more flexible, integrated with the Fund's policy advice and lending, and better tailored to respond to member needs. The Review also laid the groundwork for further consideration of a CD stabilization mechanism to mitigate funding risks. At the 2024 Spring Meetings, the IMF launched the Global Public Finance Partnership (GPFP), a multi-partner thematic fund for CD in public finance. The GPFP provides flexible regional coverage to help IMF member countries strengthen both fiscal policy-making and fiscal institutions to support policy implementation, with an emphasis on supporting emerging market and developing countries and fragile and conflict-affected states.

IMF Activities to Prevent Money Laundering and the Financing of Terrorism

Following the IMF Executive Board's comprehensive 2018 review of the IMF's AML/CFT strategy, the IMF has incorporated AML/CFT activities into program conditionality and its annual Article IV and regular financial sector surveillance when financial integrity issues are macro-critical. For example, in 2023, the Executive Board approved programs for Cote d'Ivoire, Sri Lanka, and Ukraine that included conditionality aimed at strengthening governance, anti-corruption, and/or AML/CFT frameworks and supervision. The IMF has also provided CD in support of these objectives in multiple countries. The IMF has longstanding cooperation with the FATF and FATF-Style Regional Bodies, and also participates in – and is ramping up – AML/CFT assessments carried out by these and other entities. Since 2002, the IMF has provided targeted AML/CFT assistance through approximately 254 projects in 144 countries, helping to support the removal of around 12 countries from the FATF's enhanced monitoring list. The United States, through the U.S. Executive Director, has consistently pressed for increased internal IMF resources to support AML/CFT work among IMF member countries. The IMF has maintained a robust level of its AML/CFT assistance budget, estimated to reach \$8.6 million in FY 2024, amid high CD demand, settling to \$6.8 million in FY 2025 as CD work returns to a post-pandemic norm. In addition, the AML/CFT Thematic Fund launched seven country projects in FY 2024, while six of these stand to benefit multiple countries on emerging financial integrity topics. CD recipients mostly hail from low- or lower middle-income countries.

IMF's Administrative Issues

The IMF employs approximately 3,000 people and has an annual administrative budget of about $1.4 billion. At consistent urging from the United States and like-minded Executive Board members, the IMF has broadly maintained a flat real administrative budget in recent years. However, to improve the IMF's ability to meet its core mandate to foster international financial stability, in 2021, the IMF Executive Board approved a three-year phased-in structural budget increase totaling 6% to address a ramp-up of IMF work on emerging global challenges, including those related to fragile and conflict-affected states, climate change, digitalization, and gender/diversity. This budget increase has helped to enhance the IMF's ability to offer capacity development on these issues and better incorporate emerging risks when providing loans to its members. Lastly, the budget increase has helped to enhance the IMF's capacity to deliver policy advice to its membership, and particularly to fragile and conflict-affected states. Anticipated spending in FY 2026 and beyond will revert to a flat real envelope. Meanwhile, the IMF has continued to weigh tradeoffs and consider opportunities to leverage other institutions' expertise, as appropriate, to deliver on its core mandate while executing prudent budget management.

Conclusion

The IMF has taken steps over the past year that aim to safeguard IMF resources and modernize program access to continue to provide financial assistance to members most vulnerable to the lingering impacts of the COVID-19 pandemic, Russia's war against Ukraine, as well as other existing and emerging global challenges, and will continue to do so this year. Regular reviews and adjustments of IMF policies help to maximize the Fund's institutional effectiveness, protect it from incurring losses, and thereby protect the United States' financial commitment to the IMF, decreasing the risks to U.S. resources. Looking ahead, amid the increasing frequency and severity of economic shocks and negative spillovers, the IMF will seek to continue providing policy advice, technical assistance, and financial support to members to help safeguard financial stability, improve medium-term prospects for growth, and reduce global disparities.

MULTILATERAL DEVELOPMENT BANKS (MDBs)

This section addresses key U.S. policy goals that the MDBs help advance and details developments in institutional reforms, priorities, performance, and effectiveness at the MDBs during 2023. In 2023, the MDBs of which the United States is a member provided around $164 billion in financing to developing countries. Through their financing, policy advice and technical assistance, the MDBs are vital to global efforts to reduce poverty, increase broad-based economic growth and job creation, develop quality infrastructure, modernize health systems, enhance food and energy security, promote private sector development and entrepreneurship, improve governance and public financial management, build human capital, foster economic and social inclusion, and build resilience. MDB grants and concessional lending are an important and reliable source of financing for the development needs of the poorest and most fragile countries, particularly those most affected by conflict and disaster. By providing financial support and technical assistance for such countries, MDB assistance helps to prevent and alleviate economic crises overseas, which in turn safeguards the U.S. economy and national security from potential spillovers.

MDBs are among the leading catalysts of infrastructure finance globally, investing billions in quality infrastructure, and supporting developing countries in mobilizing billions more in private capital. They played a leading role in the global response to the COVID-19 pandemic and are now contributing to a sustainable and resilient recovery. They also assist developing countries in responding to shocks, such as the spillovers from Russia’s brutal war on Ukraine, by providing critical finance to sustain agricultural production and manage the impact of sudden spikes in energy and food prices on the poor. Additionally, they provide an alternative to coercive and low-quality financing from actors such as China; address the root causes of instability in fragile and conflict-affected states; and help grow U.S. exports by boosting growth in developing countries. These efforts by the MDBs help to advance U.S. foreign policy objectives of sustaining peace and stability, promoting security, and protecting the global environment. And, with U.S. leadership, these institutions and programs reflect and promote American values related to good governance, transparency, and sound debt management.

Financing through the MDBs brings significant advantages to the United States and is an effective way to stretch limited development dollars. Specifically, U.S. taxpayer contributions to the MDBs catalyze contributions from other shareholders, the MDBs’ internally generated resources, and funding from capital markets to significantly increase the assistance levels that the MDBs provide. For example, the United States provided about $3.7 billion in paid-in capital to the World Bank’s non-concessional lending arm – the International Bank for Reconstruction and Development (IBRD) – between its inception in 1944 and the end of its fiscal year 2023, which has helped enable total IBRD commitments of nearly $900 billion during that period. MDBs also offer a wide range of instruments, including grants, loans, guarantees, equity, insurance, and knowledge products. This array of instruments can help de-risk and incentivize private sector investments that support U.S. priorities in developing countries.

The United States is the largest or joint largest shareholder at all MDBs in which it holds membership, except the African Development Bank (AfDB), where the United States is the largest non-African and second-largest shareholder. As such, the United States has exceptional influence and leadership opportunities to work with MDB Management and other shareholders to shape important institutional reforms and high standards in the international financial architecture and to obtain financial and political support for major U.S. priorities. U.S. contributions to the MDBs catalyze additional contributions from other shareholders and the MDBs themselves, providing a level of assistance that is significantly higher than what the United States could achieve bilaterally.

Since January 2023, the United States has redoubled calls on the MDBs to play leading roles on a number of critical issues, and to undertake reforms in key areas, including the following:

- *MDB Evolution*. The United States has continued the effort to evolve and invigorate the MDBs to better address the most complex transboundary challenges facing the world today, such as climate change, pandemics, and fragility and conflict. Under this U.S.-led initiative, the World Bank adopted key reforms to its mission and vision, incentive structure, operational model, and financial capacity that have helped equip the institution to address critical transboundary challenges with sufficient speed and scale, which is essential to achieving poverty reduction and sustainable, inclusive, resilient economic growth. The regional development banks have also taken up the MDB Evolution initiative in earnest, adopting or considering important reforms that boost their ability tackle global and regional challenges, and work is ongoing to make the MDBs work better together as a system. As part of this effort, the MDBs have adopted or are considering reforms that will enable $200 billion in additional financial capacity over the next ten years, without requiring any support from shareholders.

- *Russia's War on Ukraine*. The MDBs have been a key partner through which the United States has provided vital and timely support to Ukraine. Since Russia's full-scale invasion of Ukraine in early-2022, the World Bank Group (WBG) and the European Bank for Reconstruction and Development (EBRD) have swiftly moved to program billions of dollars in assistance to Ukraine, mobilizing approximately $42 billion and $4 billion, respectively. These institutions have provided significant support to the immediate crisis response in Ukraine, including food security, through support for vital infrastructure in transport and logistics as well as direct finance to farmers and producers; energy security needs; and support for vulnerable populations and internally displaced persons. Additionally, U.S. support through the EBRD has helped to bolster Ukraine's private sector and assisted small- and medium-sized enterprises (SMEs) continue their daily operations, laying the groundwork for post-war reconstruction and recovery. The MDBs have also provided needed financing and technical assistance to help address the spillovers of Russia's war on Ukraine.

- *Support for the Poorest Countries*. The MDBs are the main providers of finance and technical expertise to the world's poorest countries through their concessional windows. Collectively, the MDBs in which the United States is a member committed over $41 billion in new concessional financing to the poorest countries in 2023, supporting job growth, essential health and nutrition services, expanded social safety nets, improved water and sanitation, more productive agriculture, and building resilience to fragility and conflict. The United States concluded negotiations on the 13th Replenishment of the Asian Development

Fund (AsDF-14[2]) in May 2024. And, we expect to complete the ongoing negotiations for the 21st Replenishment of the World Bank's International Development Association (IDA-21) (providing financing during the World Bank's Fiscal Years 2025 to 2028) by the end of 2024. Making good on U.S. pledges to these replenishments is critical to our credibility and influence at both institutions, and, most importantly, to reducing extreme poverty around the globe.

- *Quality Infrastructure*. The MDBs are among the leading catalysts of infrastructure finance globally. Collectively, the MDBs of which the United States is a member approved over $40 billion in infrastructure finance in 2022, which amounted to over a quarter of their total financing approvals that year. These institutions are critical to delivering on the G7's Partnership for Global Infrastructure and Investment (PGI), which seeks to deliver game-changing projects to close the infrastructure gap in developing countries, strengthen the global economy and supply chains, and advance global security. This collaboration is exemplified by PGI's flagship Lobito Corridor, which will support critical transportation infrastructure in Africa, and the PGI-aligned Just Energy Transition Partnerships (JETPs), which pool MDB, donor, and private capital to better enable emerging markets in their transition away from fossil-fuels. Much of the MDBs' most important work to enhance infrastructure investment is not captured in financing totals; this includes technical assistance to prepare projects for investment, structuring effective public-private partnerships, and building institutional capacity within local governments. MDB technical advisors are also key resources to aid countries in crafting necessary policy reforms that lay the groundwork for better delivery of public services and a greater influx of private investment. These reforms are especially critical in the energy sector, where regulation is often a critical barrier to affecting the energy transition and fostering greater energy security.

