U. S. Department of the Treasury

International Programs
Congressional Budget Justification and Annual Performance Report and Plan

FY 2023

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 the Treasury's International Programs for Fiscal Year 2023. The Administration requests $4.375 billion for Treasury International Programs. This includes $1.906 billion for the multilateral development banks (MDBs), $2.3 billion for multilateral climate change and environment funds, $20 million for International Monetary Fund facilities and trust funds, $43 million for food security, $38 million for Treasury's Office of Technical Assistance, and $67 million for debt relief and restructuring.

Treasury International Programs, particularly through the international financial institutions (IFIs), support important national security priorities. They are vital to supporting financial stability, sustainable and inclusive economic growth, clean energy transition, climate change mitigation and adaptation, food security, health security and pandemic preparedness, and poverty alleviation in developing countries. Developing countries have been struggling to recover from the impacts of the COVID-19 pandemic, are the most vulnerable to the impacts of climate change, and many are now facing economic, energy security, and food security shocks emanating from Russia's invasion of Ukraine.

The MDBs are making critical investments in high-quality, sustainable infrastructure, clean energy, and food security, while also building greater resilience to economic, climate, and health shocks. Along with the International Monetary Fund (IMF), the MDBs have played leading roles in helping countries enhance social and economic inclusion and to respond to and recover from the COVID-19 pandemic. The IMF's new Resilience and Sustainability Trust will support countries undertaking structural transformations to bolster pandemic preparedness and access to sustainable energy sources. U.S. contributions to the IFIs and multilateral funds also provide for an unparalleled financial catalytic impact. U.S. contributions are multiplied by contributions from other donors (at a ratio of at least five to one), resources the IFIs generate themselves, and funding from capital markets. Projects financed by the MDBs and multilateral funds also mobilize significant private sector investment and funding from other official sector financiers.

The proposed contributions to climate change and environmental funds are essential for facilitating the global transition to global net-zero greenhouse gas emissions (GHGs) over time. These funds are critical to help developing countries reduce their GHGs and to enhance global energy security by supporting countries to diversify their energy sources and reduce their dependence on fossil fuel imports. These funds are also essential in assisting the most vulnerable countries to adapt to the impacts of climate change.

By supporting significant investments in infrastructure and in addressing climate change, Treasury International Programs will deliver on the goals of the Build Back Better World (B3W) initiative to drive investment in high-quality infrastructure. These programs are also necessary to advance the Biden-Harris Administration's vision of a foreign policy for the American middle class: they support global financial stability and economic growth, which are important for domestic job creation and economic dynamism, including by supporting increased exports of U.S. goods and services.

The United States is either the largest or a leading shareholder and contributor to the IFIs, which enables the United States to assert unmatched influence and leadership on a range of global economic and security issues. Fulfillment of this request is a powerful means to sustain U.S. global leadership.

Sincerely,

Janet L. Yellen

Janet L. Yellen

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FY 2023 Executive Summary

The Administration's FY 2023 Budget requests $4.375 billion for the Treasury Department's International Programs. This request is a critical component of the Biden-Harris Administration's approach for restoring American global standing and leadership through our allies and multilateral institutions, including the international financial institutions (IFIs), and will help the United States confront many of the global challenges that we face. These challenges include confronting the existential threat of climate change, continued response to the COVID-19 pandemic, and fully restoring global economic growth and pre-pandemic progress in reducing poverty. It is particularly imperative that we scale up our efforts to support low-carbon, sustainable, inclusive, and resilient economic development for the wellbeing and economic security of Americans and people around the world. The further Russian invasion of Ukraine reinforces the need for a strong U.S.-supported development finance system. The large number of refugees and spillover impacts of the war on energy markets, food prices, trade, and remittances will require a robust and well-resourced response.

Treasury's International Programs, particularly U.S. contributions to multilateral development banks (MDBs), provide important financing, policy and technical support for quality infrastructure investment, climate change adaptation and mitigation, public health, digital development, and gender equality, which are all essential to delivering on the goals of the Build Back Better World (B3W) initiative. They 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.

The institutions and programs supported by this request are cost-effective means for the United States to advance its geostrategic interests and to deliver results on the ground across a range of issues that are critical to the Biden-Harris Administration's objective to promote a foreign policy for the middle class. The International Monetary Fund (IMF) supports international macroeconomic and financial stability. The World Bank, the preeminent development institution, regional development banks, multilateral funds, and Treasury's bilateral technical assistance program support economic development, reducing global poverty and inequality, addressing climate change, as well as infrastructure investment, food security, and social and economic inclusion. Through its engagement with multilateral institutions and through bilateral technical assistance, Treasury helps developing countries attract and sustain private investment for clean and sustainable infrastructure that will increase prosperity. Further, these institutions and programs reflect and promote American values related to good governance, transparency, and sound debt management.

Supporting economic prosperity overseas bolsters economic dynamism and prosperity at home by expanding markets for U.S. exports, which creates jobs for the U.S. middle class and protects the stability of the American economy. Treasury International Programs also safeguard and improve the wellbeing of the American people in other ways. For example, U.S. contributions to climate change and environment funds not only enhance U.S. and global energy security and help protect the global climate, but they also reduce harmful chemicals in the air that Americans breathe and in the water they drink. They also sustain the availability of food and natural resources from overseas on which Americans depend.

Treasury International Programs play a critical role in achieving the President's historic climate finance pledge and account for a significant portion of the over $11 billion included in the President's Budget for international climate change finance. The Administration is requesting $2.315 billion in appropriations for Treasury climate change and environmental funds and programs[1]. This includes $1.6 billion for the Green Climate Fund (GCF), as well as requests for the Clean Technology Fund (CTF), the Global Environment Facility (GEF), and the Tropical Forest and Coral Reef Conservation Act (TFCCA). Including the proposed loan to the CTF[2], Treasury International Programs will support approximately $4.513 billion in international climate finance. These programs will accelerate progress toward meeting the goals of the Paris Agreement by assisting developing countries in reducing greenhouse gas (GHG) emissions, adapting to climate change and building resilience, and investing in sustainable infrastructure. These programs will also invest in forest conservation and other nature-based solutions, which simultaneously support developing country climate change efforts and broader environmental goals.

