

Message from the Secretary of the Treasury

Dear Member:

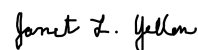
On behalf of President Biden, it is my pleasure to submit the Congressional Budget Justification for the Department of Treasury's International Programs for Fiscal Year 2022. This request comes during a time of four converging crises: ending the COVID-19 pandemic, providing economic relief, tackling climate change, and advancing racial equity. The budget proposes investments that address each of these areas. Additionally, this request reflects the Biden-Harris Administration's commitment to restore U.S. leadership in the multilateral system, to offer countries high-quality finance and policy advice that serve as an alternative to unsustainable borrowing from other actors, and to tackle interconnected global challenges—recovery from the COVID-19 pandemic, the fight against climate change, and reducing global poverty and inequality. The FY 2022 request aims not just to return to life as it was before the pandemic, but to build back better by creating a more environmentally sustainable and prosperous global economy for all.

The FY 2022 Budget requests \$1.95 billion for the multilateral development banks (MDBs). The MDBs are vital institutions for strengthening long-term growth, reducing poverty and inequality, fighting climate change, and fostering greater inclusion. They are also playing a leading role in responding to the health, economic, and social impacts of the COVID-19 pandemic. The FY 2022 Budget proposes \$102 million for the Poverty Reduction and Growth Trust of the International Monetary Fund (IMF), the IMF's concessional lending facility for the world's poorest countries, or another IMF facility. This will enable the IMF to continue supporting critical health and social spending in poor countries as they recover from the crisis.

Across the government, the FY 2022 Budget requests \$2.5 billion in U.S. climate development assistance as a strong commitment to multilateral efforts and to reestablish U.S. leadership in confronting the largest long-term threat that the world faces. Of this, 1.09 billion is for Treasury programs to combat climate change and environmental degradation, including through the Tropical Forest and Coral Reef Conservation Act. The FY22 Budget also includes funding for U.S. participation in the G20 Debt Service Suspension Initiative and Common Framework—which are providing the poorest countries with liquidity support to respond to the COVID-19 pandemic—as well as increased funding for the International Fund for Agricultural Development and Treasury's Office of Technical Assistance.

Sustained U.S. international leadership requires that we meet our commitments. The budget requests \$489 million to reduce unmet commitments to international financial institutions, some of which date to the 1990s. Unmet commitments have been a persistent and growing problem that have undermined U.S. influence, credibility, and leadership. Addressing this problem has been put off for far too long, and it is time to begin addressing it.

Sincerely,



Janet L. Yellen

FY 2022 Executive Summary

The Administration's FY 2022 Budget requests \$3.278 billion for Treasury Department International Programs. This request is a critical component of the Biden-Harris Administration's approach for restoring American global standing and leadership and for confronting 21st century security challenges by working together in partnership with international financial institutions (IFIs) and our allies. The proposed investments in Treasury International Programs respond to three compounding global crises of unprecedented scope and scale at the same time: the COVID-19 pandemic, the resulting global economic crisis that has eroded years of progress in reducing poverty in developing countries, and the climate crisis, which is the greatest long-term threat that the world faces and puts the wellbeing of the American people at significant risk. These investments, particularly U.S. contributions to multilateral development banks (MDBs) will also contribute to enhancing equity and fostering the inclusion of disadvantaged and marginalized people in developing countries that have not adequately shared the benefits of development.

These investments in Treasury International Programs further American economic, foreign policy, and security interests of building a more secure, prosperous, inclusive, environmentally sustainable, and democratic world. The institutions and programs supported by this request are among the most effective instruments through which the United States can advance its leadership on issues relating to international financial stability, economic development, reduction of global poverty and inequality, enhancing social and economic inclusion, climate change, improving food security, and investing in infrastructure. In so doing, they expand markets for U.S. exports and improve the wellbeing of the American people. The request draws on the catalytic power of working with our partners to address the world's most pressing economic challenges and restores U.S. leadership in the multilateral system.

