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 the
Consolidated Appropriations Act, 2016

and

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

United States Department of the Treasury
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INTRODUCTION[1]

To support our national interests and promote global growth, the United States has an active role in the policies and lending of the international financial institutions (IFIs). The IFIs further U.S. and global security interests and encourage open markets and financial stability. The IFIs help to fight poverty, support robust and inclusive global growth, enhance food security, combat climate change, and respond to emerging crises and emergency situations, including pandemics, natural disasters, and the protracted displacement of refugees. IFI financing serves as a high-quality alternative to nontransparent, unsustainable borrowing from other financiers.

U.S. leadership was instrumental in founding and designing most of these institutions, and the United States remains the largest or joint largest shareholder at all such institutions except the African Development Bank, where the United States is the largest non-African shareholder. The United States uses its shareholding, voice on the governing bodies, and convening power to proactively shape IFI policies and activities in support of U.S. national security, economic interests, and values.

The United States seeks to maintain its leadership position in the IFIs, with the goal of supporting U.S. interests and encouraging IFIs' accountability to U.S. calls for reform. Throughout 2020, the United States promoted policy reforms across the IFIs to improve their governance, focus them on the core missions of poverty reduction and inclusive growth, make better use of their financial resources, and improve their efficiency while maintaining high fiduciary, social, and environmental standards.

This report covers the period from January 2020 to January 2021 and looks at prospects for the remainder of 2021 – during which the IFIs will be focused on responding to the continuing global COVID-19 crisis. This report covers the following IFIs: the International Monetary Fund (IMF) and the multilateral development banks (MDBs), including the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Fund for Agricultural Development, and North American Development Bank.

[1] 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), requires the Chairman of the National Advisory Council on International Monetary and Financial Policies (the Secretary of the Treasury, as designated pursuant to Executive Order 11269 of February 14, 1966, as amended) to report annually to Congress on the participation of the United States in the international financial institutions (IFIs). Section 9006 of the 2016 Consolidated Appropriations Act, 2016 (P.L 114-113) requires the Secretary of the Treasury to report annually on changes in the IMF's lending, surveillance, and technical assistance policies. 22 USC 262r-6(b)(2) 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.

INTERNATIONAL MONETARY FUND (IMF)

Over 2020, U.S. engagement with the IMF focused on delivering support to members to respond to the economic consequences of the COVID-19 pandemic and encouraging a sustainable and green recovery that addresses rising inequality, while safeguarding the use of IMF resources and staying within its core mandate. The United States also worked to bolster IMF resources and direct those resources to maintain global economic and financial stability and support the most vulnerable countries. The United States, led by U.S. Treasury and the Office of U.S. Executive Director, has also pressed the IMF to take part in initiatives to support debt transparency and to support the suspension of debt service for qualifying low-income countries.

Major Issues Affecting U.S. Participation at the IMF

The United States plays a key role in shaping IMF policy and institutional issues through its position 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).[2] The United States has the largest voting share at the IMF, currently 16.5%, and is the only member country with the ability to veto certain major institutional decisions.

In 2020, the United States joined other key countries and IMF leadership in advancing a package of reforms to IMF resources designed to strengthen the IMF's role within the international financial system. In January 2020, the IMF Executive Board voted to maintain overall IMF resources roughly unchanged at around $1.4 trillion, by: (1) concluding the 15th general review of quotas without changes to existing member quotas; (2) expanding the size of the NAB from $250 billion to $500 billion and renewing the NAB through 2025; (3) reducing the IMF's current bilateral borrowing arrangements (BBAs), its third line of resources, by a commensurate amount; and (4) preserving U.S. veto power over the IMF's use of BBAs. This resource package was accompanied by decisions on a series of IMF policies, including reforms to modernize and streamline IMF staff compensation and benefits, improve the focus of IMF lending conditions, and strengthen the IMF's approaches on debt transparency and sustainability.

As part of the CARES Act passed in response to the COVID-19 pandemic, Congress authorized the extension of U.S. participation in the NAB until December 31, 2025 and an increase of our participation from approximately $39 billion to approximately $78 billion. The increase in U.S. participation in the NAB became effective on January 1, 2021, following approval from more than 85% of NAB participants and consent by each NAB participant to the change in its credit commitment.

In March 2020, the IMF Executive Board also approved a framework to guide the IMF's negotiations on the 2020 BBAs, which replaced the 2016 BBAs and became effective in January 2021. Under the new agreements, BBA resources declined by an amount commensurate to the

[2] Quotas are the metric used by the IMF to assign voting rights, to determine contributions to the IMF's general resources, and to determine access to IMF financing.

increase in NAB resources, maintaining overall IMF resources around their previous level. The United States does not have a BBA with the IMF.

IMF Crisis Response in 2020

The IMF rapidly responded to the COVID-19 crisis, tailoring its lending toolkit to provide emergency financing at an unprecedented scale to countries facing acute economic downturns; provided grants for debt relief to the poorest qualifying member countries; and is continuing to provide expert policy and technical advice in the areas of its core functions and robust global, regional, and country-level surveillance. The IMF has also supported other multilateral initiatives such as the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments Beyond the DSSI (Common Framework). The IMF's robust and rapid response is in line with its role in safeguarding the international financial system and promoting financial stability through its principal activities of surveillance, financing, and technical assistance. 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 preventing and reducing the severity of economic crises abroad.

In 2020, the IMF approved 36 emergency financing arrangements through the Rapid Financing Instrument (RFI) totaling $22.1 billion and 49 concessional emergency financing arrangements to low-income countries through the Rapid Credit Facility (RCF) totaling $9 billion. The RFI and RCF both provide emergency financial assistance to countries facing urgent balance of payments needs—especially important given the acute nature of the economic crisis nearly all IMF member countries faced in 2020. The RFI is available to all member countries, while the RCF is available only to the low-income IMF members that qualify for the Poverty Reduction and Growth Trust (PRGT). In response to the crisis, the IMF Executive Board temporarily increased the access limits for both the RFI and RCF through December 31, 2021.