Our contributions to the MDBs are also critical to support U.S. climate change goals as they are the among the largest and most efficient financiers of systemic change to address climate change. In 2019, the OECD estimates that multilateral development banks contributed over $42 billion or 53 percent of the total amount of climate finance investments that developed countries mobilized for developing countries. In addition, the MDBs are vital partners to help countries achieve the Sustainable Development Goals (SDGs), including investments in access to clean energy, education, health, clean water and sanitation, infrastructure, and decent employment.

The FY 2023 budget also seeks funding and necessary authorization to lend up to $21 billion to IMF facilities and trust funds, including to the IMF's concessional facility, the Poverty Reduction and Growth Trust (PRGT), and the new Resilience and Sustainability Trust (RST). The IMF is the premier international institution for promoting and sustaining global financial stability, which is critical for sustained growth and increasing living standards, both at home and overseas. The IMF's role is especially important as vulnerable countries grapple with the ongoing shock of COVID-19 and spillovers from Russia's further invasion of Ukraine. The PRGT provides highly concessional financing to the world's poorest countries to support macroeconomic stability and sustain their ability to expand health and social sector spending as they continue to recover from the COVID-19 pandemic. The proposed Resilience and Sustainability Trust (RST) will provide longer-term, concessional financing alongside full-fledged IMF programs to support countries undertaking structural reforms to boost resilience to pandemics and transition to more sustainable energy sources.

These contributions will strengthen the United States' ability to lead within the IFIs to promote more inclusive and sustainable development pathways, to increase the allocation of financing to

[1] Of this total, the $2.293 billion is considered to be climate finance. Because the Global Environment Facility (GEF) supports multiple environmental goals, only 85 percent of GEF funding ($127.67 million) is included in the climate finance totals.

[2] The Administration requests $550 million for the CTF in FY 2023, of which $520 million will subsidize a loan to the CTF. Based on current assumptions, the Administration estimates that this will support a loan of approximately $3.22 billion.

the world's poorest and most fragile countries, and to continue to deliver on key reforms aimed at improving governance, effectiveness, and financial discipline. Proposed contributions to the IFIs will also sustain their relevance to developing countries that are facing higher demands for lending and investment for COVID-19-recovery, energy transition, resilience to the changing climate and other priorities, including response to energy and food price increases and other spillover effects from Russia's further invasion of Ukraine. Absent a strong MDB system, developing countries will increasingly turn to other alternatives, including to non-transparent sources of development finance.

Treasury's Office of Technical Assistance provides finance ministries, central banks, and other government institutions specialized expertise, including through embedded advisors, to enhance domestic revenue mobilization, improve financial regulation, and combat financial crimes. In so doing, it helps create conditions for private sector led growth, including increased private sector investment in infrastructure, thereby supporting the B3W initiative. And Treasury debt relief and restructuring programs help developing countries to achieve fiscal sustainability and create fiscal space for investments in infrastructure, public health, pandemic recovery, and environmental protection and conservation.

Multilateral Development Banks

The FY 2023 Budget requests $1.906 billion for the MDBs. The MDBs play key roles in the effort to reduce poverty, increase economic growth, foster economic and social inclusion, develop high-quality infrastructure, and fight climate change. This advances U.S. foreign policy objectives of sustaining peace and stability, promoting security, and protecting the global environment. Specifically, the MDBs are key to achieving the Administration's B3W goals. They engage in policy dialogue; mobilize private finance; support the implementation of high technical, environmental, social and governance standards; promote innovation; and provide finance to low and middle income countries for low-carbon and resilient infrastructure development.

Annually, the MDBs invest approximately $35 billion in quality infrastructure and support developing countries in mobilizing billions more in private capital. Collectively, the MDBs are the largest contributors towards achieving the goal for developed countries to mobilize $100 billion for climate mitigation and adaptation in developing countries annually.[3] The MDBs have also played a leading role in the global response to the COVID-19 pandemic. Since the start of the pandemic, they have provided nearly $127 billion to address the health and economic impacts of the pandemic, and they continue to have a strong role in the financing and deployment of vaccines and efforts for pandemic preparedness and response.

The MDBs are among the most effective and efficient means through which the United States can support developing countries to reduce their GHG emissions, adapt to the impacts of climate change, and build resilience. The MDBs have also been strong partners in promoting a positive

[3] In 2019, the OECD estimates that multilateral institutions provided and mobilized over $42 billion or 53 percent of the total amount of investments attributed to developed countries to support climate change mitigation and adaptation in developing countries.

development agenda for disadvantaged, marginalized or vulnerable groups and lifting women's access to equal political, social and economic opportunities.

Financing through multilateral institutions brings significant advantages to the United States, and is an effective way to stretch limited development dollars. Specifically, U.S. taxpayer contributions to the MDBs catalyze contributions from other shareholders, the MDBs' internally-generated resources, and funding from capital markets to significantly amplify the assistance levels that the MDBs provide. MDBs also offer a wide range of instruments, including grants, loans, guarantees, equity, insurance, and knowledge products. This array of instruments can help de-risk and incentivize private sector investments that support U.S. development priorities in emerging markets. The increased support the Administration requests 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 fourth of up to six installments to subscribe to the U.S. share of the paid-in portion of the IBRD 2018 general and selective capital increases. The FY 2023 Budget also requests a program limitation to allow the United States to subscribe to $1.421 billion in callable capital.