- *Food Security*. The lingering effects of the 2022 food crisis sparked by Russia's war in Ukraine continue to require sustained food security investment by the IFIs. The *IFI Action Plan to Address Food Security*, called for by the United States in 2022, yielded multi-year commitments from the IFIs exceeding $47 billion and demonstrated the value of the IFIs to scaling food security and food systems investments. To build on the success of the *Action Plan*, earlier this year Treasury convened the first *IFI Global Forum for Food Systems Transformation* to further promote IFI coordination. The United States championed a new approach to private sector engagement for the Global Agriculture and Food Security Program (GAFSP) that will launch a $75 million pilot for public-private platforms to mobilize more private capital investment into agri-food value chains. The U.S. pledge of $162 million to the Thirteenth Replenishment of the International Fund for Agricultural Development's (IFAD13) in December 2023 will also support continued investment in long-term food system resilience and productivity, particularly in fragile contexts. This pledge represents a 25% increase from the United States' pledge in the previous replenishment, reflecting IFAD13's alignment with core U.S. policy priorities. IFAD13 policy commitments will support enhanced focus on building smallholder resilience to climate change, increasing impact in fragile situations, and enhancing engagement with the private sector to increase investment and create jobs in rural areas.

[2] Under AsDF nomenclature, the 13th Replenishment is abbreviated "AsDF-14" as there was no AsDF-0.

- *Climate Change and Energy*. The MDBs are scaling up their assistance to developing countries to help them decrease their greenhouse gas emissions and adapt to the impacts of climate change. Each MDB has set robust targets to increase the provision of climate finance from their own resources and to build adaptation measures into their projects and sector strategies. Collectively, the MDBs in which the United States is a shareholder reported providing over $50 billion in climate finance in 2022 (most recent year data is available). Although no MDB is providing financing for coal, the United States has called on the MDBs to further limit their financing of fossil fuel projects and to address developing countries' energy needs in more sustainable ways while still ensuring energy security and access. The MDBs are aligning their financial flows with the goals of the Paris Agreement to reach net zero by mid-century and address resilience and adaptation needs, particularly for the most vulnerable, through enhanced project screening and enhanced targets for adaptation financing. The United States has supported and pushed the MDBs for more flexibility in responding to crises in vulnerable countries, including small island developing states, and continues to be supportive of extending temporary access to World Bank resources following extreme events for climate-vulnerable small island developing states that have graduated from World Bank assistance. The MDBs are also enhancing their crisis response toolkits to provide countries hit by climate-related disasters with additional resources to address urgent needs and get on the path to a sustainable recovery, which include climate resilient debt clauses that can help countries retain the necessary fiscal space to respond to these disasters. In key countries, MDBs are also providing sectoral, technical, financial, project expertise and leadership for the JETPs.

- *Private Capital Mobilization*. MDB resources will never be enough to meet the world's development financing needs, and the MDBs have a critical role to play in the mobilization of private capital for that purpose, which they did to the tune of nearly $66 billion in 2022, the latest available data.[3] The U.S. Treasury Secretary has called on MDB leaders to scale up private capital mobilization in line with PGI and climate finance goals, and to adopt and expand innovative tools to mobilize private capital where appropriate. The MDBs responded meaningfully to these asks, including by streamlining their operations to improve processing times and client experience, enhancing diagnostics for enabling environment reforms, and unveiling new financing tools, including securitization structures and foreign exchange risk mitigation platforms. To enhance the impact of these reforms, Treasury is engaging with institutional investors, including as part of the White House's PGI Investor forum, to inform the investment community of these tools and to guide their development to unlock additional private investment in developing countries.

- *Risk Mitigation*. U.S. engagement is critical to stronger MDB risk mitigation in their investments. In the case of forced labor, U.S. leadership has led to significant improvements in the MDBs' due diligence around supply chains to help ensure that renewable energy project components are not sourced from facilities with forced labor risks. U.S. leadership has also led to improvements in MDB screening of privacy and cybersecurity risks in digital and telecommunications projects. This screening includes assessments of national law and

[3] Latest data available is from 2022. Private capital mobilized by ADB, AfDB, EBRD, IDB (IDB and IDB Invest), and World Bank Group (IBRD, IDA, MIGA, IFC) totaled $65,879,900,000. Source: *Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions, 2022*.

regulations aimed at protecting consumers as well has ensuring companies' cybersecurity standards are fit for purpose and aligned with international best practice, such as the U.S. National Institute of Standards and Technology or NIST cyber security framework.

- *Procurement*. The United States continues to advocate for the MDBs to improve their frameworks for procurement to favor life-cycle costing, fit-for-purpose criteria, and value-for-money. The United States has secured significant reforms to MDB procurement frameworks in recent years, which have contributed to high quality projects that help create more opportunities for U.S. firms, which are strongly positioned to compete on quality. In 2023, the World Bank implemented mandatory use of rated criteria related to quality in internationally competitive procurement. Treasury and the U.S. Executive Directors will continue to advocate for rigorous implementation of these new enhanced procurement frameworks, including intense scrutiny of abnormally low bids and further refinements to better link procurement and development impact. Recently, Treasury, U.S. Executive Directors, and the Commerce Department met with all the procurement heads at the MDBs to stress the importance of strong implementation of competitive procurement frameworks and to urge improvements in data quality, including that would allow us to better track the nationality of procurement contract awardees.

During 2023, the United States worked to improve performance by driving reforms across all MDBs. These efforts included focusing more on the quality of project loans by reviewing about 1,500 projects; improving transparency, including of loans through financial intermediaries; helping developing countries improve policy environments to support private investment and capital inflows effectively; strengthening incentives for countries to increase their debt management capacity and transparency; increasing assistance for poorer countries with limited access to private capital; and helping countries sustainably recover after the COVID-19 pandemic.

All the MDBs implement high quality standards to enhance transparency and reduce fiduciary and environmental and social risks. These standards increase the quality of MDB projects, all with a view of delivering high impact. The United States continues to encourage the MDBs to improve implementation of these standards, including by devoting adequate staff and budgetary resources to help build the capacity at the country level. This increases the likelihood of project success, fosters a more level playing field for MDB-funded contracts, and helps projects achieve better development and financial outcomes than the lower standards that competing financiers, to include China, offer.

Below are the major developments for the World Bank Group (WBG), African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank Group (IDBG), and North American Development Bank (NADB).

Commitments / Approvals by MDB in 2023* ($ billions)	
MDBs with U.S. Membership	**163.9**
World Bank Group	**95.9**
International Bank for Reconstruction and Development	38.6
International Development Association	34.2
International Finance Corporation	16.7
Multilateral Investment Guarantee Agency	6.4
African Development Bank Group	**10.7**
Asian Development Bank	**23.6**
European Bank for Reconstruction and Development	**14.2**
Inter-American Development Bank Group	**19.3**
Inter-American Development Bank	12.5
Inter-American Investment Corporation (IDB Invest)	6.7
Multilateral Investment Fund (IDB Lab)	0.1
North American Development Bank	**0.2**

*Commitments are for the World Bank Group's Fiscal Year 2023

World Bank Group (WBG)

Performance in 2023: During the World Bank's fiscal year 2023 (FY 2023, covering July 2022 through June 2023)[4], the WBG committed a total of $96 billion in loans, concessional credits, grants, equity investments, and guarantees.

- **The International Bank for Reconstruction and Development (IBRD)** committed $38.6 billion in assistance to client countries to promote broad-based economic growth and reduce poverty. Europe and Central Asia received the largest portion of IBRD's new commitments at $10.2 billion (26%), followed by Latin America and the Caribbean at $9.8 billion (25%), and East Asia and Pacific at $6.6 billion (17%). India, Turkey, and Indonesia were the top three borrower countries in FY 2023, and the largest sectors for IBRD investments were infrastructure[5] ($11.2 billion, or 29%), public administration ($9.3 billion, or 24%), and social protection and health ($6.4 billion, or 17%).

- **The International Development Association (IDA)** committed $34.2 billion in concessional credits and grants to 74 of the world's poorest countries. The Sub-Saharan African region received the largest portion of IDA's new commitments in 2023 at $25.7

[4] Unless otherwise noted, reporting is for World Bank fiscal year 2023.
[5] This includes investments in energy, information and communications technology, transportation, and water and sanitation.

billion (75%), followed by the South Asia region at $5.8 billion (17%). Pakistan, Bangladesh, and Tanzania were the top three IDA recipients in FY 2023. The largest sectors for IDA investments were infrastructure ($9.6 billion, or 28%), public administration ($7.9 billion, or 23%), and social protection and health ($6.3 billion, or 19%). In July 2023, IDA began the second year of a three-year cycle under its 20th replenishment, which began one year earlier than planned in response to the fallout from COVID-19.

- **The International Finance Corporation (IFC)**, the main private sector arm of the WBG, committed $16.7 billion in long-term investments from its own resources. The IFC mobilized an additional $15.0 billion from other sources for development projects. The IFC also increased its trade finance commitments, which totaled $12.0 billion in FY 2023, 68% of which went to IDA countries and fragile and conflict-affected countries. The IFC spent $260 million on advisory services in 2023, with Africa receiving $98.5 million (38%). IFC is increasingly orienting its advisory services to building a pipeline of projects in IDA (54% of the total) and fragile and conflict-affected countries.

- **The Multilateral Investment Guarantee Agency (MIGA)** provided $6.4 billion in guarantees for political risk insurance and credit enhancement, which helped mobilize over $8.6 billion in total financing. Of MIGA's FY 2023 projects, 27% were in IDA countries and 19% were in fragile and conflict-affected countries.

<u>Key Institutional Reforms and Initiatives</u>: In 2023, the World Bank continued to staunchly pursue its mandate to reduce poverty and boost shared prosperity through projects and technical assistance designed to improve access to essential health and nutrition services, water and sanitation, education, and electricity, among others, that benefitted hundreds of millions of people, including in the poorest and most vulnerable countries and regions. And, the Bank's drive to address the root causes of fragility and conflict and mitigate their harmful effects was on full display as it reviewed and updated its approach to fragility, conflict, and violence. In addition to these activities, the Bank supported the implementation of several key initiatives and reforms that build on the core mission and are necessary to achieve it.