Beyond emergency financing, Treasury is engaging with IMF staff to direct effective, targeted assistance to those countries most in need. The IMF has enhanced its toolkit in the following ways:

- *Catastrophe Containment and Relief Trust (CCRT).* The IMF's CCRT provides grant-financed relief on debt service payments to the IMF by the poorest countries struck by natural or public health disasters. In April 2020, the IMF Executive Board approved the third tranche of temporary debt service relief for up to 29 low-income countries, with a fourth tranche contingent on the IMF receiving grant assistance for this purpose from donors. To date, three of a potential four tranches have provided about $750 million in debt relief. The CCRT does not currently have adequate resources to provide the fourth and final tranche of pandemic-related relief and retain an adequate reserve buffer to address future debt service relief needs. The IMF has requested additional grants from member countries to recapitalize the trust for future use.

- *Poverty Reduction and Growth Trust (PRGT).* The PRGT is the IMF's concessional financing facility, through which it makes subsidized loans to low-income countries in the context of longer-term economic adjustment programs. In 2020, the IMF lent

$9.4 billion in concessional support to about 50 low-income countries through the PRGT– a fivefold increase in annual lending from the PRGT's pre-pandemic average. This IMF support has been an essential instrument to help these hard-hit poor countries, many of which lack reliable access to global capital markets, respond to the pandemic and prevent economic collapse while facing acute balance of payments stresses. The IMF is reviewing its concessional lending framework to determine its fitness for the post-pandemic recovery, with the IMF projecting that low-income countries will have highly elevated and persistent financing needs. The IMF Executive Board agreed to temporarily increase access limits on borrowing from the PRGT through the end of June 2021, by which time we expect the IMF's review of its concessional lending framework—and any resulting modifications to PRGT access levels and projected lending trajectory—to conclude.

The IMF also provided precautionary support to several countries not facing immediate balance of payments needs. In 2020, the IMF provided about $121 billion in precautionary support, approving a Flexible Credit Line (FCL) for Chile, Columbia, and Peru, renewing Mexico's pre-existing FCL, and approving a Precautionary Liquidity Line (PLL) for Morocco.

Throughout 2020, most of the IMF's focus was on providing emerging financing, but the Fund did approve seven new non-concessional programs and three new concessional financing arrangements.

- As of year-end 2020, the IMF had 16 active financing arrangements with member countries using its general resources (quota resources) for a total of $150 billion. New financing arrangements approved during 2020 include Chile, Columbia, Ecuador, Egypt, Peru, Jordan, and Ukraine. Previous programs in Tunisia and Argentina expired during 2020. Argentina remains the member with the largest amount of credit outstanding from the IMF, at about $44 billion. As of December 2020, Ecuador and Egypt both had active exceptional access programs.[3] For additional information on exceptional access programs, please see the Annex on IMF Exceptional Access Programs at the end of this report.

- As of year-end 2020, the IMF had 12 concessional financing arrangements with low-income countries in place for a total of $4 billion.[4] During 2020, the IMF Executive Board approved new concessional financing arrangements for Afghanistan, Somalia, and The Gambia, while completed or expired programs included Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Madagascar, Malawi, Moldova, Niger, and Togo.

- To help address the elevated financing needs of members during the COVID-19 pandemic, the IMF Executive Board has temporarily increased borrowing limits as a percentage of member quotas. Access limits on general resource lending have been

[3] Under normal access limits, total program financing from the General Resource Account is limited to no more than 435% of quota, and disbursements may not exceed 145% of quota. Financing amounts that exceed normal IMF lending limits are referred to as "exceptional access" programs.
[4] Concessional resources are financed through loans from countries to the Poverty Reduction and Growth Trust (PRGT), not quotas.

increased through the end of 2021, in addition to the increased limits for emergency facilities (mentioned above).

- The IMF also worked on significant multilateral efforts to address the impacts of the pandemic on low-income countries including through the G20 DSSI and the Common Framework. The COVID-19 pandemic negatively impacted many developing countries' fiscal balances, as they had to spend to combat the health and economic crises while revenues decreased precipitously amid the global collapse in economic activity. In response, the Paris Club and G20 announced the DSSI in early 2020. The DSSI allowed low-income countries to request suspension of their bilateral debt obligations to participating creditor countries over the course of the initiative—to be repaid later—providing liquidity relief to the world's most vulnerable countries. However, some low-income countries may need more substantial relief due to very high debt burdens and continued economic difficulties. Therefore, in October 2020, the Paris Club and G20 agreed to the Common Framework, which is a platform for creditor countries to coordinate to provide debt relief—either through debt rescheduling or, where necessary, debt reduction—to eligible low-income countries. The Common Framework could provide significant support to low-income countries, if implemented successfully. The IMF has played an important supporting role in the DSSI and will play a crucial role in the success of the Common Framework, as IMF-World Bank debt sustainability analyses will underpin debt treatments under the Common Framework.

Other Policy Items and Budget for 2020

The IMF reviewed and reformed several key policies during 2020 that were not directly related to the COVID-19 response:

- *Debt Limits Policy (DLP).* The DLP guides when and how IMF staff apply public debt conditionality on countries with IMF-supported programs and includes various debt transparency provisions. With broad support from the Board, the IMF incorporated proposals to provide greater transparency of debt data championed by the United States. These proposals included the requirement of a new mandatory table in IMF program documents that provides detail on debt stock by creditor category (e.g. bilateral, commercial) broken out by creditors, as well as broader public sector borrowing from state-owned enterprises, contingent liabilities from public-private partnerships, and collateralized debt.

- *Capital Flows*. The IMF is working to strengthen its policy advice to emerging markets facing increases in volatility in global financial markets and capital flows. To that end, in 2020 the IMF Research and Monetary and Capital Markets Departments published a series of papers discussing a new framework (the Integrated Policy Framework) to integrate monetary, exchange rate, macroprudential, and capital flow management policies in response to external shocks that affect a country's capital flows. Treasury has engaged robustly with IMF staff and at the Executive Board to guide this work to preserve the IMF's focus on financial market development and openness, as well as market determination of exchange rates, and to continue to maintain the IMF's recognition of the benefits of open capital flows. Treasury will continue to remain engaged on these issues in the upcoming review of the IMF's Institutional View on Capital Flows during 2021.

- *Human Resources and Budget.* The IMF employs approximately 2,800 people and has an annual administrative budget of $1.2 billion. With consistent support from the United States, the IMF has maintained a flat real administrative budget for the past 8 years. The IMF has also proposed a flat real budget for the IMF's FY2022, based on continued reprioritization and increased efficiency. That said, IMF Management has signaled its intent to propose a structural augmentation of the budget in the Fall of 2021 to enable the IMF to expand its work in high-priority areas, including climate change, digitalization, and inequality. If approved, the proposed augmentation could be implemented in the IMF's FY2023. The IMF will need to make a strong case for a budget increase.