International Development Association (IDA): $1.430 billion in support of IDA programs over the nineteenth and twentieth replenishment periods[4], including towards the first installment to the twentieth replenishment (IDA-20). The Administration also requests authorization for the United States to subscribe to the IDA-20 replenishment in the amount of $3.5 billion. The Administration also proposes legislative language to exempt securities issued by IDA from regulation by the Securities and Exchange Commission. These requests are included in the General Provisions found in the Department of State and Other International Programs chapter of the FY 2023 President's Budget Appendix.

African Development Bank (AfDB): an appropriation of $54.6 million for the third of eight installments to subscribe to the U.S. share of the paid-in portion of the seventh general capital increase. The FY 2023 Budget also requests a program limitation to allow the United States to subscribe to $856,174,624 in callable capital.

African Development Fund (AfDF): $171.3 million in support of AfDF programs over the fifteenth replenishment period (AfDF-15; AfDB FY 2020 – FY 2022), including towards a third installment to AfDF-15.

Asian Development Fund (AsDF): $43.6 million in support of AsDF programs over the twelfth replenishment period (AsDF-13; FY 2022 – FY 2025). The Administration also requests authorization to subscribe to the AsDF-13 replenishment in the amount of $174.44 million. This

[4] As noted in the section on IDA, IDA donors and management decided to accelerate the IDA-20 replenishment period by one year. Consequently, this shortened the IDA-19 replenishment period by one year, covering World Bank Fiscal Years (WB FY) 2021 – 2022. The IDA-19 pay-in period remains FY 2021 – FY 2023. The IDA-20 replenishment period is WB FY 2023 – FY 2025.

request is included in the General Provisions found in the Department of State and Other International Programs chapter of the FY 2023 President's Budget Appendix.

International Monetary Fund – IMF Facilities and Trust Funds

The FY 2023 Budget requests $20 million and the necessary authorization to enable the United States to lend up to $21 billion in resources from Treasury's Exchange Stabilization Fund (ESF) to the RST and to the PRGT, the IMF's concessional lending facility for low-income countries (LICs). The specific division of lending between the RST and PRGT is yet to be determined.

Climate Change and Environment

Green Climate Fund (GCF): The FY 2023 President's Budget requests $1.6 billion for a contribution to the GCF. Established in 2010, the GCF seeks to foster climate-resilient development and zero-emission investment by funding activities across a variety of sectors, including transport; water and other infrastructure; energy generation and efficiency; and land use, including agriculture and forestry. It uses a range of financial instruments to support high impact projects and programs, mobilize private sector capital, and foster stronger policy environments that better address the challenges of a changing climate.

Clean Technology Fund (CTF): The FY 2023 Budget requests $550 million for a contribution to the CTF for the Accelerating Coal Transition (ACT) Investment program, which aims to support developing countries' transition away from coal. The ACT program complements the United States' bilateral efforts to promote a just energy transition in targeted countries. The Administration intends to use $520 million for the subsidy cost of a loan with an estimated value of approximately $3.22 billion. The Administration will use $30 million as a grant to support administrative costs of the loan.

Global Environment Facility (GEF): The FY 2023 Budget requests $150.2 million to support a first installment to the GEF's eighth replenishment (GEF-8). Established in 1991, the GEF is a multilateral trust fund that provides mainly grant-based funding to assist developing and transitional countries in addressing global environmental challenges in five focal areas: (1) biodiversity; (2) chemicals and waste; (3) climate change; (4) land degradation (primarily deforestation and desertification); and (5) international waters.

Food Security

International Fund for Agricultural Development (IFAD): The FY 2023 Budget requests $43 million to support including for the second of three installments towards the International Fund for Agricultural Development's twelfth replenishment (IFAD-12).

Technical Assistance – Office of Technical Assistance

The FY 2023 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, helping countries fund and sustain their own development through improved domestic resource mobilization and debt management, 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 2023 Budget requests $67 million for bilateral debt restructuring and relief programs. This funding would support the following initiatives:

G20 Common Framework for Debt Treatments beyond the Debt Service Sustainability Initiative (the Common Framework), and Paris Club debt restructuring: The FY 2023 Budget requests $52 million for the United States' participation in debt restructuring and relief programs through the Paris Club and G20. Since the COVID-19 pandemic, the United States has been participating in a G20 initiative that includes China—the Common Framework, which helps low-income countries restructure their debts through a multilateral framework. Given the rising debt burdens of many low-income countries, U.S. participation in the Common Framework and the Paris Club proactively work toward longer-term sustainability for low-income countries and avoid prolonged and costly debt crises.

Tropical Forest and Coral Reef Conservation Act (TFCCA): The FY 2023 Budget requests $15 million for the TFCCA, which enables eligible 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

Table 1: Summary of Previous Appropriations and FY 2023 Request
Treasury International Programs
FY 2021 – FY 2023

(in $ thousands)