- *MDB Evolution*. In 2023, the World Bank undertook a series of critical reforms that helped equip the institution to better address global challenges such as climate change, pandemics, and fragility and conflict. During the year, the Bank updated its mission statement to "end extreme poverty and boost shared prosperity on a livable planet;" integrated addressing global challenges into country engagement; introduced a crisis preparedness and response toolkit; moved toward establishing incentives for countries to pursue Bank financing to address global challenges with positive cross-border spillovers; and boosted its financial capacity by stretching existing resources and pursuing innovative measures. These reforms have helped embed addressing global challenges into the World Bank's DNA in recognition that these challenges must be addressed for the Bank to succeed in its remit of reducing poverty and spurring sustainable, inclusive, resilient growth. What's more, these reforms have enabled $50 billion in additional lending capacity over the next ten years at no cost to the shareholders.

- *Selection of Ajay Banga as WBG President*. In 2023, the United States nominated and the World Bank Executive Board selected Ajay Banga as the 14th President of the WBG. President Banga's leadership and management skills, experience living and working in emerging markets, and private sector expertise are serving him well as he aptly leads the World Bank. At this critical moment in the Bank's history, President Banga is helping to better deliver on its core development goals, evolve to meet global challenges, and enable the MDBs to work better together as a system.

- *World Bank Capital Increase and Reform Package*. The World Bank has continued to implement a set of important measures agreed as part of the 2018 capital increase package, which consisted of a $60.1 billion capital increase for the IBRD, of which $7.5 billion was paid-in capital. It also included a $5.5 billion paid-in capital increase for the IFC. In its FY 2023, the World Bank continued its efforts to strengthen IBRD financial sustainability, such as by differentiating loan prices according to country income, which provided IBRD with $45 million in additional income in FY 2023 that can be used to support poorer countries, priority initiatives, and increasing lending to lower-middle income countries. It also moved forward with ambitious climate lending and investment targets agreed to as part of the package. Treasury assesses that the Bank needs to make better progress enforcing IBRD's graduation policy and reducing lending to China, though IBRD commitments to the country have been on a downward-sloping trajectory since FY 2018, falling to $1.05 billion in FY 2023. The Country Partnership Framework negotiated in 2019 stated that China would receive an average of $1 to 1.5 billion in lending per year through FY 2025.

- *Financial Sustainability Framework*. In FY 2019, the IBRD adopted a Financial Sustainability Framework to restrict annual lending commitments to a level that can be sustained over a rolling ten-year horizon through organic capital accumulation. It included a "crisis buffer" to allow the IBRD to respond to crises without jeopardizing its financial position. For FY 2023, Bank Management and the Board agreed on a $10 billion crisis buffer. In combination with front-loading of planned lending and cancellations or reprogramming of existing loans, this buffer size allowed the IBRD to commit $38.6 billion in FY 2023 compared to $33.1 billion in FY 2022.

- *Climate Change*. For FY 2023, the IBRD and IDA reported that $29.4 billion of its financing (about 40%) provided climate co-benefits, about half of which was for adaptation, and President Banga announced in December 2023 that the WBG would devote 45% of its annual financing to climate-related projects from FY 2025 onward. The IFC increased its climate investments to a record 46% of its own-account long-term financing commitments in FY 2023. IBRD and IFC maintained 100% compliance with climate risk screening in FY 2023. Since mid-2022, the World Bank has published 20 Country Climate and Development Reports, a core diagnostic tool that will help countries align climate action and development efforts and will provide a strong analytical base to inform WBG country engagements. IBRD and IFC investment operations in key emission producing sectors incorporated the shadow price of carbon in economic analyses, applied greenhouse gas (GHG) accounting, and provided for annual disclosure of GHG emissions. And, as of July 1, 2023, all new IBRD and IDA financing operations were fully aligned with the Paris Agreement's goals, while 85% of all new IFC investments in all sectors were aligned with those goals, with 100% of these set to be aligned starting on July 1, 2025.

- *IFC 3.0 Strategic Approach*. The IFC is dedicating resources and considerable focus to achieve its goal of proactively creating markets and mobilizing private capital to benefit the poorest countries. This is a challenging undertaking because of the nascent stage of private sector and market development in IDA countries. As part of its 2018 capital package commitments, the IFC pledged to increase commitments to IDA and fragile and conflict-affected (FCS) countries to 40% of the total by 2030. In FY 2023, IFC's long-term commitments in IDA and FCS-affected countries were just 21% of total commitments, down from 28% of the total in FY 2022, and well shy of its targeted average of 32.5% between FY 2019 and FY 2030. IFC's performance on short-term finance to IDA and fragile and conflict-affected countries fared better in FY 2023, reaching 68% of total short-term financing for the year, and more than half of IFC's advisory services were deployed in IDA and FCS-affected countries as part of its effort to build a stronger pipeline of bankable projects.

- *Accountability.* The United States continued its work to strengthen accountability at both the World Bank and IFC/MIGA in 2023. The United States supported the launch of an external review of the Accountability Mechanism to assess its performance so far and provide recommendations to further improve the effectiveness of its expanded authorities (e.g., monitoring of management action plans) and functions (e.g., dispute resolution in addition to compliance investigations). The Compliance Advisor Ombudsman (CAO) completed its transition to its new policy, and the Boards of IFC and MIGA in 2023 saw noticeable improvements in the quality of the management action plans, which are now approved by the Boards. In the wake of a significant increase in the CAO caseload, the United States supported a large increase in the CAO's budget. Lastly, IFC and MIGA continued their work on frameworks for remedy and responsible exit with draft proposals presented to their Boards. These proposals are expected to be finalized in the second half of 2024.

<u>2024 Priorities</u>: During 2024, the United States is pursuing the following priorities across the WBG:

- Supporting the World Bank in providing high quality, transparent, and impactful development financing that reduces the impetus for countries to pursue nontransparent, unsustainable, and coercive financing from other sources such as China. This includes robust assistance to developing countries through an IDA-21 replenishment focused on bolstering resilience by addressing fragility, poverty, climate, and pandemic preparedness; supporting debt sustainability, transparency and sustainable financing; and preserving IDA's financial sustainability.

- Further evolving the WBG to better address global challenges such as food insecurity, climate change, pandemics, and fragility and conflict with speed and scale, including through:

    - A stronger cross-WBG approach to mobilizing private capital;

  - Improvements to the Bank's work to address fragility and conflict;
  - Increased and improved partnering with and support for regional and global entities that tackle global challenges, and much stronger integration of pandemic preparedness into country engagement;
  - Aligning staff incentives with the WBG's updated mission, vision, and operations; and
  - Efforts to further stretch existing resources and pursue innovative measures to boost financial capacity, in line with the G20 Independent Review of Multilateral Development Banks' Capital Adequacy Framework Review (G20 CAF Review) recommendations.

- Programming high levels of donor financial support to Ukraine, particularly budget support, to support immediate critical needs and prepare for eventual reconstruction.

- Continuing to increase the Bank's ambition on climate finance, including private sector solutions, just energy transitions, and adaptation.

- Incentivizing countries to improve debt sustainability and management and promoting debt transparency, including through collection and publication of debt data.

- Modernizing and resourcing WBG accountability units adequately, helping to ensure effective implementation of the new accountability policies at the World Bank and IFC/MIGA, and approving an initial framework for remedy and an expanded pilot approach on responsible exit at the IFC and MIGA.

- Adequately reducing IBRD and IFC support for China, and making progress on graduating China from that support.

- Continuing to monitor implementation of life-cycle costing, fit-for-purpose criteria, and value-for-money procurement reforms to bolster the quality of World Bank procurement outcomes, including urging robust industry outreach and enhancements to procurement data collection.

- Promoting digitalization across all industries and regions, while reducing and eliminating the use of untrusted vendors.

- Supporting continued implementation of reforms agreed to as part of the 2018 IBRD and IFC capital increase package.

African Development Bank (AfDB) Group

<u>Performance in 2023</u>: The following section summarizes AfDB Group activity during the period between January 1, 2023 through December 31, 2023.

- AfDB Group financing approvals (including special resources) totaled $10.7 billion in 2023. Approvals from the AfDB window (the window for non-concessional sovereign and private sector lending) were $7.7 billion. Financing approvals from the African Development Fund (AfDF), the AfDB Group's concessional window, including through the Transition Support

Fund, were approximately $2.1 billion, while approvals through other special resources[6] totaled $0.9 billion.

- In 2023, the largest sectors for AfDB Group investments were finance ($2.5 billion, or 24%), transport ($2.5 billion, or 23%), power ($1.2 billion, or 11.6%), and agriculture ($0.6 billion or 6%). 2023 AfDB Group approvals allocated as climate finance totaled $5.8 billion.

- Distribution of total AfDB Group approvals in 2023 by sub-region were as follows: East Africa ($3.1 billion, or 29%), West Africa ($3.0 billion, or 28%), North Africa ($2.0 billion, or 19%), Southern Africa ($1.9 billion, or 18%), and Central Africa ($0.7 billion, or 6%). The four largest recipients of AfDB Group assistance in 2023 were Cote d'Ivoire, Morocco, Egypt, and Senegal.

- The share of AfDB non-sovereign operations remained fairly steady at 21% in 2023.

- The AfDB plays a critical role in developing and opening African markets for U.S. businesses, in line with the goals of the U.S. Prosper Africa initiative. AfDB financing helps develop physical and telecommunications infrastructure that boosts trade, leverages business climate reforms, supports local SMEs, and contributes to the growth of an African middle class of consumers. The United States supports these key investments as a foundation for inclusive and sustainable economic growth – led by the private sector – in Africa.

Key Institutional Reforms and Initiatives: In 2023, AfDB Management made progress implementing a package of reform commitments agreed to under the seventh AfDB general capital increase (GCI-VII). AfDB Management continues to work toward fully executing the operational selectivity strategy and cost containment framework, updating environmental and social safeguards policies, implementing a quality assurance plan to improve project quality, and strengthening the AfDB's approach to governance, anti-corruption, and internal controls. The AfDB is also a leader in pursuing financial innovation to responsibly boost its capacity to provide support to its recipient countries, and became the first-ever MDB to issue hybrid capital (i.e., subordinated debt) in 2024.

