**Summary**

**Economic Growth, National Security and Poverty Reduction: Multilateral Development Banks**

The FY 2013 request for the multilateral development banks (MDBs) is comprised almost entirely of annual commitments negotiated in previous years. This includes a continuation of funding for the General Capital Increases (GCIs) at the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), the Asian Development Bank (AsDB), and the African Development Bank (AfDB).
(AfDB). The only new commitment, for IFAD’s replenishment, is a flat line of our current contribution level. Meeting these commitments will secure our leadership at these institutions, enabling them to continue their vital roles in boosting economic growth in export markets for American businesses and strengthening our national security.

Our MDB request includes a first year payment of $70 million for the Selective Capital Increase (SCI) at the IBRD. Treasury requested and obtained authorization to subscribe to the SCI in FY 2012. Proceeding with the first year payment of $70 million will enable us to begin to meet our obligations under the World Bank’s “voice and vote” reform, which was agreed by World Bank shareholders in 2010. Meeting this obligation is necessary to prevent a drop in U.S. shareholding below the 15 percent threshold. This threshold is critical, as it enables the United States to block amendments to the World Bank’s Articles of Agreement, which govern critical issues such as the role of the World Bank President, membership, and the role of the Board of Executive Directors. We are the only member with this veto power. Treasury’s request also includes funding for the special MDB facilities that support the world’s poorest countries: the International Development Association (IDA), housed at the World Bank; the Asian Development Fund (AsDF), based at the Asian Development Bank; and the African Development Fund (AfDF), which is part of the African Development Bank Group. These facilities are the most important sources of financing of development needs and priorities in many of the world’s most fragile states.

In addition to the annual commitments for FY 2013, the request includes funds to pay for arrears associated with our general capital increase commitment at the AsDB. These arrears were generated by the 0.2 percent across the board rescission in FY 2011, and their payment is necessary to prevent a permanent loss of U.S. shareholding. A loss would end the U.S. status as a co-equal shareholder with Japan and forfeit influence at a time when other shareholders have expressed interest in purchasing any shares we relinquish.

**Food Security**

The FY 2013 request includes $134 million for a contribution to the Global Agriculture and Food Security Program (GAFSP). This global fund partners with developing countries to enable small farmers to grow more and earn more. It is one of the most effective ways of working to end global hunger, because it rewards developing countries that are contributing their own resources and demonstrating leadership to improve agriculture. To date, the fund has allocated nearly $500 million based on a competitive application process. Through FY 2012, the United States (through funds from the Department of Treasury and the Department of State) will have contributed $341 million, or nearly 72 percent of the U.S. pledge. The FY 2013 request will bring the total U.S. contribution to the $475 million pledged by the United States in 2010.

In addition to GAFSP, the food security budget includes $30 million for the first year of the ninth replenishment of the International Fund for Agricultural Development (IFAD), the only global development finance institution solely dedicated to improving food security for the rural poor. The $30 million is equivalent to our annual commitment under the previous replenishment (which was made in 2008).

**Environment and Clean Energy**

The FY 2013 request includes $364.4 million for the Global Environment Facility (GEF), the Clean Technology Fund (CTF), and three
Strategic Climate Funds (SCF): the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP) and Program for Scaling up Renewable Energy in Low-Income Countries (SREP). FY 2013 funding for Treasury’s multilateral environment and clean energy programs will directly result in action and investments by other countries to reduce their pollution, curbing the damage that they inflict on our shared spaces, such as the atmosphere and the oceans. Such global action mitigates threats to our domestic environment that increasingly originate beyond our borders, enhances our national security, and provides opportunities for U.S. businesses, particularly in clean energy.

Addressing global environmental challenges now will significantly reduce what we would otherwise have to pay later. By acting now, we avoid paying even higher costs in the future for natural disasters, instability, and conflict emanating from environmental degradation. These programs also provide access to modern forms of energy, critical for helping the world’s poorest countries advance out of poverty. Moreover, these programs offer cost-effective returns on our investments. The U.S. contribution leverages significant funding from other donors, developing country governments, development institutions, and the private sector. Each U.S. dollar contributed to the GEF, CTF, and SCF leverages four to five additional dollars from other donors and six to 10 times that from other funding sources (including private sector).

**Debt Relief**
The FY 2013 budget includes $250 million for the debt restructuring account to meet potential U.S. bilateral debt relief commitments under the Heavily Indebted Poor Country (HIPC) framework. Specifically, Treasury anticipates that Sudan could become eligible and reach HIPC decision point in FY 2013. The $250 million request reflects the estimated budget cost of forgiving 100 percent of Sudan's outstanding debt to the United States (currently $2.4 billion). Prior to obligating funds for HIPC treatment of Sudan’s debt, the U.S. will require progress on various fronts that we have identified as pre-conditions for any U.S. support for debt relief. These pre-conditions include fulfillment of the agreement reached by the governments of Sudan and South Sudan under the Comprehensive Peace Agreement. The obligation of funds will also depend on Sudan’s ability to meet current legislative requirements tied to HIPC debt relief, including determinations on human rights and state sponsorship of terrorism.

Given the uncertainty of the situation in Sudan at the time of this submission, Treasury is also requesting transfer authority that would enable the Department to repurpose these funds to help meet other multilateral assistance commitments in the event that Sudan is not likely to reach the HIPC decision point by the end of FY 2014.

Although we are not seeking funds for FY 2013 in support of our Multilateral Debt Relief Initiative (MDRI) commitments, we do continue to anticipate the need in future years for a combination of appropriated funds and early encashment credits to meet our obligations during the IDA16 and AfDF12 replenishment periods.

**Technical Assistance**
The FY 2013 request includes $25.4 million for Treasury’s Office of Technical Assistance (OTA). This is equal to the FY 2012 base funding level, but the FY 2013 request does not include a request for Overseas Contingency Operations (OCO) funding for OTA. The FY 2013 request would enable OTA to maintain its current footprint of technical assistance programs globally. OTA
helps finance ministries and central banks of developing countries strengthen their capacity to manage public finances and mobilize domestic resources. OTA also helps countries develop anti-money laundering regimes and fight corruption.

**Description of Performance**

Strengthening transparency and ensuring accountability are critical objectives of the United States’ continued support for the MDBs and other International Programs, and Treasury is tightly focused on these criteria. That is why Treasury actively seeks clear and consistent accountability standards and measures, and promotes policies that direct funds to what has been proven to work and away from what cannot be measured. Performance, transparency, monitoring and results are at the heart of all of these efforts.

As a result of U.S. leadership in these areas, the MDBs have adopted expansive disclosure requirements, stronger auditing functions, better internal controls and are at the leading edge of impact evaluations and performance-driven investment. Treasury has also succeeded in fostering cutting-edge systems for measuring, monitoring, and incorporating development results in MDB operations, and persuading the MDBs to adopt mechanisms under which donor funds are distributed on the basis of performance. In this way, the MDBs provide strong incentives to recipient countries to fulfill their obligations, greatly improving prospects for success and strengthening economic growth and development.

Treasury also pursues these same standards in the Technical Assistance programs, and across the other important International Programs managed by the Department.