Additional IMF Priorities in 2021

In addition to supporting the IMF in prioritizing financial assistance in response to the COVID-19 crisis, Treasury is engaging with the IMF on numerous key policy priorities in 2021, including:

- *Additional Low-Income Country Support*. The IMF is currently reviewing its support for low-income countries and is focused on increasing the volume of concessional financing provided over the next several years to respond to the increased financing needs from the COVID-19 crisis. Higher PRGT lending would help address the elevated balance of payment needs of low-income countries, which have fewer resources and less access to external financing to respond to both the acute and secondary impacts of the pandemic. The review is also focused on safeguards to manage the risks of elevated PRGT lending, and on methods for mobilizing the resources necessary to support higher lending levels.

- *Debt Transparency and Sustainability*. The IMF and World Bank are jointly implementing a multi-pronged work program to confront growing debt vulnerabilities, tackle shortcomings in debt data coverage and transparency, and address challenges from the changing creditor landscape in low-income countries. As a part of this program, the IMF successfully completed the above-mentioned Debt Limits Policy, which improved reporting standards. Treasury continues to regularly engage with the IMF on its review of debt trends in low-income countries. The United States also encourages those countries to improve debt management capacity and transparency to allow for comprehensive coverage of public debt data, including state-owned enterprise debt, collateralized lending, and contingent liabilities.

- *Review of Surveillance Policies*. Surveillance of economic and financial risks is a core part of the IMF's mandate. The IMF will conclude a Comprehensive Surveillance Review (CSR) in 2021 that will look to improve the quality and impact of the IMF's surveillance and recommendations to member countries, as well enhancing the IMF's approach to assessing risk and providing advice on evolving areas such as climate change. The IMF will also review its use of the Finance Sector Assessment Program, the main surveillance mechanism for member countries' financial sectors. Treasury will work to ensure the IMF remains committed to its core surveillance functions—exchange rate, fiscal, monetary, and financial policies—while expanding its coverage of emerging risks, including climate change, digitalization, and growing inequality.

- *Special Drawing Rights (SDRs)*. The IMF has proposed a US$650 billion SDR general allocation to help fill a long-term global reserve gap. The SDR allocation would help build reserve buffers, smooth adjustments, and mitigate the risks of economic stagnation in global growth. Importantly, it could also enhance liquidity for low-income and developing countries to facilitate their much-needed health recovery efforts. As part of our support for an SDR allocation, Treasury is working with the IMF and other member countries to maximize the benefits and limit the possible downsides of an allocation by enhancing transparency, accountability, and equitable burden sharing. Treasury is encouraging the IMF to publish an ex-ante guidance note on how countries could use and account for SDRs, consistent with macroeconomic and debt sustainability and good governance. Treasury is also urging the IMF to conduct an ex-post review of the results two years after the allocation to describe the various uses.

- *Climate Change*. The IMF has steadily increased its activities related to climate change and global economic stability. The IMF has increased climate risks and mitigation advice through its surveillance activities, such as adaptation and mitigation risks in Article IV consultations when macro-critical. Treasury will encourage broader and more detailed climate coverage through the CSR and FSAP reviews. On data, the IMF has cooperated with the OECD and World Bank to develop a Climate Change Indicator Dashboard that publishes climate data relevant for macro-economic considerations. The IMF will continue to be a leading source of high-quality economic research, including on the various issues related to climate change and economic, fiscal, and financial stability. Using these resources, the IMF is working to better incorporate climate change into its capacity development work, especially related to the fiscal impacts of climate change and greenhouse gas mitigation efforts. The IMF and the World Bank have also jointly developed and piloted several Climate Change Policy Assessments (CCPAs). Countries that undertake CCPAs receive an overarching assessment of their climate strategies and advice on how to build a macro-framework to meet their Nationally Determined Commitments (under the Paris Agreement).

Conclusion

Working with the United States, the IMF has taken significant steps to support countries during the COVID-19 crisis and maintain global financial stability and security. Given the possible divergence in recovery patterns between most advanced economies and most low-income countries, the United States supports the IMF focusing a substantial amount of its resources—financial, technical advice, and research—to low-income countries. Continued work on debt transparency and supporting implementation of the Common Framework will support broader economic relief and stability for countries that need it most as the economic crisis continues for low-income countries.

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 since the previous NAC Report was issued.

U.S. participation in the MDBs can: (1) foster U.S. national security by supporting MDB engagement with countries affected by situations of fragility, conflict, and violence (FCV) and providing assistance that addresses the root causes of instability; (2) help offer developing countries a high-quality alternative to non-transparent, unsustainable borrowing from other financiers; (3) promote U.S. economic growth through exports by helping the MDBs boost growth in emerging markets; (4) help respond to global crises, such as the COVID-19 pandemic and natural disasters, and build countries' resilience to future crises; and (5) address global priorities, such as climate change, energy security, food security, and environmental degradation.

The MDBs seek to support broad-based and robust economic growth and job creation through investments in areas such as infrastructure, health, and education. They also encourage private sector development and entrepreneurship. MDB grants and concessional lending are an important source of financing for the development needs of vulnerable and post-conflict states and for combating extreme poverty and hunger. MDB projects can promote global stability, prosperity, infrastructure development, good governance, and private sector growth.

The United States is the largest or joint largest shareholder at all MDBs in which it holds membership, except the African Development Bank, where the United States is the largest non-African shareholder. This status allows the United States to press MDB Management for institutional reforms, financial and political support for major U.S. priorities, and higher standards in the international financial architecture. 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.

Over the past year, the United States worked to improve performance by driving reforms across all MDBs. These efforts included urging the MDBs to address the health, economic and social impacts of the COVID-19 crisis while also preparing countries for sustainable recovery; focus more on the quality of their project loans rather than the quantity; improve loan-level transparency, including of loans through financial intermediaries; help developing countries improve policy environments to support private capital inflows effectively; strengthen incentives for countries to increase their debt management capacity and transparency; and assist poorer countries with limited access to private capital. In addition, the United States advocated for the MDBs to continue implementing better frameworks to ensure financial discipline.