- *Ten Year Strategy (TYS)*. Management and the Board discussed the contours of a new TYS to reflect the tenets of the MDB Evolution initiative and the importance of global and regional public goods, such as addressing fragility and climate vulnerability, along with promoting greater mobilization of private sector financing to achieve development outcomes.

- *Operational Selectivity.* The AfDB continued to work on greater operational selectivity to focus on its areas of comparative advantage.

- *Governance*. The AfDB worked on strengthening institutional governance through a Board of Directors committee-led review of the independence of oversight and accountability units, for which an update was provided to Governors at the May 2024 AfDB Annual Meeting.

[6] The Special Fund, Private Sector Credit Enhancement Facility, and Nigeria Trust Fund.

- *Safeguards.* The new Integrated Safeguard System (ISS) was approved in April 2023. Since then, the Bank has been preparing guidance notes/Directives, training staff, and educating the regional member countries, and we expect the ISS to enter into force in the coming months.

<u>2024 Priorities</u>: Key U.S. priorities for the AfDB in 2024 are:

- Maintaining robust AfDB lending levels and the Bank's AAA rating through an increase to its callable capital necessitated by a Fitch Ratings' downgrade of the U.S. sovereign credit rating from AAA to AA+ on August 1, 2023. As part of the FY25 President's Budget, Treasury requested congressional authorization and program limitation to participate in a general callable capital increase for the AfDB. This will support the AfDB in providing high quality, transparent, and impactful development financing in Africa that reduces the impetus for countries in the region to pursue nontransparent, unsustainable, and coercive financing from other sources, to include China.

- Evolving the AfDB Group to better tackle global and regional challenges through implementation of its TYS (approved March 2024) and reforms to its vision, incentive structure, operational approach, and financial capacity, including further implementation of the G20 CAF Review recommendations.

- Monitoring the AfDB's capital adequacy, cost efficiency, and other key financial ratios; determining how best to balance prudent financial management with regional demands for countercyclical lending; and exploring how financial innovation can responsibly expand resources available to borrowers, such as the through AfDB issuance of hybrid capital and the AfDF proposal to leverage equity through market borrowing.

- Strengthening institutional governance through the Board of Directors committee-led review of the independence of oversight and accountability units, which will inform improvements in the strength of the audit, evaluation, integrity and redress units.

- Working with the Board to develop a new AfDB energy strategy that helps drive greater access to clean and reliable energy and aligns with Treasury's MDB fossil fuel guidance.

- Supporting the successful implementation of the new, strengthened environmental and social safeguards policy by helping to ensure that resourcing and staffing for the policy remain a top priority.

- Encouraging the AfDB and AfDF to improve their ability to support private sector operations and private capital mobilization for high-quality infrastructure to complement resources raised through donor contributions.

- Undertaking the mid-term review of the AfDF-16 replenishment, with particular focus on the AfDF's approaches to its long-term financial outlook, regional infrastructure, debt sustainability, fragility and conflict, and capacity building in AfDF countries.

Asian Development Bank (AsDB)

Performance in 2023: The following section summarizes AsDB activity during the period between January 1, 2023 through December 31, 2023.

- Total AsDB financing commitments in 2023 were $23.6 billion. Non-concessional financing commitments from AsDB's ordinary capital resources were $18.4 billion, while concessional financing commitments from ordinary capital resources were $4.2 billion. Grants from the Asian Development Fund (AsDF) and other special funds, which are provided to eligible low-income AsDB members, totaled $774 million, while TA provision totaled $264 million.

- AsDB non-sovereign operations accounted for about $3.8 billion or 16.0% of total financing commitments, and the Bank complemented its own resources through mobilized sovereign and non-sovereign loan co-financing that totaled $11.6 billion in 2023.

- The top five recipient countries of AsDB financing in 2023 were the Philippines ($4.5 billion, or 19%), Bangladesh ($4.1 billion, or 17%), India ($3.4 billion, or 15%), Indonesia ($2.4 billion, or 10%), and Pakistan ($1.8 billion, or 8%).

- In 2023, the largest sectors for AsDB investments were transport ($4.8 billion, or 20%), finance ($3.6 billion, 15%), public sector management ($3.4 billion, or 14%), agriculture ($3.3 billion, or 14%), and health ($2.3 billion, or 10%).

Key Institutional Reforms and Initiatives: In 2023, AsDB continued to implement several key initiatives, in addition to carrying out its regular lending activities.

- *Climate Change*. In 2023, AsDB committed its highest-ever level of climate finance at $9.8 billion, reaching $30.8 billion in cumulative climate financing for the 2019–2023 period and advancing toward the ambition of providing $100 billion by 2030. The AsDB launched the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP), a first-of-its-kind guarantee mechanism for climate finance by an MDB. The United States and other partners pledged grants and guarantees for parts of AsDB's sovereign loan portfolio which will enable AsDB to put an additional $15 billion toward increasing climate investments over five years. AsDB also launched its Climate Change Action Plan, 2023–2030, codifying actions to help client countries strengthen and accelerate implementation of their Nationally Determined Contributions, as well as mobilize financing for transitions to low-carbon and climate-resilient economies. In 2023, AsDB also established new trust funds and several partnership initiatives on climate, urban resilience, water resilience, and coastal adaptation.

- *Boosting Capacity*. In 2023, AsDB introduced a series of reforms to its capital adequacy framework that expanded the Bank's potential new commitments by $100 billion over the next ten years, while also protecting its AAA rating, and thus its ability to provide countries with low cost, long maturity loans. An important element of these reforms was clarification that the AsDB is able to modify the price of all outstanding sovereign loans, including to mitigate the effects of shocks.

- *Procurement.* In 2023, AsDB led a working group of 12 MDBs and prepared a joint statement on mainstreaming sustainable procurement into MDB operations. The statement reflects a commitment by the MDBs to use procurement to improve environmental, social, economic, and institutional outcomes. AsDB also delivered training on its procurement policies and procedures for 15 countries, attracting 3,267 participants.

- *Safeguards*. In 2023, AsDB created an Office of Safeguards, uniting 149 safeguard experts and support staff from across the AsDB, and proposed a significant upgrade to its Environmental and Social Framework to replace the Bank's Safeguard Policy Statement and to align the AsDB's policies more closely with safeguards modernization efforts at the World Bank, IDB, and AfDB. To support borrower capacity to implement safeguards, the AsDB also conducted 81 safeguard training courses, attended by 3,426 participants from recipient countries and 287 staff.

- *Organizational Review*. In 2023, AsDB rolled out its new operating model and began implementation of a range of organizational changes, including consolidating its sector expertise into a single group, creating dedicated units focused on safeguards and markets development, establishing integrated country management teams, and empowering project teams.

2024 Priorities: Key U.S. priorities for the AsDB in 2024 are:

- Supporting AsDB in providing high quality, transparent, and impactful development financing in Asia, including through securing a robust AsDF-14 replenishment, with strong grant support for the Pacific Islands states that face unique development challenges and vulnerabilities and the people of Afghanistan.[7] Maintaining continued strong ADB and AsDF support provides a high-quality alternative to non-transparent, unsustainable and coercive financing other sources such as China.

- Evolving AsDB to better tackle global challenges such as climate change, pandemics, and fragility and conflict through critical reforms, such as refining Strategy 2030 to reflect a clear set of priorities for the Bank; enhancing diagnostics and setting ambitious targets, especially for climate finance and private sector mobilization; and improving financial and non-financial incentives for staff, the institution, and borrowers.

- Improving AsDB's management of income and capital to strengthen its financial sustainability and better direct its resources toward the most developmentally impactful activities as the Bank develops a plan to deploy the additional $10 billion in annual lending capacity made available through reform of its capital adequacy framework.

- Improving procurement outcomes, particularly in the Pacific Island states, which face unique challenges due to their size and remoteness, through encouraging the use of qualitative evaluation methods which account for project life cycle costs and urging AsDB to increase industry outreach.

[7] Negotiations for a robust AsDF-14 replenishment were concluded in May 2024.

- Increasing AsDB's financing for climate adaptation and mitigation projects, along with accelerating growth in its non-sovereign activities and strengthening private capital mobilization, and aligning projects with the goals of the Paris Agreement.

- Supporting increased investment in sustainable, quality infrastructure projects and enhancing efforts to mobilize private sector financing that will help fund just transitions to cleaner energy, including through continued U.S. and AsDB leadership in the Indonesia JETP.

- Finalizing a strengthened safeguards policy harmonized with, and building upon, other MDBs' approaches, including a greater focus on stakeholder engagement, labor and social protection and inclusion issues like sexual orientation and gender identity or SOGI, as well as stronger implementation and capacity building.

- Maintaining continued strong AsDF support for the Afghan people, while exercising prudence, flexibility, and creativity in the AsDF approach.

- Reducing AsDB support for China, and making progress on graduating the country from that support.

European Bank for Reconstruction and Development (EBRD)

Performance in 2023: The following section summarizes EBRD activity during the period between January 1, 2023 and December 31, 2023.

- EBRD investments in 2023 totaled $14.2 billion. Top countries for EBRD investments were Turkey ($2.7 billion, or 19%), Ukraine ($1.5 billion, or 11%), Egypt ($1.4 billion, or 10%), Poland ($1.4 billion, or 10%), and Serbia ($0.9 billion, or 6%).

- In 2023, 80% of the total EBRD business volume was with the private sector and was concentrated in financial institutions (44%); sustainable infrastructure (29%); and industry, commerce, and agribusiness (27%).

- In 2023, the EBRD continued its strong support for Ukraine, deploying over $2.3 billion, including $512 million in cumulative turnover under the trade facilitation program.

- The EBRD invested a total of $7.1 billion, or 50% of total financing, to support the transition to a green economy. This included $6.2 billion in climate change mitigation activities and $259 million to support climate change adaptation.

- In 2023, the EBRD signed over 203 gender-focused projects, 44% of the number of projects signed in the year.

- In 2023, the size of EBRD's combined portfolio in Russia and Belarus after transfers decreased by a further 16% to $283 million, which the EBRD continues to try to exit responsibly.

Key Institutional Reforms and Initiatives: In 2023, EBRD continued to implement key initiatives, in addition to carrying out its regular lending activities.