	FY 2021 Enacted	FY 2022 Full-year CR	FY 2022 Enacted[1]	FY 2023 Request	FY 2021 Enacted to FY 2023		FY 2022 Enacted to FY 2023	
					$ Change	% Change	$ Change	% Change
Multilateral Development Banks (MDBs)	**1,481,244**	**1,481,244**	**1,527,172**	**1,906,315**	**425,071**	***28.7%***	**379,143**	***24.8%***
International Bank for Reconstruction and Development (IBRD)	206,500	206,500	206,500	206,500	0	*0.0%*	0	*0.0%*
International Development Association (IDA)[2]	1,001,400	1,001,400	1,001,400	1,430,256	428,856	*42.8%*	428,856	*42.8%*
African Development Bank (AfDB)	54,649	54,649	54,649	54,649	0	*0.0%*	0	*0.0%*
African Development Fund (AfDF)	171,300	171,300	211,300	171,300	0	*0.0%*	-40,000	*-18.9%*
Asian Development Fund (AsDF)	47,395	47,395	53,323	43,610	-3,785	*-8.0%*	-9,713	*-18.2%*
International Monetary Fund (IMF) Facilities and Trust Funds	**0**	**0**	**102,000**	**20,000**	**20,000**	***n.a.***	**-82,000**	***-80.4%***
Climate Change and Environment	**139,575**	**139,575**	**274,288**	**2,300,200**	**2,160,625**	***1548.0%***	**2,025,912**	***738.6%***
Green Climate Fund (GCF)	0	0	0	1,600,000	1,600,000	*n.a.*	1,600,000	*n.a.*
Climate Investment Funds (CIFs) - Clean Technology Fund (CTF)	0	0	125,000	550,000	550,000	*n.a.*	425,000	*340.0%*
Global Environment Facility (GEF)	139,575	139,575	149,288	150,200	10,625	*7.6%*	912	*0.6%*
Food Security	**32,500**	**32,500**	**48,000**	**43,000**	**10,500**	***32.3%***	**-5,000**	***-10.4%***
International Fund for Agricultural Development (IFAD)	32,500	32,500	43,000	43,000	10,500	*32.3%*	0	*0.0%*
Global Agriculture and Food Security Program (GAFSP)	0	0	5,000	0	0	*n.a.*	-5,000	*-100.0%*
Office of Technical Assistance (OTA)	**33,000**	**33,000**	**38,000**	**38,000**	**5,000**	***15.2%***	**0**	***0.0%***
Debt Restructuring[3]	**204,000**	**204,000**	**67,000**	**67,000**	**-137,000**	***-67.2%***	**0**	***0.0%***
G-20 Debt Service Sustainability Initiative, Common Framework on Debt Treatments, and Paris Club	0	0	52,000	52,000	52,000	*n.a.*	0	*n.a.*
Heavily Indebted Poor Countries Initiative (HIPC), Bilateral Debt Relief: Somalia and Sudan	189,000	189,000	0	0	-189,000	*-100.0%*	0	*n.a.*
Tropical Forest and Coral Reef Conservation Act (TFCCA)	15,000	15,000	15,000	15,000	0	*0.0%*	0	*0.0%*
TOTAL	**1,890,319**	**1,890,319**	**2,056,460**	**4,374,515**	**2,484,196**	***131.4%***	**2,318,055**	***112.7%***

1. These are the levels included in the Consolidated Appropriations Act, 2022.
2. In FY 2022, the Department of the Treasury also made a $300,000,000 grant to IDA, funded with American Rescue Plan Act resources, to support COVID-response activities during the IDA-19 replenishment period.
3. In FY 2021, Congress also appropriated, on an emergency basis, $120 million to Treasury's debt restructuring account for clearing Sudan's arrears with the IMF.

Table 2: Unmet Commitments at International Financial Institutions
FY 2017 – FY 2023
(in $ thousands)

Institution	FY 2017 Enacted	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Enacted[1]	FY 2022 Estimate[2]	FY 2023 Projected
IDA Pledges	620,534	485,264	485,264	485,264	426,574	337,318	337,318
IDA MDRI	643,845	822,665	1,006,855	1,236,345	1,503,865	1,801,195	2,115,145
AfDF Pledges	178,682	156,167	156,167	156,167	154,191	114,191	114,191
AfDF MDRI	112,067	134,377	157,904	172,014	196,711	225,879	242,765
AsDF	284,739	283,943	283,943	283,904	283,904	274,191	274,191
GEF	134,967	134,963	131,951	110,843	102,391	89,666	89,666
IFAD	3,833	3,833	3,833	3,833	3,833	3,833	3,833
MIF/ IDB Lab	25,710	25,710	25,710	25,710	25,710	25,710	25,710
MIGA	6,867	6,867	6,867	6,867	6,867	6,867	6,867
TOTAL	**2,011,244**	**2,053,789**	**2,258,493**	**2,480,946**	**2,704,045**	**2,878,849**	**3,209,685**
Total MDRI	**755,912**	**957,042**	**1,164,759**	**1,408,359**	**1,700,576**	**2,027,074**	**2,357,910**
Total ex-MDRI	**1,255,332**	**1,096,746**	**1,093,734**	**1,072,587**	**1,003,469**	**851,775**	**851,775**

1. The FY 2021 column reflects the levels at which unmet commitments stood after enactment of appropriations legislation and includes any early encashment credits/discounts received. It includes a payment to GEF for unmet commitments and credits/discounts received at IDA, the AfDF, and the GEF.
2. FY 2022 column reflects amounts appropriated by Congress in the Consolidated Appropriations Act, 2022. The decline in unmet commitments for IDA pledges of $89.25 million is due to the $300 million grant provided to IDA with resources from the American Rescue Plan Act.

Multilateral Development Banks

In 2021, the Multilateral Development Banks (MDBs), of which the United States is a member, provided approximately $147 billion in assistance to developing countries. They support broad-based, sustainable development through investments in infrastructure, health, clean energy, natural resource management, agriculture, and education, among other sectors. MDB concessional lending and grants are an important source of financing for the development needs of the poorest and most fragile and conflict-affected countries, providing a high-quality alternative to nontransparent, unsustainable sources of finance. Through their financial support and technical assistance for fragile and conflict-affected countries, MDB assistance bolsters U.S. national security and helps in prevention and alleviation of humanitarian crises.

The MDBs play key roles in addressing and responding to global and U.S. economic and development priorities. Cumulatively, since the start of the COVID-19 pandemic in 2020 through end-2021, they have provided approximately $127 billion in critical, large-scale support to help countries, especially the poorest, mitigate the pandemic's devasting health and economic impacts and to develop and distribute medical response measures, including vaccines. The MDBs have financed a wide range of responses, including the purchase and distribution of vaccines, personal protective equipment (PPE), and other medical supplies; emergency budget support; cash transfer programs; credit to the private sector; food security investments; and technical assistance.