The United States also continued to encourage stronger attention to fiduciary, transparency, environmental, and social standards, and for the MDBs to devote the necessary resources to implement these safeguards, which helps the MDBs set a benchmark for high quality projects. This focus increases the likelihood of project success, fosters competition among U.S. companies and contractors, and offers an attractive alternative to the lower standards offered by competing financiers. As the United States carries out its duties to review, comment, and vote on MDB projects, it applies relevant legislative mandates and requirements from Congress. Treasury looks forward to engaging with Congress on how to reduce mandates or reports that reduce our influence in the MDBs or that do not achieve the intended policy goal.

Below are the major developments for the World Bank Group, African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, International Fund for Agricultural Development, and North American Development Bank.

World Bank Group (WBG)

Performance in 2020: During the World Bank's fiscal year 2020 (covering July 2019 through June 2020), the World Bank Group committed a total of $77.1 billion in loans, technical assistance, concessional credits, grants, equity investments, and guarantees.

- **The International Bank for Reconstruction and Development (IBRD)** approved $28.0 billion in lending commitments to middle-income countries. The Latin America and Caribbean region received the largest portion of IBRD's new commitments at $6.8 billion (24%), followed by Europe and Central Asia at $5.7 billion (20%) and South Asia at $5.6 billion (20%). India, Philippines, and Turkey were the top three borrower countries in FY20.

- **The International Development Association (IDA)** approved $30.4 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 2020 at $19.1 billion (63%), followed by the South Asia region at $6.1 billion (20%). Nigeria, Bangladesh, and Democratic Republic of Congo were the top three IDA recipients in FY20.

- **The International Finance Corporation (IFC)**, the main private sector arm of the World Bank, approved $11.1 billion in long-term investments from its own resources. The IFC mobilized an additional $10.9 billion from other investors for development projects. Approximately 25% of the IFC's long-term investment commitments went to businesses and enterprises in IDA countries and FCV situation countries. The IFC also increased its short-term commitments due to COVID-19, which totaled $6.5 billion in 2020. The IFC spent $274 million on advisory services in 2020, with sub-Saharan Africa receiving $93.2 million (34%).

- **The Multilateral Investment Guarantee Agency (MIGA)** provided $3.96 billion in guarantees for political risk insurance and credit enhancement, which helped mobilize over $7 billion in total financing. Of MIGA's FY20 projects, 55% were in IDA and FCV-affected countries.

Key Institutional Reforms: In 2020, the World Bank continued to implement several key initiatives, in addition to carrying out its regular lending activities.

- *World Bank Capital Increase and Reform Package.* The World Bank continued to implement a set of important measures concluded 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 will be paid-in, as well as a $5.5 billion paid-in capital increase for the IFC. In 2020, the World Bank continued implementing measures to strengthen IBRD financial sustainability, such as varying loan prices by country income and increasing lending to lower-middle income countries. It also moved forward with ambitious climate lending and investment targets agreed as part of the package. We assess that the Bank made less progress enforcing IBRD's graduation policy and reducing lending to China. IBRD commitments to China in FY19 and FY20 were $1.2 billion and $1.3 billion, respectively. The Country Partnership Framework negotiated in 2019 stated that there would be an average of $1 to 1.5 billion in lending per year through FY25.

- *Financial Sustainability Framework.* In FY19, the IBRD adopted a financial sustainability framework (FSF) to restrict annual lending commitments to a level that can be sustained over a rolling ten-year horizon through organic capital accumulation and included a "crisis buffer" to allow the IBRD to respond to crises without jeopardizing its financial position. In FY20, the Bank operated within FSF parameters as it mounted a global response to address the health and economic impact of the COVID-19 crisis. For FY21, Bank Management and the Board agreed on a $10 billion buffer, consistent with prudent financial safeguards over a ten-year horizon, and Management and the Board agreed to trigger its use to support the COVID-19 crisis response. In combination with front-loading of planned lending and cancellations or reprogramming of existing loans, this buffer allows the IBRD to reach a $41 billion lending ceiling in FY21 compared to $28.5 billion in FY20, while approaching, but not breaching, its 20% minimum equity-to-loan (E/L) ratio policy threshold.

- *COVID-19 Response.* The World Bank Group initiated its COVID-19 emergency response in April 2020, financed either through special facilities set up to support the COVID-19 response or regular lending, particularly budget support. Between April and December 2020, the World Bank's COVID-19 response accounted for 58% of its financing ($32.5 billion out of $56.3 billion); with most of the IBRD financing ($18.5 billion of $25.5 billion) and nearly half of IDA financing ($14 billion of $30.8 billion) supporting COVID-19 operations. In calendar year 2020, the IFC COVID-19 response from its own account totaled $9.1 billion (or $10.1 billion including mobilized capital) across 71 projects. Of the $9.1 billion, approximately $6.7 billion consisted of short-term finance, with the remainder long-term in nature. MIGA launched a $6.5 billion fast-track facility to help private sector investors and lenders tackle the pandemic in low- and middle-income countries. In calendar year 2020, MIGA approved approximately $3.8 billion in guarantees as part of its COVID-19 response.

- *Vaccines.* In October 2020, the World Bank approved a $12 billion program ($6 billion each from IBRD and IDA resources) to support vaccine distribution and delivery, specifically health systems strengthening, cold chain logistics and training, all as part of preparation for vaccine delivery. In addition, the IFC approved a $2 billion facility to support vaccine manufacturing.

- *Climate.* In FY20 IBRD climate co-benefits were 28% of its total financing or 31% after excluding COVID-19 operations. IFC increased its climate investments to 30% of own-account long-term financing commitments in FY20. IBRD reached 100% compliance with climate risk screening in FY20. IBRD and IFC investment operations in key emission-producing sectors incorporated the shadow price of carbon in economic analyses and applied greenhouse gas (GHG) accounting, with annual disclosure of GHG emissions. A new umbrella trust fund, the Climate Support Facility (CSF), will support the consolidation and focus of climate and disaster risk considerations in IBRD projects, including green stimulus projects. The WBG is also working with other MDBs to identify areas of improvement in the adaptation methodology and on articulating principles for the development of resilience metrics. As part of its broader focus on sustainable development, the WBG is expanding its engagement on biodiversity and global development issues such as marine plastics.