- *General Capital Increase*. In December 2023, EBRD Governors approved a $4.3 billion general capital increase (GCI) to enhance the EBRD's lending capacity to continue its private-sector-focused support to Ukraine and other countries of operations as they confront the impact of Russia's war on Ukraine. As part of the GCI policy commitments, consistent with U.S. policy priorities, EBRD will redouble its efforts to increase the proportion of investment and policy activity in Central Asia, the Middle East, North Africa, and the Western Balkans; improve reporting of private capital mobilization; review the procurement policy in 2024 to improve focus on competition and the role of procurement in the transition to a market economy; and maximize cost efficiencies.

- *Sub-Saharan Africa.* In May 2023, EBRD Governors voted to amend the Bank's charter to allow for a limited and incremental expansion of EBRD operations to sub-Saharan Africa and Iraq.

- *Removal of Statutory Capital Limitation.* The G20 CAF Review recommended that MDBs should relocate specific numeric leverage targets from MDB statutes to MDB capital adequacy frameworks. In May 2023, EBRD Governors approved an amendment to the EBRD's charter that removed the statutory capital limitation, and delegated policies on capital adequacy to the Board of Directors. This action will increase flexibility by enabling the EBRD to make necessary future adjustments to capital adequacy policies without the need to amend the charter.

- *Working with the United States to Support Ukraine*. On May 21, 2022, the U.S. Congress appropriated $500 million for the EBRD in the Additional Ukraine Supplemental Appropriations Act, 2022 (P.L. 117-128) to support the EBRD's work in Ukraine. As of April 2023, the EBRD had allocated all the funds. The funding included guarantees for vital energy and power projects; liquidity to financial institutions to support SMEs, agribusinesses, and other crucial economic activity; municipal-level support to provide essential services; projects to support grain transport and storage; and transfers to technical cooperation funds.

- *Paris Alignment*. Starting in January 2023, 100% of the EBRD's activities were aligned with the goals of the Paris Agreement.

2024 Priorities: Key U.S. priorities at the EBRD in 2024 are:

- Continuing to press the EBRD to mobilize and provide robust support to Ukraine and countries impacted by Russia's invasion of Ukraine.

- Overseeing EBRD's use of the $500 million appropriated by Congress for Ukraine.

- Maintaining momentum toward the EBRD's limited and incremental expansion into sub-Saharan Africa and Iraq, while ensuring that the expansion will not require additional capital and will complement the work of existing development partners.

- Ensuring that that the EBRD continues to support all of its countries of operation, but especially those least advanced in transition, including through inclusive and green investments and by accelerating the digital transition.

- Supporting and expanding the EBRD's efforts to mobilize private capital in support of development priorities.

- Emphasizing the need for the EBRD to remain focused on its core mandate to support private enterprises in its current countries of operation.

- Supporting recipient countries in resisting economic influences that impede the transition to market economies and multiparty democracy, including through increased focus on EBRD's economic governance tools and policy dialogue.

- Further implementing the G20 CAF Review recommendations, including considering the issuance of hybrid capital and enhancing risk sharing with the private sector.

- Maintaining a strong culture of integrity, accountability, and a speak-up culture by advocating for strong safeguards and access to information policies and preserving the independence and resourcing of independent oversight units including for the Independent Project Accountability Mechanism (IPAM).

- Urging Management to maintain high risk tolerance in its operations within a financially sustainable framework.

Inter-American Development Bank (IDB) Group

Performance in 2023: The IDB Group approved about $19.3 billion in loans, guarantees, grants, and equity investments during the period between January 1, 2023 and December 31, 2023.

- **IDB** approved about $12.5 billion in public sector loans and guarantees in 2023 to its 26 borrowing member countries in Latin America and the Caribbean. In addition to these financial commitments, the IDB also approved $272 million in technical assistance, including $111 million funded by the Bank's ordinary capital resources.

- Top recipients of IDB sovereign lending and guarantees in 2023 were Brazil ($2.4 billion, or 19%), Argentina ($1.7 billion, or 14%), Colombia ($1.4 billion, or 11%), Peru ($1.1 billion, or 8%), and Ecuador ($0.9 billion, or 7%).

- IDB's 2023 sovereign lending was distributed across multiple sectors, with the largest amounts going to infrastructure and the environment ($6.1 billion, or 48%); fiscal sustainability, competitiveness, and access to credit – which the IDB labels “institutions for development” ($4.2 billion, or 33%); and social sector programs ($2.1 billion, or 17%).

- **IDB Invest** (also known as the Inter-American Investment Corporation), the arm of the IDB Group that solely focuses on the private sector, committed about $6.7 billion in loans and equity investments in 2023, and mobilized an additional $5.4 billion in private sector resources. Total commitments were distributed across sectors such as the corporate sector ($2.2 billion, or 33%); infrastructure and energy ($1.7 billion, or 25%); and other sectors through financial institutions ($1.5 billion, or 22%).

- **IDB Lab** (also known as the Multilateral Investment Fund) approved $93 million in grants and loans across its thematic and crosscutting priority areas of agriculture and natural capital, talent and employment, essential infrastructure services, financial inclusion, and health. IDB Lab’s mission is to pilot new approaches to private sector development with a special emphasis on promoting innovation and early-stage entrepreneurs using technology as a tool for development impact. Within the IDB Group, the IDB Lab’s role is to serve a riskier, smaller client segment than the IDB or IDB Invest.

Key Institutional Reforms and Initiatives: Key reforms underway and continuing beyond 2023 include:

- *IDB Group Reforms and Institutional Strategy.* IDB Group Management developed its new Institutional Strategy, “Transforming for Scale and Impact,” which will guide the Group’s overall strategy through 2030. The Institutional Strategy presents an ambitious plan to improve development effectiveness, address the region’s vulnerabilities, and foster transformative social and economic progress while actively combatting climate change. Importantly, the principles and practices of transparency, accountability, and partnership with civil society are embedded throughout the Institutional Strategy. By addressing regional and global challenges to maximize development impact, the Institutional Strategy also hews to the MDB Evolution agenda. Governors approved the Institutional Strategy at the IDB Group Annual Meetings in March 2024.

- *IDB Invest New Vision and Business Model.* IDB Invest developed its $3.5 billion capitalization proposal, which more than doubles its capital base, as well as an implementation plan for its New Vision and Business Model. The capital increase will allow IDB Invest to support local currency financing, more equity investing, de-risking, and private capital mobilization. Bank management projects that the capital increase, along with implementing its New Vision and Business Model, will help generate more than $100 billion in long-term financing to the region over a 10-year period, with over 50% of that amount achieved through mobilization. Governors approved the capital increase and implementation plan for the New Vision and Business Model at the IDB Group Annual Meetings in March 2024.

- *Capital Management.* The IDB has a strong track record of balance sheet optimization over recent years, including adopting a Capital Adequacy Mandate and Regulations in 2013, implementing policies to reduce portfolio concentration, and completing a series of "exposure exchange agreements" with other MDBs to improve portfolio diversification. Starting in 2023, the IDB committed to utilize additional balance sheet measures under its control to expand lending capacity by $2 billion per year. Since then, the IDB has taken concrete steps to achieve this target, including piloting credit protection agreements with private insurers on portions of the Bank's country exposure. The IDB also reviewed in detail with the Board each recommendation of the G20 CAF Review and established a roadmap for implementing specific recommendations.

- *IDB Lab*: IDB Lab Management developed a $400 million replenishment proposal to support small entrepreneurs, with a specific emphasis on empowering poor and vulnerable populations, which could generate $307 million through strategic measures, and draw a projected $398 million from third-party organizations. Governors approved the replenishment at the IDB Group Annual Meetings in March 2024.

- *IDB Policy Based Lending Reform.* As part of the new institutional strategy, the IDB launched a reform process for its policy-based lending (i.e., budget support) instrument with the aim of improving the quality and impact of these operations.

- *IDB Access to Information Policy Reform*. The IDB presented to the Board a revised draft Access to Information Policy, which the Board approved for public consultation. The policy revisions aim to clarify the disclosure exceptions, eliminate the negative override (i.e., disallow ad-hoc non-disclosures outside of the approved exceptions), include a harm test that must be met for non-disclosure, and improve the information request system.

<u>2024 Priorities</u>: Key U.S. priorities at the IDB Group in 2024 are:

- Supporting the IDB Group in providing high quality, transparent, and impactful development financing in Latin America and the Caribbean that reduces the impetus for countries in the region to pursue nontransparent, unsustainable, and coercive financing from other sources such as China.

- Advancing IDB Group Management's implementation of its Institutional Strategy, as outlined in its "reform roadmap" that will operationalize the Institutional Strategy's reform commitments, with particular emphasis on:

    - Reforms to improve the development effectiveness of policy-based loans.

    - A "One Caribbean" Framework that will allocate $20 million over five years in technical cooperation to support Caribbean countries in increasing their institutional capacity to absorb greater levels of investment.

    - Reforms to improve IDB Group's programs addressing regions affected by conflict and criminal-based violence.

- A new impact framework to set corporate targets and reflect the achievement of development outcomes.

- Reforms to effectively leverage the IDB Group's capital base to increase development lending, consistent with G20 CAF Review recommendations.

- A country classification system that will better reflect country vulnerability and allow for more effective deployment of concessionality.

- Complementary reforms to improve project and data disclosure and transparency, including through the approval of a strengthened Access to Information Policy.

- Advancing IDB Invest's implementation and execution of its New Vision and Business Model.

- Increasing awareness among U.S. companies about procurement opportunities relating to IDB-funded projects.

North American Development Bank (NADB)

Performance in 2023: The following section summarizes NADB activity during the period from January 1, 2023 through December 31, 2023. NADB has a mandate to fund infrastructure programs that benefit the environment on either side of the U.S.-Mexico border. Please also see Annex III: Report on the Performance Measures of the North American Development Bank.

- In 2023, NADB approved $236 million in total financing across all programs, including $213 million in loans and $23 million in grants.

- NADB's outstanding loan portfolio consisted of 71 loans with a value of $1.05 billion at the end of 2023. Of this total, by loan volume 63% was for clean energy (wind, solar, and battery storage), 18% was for water and wastewater, 10% was for air quality (including public transportation projects), and 5% was for COVID-19 recovery financing for local utilities and municipalities. Almost 40% of projects by number were in the water sectors and 31% in sustainable energy.