As part of the Administration's historic request for approximately \$2.5 billion for international climate change programs, Treasury's request includes \$1.089 billion for climate change and environmental funds and programs. This includes the first contribution to the Green Climate Fund (GCF) since 2017, as well as requests for Clean Technology Fund (CTF), the Global Environment Facility (GEF)¹, and the Tropical Forest and Coral Reef Conservation Act (TFCCA). These programs will accelerate progress toward meeting the goals of the Paris Agreement by assisting developing countries in mitigating greenhouse gas emissions, adapting to climate change and building resilience, expanding clean energy production, and utilizing forest conservation and other natural climate solutions to reduce and avoid greenhouse gas emissions. The contributions to the MDBs also support U.S. climate change goals as they are among the largest and most effective financiers of systemic change to address climate change.

The Administration seeks funding to begin paying down the substantial and growing balance of U.S. unmet commitments at IFIs and multilateral funds, some of which date to the 1990s. A particular priority is to clear U.S. unmet commitments for previous pledges to the International Development Association. The FY 2022 budget also seeks funding and necessary authorization to make the United States' first contribution to the Poverty Reduction and Growth Trust (PRGT) of the International Monetary Fund (IMF), which lends to the world's poorest countries to

¹ Because the GEF supports multiple environmental goals, only a portion of GEF funding is included in climate finance totals.

support macroeconomic stability and sustain their ability to expand health and social sector spending. These contributions will strengthen the United States' ability to lead within the IFIs to promote more inclusive and environmentally sustainable development pathways, to increase the allocation of financing to the world's poorest and most fragile countries, and to continue to ensure that the IFIs deliver on key reforms aimed at improving governance, effectiveness, and financial discipline, particularly with regard to those agreed as part of multilateral development bank (MDB) capital increases and replenishments. Proposed contributions to the IFIs will also sustain their capacity to provide developing countries with robust alternatives to non-transparent and potentially coercive sources of development finance.

Multilateral Development Banks

The FY 2022 Budget requests \$1.954 billion for the MDBs. The MDBs play key roles in the effort to reduce poverty, increase economic growth, foster economic and social inclusion, and fight climate change, which advances U.S. foreign policy objectives of sustaining peace and stability, promoting security, and protecting the global environment. The MDBs have also played a leading role in the global response to the COVID-19 pandemic and, over the past year, have provided more than \$85 billion to address the health and economic impacts of the pandemic.

The MDBs are among the most effective and efficient means through which the United States can support developing countries in reducing their greenhouse gas emissions, adapting to the impacts of climate change, and building resilience. The MDBs have also been strong partners in terms of promoting a positive development agenda for disadvantaged, marginalized or vulnerable groups. The increased support sought by the Administration for the MDBs is critical for enabling the United States to reestablish its leadership on these issues.

Treasury's requests for the MDBs include:

International Bank for Reconstruction and Development (IBRD): an appropriation of \$206.5 million towards the third of up to six installments to subscribe to the U.S. share of the paid-in portion of the IBRD general and selective capital increases. The FY 2022 Budget also requests a program limitation to allow the United States to subscribe to \$1.421 billion in callable capital.

International Development Association (IDA): \$1.428 billion in support of IDA programs over the nineteenth replenishment (IDA-19; World Bank FY 2021 – FY 2022²), including towards the second of three installments to IDA-19, and of which, \$426.6 million is to eliminate unmet commitments for IDA replenishments.

African Development Bank (AfDB): an appropriation of \$54.6 million for the second of eight installments to subscribe to the U.S. share of the paid-in portion of the seventh general capital increase. The FY 2022 Budget also requests a program limitation to allow the United States to subscribe to \$856,174,624 in callable capital.

² As noted in the chapter on IDA below, IDA donors and management decided to advance the IDA-20th replenishment period by one year. Consequently, the IDA-19 replenishment period has been shorted by one year. The IDA-19 pay-in period will remain FY2021 – FY2023.

African Development Fund (AfDF): \$211.3 million in support of AfDF programs over the fifteenth replenishment (AfDF-15; AfDB FY 2020 – FY 2022), including towards the second of three installments to AfDF-15, and of which, \$40 million is for unmet commitments for AfDF replenishments.