- *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, which is challenging because of the nascent stage of private sector development in IDA and FCV-affected countries. IFC scaled up the number of staff and budget resources dedicated to developing a project portfolio in IDA and FCV-affected countries through upstream advisory and project development work. At end-FY20, IFC's long-term, own account investment commitments in IDA and FCV-affected countries had reached 25% of the portfolio, an increase from 21% in FY18, and just below the FY20 target of 27%. IFC's performance on short-term finance to IDA and FCV-affected countries has also outperformed, reaching 64% of total short-term financing for the year. Finally, 49% of financing under the IFC's Fast-Track COVID-19 Facility were investments in IDA and FCV-affected countries.

- *The Accountability Agenda.* The World Bank strengthened accountability at both the World Bank and IFC/MIGA. The World Bank enhanced the Inspection Panel's compliance review function by adding the option to verify implementation of measures to address non-compliance, and established an independent problem-solving mechanism, supported by a new accountability mechanism secretary (to be hired in 2021). For IFC/MIGA, an independent external review of IFC's and MIGA's environmental and social accountability framework, including the role and effectiveness of the Compliance Advisor Ombudsman (CAO), made some important recommendations. The IFC Board established a working group to consider the recommendations of the external review, including developing a new Accountability Policy. The working group's activities are continuing in 2021. This will include supporting a public consultation process, the finalization of the new accountability policy, and changing the CAO's reporting line from the IFC President to the Board by June 30, 2021. In addition, Janine Ferretti was selected as the new CAO Vice President. She assumed office in January 2021.

<u>2021 Priorities</u>: Key U.S. Priorities for 2021 are: (1) encouraging the World Bank Group to continue its support for a robust response to COVID-19, including involving the private sector; (2) emphasizing climate adaptation and mitigation investments; (3) incentivizing

countries to improve debt sustainability and management and promoting debt transparency, including through collection and publication of debt data; (4) modernizing and resourcing WBG accountability units adequately, including strengthening the accountability system at IFC/MIGA, including the CAO, through the process initiated in 2020; (5) reducing assistance to and making progress on graduating China from IBRD and IFC and enhancing application of the IBRD graduation policy to other wealthier countries with access to international markets; (6) expanding timely access to COVID-19 vaccines, particularly for the poorest countries, and supporting robust, equitable, and transparent vaccination deployment; (7) enhancing focus on investments in IDA and FCV countries as part of IFC 3.0; (8) negotiating an ambitious, accelerated IDA-20 replenishment to support a durable recovery in low-income countries; and (9) supporting continued implementation of reforms agreed to as part of the 2018 IBRD and IFC capital increase package.

African Development Bank (AfDB) Group

Performance in 2020: The following section summarizes AfDB Group activity during the period between January 1, 2020 through December 31, 2020.

- AfDB Group approvals (including special resources) totaled $6.0 billion in 2020. Approvals from the AfDB window (the non-concessional sovereign lending and private sector windows) were $3.6 billion. Approvals from the African Development Fund (AfDF), the AfDB Group's concessional window, including through the Transition Support Fund, were approximately $2.0 billion.

- The AfDB Group approved a total of $4.1 billion, or 69% of total approvals, under the COVID-19 Rapid Response Facility (CRF) established in April 2020. Of the $3.6 billion in AfDB approvals in 2020, approximately 72% was for COVID-19 response.

- Due to rapid financing needs for COVID-19 relief across sectors, $3.4 billion (57%) of the Bank Group's financing was under the broad multisector category in 2020. Other key sectors included infrastructure (energy supply, water supply and sanitation, and transport) at 20% and finance sector at 11%.

- In 2020, the share of non-sovereign operations at AfDB was 11% and sovereign operations 89%. The higher proportion of sovereign operations is attributable to the AfDB's increased focus on providing public health and economic recovery assistance to countries in response to the COVID-19 crisis.

- Distribution of total AfDB Group approvals in 2020 by sub-region: West Africa (21%), Central Africa (11%), East Africa (22%), North Africa (16%), Southern Africa (19%), and multiple sub-regions (11%). In 2020, the Bank Group approved just under $1 billion in financing to Egypt, Morocco, and Tunisia, which are important strategic partners.

- 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 will boost trade, leverage business climate reforms, support local small-and medium-sized enterprises (SMEs), and contribute 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: In 2020, the African Development Bank Group worked to respond to the COVID-19 crisis while making progress towards its reform commitments made under the Seventh General Capital Increase (GCI-VII) and Fifteenth Replenishment of the African Development Fund (ADF-15).

- *COVID-19 Response.* The AfDB approved a COVID-19 Response Facility in April 2020, announcing $10 billion available to support regional member countries address health, social, and economic implications of the crisis. The facility has supported activities such as increasing testing capacity and personal protective equipment stocks, social protection projects with emphasis on preserving jobs and food access, and country-specific reforms to enhance competitiveness for post-COVID-19 economic recovery. The AfDB largely delivered this assistance through host government systems via policy-based operations (about 60% of total 2020 lending approved).

- *Financial Sustainability Framework.* The AfDB approved a new Financial Sustainability Framework in December 2020. The new income model introduces capital buffers and automatic triggers to maintain its key financial ratios on target and will help the AfDB to manage its capital responsibly over the agreed 10-year horizon. Management is working with Moody's to implement the framework, including setting appropriate levels for the capital buffers. The Board also agreed to revisit the framework's cost-containment targets following a cost review in 2021.

- *Safeguards.* Management also put together in spring 2020 a detailed plan to improve compliance with environmental and social safeguards.

2021 Priorities: Key U.S. priorities for 2021 are: (1) strengthening institutional governance through U.S. participation in an Ad Hoc Committee of Governors overseeing a review of the AfDB's Code of Conduct and complaints handling process, as well as other relevant governance issues including the independence of the oversight and accountability units; (2) bringing the AfDB's COVID-19 response policy-based lending as a proportion of total lending in line with peer institutions, while continuing to respond to regional members' needs; (3) monitoring the AfDB's capital adequacy, cost efficiency, and other key financial ratios and determining how best to balance prudent financial management with regional demands for countercyclical lending during the prolonged crisis; (4) developing a new climate change and green growth strategy and revising the AfDB Group's energy strategy in tandem; (5) adopting a new, strengthened environmental and social safeguards policy that is harmonized with other MDBs' approaches; and (6) establishing a framework to improve project selectivity that focuses on the AfDB's comparative advantages and recognizes the AfDB's own staff and financial capacity limitations.