- NADB's outstanding loan portfolio was 38% in United States and 62% in Mexico by volume. The portfolio was 28% public sector, 67% private sector, and 5% public-private.

- NADB administers two grant programs – the Border Environment Infrastructure Fund (BEIF), which administers funding from the U.S. Environmental Protection Agency (EPA) to finance priority municipal drinking water and wastewater projects on the border, and the Community Assistance Program (CAP), which provides grants from NADB's retained earnings to fund critical infrastructure projects in low-income communities. Of the $23 million in grants approved in 2023, $22 million was under BEIF and $0.5 million was under CAP.

Key Institutional Reforms and Initiatives:

- *Strategic Plan.* In 2023, the NADB Board and Management approved a new five-year Strategic Plan 2024-2028. The plan focuses on five core objectives: 1) optimize community impact; 2) catalyze investment and make prudent use of financial capacity; 3) improve strategic effectiveness; 4) strengthen internal alignment; and 5) promote NADB's strategic value. The plan calls for NADB to grow its loan portfolio to at least $1.5 billion; diversify grant resources; maintain water and wastewater (including addressing transboundary flows) as the highest investment priority while also promoting investments in priority sectors of solid waste management and air quality; and maintain clean energy projects within portfolio limits, with enhanced focus on storage and transmission.

- *Environmental, Social, and Governance (ESG) Policy*. NADB evaluates ESG risks by taking into consideration the potential impacts of its projects on the environment and communities, as well as the potential ESG risks on its investments and the financial performance of the projects financed. In 2023, the Board approved a new ESG Policy, which addresses NADB's approach (i) to managing ESG impacts and risks throughout the lifecycle of a project, and (ii) to providing clients and stakeholders appropriate information regarding NADB's requirements for the evaluation of prospective projects and the monitoring of financed projects. The policy covers the Environmental and Social Risk Management System, ESG risk scoring, and ESG-related disclosures, using IFC's Performance Standards as the foundation for NADB's environmental and social safeguards.

- *Gender Policy.* The NADB Board approved a new Gender Policy in 2023, the goal of which is to promote equality and inclusion for all genders through NADB-financed projects. Through this policy, NADB affirms that zero tolerance will be afforded to actions of gender harassment, gender-based violence (GBV), including sexual abuse, exploitation, and harassment (SEAH), or any other kind and form of violence.

- *New Managing Director.* The Board selected John Beckham, a U.S. national who was previously serving as NADB Deputy Managing Director, as the Managing Director for a four-year term beginning January 1, 2024.

2024 Priorities: In 2024, key U.S. priorities for NADB are:

- Implementing the Strategic Plan 2024-2028, including building a larger pipeline of loan projects in the water and wastewater sectors in line with targets for a growing overall portfolio with increased investment in the water and wastewater sectors.

- Developing a programmatic approach to certification and financing of projects in the water and wastewater sectors in line with the mandate in the USMCA Implementation Act to pursue greater efficiencies for these processes.

- Supporting continued work in helping address cross-border untreated wastewater flows in the Tijuana River basin and other watersheds along the border, including through more strategic approaches.

- Building project pipelines in new and expanded environmental infrastructure sectors, as authorized by the Board in 2022 and to support the growing portfolio under the Strategic Plan.

- Updating personnel and ethics policies and trainings to help build a respectful workplace culture.

- Supporting nomination by the Government of Mexico of a highly qualified candidate for the Deputy Managing Director position.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

The International Fund for Agricultural Development (IFAD) is a small UN specialized agency and IFI supported by 178 member countries that is dedicated to alleviating rural poverty, hunger, and malnutrition and to supporting rural people to increase their incomes, productivity, and resilience in the face of climate change. The United States is a founding member of IFAD and its largest historical contributor. To date, the United States has contributed $1.2 billion to IFAD. In December 2023, the United States pledged $162 million to IFAD's Thirteenth Replenishment over 2025-2027, subject to Congressional approval.

Performance in 2023:

- In 2023, IFAD approved $534.8 million in projects, additional financing, and grants, and its total project portfolio amounted to $8.1 billion.

- The regional distribution of IFAD's approvals and additional financing in 2023 was: Eastern and Southern Africa (34%); Western and Central Africa (31%); Asia and the Pacific (17%); Near East and North Africa and Europe (16%); and Latin America and the Caribbean (2%).

- According to IFAD's 2023 impact assessment, 79 million rural people benefitted from IFAD-financed projects, with 50 percent being women, 26 percent Indigenous Peoples, and 22 percent youth. In addition, 1.9 million hectares of land was brought under climate-resilience management practices. Over 10 million people gained access to financial services, with 3.5 million individuals being trained in income-generating activities and 700,000 rural enterprises accessing business development services.

Key Institutional Reforms: In 2023, IFAD completed consultations with Member States on the Thirteenth Replenishment of IFAD's resources (IFAD13) with tangible policy commitments related to fragility, climate change, and the private sector. During IFAD13, IFAD will continue allocating 100 percent of its core resources to low-income and lower-middle income countries, while increasing its allocation to countries with fragile situations to 30 percent. IFAD will also increase its climate finance target to 45 percent of its program of loans and grants, one of the most ambitious climate finance targets amongst the IFIs. Nearly all of IFAD's climate finance supports climate adaptation and resilience for rural farmers and their communities. Finally, IFAD will create a dedicated private sector division to enhance its work with the private sector, investing in rural communities for long-term, sustainable impact, resilience, and job creation.

IFAD's Independent Office of Evaluation (IOE) reports directly to the Executive Board and is responsible for validating project completion reports and conducting corporate-level reviews on governance and operational effectiveness. The 2023 IOE annual report finds continued strong performance in project relevance, natural resource management and climate change adaptation, and innovation. The IOE also highlighted continued room to strengthen efficiency and effectiveness, particularly in fragile contexts. To address these findings, IFAD will strengthen support to projects at the design and implementation stages, as well as assess the role of IFAD Country Offices.

2024 Priorities: Key U.S. priorities for IFAD in 2024 are:

- Supporting IFAD Management's efforts to finalize design and approval of a record number of projects to fulfill the $3.35 billion program of loans and grants committed to under the IFAD12 replenishment cycle (2022-2024).

- Working with IFAD Management and other member states to augment IFAD's capacity for efficient and effective implementation of IFAD13 by optimizing IFAD's financial architecture; informing the creation of new operational strategies on fragility and the private sector; and supporting a restructuring of the organization to focus on program quality, delivery, and impact.

- Continuing to advance policies, projects, and programs that will advance U.S. food security priorities, such as strengthening agricultural productivity and food security, integrating climate adaptation and mitigation design elements, and strengthening food and agriculture value chains, including by mobilizing private investment and scaling up small-scale producers.

DEBT ISSUES ACROSS INTERNATIONAL FINANCIAL INSTITUTIONS (IFIs)

Reporting Pursuant to Section 9722(b) of the National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283)

This section responds to the following legislative language included in Section 9722(b) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283)

> *[SEC. 9722. ENSURING CHINESE DEBT TRANSPARENCY. (a) UNITED STATES POLICY AT THE INTERNATIONAL FINANCIAL INSTITUTIONS.—The Secretary of the Treasury shall instruct the United States Executive Director at each international financial institution (as defined in section 1701(c)(2) of the International Financial Institutions Act) that it is the policy of the United States to use the voice and vote of the United States at the respective institution to seek to secure greater transparency with respect to the terms and conditions of financing provided by the government of the People's Republic of China to any member state of the respective institution that is a recipient of financing from the institution, consistent with the rules and principles of the Paris Club. (b) REPORT REQUIRED.—The Chairman of the National Advisory Council on International Monetary and Financial Policies shall include in the annual report required by section 1701 of the International Financial Institutions Act— (1) a description of progress made toward advancing the policy described in subsection (a) of this section; and (2) a discussion of financing provided by entities owned or controlled by the government of the People's Republic of China to the member states of international financial institutions that receive financing from the international financial institutions, including any efforts or recommendations by the Chairman to seek greater transparency with respect to the former financing.]*

Over the previous fiscal year, Treasury has actively pressed the IMF and World Bank through the respective U.S. Executive Directors to pursue increased transparency around the debt that borrower countries owe to all their creditors, including China. Treasury's efforts have contributed to significant progress by the IMF and World Bank to enhance debt transparency. Both the IMF and World Bank have continued their steadfast implementation of their revised policies on debt data reporting and disclosure under their joint multi-pronged approach (MPA). These policies increase the scope and granularity of debt data that all member states must provide to both institutions and that the institutions subsequently incorporate in their reports to their respective Boards. These policies also increase the incentives for member states to improve their debt data reporting to the IFIs. For the IMF's planned MPA update in its FY 2025 Executive Board Work Program, Treasury plans to push the IMF to undertake an assessment of members' progress on debt management and transparency since the launch of the MPA and an evaluation of a potential MPA refresh.

Member states have made significant and tangible progress on debt transparency, driven in large part by stronger IMF and World Bank requirements on debt data disclosure as well as increased TA and capacity building from these institutions. These strengthened data requirements are included in the IMF's revised Debt Limits Policy (DLP) and updated Debt Sustainability Analysis for Market-Access Countries, as well as the World Bank's Sustainable Development

Finance Policy. In addition to encouraging the IMF and World Bank to improve their surveillance on borrower countries' debt data, Treasury has continued to press both institutions to address other key gaps in debt data reporting, including on collateralized debt, central bank FX currency swap lines, and contingent liabilities associated with debts of state-owned enterprises. Additionally, Treasury has also been pushing creditors to improve their reporting on lending activities to both institutions, with the goal of increasing the accuracy of the IFIs' debt databases through improved data reconciliation between the debtors and creditors.

Treasury continues to monitor developments on Chinese lending and to push the IFIs to improve the reporting and coverage of Chinese debt in their databases. Chinese lending has continued to slow from its peak in 2016, particularly with respect to direct lending from Chinese policy banks, including China Export-Import Bank and China Development Bank. Recent developments regarding Chinese official overseas lending indicates some changes in the composition of Chinese lending. According to AidData, the main shift observed over 2018-2021 is greater risk sharing via syndicated loan arrangements with other institutional lenders with better lending practices. However, inclusion of problematic clauses (e.g., collateral arrangements, escrow accounts, and repayment guarantees) in Chinese debt contracts remains an issue, along with opacity around Chinese lending. These issues are particularly problematic in the debt restructuring context, exacerbating concerns about information sharing and comparability of treatment among all creditors, which can delay and prolong debt restructurings. Treasury continues to push for increased transparency of Chinese lending terms via all channels, including with the IFIs, bilaterally with China, and borrower countries.