Asian Development Fund (AsDF): \$53.3 million in support of AsDF programs over the twelfth replenishment (AsDF-13; FY 2022 – FY 2025), including towards the first of four installments to AsDF-13 and of which, \$9.7 million is for unmet commitments to the AsDF. The Administration also requests authorization to contribute to the AsDF-13 replenishment. This request is included in the General Provisions found in the Department of State and Other International Programs chapter of the FY 2022 President’s Budget Appendix.

International Monetary Fund – Contributions to IMF Facilities and Trust Funds

The FY 2022 Budget requests a total of \$102 million to enable the United States to make a meaningful contribution to the Poverty Reduction and Growth Trust (PRGT), the IMF’s concessional lending facility for low-income countries (LICs), or another IMF facility. Of this, we expect as much as \$100 million would be for a grant to the PRGT and \$2 million or more would be used to cover the subsidy cost of a loan of special drawing rights (SDRs) to the PRGT or another fund from Treasury’s Exchange Stabilization Fund (ESF). The specific division of the funding between grants to, and/or covering the subsidy cost of loans to, the PRGT, or another IMF facility, is yet to be determined.

The Administration also requests authorization to loan up to 15 billion SDRs to the PRGT, or another IMF facility, from Treasury’s ESF.

Climate Change and Environment

Green Climate Fund (GCF): The FY 2022 Budget requests \$625.0 million for Treasury’s contribution to the GCF, which will support a total FY 2022 request of \$1.250 billion for the GCF. (The Department of State is also requesting \$625 million.)

Clean Technology Fund (CTF): The FY 2022 Budget requests \$300 million for a contribution to the CTF, of which \$270 million will be used for the subsidy cost of a loan.

Global Environment Facility (GEF): The FY 2022 Budget requests \$149.3 million, including towards a final installment to the GEF seventh replenishment (GEF-7; FY 2019 – FY 2022), and of which, 12.7 million is for unmet commitments to the GEF.

Food Security

International Fund for Agricultural Development (IFAD): The FY 2022 Budget requests \$43 million, including for the first of three installments towards the International Fund for Agricultural Development’s twelfth replenishment (IFAD-12).

Technical Assistance – Office of Technical Assistance

The FY 2022 Budget requests \$38 million for Treasury’s Office of Technical Assistance (OTA). Funding will help ensure that OTA is able to respond quickly and sustainably to growing demand for technical assistance in areas that are priorities for the United States. Such areas include: supporting our national security agenda by combating terrorist financing and financial crimes, reducing countries’ dependence on foreign financial aid through improved domestic resource mobilization, and creating the conditions for private sector-led economic growth. This consists of improving the climate for private sector investment in infrastructure projects in developing and transitional countries.

Debt Restructuring and Relief

The FY 2022 Budget requests \$67 million for two bilateral debt restructuring and relief programs.

G20 Debt Service Suspension Initiative (DSSI) and Common Framework for Debt Treatments beyond the DSSI (Common Framework): The FY 2022 Budget requests \$52 million to provide temporary debt service suspension to DSSI-eligible countries who request it on affordable terms, and to participate in Common Framework debt treatments for low-income countries. All G20 members, including China, have committed to provide debt treatments on comparable terms under these initiatives.

Tropical Forest and Coral Reef Conservation Act (TFCCA): The FY 2022 Budget requests \$15 million for the TFCCA to enable developing countries with certain concessional debt owed to the United States to redirect some of those payments to support conservation of their tropical forests and/or coral reefs. Protecting biodiversity and combating climate change are central to U.S. national economic and security interests. Conservation of tropical forests and coral reefs is critical to mitigating the impact of climate change, providing clean water, and supporting sustainable jobs in developing countries.