Asian Development Bank (AsDB)

Performance in 2020: The following section summarizes AsDB activity during the period between January 1, 2020 through December 31, 2020.

- Total AsDB financing commitments in 2020, including COVID-19 response, were \$31.6 billion. Commitments from AsDB's regular ordinary capital resources (non-concessional) were \$25.8 billion. Commitments from concessional ordinary capital resources were \$4.4 billion. Commitments for grants from the Asian Development Fund (AsDF) and other special funds, which are provided to eligible low-income AsDB members, totaled \$1.1 billion. Technical assistance totaled \$294 million.

- AsDB's COVID-19 response consisted of \$16.1 billion, or roughly 51% of total AsDB financing commitments, in 2020. This amount was approved under AsDB's \$20 billion COVID-19 support package announced in April 2020. The breakdown of \$16.1 billion in COVID-19 response includes \$13.6 billion in project financing, \$134 million in technical assistance, and \$2.4 billion in revolving programs in trade finance, supply chain finance, and microfinance.

- In addition to the above financing commitments from AsDB's own resources, AsDB also mobilized an additional \$16.4 billion in third-party cofinancing.

- The top five recipient countries of AsDB funding in 2020 were India (\$4.5 billion in commitments), Philippines (\$4.2 billion), Indonesia (\$3.4 billion), Pakistan (\$2.6 billion), and Bangladesh (\$2.5 billion).

Key Institutional Reforms: In 2020, AsDB continued to implement several key initiatives, in addition to carrying out its regular lending activities.

- *COVID-19 Response.* The AsDB put forward two new financing programs to respond to the COVID-19 pandemic. The first provides up to \$20 billion support for developing member countries' health and economic impact. The second provides up to \$9 billion in assistance for vaccine procurement, delivery, distribution, and administration.

- *AsDF-13 Replenishment.* Donors approved a \$4.2 billion replenishment package in September 2020 that focused AsDF grants on Afghanistan and Pacific small island developing states with thematic funding for (a) fostering regional cooperation and integration, (b) supporting disaster risk reduction and climate adaptation, and (c) promoting gender equality.

2021 Priorities: Key U.S. priorities for 2021 are: (1) continuing robust COVID-19 response, including adapting the policy framework as needed to provide access to safe and effective vaccines; (2) pressing the AsDB to increase its loan charges in line with other MDBs and to adopt stronger mechanisms to preserve financial sustainability; (3) urging the AsDB to put in place an energy policy to transition developing member countries out of high-emission fossil fuels, replacing capacity with renewable generation and simultaneously investing to promote broad energy access; (4) adopting a strong safeguards policy harmonized with, and potentially building upon, other MDBs' approaches, including a greater focus on social issues as well as stronger implementation and capacity building; and (5) increasing AsDB's financing, including private sector financing, for climate adaptation and mitigation projects and fully aligning projects with the Paris Agreement; and (6) advocating for a sharp decrease in AsDB finance to China and a sharper focus on activities that will put China on a path to graduation.

European Bank for Reconstruction and Development (EBRD)

Performance in 2020: The following section summarizes EBRD activity during the fiscal year 2020 consisting of the period between January 1, 2020 through December 31, 2020.

- EBRD investments in 2020 were $13.2 billion.

- Top recipient countries of investments were Turkey (16%), Egypt (10%), Ukraine (7%), Greece (7%), Poland (7%), and Morocco (7%).

- EBRD business volume in 2020 was concentrated in the following sectors: financial institutions (41%); sustainable infrastructure (34%); and industry, commerce, and agribusiness (25%).

- In 2020, 72% of total business volume was in the private sector.

Other performance notes:

- In 2020, the EBRD provided a total of $6.1 billion in COVID-19 relief, with 85% directed at the private sector. This included $1.9 billion in fast-track, short-term financing to existing clients and an additional $4.2 billion in investment to support trade, infrastructure, risk-sharing, and financial intermediaries.

- The EBRD provided over $33 million to support lending to women-led enterprises and initiated over 2,000 advisory projects to help SMEs.

- Over $3.7 billion of EBRD investments in 2020 supported energy and resource efficiency as well as building resilience to the effects of climate change.

- In response to strong guidance from the United States and other key shareholders, EBRD Management has not brought forward any new projects for Russia since 2014.

Key Institutional Reforms: In 2020, EBRD continued to implement several key initiatives, in addition to carrying out its regular lending activities.

- *COVID-19 Response.* In March 2020, the EBRD approved an initial $1.1 billion for its COVID-19 response package, which was subsequently expanded to $4.3 billion in April 2020.

- *Annual Meeting and Presidential Election.* EBRD Governors decided to delay from May to October 2020 the EBRD Annual Meeting and presidential election to select an acting president in response to the ongoing COVID-19 crisis. In October, the Governors elected French Treasury Director General Odile Renaud-Basso as president of the EBRD, and she began her four-year term in November 2020.

- *Strategic Framework.* In October, the Governors also unanimously approved the Strategic and Capital Framework for 2021-2025. The U.S. successfully lobbied to have the Framework include: 1) a commitment to increase the proportion of EBRD investment and policy activities in countries that are less advanced in transition, and 2) a crisis buffer to ensure sufficient capital reserves. The Board of Directors approved a new Whistleblower Policy in May and the Green Economy Transition Approach for 2021-2025 in July 2020.

<u>2021 Priorities</u>: Key U.S. priorities in 2021 are: (1) pushing the EBRD to engage in a more narrowly targeted manner in countries in Central Europe and the Baltics that are EU members and have largely transitioned to advanced market economies; (2) shaping a new Post-Graduation Operational Approach that supports the goal of encouraging advanced countries to graduate; (3) discussing the preparatory work that EBRD needs to do before making any decision on expansion into sub-Saharan Africa, with a focus on how expansion would be accompanied by progress on reduced activity in advanced countries and graduation, the financial implications of possible expansion, and relationships with other IFIs; (4) encouraging EBRD Management to strengthen and make full use of the range of measures to control costs, including limiting growth of staff compensation; (5) emphasizing the need for the EBRD to remain focused on its core mandate to support private enterprises in its current countries of operations that are less advanced in transition to market economies as they recover from COVID-19; and (6) pressing EBRD Management to avoid actions that would advance China and Russia's geostrategic goals and support recipient countries in resisting economic influences that run counter to the transition to market economies and multiparty democracy.