Reporting Pursuant to Section 6103 of the National Defense Authorization Act for Fiscal Year 2022 (P.L. 117-81)

This section responds to the following legislative language included in Section 9722(b) of the National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283)

> *[Section 6103. The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund to use the voice and vote of the United States to advocate that the Fund promote international standards and best practices with respect to sovereign debt contracts and provide technical assistance to Fund members, and in particular to lower middle-income countries and countries eligible to receive assistance from the International Development Association, seeking to enhance their capacity to evaluate the legal and financial terms of sovereign debt contracts with multilateral, bilateral, and private sector creditors." (b) Report to the Congress. Within 1 year after the date of the enactment of this Act, and annually thereafter for the next 4 years, the Secretary of the Treasury shall report to the Committee on Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate on (1) the activities of the International Monetary Fund in the then most recently completed fiscal year to provide technical assistance described in section 1630 of the International Financial Institutions Act (as added by this section), including the ability of the Fund to meet the demand for the assistance; and (2) the efficacy of efforts by the United States to achieve the policy goal described in such section and any further actions that should be taken, if necessary, to implement that goal.]*

The provision of TA and CD support to address LICs' debt risks is a core component of the IMF's work under the Fund's joint MPA with the World Bank. However, the TA offered by the IMF does not specifically focus on evaluating sovereign debt contracts, which IMF staff may not have access to, depending on the extent of information sharing between a debtor country and the IMF. In addition, the IMF does not get involved in negotiations between debtor countries and their creditors on specific contract terms. Rather, IMF TA broadly covers the areas of: (1) debt management institutions, processes, and practices; (2) debt transparency; (3) management of debt-related fiscal risks; (4) development of domestic debt markets; and (5) debt sustainability analysis. The objective of IMF TA is to help debtor countries build the long-term capacities to effectively identify and monitor across their debt risks portfolios. The IMF continues to scale up TA and CD activities in response to increased demand from LICs for help in addressing growing debt vulnerabilities. The IMF dedicates a substantial amount of its total TA on debt management support to LICs.

The joint IMF-World Bank Debt Management Facility (DMF III) is a key vehicle for delivery of TA on debt management and transparency to LICs. The United States has contributed $2 million to the joint DMF III, which provides TA to over 80 countries (mostly LICs) to strengthen debt management capacity. Treasury leverages this U.S. contribution through participation in the DMF Steering Committee and is actively supporting DMF efforts to scale up capacity building assistance for developing country debt management, including development of analytic tools that strengthen debt management, reduce debt-related vulnerabilities, and improve debt transparency.

ANNEXES

I. IMF Exceptional Access Programs in 2023

Under normal access limits, total IMF program financing (inclusive of outstanding credit) from general resources is limited to no more than 435% of quota, and disbursements in any one year may not exceed 145% of quota. Financing amounts that exceed normal lending limits are referred to as "exceptional access" programs. Access limits for financing through the General Resources Account were temporarily raised to 200 and 600% of quota, respectively, for programs approved after March 6, 2023, through the end of 2024.

Argentina, Chad, and Egypt had exceptional access programs as of end-2023, all of which were approved prior to 2023. When a new exceptional access program comes before the IMF Executive Board for approval, Treasury is required to submit a report to Congress – prior to the U.S. Executive Director voting – in accordance with Section 9004 of the Consolidated Appropriations Act, 2016.

II. Report on IDA Contribution to Country Graduation

The U.S. Department of the Treasury presents this report consistent with 22 U.S.C. § 262r-6(b)(2). This section directs the Secretary of the Treasury to report to Congress on how the World Bank's 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 loans and grants to the poorest countries, with the aspiration that countries achieve levels of growth and institutional capacity that allow them to finance their development needs from a mix of non-concessional resources from the public sector, market borrowing, private investment, and their own domestic resources, thereby facilitating graduation from IDA. The United States believes that IDA should direct its scarce concessional resources to the poorest countries that have the most limited access to other sources of finance.

The IDA graduation process is normally triggered when a country's per capita gross national income exceeds the "operational" graduation threshold ($1,315 for WB FY 2024) for at least two consecutive years and the country is deemed creditworthy enough to receive loans from the IBRD. The process involves phasing out IDA lending and phasing in IBRD lending. Before a country fully graduates, there is typically a transitional stage of undetermined length, known as "blend" status, during which countries can access both IDA and IBRD resources. There are currently 14 active IDA blend countries: Cabo Verde, Cameroon, Republic of Congo, Dominica, Fiji, Grenada, Kenya, Nigeria, Pakistan, Papua New Guinea, St. Lucia, St. Vincent and the Grenadines, Timor-Leste, and Uzbekistan.[8]

To date, 36 countries have graduated from IDA. Moldova and Mongolia graduated from IDA on July 1, 2020 (but were allowed to maintain temporary access to IDA's Crisis Response Window for one year to support pandemic response). No country is planned to graduate at the end of the IDA-20 replenishment period, but Guyana will graduate at the end of IDA-21.

In 2022, IDA donors and the Board supported Sri Lanka's reverse graduation to IDA-only status, reflecting the sharp shocks to per capita income, lack of creditworthiness for IBRD borrowing, and the authorities' commitment to economic reforms and pursuing debt restructuring to restore macroeconomic sustainability.

In 2023, IDA donors decided to reform IDA's Small Island Economies Exception to a Small Economies Exception that allows vulnerable small states with per capita incomes above the IDA cutoff but not classified as high-income to remain IDA-eligible. This change results in Belize, eSwatini, and Suriname becoming IDA-eligible blend countries.

[8] Although classified as a blend country, Zimbabwe does not currently receive IDA or IBRD financing due to protracted non-accrual status.

III. Report on the Performance Measures of the North American Development Bank (NADB) under the United States-Mexico-Canada Agreement Act

REPORTING LANGUAGE

Pursuant to the United States-Mexico-Canada Agreement (USMCA), Title VIII, Subtitle C—North American Development Bank, Section 834 states:

"(a) IN GENERAL.—The Secretary of the Treasury should direct the representatives of the United States to the Board of Directors of the North American Development Bank to use the voice and vote of the United States to seek to require the Bank to develop performance measures that—

(1) demonstrate how projects and financing approved by the Bank are meeting the Bank's mission and providing added value to the region near the international land border between the United States and Mexico; and

(2) are reviewed and updated not less frequently than annually.

(b) REPORT TO CONGRESS.—The Secretary of the Treasury shall submit to Congress, with the submission to Congress of the budget of the President for a fiscal year under section 1105(a) of title 31, United States Code, a report on progress in imposing the performance measures described in subsection (a) of this section."

BACKGROUND

The North American Development Bank (NADB) is a binational financial institution established by the Governments of the United States of America and Mexico to provide financing for the development and implementation of environmental infrastructure projects that preserve, protect, or enhance the environment in order to advance the well-being of the people of the United States and Mexico.

NADB fulfills its mission by providing loans to public and private sponsors in both countries, administering and providing grants, and providing technical assistance to support the development of projects and strengthen institutional capacities in the region. In addition, NADB acts as a liaison in the coordination between the two countries on related matters.

As part of its loan program, in addition to capital, NADB offers a variety of financial services to support the development of projects, including due-diligence coordination, financial structuring, mandated lead arranger services, and collateral and agency services.

In the area of grants, NADB administers two programs:

- *The Border Environment Infrastructure Fund (BEIF)*, funded annually through the Environmental Protection Agency's Border Water Infrastructure Program, as appropriated by the U.S. Congress. Grants are provided for the implementation of high-priority municipal water and wastewater infrastructure projects on either side of the border.

- *Community Assistance Program (CAP)*. CAP grants are funded by NADB and used for critical infrastructure projects in economically distressed communities. In June 2023, the operating guidelines were updated to refocus project eligibility on investments in water and solid waste infrastructure, establish an impact-oriented project selection approach and create new financing options, which included increasing the maximum grant amount to $750,000 and providing an option for emergency funding for up to $250,000.

NADB also provides grants in the form of technical assistance for the development and preparation of infrastructure projects, including planning, design, environmental clearance, and construction management. This program is particularly valuable for border communities with limited experience or institutional capacity to manage a major infrastructure project.

Since 2021, the Bank has received $6.8 million in Congressionally appropriated grants from the U.S. Department of State for the CAP program and technical assistance activities.

In December 2021, the Board of Directors formally approved expansion of the Bank's lending program to include investments in a wider variety of environmental infrastructure projects that will help promote a green economy, while at the same time maintaining NADB's dedication and attention to priority projects in the core sectors of water, wastewater, and municipal solid waste. With this strategic expansion, NADB may now finance projects related to energy storage, mobility (including ports of entry), urban development, sustainable buildings and industrial parks, green manufacturing and products, sustainable food value chains, climate change adaptation and climate resilience.

In June 2022, the Board of Directors approved the NADB Green Loan Program with a financing commitment of up to US$300 million to help increase long-term financing options for small businesses looking to implement green technologies to improve their operating efficiencies and reduce their environmental impact. Through this program, NADB provides green loans to small- and medium-sized financial intermediaries, for subsequent lending to eligible green projects that comply with the program's Green Loan Framework, enabling NADB to extend its reach and environmental benefits to underserved areas. The program will also support environmental, social and governance (ESG) capacity-building for smaller financial institutions.

In December 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold and account for the Bank's grant funds available for construction and technical assistance purposes, including funds provided by third-party donors. As part of the establishment of the EICF, the Board agreed to transfer 20% of the Bank's annual cash earnings to the facility to support its ongoing growth. In its first year of operation, the fund balance of the EICF grew 42% from $7.5 million to $12.9 million at the end of 2023.

PERFORMANCE EVALUATION PROCESS

NADB has a Monitoring and Evaluation System (M&E) in place to measure the performance of each individual project, as well as to track trends in various environmental, human health and socioeconomic indicators at the border region level. NADB uses this information to identify remaining needs in the region and calibrate its strategy and workplan.