Summary Tables

Previous Appropriations and FY 2022 Request Treasury International Programs FY 2020 – FY 2022 (in \$ thousands)

	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Enacted	Enacted	Request	\$ Change	% Change
Multilateral Development Banks (MDBs)	1,522,205	1,481,244	1,953,746	472,502	31.9%
International Bank for Reconstruction and Development (IBRD)	206,500	206,500	206,500	0	0.0%
International Development Association (IDA)	1,097,010	1,001,400	1,427,974	426,574	42.6%
African Development Fund (AfDF)	171,300	171,300	211,300	40,000	23.4%
African Development Bank (AfDB)	0	54,649	54,649	0	0.0%
Asian Development Fund (AsDF)	47,395	47,395	53,323	5,928	12.5%
International Monetary Fund (IMF) - IMF Facilities and Trust Funds	0	0	102,000	102,000	NA
Climate Change and Environment	139,575	139,575	1,074,288	934,713	669.7%
Green Climate Fund (GCF)	0	0	625,000	625,000	NA
Climate Investment Funds (CIFs) - Clean Technology Fund	0	0	300,000	300,000	NA
Global Environment Facility (GEF)	139,575	139,575	149,288	9,713	7.0%
Food Security	30,000	32,500	43,000	10,500	32.3%
International Fund for Agricultural Development (IFAD)	30,000	32,500	43,000	10,500	32.3%
Office of Technical Assistance (OTA)	30,000	33,000	38,000	5,000	15.2%
Debt Restructuring	15,000	204,000	67,000	-137,000	-67.2%
G-20 Debt Service Sustainability Initiative & Common Framework on Debt Treatments	0	0	52,000	52,000	NA
Highly Indebted Poor Countries Initiative (HIPC), Bilateral Debt Relief: Somalia	0	78,000	0	-78,000	-100.0%
HIPC, Bilateral Debt Relief: Sudan*	0	111,000	0	-111,000	-100.0%
Tropical Forest and Coral Reef Conservation Act (TFCCA)	15,000	15,000	15,000	0	0.0%
TOTAL	1,736,780	1,890,319	3,278,034	1,387,715	73.4%

* In FY 2021, Congress also appropriated \$120 million to Treasury's debt restructuring account for clearing Sudan's arrears with the IMF on an emergency basis.

Unmet Commitments to International Financial Institutions (in thousands of US dollars)									
Institution	FY 2016 Enacted¹	FY 2017 Enacted	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Enacted	FY 2022 Projected²		
IDA Pledges	530,321	620,534	485,264	485,264	485,264	426,574	0		
IDA MDRI	444,615	643,845	822,665	1,006,855	1,236,345	1,503,865	1,801,195		
AfDF Pledges	178,682	178,682	156,167	156,167	156,167	154,191	114,191		
AfDF MDRI	83,941	112,067	134,377	157,904	172,014	196,711	225,879		
AsDF	294,653	284,739	283,943	283,943	283,904	283,904	274,191		
IFAD	3,833	3,833	3,833	3,833	3,833	3,833	3,833		
GEF	134,967	134,967	134,963	131,951	110,843	102,391	89,666		
MIGA	6,867	6,867	6,867	6,867	6,867	6,867	6,867		
MIF	25,710	25,710	25,710	25,710	25,710	25,710	25,710		
TOTAL	1,731,493	2,011,244	2,053,789	2,258,493	2,480,946	2,704,045	2,541,531		
Total (ex MDRI)	1,202,936	1,255,332	1,096,746	1,093,734	1,072,587	1,003,469	514,457		
Total MDRI	528,556	755,912	957,042	1,164,759	1,408,359	1,700,576	2,027,074		
Total IDA, AfDF, AsDF Pledges	1,003,656	1,083,955	925,373	925,373	925,334	864,668	388,381		

1 Reflects the levels at which unmet commitments stood after enactment of appropriations legislation and includes any early encashment credits/discounts received. FY 2021 column reflects payments allocated for unmet commitments and any credits/discounts received, as follows: for IDA, a \$58.69 million EEC from fulfillment of the U.S. IDA-18 commitment; for AfDF, a \$1.98 million EEC from fulfillment of AfDF-14 commitment, for GEF, \$3 million appropriation for unmet commitments and early encashment discount of \$5 million from FY 2021 GEF-7 payment.

2 This column lists the levels at which Treasury projects unmet commitments will stand if Congress appropriates funding at the levels requested in the President's FY2022 Budget.