Inter-American Development Bank (IDB) Group

<u>Performance in 2020</u>: The following section summarizes IDB Group activity during the fiscal year 2020 consisting of the period between January 1, 2020 through December 31, 2020.

- The IDB approved $14.3 billion in loans and grants in 2020 to its 26 borrowing member countries in Latin America and the Caribbean. In addition to these financial commitments, the IDB approved $232 million in technical assistance funded by the Bank's ordinary capital resources.

- Top recipients of IDB public sector lending in 2020 were Brazil (20%), Colombia (11%), Mexico (8%), El Salvador (7%), and Panama (7%).

- IDB sovereign guaranteed lending in 2020 largely supported the region's efforts to respond to the health, social, and economic impacts of the COVID-19 pandemic. Lending was distributed across multiple sectors, with the largest amounts going to fiscal sustainability, competitiveness, and access to credit (51%); social sector programs (36%); and infrastructure and the environment (14%).

- IDB Invest (also known as the Inter-American Investment Corporation), the arm of the IDB Group that solely focuses on the private sector, originated $6.8 billion in loans and equity investments in 2020. Of this total, $1.4 billion was cross booked to the IDB's balance sheet. Total approvals were distributed across the following sectors: infrastructure and energy (29% of approvals); corporate sector (19%); and other sectors through financial intermediaries (52%).

- IDB Lab (also known as the Multilateral Investment Fund, or MIF) approved $109 million in grants and loans across its three thematic areas of knowledge economy, resilient agriculture, and inclusive cities. IDB Lab's mission is to pilot new approaches to private sector development with a special emphasis on promoting innovation and 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:

- *Presidential Election.* In September 2020, the IDB Board of Governors elected Mauricio Claver-Carone, an American, as the IDB Group President. He succeeded Luis Alberto Moreno who had served three consecutive five-year terms as President.

- *COVID-19 Response.* The IDB and IDB Invest have maintained best practices in financial management and remain adequately capitalized with robust liquidity, which will support incremental growth of the loan portfolio despite continued pressures on net income from low interest rates. In response to the COVID-19 pandemic, the IDB and IDB Invest implemented governance reforms to allow for virtual meetings and electronic voting, allowing business operations to continue uninterrupted. The IDB also modernized its contingent credit facility (CCF) for natural disasters to include COVID-19 related expenses as well as permit coverage of future pandemic-related expenses.

- *Environmental and Social Safeguards.* The IDB and IDB Invest both updated and strengthened their environmental and social safeguard policies after public consultations with stakeholders. IDB Invest published revised implementation guidelines for its updated environmental and social policy framework. The IDB Group updated its climate change action plan for 2021-2026 to achieve alignment with the objectives of the Paris Agreement, address sector-specific challenges, and improve monitoring and reporting.

- *Balance Sheet Optimization.* The IDB took further steps to optimize its balance sheet by merging the remaining balance of the Intermediate Financing Facility (IFF) with the IDB Grant Facility (GRF), and by signing a new Exposure Exchange Agreement (EEA) with the Asian Development Bank. The Office of Evaluation and Oversight assessed the IDB Group's tracking system for implementing evaluation recommendations and offered recommendations to improve the IDB Group's project completion reporting system.

2021 Priorities: Key U.S. priorities for the IDB Group are: (1) continuing to guide the IDB Group's response to the COVID-19 pandemic, including its support for vaccination campaigns in the region; (2) shaping the Governor-mandated program of analytical work to assess the region's absorptive capacity and fiscal constraints; the effectiveness of the Group's existing instruments, structure, and resources to deliver adequate solutions; and the Group's comparative advantages in addressing the region's needs; (3) conducting a rigorous review of total compensation frameworks for IDB and IDB Invest; (4) encouraging the IDB to increase its assistance for greenhouse gas mitigation and adaptation finance, and for IDB Invest to further catalyze significant private climate finance flows; (5) reviewing the IDB's independent accountability mechanism (MICI) to ensure its governance structure and resources allow it to carry out its work satisfactorily; (6) developing options for the long-term financial sustainability of the IDB Lab; and (7) updating the IDB's access to information policy.

International Fund for Agricultural Development (IFAD)

Performance in 2020:

- In 2020, IFAD approved $787.8 million for new projects and $35.0 million for grants under IFAD's global, regional, and country grant program.

- The regional distribution of IFAD approvals in 2020 was: Western and Central Africa (21%); Eastern and Southern Africa (21%); Asia and the Pacific (46%); Near East and North Africa, and Europe (9%); and Latin America and the Caribbean (3%).

- IFAD's current portfolio covered a range of sectors at end-2020, including agriculture and natural resource management (31% of IFAD financing), market and related infrastructure (16%), rural financial services (13%), community-driven and human development (15%), policy and institutional support (2%), and support for small and micro enterprises (13%). A variety of other efforts, including disaster mitigation and monitoring and evaluation, accounted for about 9% of IFAD funding.

Key Institutional Reforms: In 2020 and early 2021, the United States supported IFAD in making progress on its reform agenda while navigating an ambitious path forward for the next replenishment period, IFAD-12 (2022-2024). IFAD adopted a series of financial architecture and operational reforms to increase commitment capacity and support financial sustainability over time as well as deepen impact on the ground. The United States was also successful in achieving noteworthy commitments as part of the IFAD-12 replenishment negotiation process, including for IFAD to allocate all core resources to low-income and lower-middle income countries and present a robust graduation policy for approval prior to the beginning of IFAD-12. In 2021, IFAD will make preparations for the IFAD-12 financial framework, including by developing a borrowed resources access mechanism and updating its financing conditions, and continue to make progress towards the full implementation of a new asset liability management system to support the expanded borrowing operations under the Integrated Borrowing Framework, approved in December 2020.

In its 2020 report, IFAD's Office of Evaluation (IOE) found that overall project achievement declined slightly. IOE observed a flat or slightly declining trend in relevance, effectiveness, and IFAD performance; a more pronounced downward trend in rural poverty impact, innovation, scaling up, gender equality and women's empowerment, and government performance; and a recent improvement in efficiency and sustainability following a declining trend. Notably, government performance declined more precipitously than performance for any other criteria and IOE suggests that this area warrants further examination. Environment and natural resource management and adaptation to climate change have continued their upward trend. Additionally, IOE suggests that IFAD should develop clearer targets, results, and monitoring frameworks for the mainstreaming themes of nutrition and youth. Lastly, IOE concludes that synergies between lending and non-lending (e.g., knowledge management, partnership building, and policy engagement) should be better exploited in the development of multi-year country strategies.