At the project level, the Bank establishes clear, quantifiable goals and targets as part of the Board approval process. A Results Matrix is developed, which includes quantitative estimates of the anticipated project results, divided into *outputs* (e.g., physical characteristics, cost and construction schedule of the project) and *outcomes* (e.g., population served, amount of water treated, renewable energy produced, emissions avoided). After a project has been in operation for one year, NADB conducts a closeout process in which the actual achievements of the project are measured and compared against the goals and targets set out in the Results Matrix, as approved by the Board, and assesses how closely these targets are being met.

IMPACT OF NADB-FUNDED PROJECTS

2023 Project Approvals and Construction Completed

Projects Approved

During 2023, eleven new projects were approved to receive up to $235.3 million in financing. These projects represent a total investment of $735.9 million and will benefit more than 1.6 million border residents.

Almost half of the projects were in the priority sector of water, including rehabilitation of the water distribution system serving an estimated 1,800 people in Anthony, New Mexico and the replacement of the entire water distribution and wastewater collection systems serving an estimated 2,940 people in the community of Long Island Village in Cameron County, Texas. In the latter case, the new wastewater system will prevent contamination of the soil and local water sources from sewage leaks, while water system improvements will prevent excessive water losses from leaks and ensure access to safe and reliable drinking water service for residents of both communities.

In addition, rehabilitation of wastewater conveyance infrastructure serving an estimated 1.4 million people in Mexicali and Tijuana, Baja California, will reduce the risk of system failures and prevent the potential discharge of up to 76.7 million gallons per day (mgd) of wastewater from spills and leaks that could impact the Tijuana and New Rivers, both of which flow northward into the United States. A third wastewater system improvement and expansion project in Ímuris, Sonora, will benefit the 8,750 residents of this small community located 45 miles south of Nogales, Arizona, by reducing the risk of line breaks and preventing the potential discharge of up to 330,890 gallons per day of wastewater onto the streets and into the local river, as well as extending first-time service to 50 homes.

In the area of sustainable energy, NADB continued to support clean energy generation and grid reliability in the border region with the approval of a solar energy park in Uvalde County, Texas, and a battery energy storage system (BESS) in Hidalgo County, Texas. During their first year of operation, the solar park is expected to generate electricity equivalent to the annual consumption of 13,735 households, while the BESS is expected to store and deliver sufficient electricity annually to meet the demand of 28,597 households. Together, the two projects are expected to directly benefit an estimated 136,100 U.S. border residents and displace the emission of 270,656 metric tons/year of carbon dioxide (CO_2) and other contaminants from conventional power plants.

NADB also approved two sustainable building projects, which means they will be constructed using sustainable construction techniques and materials, including energy- and water-efficient fixtures. A medical complex consisting of a healthcare clinic, a Program of All-Inclusive Care for the Elderly (PACE) facility and a pharmacy will be built to serve residents in and around the City of Imperial, California. In addition to increasing access to healthcare services for a socioeconomically disadvantaged population vulnerable to health issues related to extreme heat and other related environmental hazards, the facilities are expected to use about 43% less water and 25% less electricity in comparison with international standards for a conventional building with similar operational characteristics.

The second project consists of providing a $20 million line of credit for the development of efficient and sustainable housing projects for middle-income residents in eligible cities in the Mexican border states. These funds have the potential to support the construction of more than 460 sustainable houses, benefitting an estimated 1,570 people. The sustainable housing will be developed under building standards that aim to achieve, at a minimum, a 20% annual reduction in energy consumption, a 20% annual reduction in water use, and a 20% reduction in embodied energy in construction materials when compared to standard practices—savings that are equivalent to the Excellence in Design for Greater Efficiencies (EDGE) certification standards.

Similarly, in the area of sustainable food value chains, NADB approved the construction of a frozen food processing plant in San Luis Rio Colorado, Sonora, which is being built using sustainable construction techniques and materials, as well as energy- and water-efficient industrial equipment. In comparison with international standards for a similar industrial facility, the new plant is expected to use about 49% less water and about 12.7% less electricity a year.

Finally, through the Green Loan Program, a $15 million loan was approved for a Mexican financial intermediary to fund its equipment leasing operations with SMEs for eligible green projects located within the 300-kilometer border region in Mexico. The loan proceeds are expected to be used to support investments in low-emission vehicles and energy efficient equipment for green manufacturing, sustainable buildings and sustainable food value chain activities, as well as in water-efficient equipment installed in sustainable buildings.

Project Implementation Completed

During 2023, six projects in the priority sectors of water and solid waste management were fully implemented and began operations. These projects represent a total investment of $31.0 million and are benefitting more than 303,400 border residents in the United States and Mexico. NADB covered approximately 48% of that investment with CAP and BEIF grants, which were funded by the U.S. Department of State and EPA, respectfully.

Two small communities in Arizona are benefitting from projects to improve their wastewater systems. In Patagonia, the rehabilitation and upgrades to the wastewater treatment plant have increased its operational efficiency and eliminated the risk of plant failures that could result in approximately 45,000 gallons per day (gpd) of wastewater discharges to Sonoita Creek, a tributary of Patagonia Lake. As a result of this project, the plant continues to serve the 772 residents of this small community located 62 miles southeast of Tucson, in full compliance with applicable discharge regulations.

In the case of Nogales, Arizona, five substandard lateral connections to the International Outfall Interceptor (IOI) were removed to support improvements to the IOI undertaken by the U.S. Section of the International Boundary and Water Commission (IBWC) through a separate project. Erosion protection was also installed at critical points along the banks of the Nogales Wash to protect vulnerable segments of the IOI and other municipal infrastructure. The project is benefitting the 19,770 residents of Nogales by reducing the risk of pipeline failures and preventing the potential discharge of up to 15.2 million gallons per day (mgd) of wastewater to the Nogales Wash, a tributary of the Santa Cruz River.

Improvements were also made to wastewater collection and conveyance infrastructure for two communities in Mexico. The sewer system in Camargo, Chihuahua, was extended to provide first-time service to an estimated 414 residents and is collecting approximately 21,871 gallons per day (gpd) of wastewater for treatment. In the case of Reynosa, Tamaulipas, two lift stations with a combined design capacity of 10.2 mgd are benefitting 266,850 local residents by reducing the risk of untreated wastewater discharges onto local streets and into the Rio Grande River, which is also a source of drinking water for downstream communities on both sides of the border.

In addition, drinking water services were improved for the 1,480 residents of the Village of Vinton, a bedroom community located 25 miles north of downtown El Paso, Texas. The installation of a new distribution system in collaboration with the U.S. Department of Agriculture (USDA) has increased service coverage to 100% of the community, as well as improved fire protection. Moreover, residents who were using private wells are no longer exposed to high concentrations of arsenic and the pathogenic organisms present in the local water supply.

Finally, in the area of solid waste management, a new compactor was purchased for the sanitary landfill serving more than 14,000 residents in the communities of Roma and Escobares, Texas. The compactor will ensure the proper disposal of approximately 40 metric tons/day of municipal solid waste and special waste in compliance with applicable regulations, which will help maintain the optimum life of the landfill. Compaction is an essential process that prevents water and leachates from seeping through the landfill cell, reduces fire risk by decreasing air pockets for the accumulation of gases, and helps stop the proliferation of insects, rodents and other vectors.

Additional information regarding the Bank's projects and results can be found on its website at www.nadb.org.

Aggregate Project Results

Since its inception in 1994, NADB has financed 306 environmental infrastructure projects, of which 273 are already in operation and serving more than 19 million people in the border region. A summary of the cumulative impact of NADB-funded projects per environmental sector as of December 2023 is presented below.

Water

Objectives:

- Increase access to sustainable and safe drinking water and eliminate exposure to unsanitary water conditions to prevent water pollution and the transmission of water-related diseases.
- Conserve freshwater resources to support adequate water supply in the semi-arid and drought-prone border region.
- Provide adequate stormwater infrastructure to prevent flooding and contaminated runoff and to harness rainwater for beneficial uses.

General Statistics:

- 180 projects in operation
  - 152 water and/or wastewater
  - 24 water conservation
  - 4 stormwater
- $1.1 billion in NADB financing
- $2.7 billion in total investments
- 13.6 million people benefitting

Reliable Water Supply	
26	treatment plants built, expanded or rehabilitated with a combined capacity of 157 mgd, sufficient to supply 2.4 million people
413	miles of waterlines installed
29,963	new connections for first-time service
45	communities benefitted
Adequate Wastewater Treatment	
69	treatment plants built, expanded, or rehabilitated with a combined capacity of 491 mgd, sufficient to serve 9.3 million people
1,694	miles of sewer lines installed
450,702	new connections for first-time service
93	communities benefitted
Water Savings	
1,033	miles of improved canals and water conveyance systems in irrigation districts
524	cubic feet per second of water being saved for farmers and municipal water systems, sufficient to supply 4.5 million people
20	irrigation districts benefitted
Improved Flood Controls	
23	miles of stormwater collectors
387	acre-feet of reservoir capacity
175	cubic feet per second of pumping capacity
124,663	households benefitted in 4 communities

mgd = million gallons per day

Waste Management

Objectives:

- Provide proper waste disposal facilities to protect groundwater resources, prevent soil and air pollution and control the proliferation of disease-carrying rodents and insects.
- Promote comprehensive waste management systems, including recycling and waste reduction efforts.

General Statistics:

- 27 projects in operation
- 3.5 million people benefitting
- $22.6 million in NADB financing
- $50.1 million in total investments

Proper Waste Disposal

17	sanitary landfills built or expanded with a combined capacity of 5.9 million cubic meters
13	open-air dumpsites closed, covering 32 acres of land
165	collection and landfill operation vehicles purchased
3,426	metric tons a day of new waste management capacity
41	communities benefitted

Air Quality

Objectives:

Cleaner transportation	
785	buses with cleaner technology
4,860	metric tons of carbon dioxide emissions avoided, equivalent to 12 million passenger car-miles
8	communities benefitted

$ Covid Recovery Program (ProRec)

Objectives:

- $ Support projects that have both environmental benefits and direct positive impacts on the economy and well-being of residents in the U.S.-Mexico border region, through loan financing and technical assistance.

General Statistics:

- 6 projects in operation
- 1.02 million people benefitting
- $49.2 million in NADB financing
- $49.6 million in total investments

Refinancing Existing Debt	
$1,749,727	dollars in annual debt service obligation savings
5	communities benefitted