The MDBs are playing leading roles in responding to the climate crisis by providing financing to developing countries—both through their core loan and grant resources as well as by implementing projects with financing from multilateral climate funds. The MDBs are the largest contributors towards achieving the goal for developing countries to mobilize $100 billion goal for climate mitigation and adaptation in developing countries annually. Beyond financing, the MDBs provide advice and support policy reforms for countries to effectively transition away from carbon-intensive energy and industry and to effectively implement green growth policies and strategies. Given the scale of their financing, convening power, and technical expertise, they are among the most effective means through which the United States can support developing country efforts to reduce GHG emissions, to adapt to the impacts of climate change, and to build resilience. Collectively, the MDBs of which the United States is a member reported approvals of over $36.7 billion in climate finance in 2020.

The MDBs are also the leading catalysts of infrastructure finance among official development financing institutions. Collectively, the MDBs of which the United States is a member approved over $35 billion in infrastructure finance in 2020, or about 25 percent of the MDB's total financing approvals that year. Thus, they are critical institutions to deliver on the Administration's B3W initiative.

The President's FY 2023 Budget will support continued progress towards ending international financing of carbon-intensive fossil fuel-based energy and ensuring that Federal funding no longer directly subsidizes fossil fuels, as described by Sections 102 and 209 of Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*. In 2021, Treasury released new guidance on how to approach MDB energy investments and to lend our support to the efforts to accelerate the transition to net zero GHG emissions. This guidance encourages MDBs to reduce financing for carbon-intensive projects and increase support for zero-carbon solutions, while continuing to promote access to affordable energy, especially in the poorest countries.

The MDBs have been strong partners in supporting economic development that promote gender equality and benefits and includes disadvantaged, marginalized or vulnerable groups, including through the identification, protection, and creation of opportunities for such groups. They also empower marginalized groups through inclusive program development processes and social and environmental safeguard policies and procedures. The U.S. Government will continue to be a strong proponent of MDB efforts to support greater inclusion of people who have been marginalized based on factors such as gender, race, ethnicity, sexual orientation or characteristics, gender identity or expression, disability or indigenous identity.

Treasury and other agencies across the Administration are also working with the World Bank and Asian Development Bank to provide substantial economic assistance to the people of Afghanistan. In December 2021, the United States and other donors to the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) agreed to transfer $280 million to UNICEF ($100 million) and the World Food Program ($180 million) for essential health services and food assistance. In January 2022, with U.S. leadership and support, the Asian Development Bank, approved a $405 million AsDF grant financing package to support health, nutrition, food security and education programs delivered through United Nations entities.

Most recently, with strong U.S. leadership and support, in March 2022, the World Bank Executive Board approved $1 billion in remaining ARTF funds to bolster the agriculture sector, support food security, and invest in community resilience and steps to restore the livelihoods of the Afghan people. This assistance will only flow through third party implementors. Together, these efforts from the multilateral development banks supported by the United States result in approximately $1.7 billion to meet the critical basic human needs of the Afghan people.

World Bank Group

The World Bank Group (WBG) comprises the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The FY 2023 Budget is seeking funding for the third payment for the IBRD general and selective capital increases, agreed to in 2018. It is also requesting resources for the IDA nineteenth and twentieth replenishments, respectively IDA-19 and IDA-20.

During the World Bank's 2021 Fiscal Year (WB FY 2021; July 1, 2020 to June 30, 2021), the WBG committed over $99 billion in assistance to developing countries. The WBG has been the leading MDB in assisting developing countries overcome the health and economic impacts of the COVID-19 pandemic. Since April 2020, the WBG has committed more than $72 billion in financing specifically for COVID-19 response projects. The WBG also reports that it provided more than $20 billion in infrastructure investment in WB FY 2021 and that it provided $22 billion in climate finance in WB FY 2020.

International Bank for Reconstruction and Development

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
206,500,000	206,500,000	206,500,000	206,500,000

Treasury requests $206.5 million for the IBRD for the fourth of six installments for the IBRD general (GCI) and selective (SCI) capital increases agreed to in 2018. If not paid, the United States will not be able to subscribe to the full amount of shares to which it is entitled, which would result in a loss of U.S. shareholding and voting power. It would also undermine U.S. leadership in the institution and globally at a time with bolstering U.S. leadership in the multilateral system is important, given geostrategic interests, the Russian war on Ukraine, and global risks like the COVID-19 pandemic and climate.

Program Description

The IBRD is the arm of the WBG that provides financing to creditworthy middle-income countries to promote broad economic growth and reduce poverty. These countries—home to over 70 percent of the world's poor and 5 billion of the world's 7.7 billion people—utilize the combination of the IBRD's financial resources and strategic advice to meet many development needs.

The work of the IBRD is essential for the World Bank to achieve its Twin Goals by 2030: (1) to decrease extreme poverty to no more than 3 percent globally; and (2) to promote shared prosperity by fostering income growth among the poorest 40 percent. IBRD projects reach across a range of sectors, including governance, agriculture, sustainable infrastructure, climate, environment, health and nutrition, and education. The IBRD supports long-term human and social development needs that private lenders are often unwilling to finance. During WB FY

2021, the IBRD committed $30.5 billion in loans and technical assistance, an increase of about 9 percent from WB FY 2020. This increase partly reflects increased lending to help borrower countries respond to the health and economic impacts of the COVID-19 pandemic. The Latin America and Caribbean region received the largest portion of IBRD's new commitments at $9.5 billion (31 percent), followed by East Asia and Pacific region at $6.8 billion (22 percent), and the Europe and Central Asia region at $4.6 billion (15 percent). The Philippines, India, and Indonesia were the top three borrower countries in FY 2021. In FY 2021, the IBRD approved $7.3 billion in infrastructure lending, or 24 percent of total financing approvals.