<u>2021 Priorities</u>: Key U.S. priorities for IFAD in 2021 are: (1) supporting policies, projects, and programs that will further U.S. food security priorities, integrate climate adaptation and mitigation design elements, and reach small-scale producers in the context of global COVID-19 recovery; (2) working with IFAD Management and other member states to strengthen IFAD's impact and its ability to alleviate rural poverty in the poorest countries by focusing on enhancing program quality, project-level efficiency, and sustainability of impact; (3) consolidating recent financial architecture reforms and promoting adherence to new financial policies; and (4) supporting the adoption of a clear and constructive graduation policy that prioritizes resource allocation to the poorest countries least able to self-finance.

North American Development Bank (NADB)

<u>Performance in 2020</u>: The following section summarizes NADB activity during the fiscal year 2020 consisting of the period between January 1, 2020 through December 31, 2020.

- In 2020, NADB approved $271 million in total financing across all programs. This financing includes $248 in loans, $20 million in grants, and $3 million in technical assistance.

- NADB has an environmental mandate to fund programs which will benefit the environment on either side of the U.S-Mexico border region. Accordingly, NADB's outstanding loan portfolio (by loan amount) at the end of 2020 was approximately 74% clean energy (primarily wind and solar), 11% water and waste management, 9% air quality (including public transportation projects), 3% basic urban infrastructure, and 3% COVID-19 recovery.

- NADB's outstanding loan portfolio was 20% in United States and 80% in Mexico at the end of 2020. The portfolio was also 18% public sector, 77% private sector, and 5% public-private.

- NADB administers two grant programs – the Border Environment Infrastructure Fund (BEIF), which administers funding from the 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 $20.3 million in grants approved in 2020, $19.3 million was under BEIF and $1 million was under CAP.

Key Institutional Reforms:

- *Ratings Affirmed.* In 2020, the major rating agencies affirmed NADB's double-A credit ratings, recognizing robust capitalization, maintenance of low leverage limits, high liquidity levels, and diversified loan exposures at NADB. NADB's capital position was further strengthened following full payment of the United States' portion of the NADB capital increase following passage of the U.S.-Mexico-Canada Agreement (USMCA) Implementation Act.

- *Bylaw Streamlining.* In July 2020, NADB implemented several bylaw amendments which created a structured timeline for the NADB Board of Directors to review new projects. These amendments foster enhanced communication between the Board and NADB as well as greater efficiency in the project approval process by prescribing a reasonable time frame for the completion of project review prior to the Board voting period. These amendments were implemented in response to the USMCA Implementation Act's call for efforts to streamline approval processes.

- *COVID-19 Response.* In response to the ongoing COVID-19 crisis, NADB approved a two-year COVID-19 Recovery Program ("ProRec") in May 2020, which focuses on supporting municipalities and utilities with debt restructuring to respond to the crisis' impact on local finances. ProRec includes a $200 million envelope in COVID-19 related financing. In 2020, three projects were approved under ProRec, including refinancing loans for two municipalities and one public water utility in the Texas border region

- *Selection of Deputy Managing Director.* In November 2020, the NADB Board appointed U.S. national Mr. John Beckham as the new Deputy Managing Director, who began his four-year term in January 2021.

2021 Priorities: In 2021, key U.S. priorities for NADB are: (1) continuing to support border area communities experiencing financial hardship from the COVID-19 pandemic via targeted loans and technical assistance; (2) maintaining strong credit standings and financial capacity with prudential capitalization and risk management policies; (3) navigating the evolving, but uncertain, energy sector policy environment in Mexico and potential impacts on NADB's renewable energy portfolio; (4) supporting NADB's continued work in helping address cross-border untreated wastewater flows in the Tijuana River basin region; (5) exploring new sectors for NADB to deepen its impact on improving the environment and responding to climate change in the border region; and (6) sustaining work in line with the USMCA Implementation Act to enhance efficiencies, report on performance measures, and explore new opportunities for NADB while continuing to prioritize NADB's traditional areas of work.

Annex on IMF Exceptional Access Programs in 2020

Under normal access limits, total IMF program financing including outstanding credit 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.

As of end-2020, Ecuador and Egypt were the only countries with current exceptional access programs. In the event that a new exceptional access program comes before the IMF Executive Board for approval, Treasury is required to submit a report to Congress in accordance with section 9004 of the Consolidated Appropriations Act, 2016.

On May 11, 2020, the IMF Executive Board approved Egypt's request for an exceptional access program under the Rapid Financing Instrument (RFI). The RFI was a one-time disbursement of $2.8 billion (100% of Egypt's outstanding credit to the IMF at the time). At the time of approval, Egypt's outstanding credit to the IMF was about $11.7 billion, 422% of quota. Therefore, the RFI exceeds the IMF's access limit of 435% of quota. The RFI helped finance Egypt's urgent balance of payments needs resulting from the COVID-19 pandemic. Pre-crisis, a successful IMF-backed economic reforms had restored Egypt's economic stability, but a sharp decline in economic activity due to the pandemic and increased health and social expenditure created acute liquidity pressures.

On September 30, 2020, the IMF Executive Board approved Ecuador's request for an exceptional access program with an Extended Fund Facility (EFF). The EFF was a total of $6.5 billion, 661% of Ecuador's outstanding credit to the IMF at the time. At the time of approval, Ecuador's outstanding credit to the IMF was about $2.3 billion, 231% of quota. Ecuador's request for exceptional access is due to acute liquidity needs due to the twin COVID-19 pandemic and oil prices shock, as well as significant pressure on Ecuador's dollarized economy.

Report on IDA Contribution to Graduation

The U.S. Department of the Treasury presents this report consistent with 22 U.S.C. § 262r-6(b)(2). 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, 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 ($1,185 for World Bank fiscal year 2021) 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.[5]

To date, 37 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). IDA Management has recommended that no IDA eligible country be considered for graduation at the end of IDA-19 due to the impact the COVID-19 pandemic has on incomes, creditworthiness, and access to other sources of finance in IDA countries.

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