The IBRD has been one of the largest providers of financial assistance to developing countries to help them address the health and economic aspects of the COVID-19 pandemic. As of end-November 2021, since the start of the pandemic, the IBRD had lent approximately $31.3 billion to developing countries to respond to COVID-19, which accounted for about 63 percent of total IBRD lending ($50 billion) during the period.

The IBRD raises resources similarly to a conventional bank by issuing debt and on-lending to borrowers at market-linked rates. This model enables the IBRD to mobilize substantially more financing than if donor countries were to directly provide grant development assistance. In 2018, in response to significant demand among developing countries and the global community to address pressing development challenges, shareholders committed to provide additional capital to the IBRD.

The United States is and will continue to be the largest shareholder in the IBRD after all countries subscribe to their shares under the 2018 capital increase. The United States' share of total voting power will be 15.9 percent after all countries subscribe to their shares. The country with the next largest shareholding is Japan, whose share will be 6.8 percent, followed by China, with a 5.5 percent share. The United States is the only country with veto power over amendments to the IBRD Articles of Agreement.

How Support for the IBRD Promotes U.S. Interests

As the world's preeminent development bank, the IBRD is uniquely positioned to address development challenges both in specific countries and key global concerns that impact U.S. national interests, economic prosperity, and the health and wellbeing of American citizens, including responding to global health crises, climate change and fragility. The IBRD also provides developing countries with a robust, high-quality alternative to non-transparent, and potentially coercive, lending from China and other actors.

- The IBRD supports economic growth and stability in strategically important countries, such as Ukraine, Jordan, Iraq, Indonesia, Egypt, El Salvador, Guatemala, Colombia, and others, by providing stable, financially sustainable funding to support their overall external financing.
- The IBRD is an important vehicle for U.S. foreign policy priorities in areas like the global response to the COVID-19 pandemic, efforts to fight climate change and support a just energy transition, gender equality and inclusion, youth education and job training, quality infrastructure, and reducing violent extremism.

- The IBRD works with borrower countries to pursue environmentally sustainable economic reforms that encourage private sector investment and job creation, reduce GHG emissions, including by transitioning away from coal-based power generation, and expand vital public services in health, education, and sanitation.
- By leveraging international bond markets and the funds of other shareholders, the IBRD allows the United States to achieve development and climate goals with a multiplier effect that would not be possible on a bilateral basis.
- IBRD investment promotes transparency and high technical, procurement, debt sustainability, social, environmental and governance standards.

In the context of negotiations on the 2018 capital increase package, IBRD Management committed to a series of reforms to further improve the efficiency and effectiveness of the institution and increase its ambitions on climate change. These reforms align with U.S. national security and economic priorities and are making the World Bank more financially disciplined, getting it to focus its operations on poorer countries with less access to other sources of finance, and ensuring that it operates more efficiently.

As part of the reform and capital package, IBRD has adopted a financial sustainability framework that restricts annual lending commitments to those that can be sustained, in real terms, over a rolling ten-year horizon through organic capital accumulation alone. This framework also includes a capital buffer to allow the IBRD to respond to crises without jeopardizing its financial position. The framework increases the IBRD's transparency and financial discipline and significantly lessens the likelihood of a future capital increase.

To direct more resources to countries where scarce development resources are needed most, the World Bank has instituted a policy that requires it to increase its share of annual lending to comparatively poorer countries (i.e., those countries with per capita income below the level at which graduation from the IBRD starts being discussed[5]) to 70 percent or above by WB FY 2030 (from an FY 2017 level of 60 percent). The share of IBRD lending to borrowing countries with income below this level was 69 percent in FY 2021. The IBRD has also introduced differentiated loan prices, making it the first MDB to charge higher loan prices for non-concessional lending to wealthier countries. This practice incentivizes wealthier countries to borrow from markets rather than from the IBRD.

The IBRD will approach its policy for higher income countries to graduate from IBRD lending more rigorously. For all countries above the graduation discussion income threshold ($7,155 per capita for the World Bank's FY 2022), new Country Partnership Frameworks (CPFs) are to focus primarily on the development gaps preventing the country from graduating and to use less IBRD lending over the course of the CPF.

Finally, the reform and capital package introduced constraints on World Bank staff salaries— the largest driver of increases in the administrative budget. These reforms are helping to promote a more efficient use of IBRD funds, which is important for a public institution whose purpose is to eliminate global poverty.

[5] This income level, formally referred to as the IBRD's graduation discussion income (GDI) threshold, is currently $7,155 per capita. It is published annually in the World Bank's Per Capita Income Guidelines for Operational Purposes.

Meeting U.S. Commitments to the IBRD

Without continuing to provide funds for the U.S. portion of the GCI and SCI, the United States will risk losing IBRD shareholding, which determines voting power. Failing to meet our commitments and/or losing shareholding would weaken U.S. leadership and influence at the World Bank, including, potentially, a loss of U.S. veto power over amendments to the Articles of Agreement. It would also severely undermine progress on the package of reforms that the United States was instrumental in securing as part of the capital increase package and call into question the depth of the U.S. commitment to leadership in the multilateral system.

Achieving and Measuring Results

Over the WB FY 2019-2021 period, the World Bank, including the IBRD, achieved the following:

- Provided 36 million people with access to improved water sources and 184 million people with improved sanitation services;
- Provided 376 million people with essential health, nutrition, and population services;
- Completed 79 large-scale learning assessments for primary and secondary school systems to improve learning outcomes;
- Helped 85 countries institutionalize disaster risk reduction in national plans;
- Created new or improved electricity services to 43 million people; and
- Enhanced access to transportation services for 80 million people.

In 2020, the WBG reported more than $22 billion in finance for climate mitigation and adaptation activities.

Project Examples

Ukraine: Financing of Recovery from Economic Emergency in Ukraine. In March 2022, the World Bank Board of Executive Directors approved a supplemental budget support package for Ukraine for $489 million. The package approved by the Board comprises a supplemental loan for $350 million and guarantees in the amount of $139 million. It also mobilizes grant financing of $134 million and parallel financing of $100 million, for a total of $723 million. The fast-disbursing support will help the government provide critical services to Ukrainian people, including wages for hospital workers, pensions for the elderly, and social programs for the vulnerable. This follows on the approximately $4.5 billion that the World Bank has provided to Ukraine since 2014 to support sustained and inclusive economic growth and recovery from previous Russian invasions, with a focus on: (i) improved governance, anticorruption measures, and citizen engagement; (ii) addressing the root causes of inadequate economic performance, including institutional reform and infrastructure investment that will help unlock the potential of the private sector, (iii) fiscal and financial sustainability; and (iv) efficient, effective, and inclusive public and social service delivery. The IBRD has made important investments in energy, transportation, water, sanitation, education, social protection, and healthcare. Since the beginning of the pandemic, the IBRD has loaned over $2.2 billion to Ukraine for budget support and investment projects to help Ukraine respond to the health and economic challenges of the COVID-19 pandemic, including $150 million for the purchase and distribution of vaccines and related health system strengthening.

India: Maharashtra Project on Climate Resilient Agriculture. To mitigate the adverse impacts of climate change in drought prone districts of Maharashtra, in 2018, the IBRD approved a $420 million project to help small and marginal farmers increase climate resilient practices in agriculture and ensure that farming continues to remain a financially viable activity. The Indian government provided an additional $180 million to the project the same year, bringing the total project financing to $600 million. Farmers combine information on water availability via a mobile app with training on moisture-conserving and water-harvesting practices to develop micro-plans reflecting climate smart agricultural practices, which the project supports. The project has enabled micro-planning in nearly 4,000 villages and led to an increase in farm incomes by 30 percent.

Colombia: Resilient and Sustainable Infrastructure for Recovery. In September 2020, IBRD approved a $500 million loan to support resilient and sustainable infrastructure development in Colombia. The project helped sustain access to critical infrastructure services and stabilized the financial standing of utilities and infrastructure service providers during the early phases of the COVID-19 crisis. It also supported the infrastructure sectors' transition to low-carbon growth. The project has supported adaptation and mitigation measures, such as the development of a framework to speed up the transition to electric mobility and extending the scope of carbon pricing instruments. The World Bank provided an additional $750 million loan in May 2021 to support the second phase of the project which aims to mitigate the structural challenges to accelerating the transition to cleaner and more resilient energy and transport systems and advance the implementation of a national program to make the internet available free of charge in schools and rural areas with limited access to digital infrastructure.

International Development Association

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted[6]	FY 2023 Request
1,0001,400,000	1,001,400,000	1,001,400,000	1,430,256,000

The FY 2023 Budget requests $1.430 billion in support of IDA programs over the IDA-19 period (WB FY 2021 – FY 2022, or July 1, 2021 – June 30, 2022) and IDA-20 period, including towards the third of three installments to IDA-19, and for a first installment for IDA-20.[7]

Program Description

IDA is the arm of the WBG that makes concessional loans and grants to the world's 74 poorest and most vulnerable countries, of which 32 are considered fragile and conflict affected states. It is the largest source of development finance to these countries and operates across a range of sectors, including health, primary education, clean water and sanitation, climate change adaptation and mitigation, governance, infrastructure, and improving business climates. During WB FY 2021, IDA committed approximately $36 billion in development finance, an increase of 18 percent above FY 2020 levels. The Sub-Saharan African region received the largest portion of IDA's new commitments in 2021 at $25 billion (70 percent) followed by the South Asia region at $7 billion (20 percent).

IDA has been the leading provider of assistance to the world's poorest and most fragile countries to help them overcome the health and economic impacts of the COVID-19 pandemic. As of end-November 2021, and since the start of the pandemic, IDA had provided approximately $27.1 billion in COVID-19 financing (48 percent of total new IDA financing of $56.9 billion) to address the health, social, and economic impacts of the pandemic.

The overarching theme of IDA-20 is "Building Back Better from the Crisis: Towards a Green, Resilient, and Inclusive Future." IDA-20 will work in all countries to strengthen health systems, including on pandemic preparedness, and support COVID-19 vaccine acquisition and rollout through additional funding and existing country allocations. On climate, IDA will increase its contribution towards the joint developed country commitment to mobilize $100 billion annually for climate finance. IDA has set a goal for the share of its financing that provides climate change co-benefits to increase to 35% in IDA-20, up from 30% in IDA19, with half of this amount to fund climate change adaptation. From fiscal year 2024, all new IDA-20 operations will align with the goals of the Paris Agreement.

IDA-20 also includes key commitments to address human capital development, the care economy, food security, and fragility, conflict, and violence. IDA has also committed to work on strengthening inclusion for LGBTQI+ persons. During IDA-20, IDA will also continue work

[6] In FY 2022, the Department of the Treasury also made a $300,000,000 grant to IDA, funded with American Rescue Plan Act resources, to support COVID-response activities during the IDA-19 replenishment period.
[7] The Administration intends to allocate $790,656,000 of the requested FY 2023 appropriation for the final payment for IDA-19 and the remaining $639,600,000 for a first payment for IDA-20.

on private sector growth, improving debt sustainability and debt transparency, combatting illicit financial flows, and improving domestic resource mobilization.

In December 2021, the United States pledged $3.5 billion over three years towards the IDA-20 replenishment.[8] The United States emerged as the largest donor to IDA-20, for the first time since IDA-16 (2012-2014), thus the IDA-20 pledge restores the United States' leadership position in IDA. The pledge amount represents a 16.5 percent nominal increase over the IDA-19 pledge. This reverses the declining trend in U.S. IDA pledges seen since 2017 and helps to reassert U.S. leadership in supporting inclusive growth and poverty reduction in the poorest countries as they recover from the pandemic.

IDA is cost-effective: every $1 contribution from the United States to IDA-20 catalyzes approximately $27 in additional resources—contributions from other donors, internally generated resources (e.g., reflows from previous loans), and market financing.

How Support for IDA Promotes U.S. Interests

The economic development of the world's poorest countries is an important pillar of U.S. foreign policy, economic prosperity, and national security, especially given the rise of extremism. IDA supports U.S. economic and national security interests by:

- Reinforcing U.S. and international political and security objectives through sustainable and inclusive economic growth, job creation, and the provision of social services in fragile and conflict-affected countries.
- Advancing reforms that promote private investment in key climate and development priorities, create jobs, and foster market-led economic growth in developing countries, thereby expanding markets for U.S. exports.
- Responding to and limiting the spread of global crises, for example, by providing support to countries to respond to health emergencies like COVID-19 and to food security emergencies, including famine.
- Financing developing country efforts to adapt to the impacts of climate change, build resilience and reduce GHG emissions.

Meeting U.S. Commitments to IDA

As of March 2022, U.S. unmet commitments to IDA replenishments and IDA's Multilateral Debt Relief Initiative (MDRI) amount to approximately $2.139 billion, of which $337.3 million is for IDA replenishments and $1.801 billion is for IDA MDRI. U.S. unmet commitments to IDA and MDRI have reduced IDA's ability to provide loans and grants. They have also damaged U.S. credibility and leadership, including with regard to our ability to promote policy goals sought by the United States, such as a sharper focus on fragile states and efforts to increase debt sustainability and transparency among IDA recipients.

[8] The Administration's plan is for the United States to meet this pledge through the following three payments: $639,600,000 in FY 2023 and 1,430,200,000 each year in FY 2024 and FY 2025.

Using resources appropriated by the American Rescue Plan Act (ARPA), the United States provided a grant to IDA of $300 million to support its COVID-related programming during IDA-19. The United States allocated this grant to satisfy part of its IDA-19 pledge, which eliminated U.S. unmet commitments to that replenishment by $89.25 million.

Launched in 2006 at the urging of the United States, MDRI provides for 100 percent cancellation of eligible debt to IDA and the AfDF for countries that completed the conditions for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. MDRI has allowed scarce resources in low-income countries to be reallocated for poverty-reducing expenditures in areas such as health and education. To prevent a depletion of IDA and AfDF resources from debt relief, the United States and other donors committed to compensate IDA and AfDF for the cancelled debt on a dollar-for-dollar basis. The United States has annual payments to IDA MDRI due through 2044. The U.S. share of MDRI commitments during IDA-19 is $878.8 million, which the United States is scheduled to pay in FY 2021—FY2023. Of this, $314 million is due in January 2023. The U.S. share of MDRI commitments to support MDRI during IDA-20 will be $649.97 million, which will come due to in FY 2024 and FY 2025. U.S. unmet commitments to IDA-MDRI increase unless Congress appropriates resources to cover amounts that come due annually.

Achieving and Measuring Results

During IDA-18 (WB FY 2018 – FY 2020), IDA reported that it achieved the following:

- Provided 281.5 million people with essential health and nutrition services, including the immunization of 105 million children;
- Installation of 7.4 gigawatts of additional renewable energy generation capacity, in excess of the original IDA-18 target of 5 gigawatts;
- Expanded social safety net programs to 58.8 million people;
- Provided access to better water services for 31.6 million people, improved sanitation services for 22.8 million people, and improved urban living conditions for about 15.6 million people;
- Construction or rehabilitation of 19,876 km of roads and more than 1.5 million hectares of irrigation and drainage services;
- Recruited or trained more than 6.3 million teachers; and
- Supported the creation of jobs for 24.5 million people through job-focused interventions.

In 2002, IDA adopted its Results Measurement System (RMS), an online scorecard that is updated annually and provides a snapshot of IDA's performance and results across countries. IDA was the first multilateral development institution to use a framework with quantitative indicators to monitor results and performance. This approach has since been emulated by other development institutions. As part of the IDA-19 replenishment, the United States and other donors supported enhancements to the IDA RMS to ensure data quality, efficiency, and gender disaggregation.

The World Bank's Independent Evaluation Group (IEG) measures the results of a completed IDA project against the indicators that the project set out to achieve. The IEG assigns ratings to completed projects based on the achievement of the projects' intended outcomes and development objectives. Of IDA projects completed during the WB FY 2016 to 2018 period, IEG rated 81 percent with outcome ratings of "moderately satisfactory" or above.

Project Examples

Sierra Leone: Agro-processing Competitiveness Project. In Sierra Leone, agribusiness—a key sector of the economy—accounts for about three-quarters of the agriculture production volume. In July 2018, IDA approved a $10 million grant to improve the business environment and productivity of agro-processing small and medium enterprises (SMEs). When the COVID-19 pandemic hit, many agro-processing SMEs laid off large numbers of workers, shrank business lines, and—in some instances—completely shut down operations. IDA responded by working to improve the ongoing program so that it could support those SMEs crippled by the COVID-19 pandemic. As a result, around 25 SMEs—of which more than half are women-owned and/or women-led—received targeted grants totaling $1.3 million to ensure business continuity and resilience in coping with the pandemic. In addition, the support enabled the SMEs to avoid layoffs and retain over 200 employees as well as hundreds of part-time and casual laborers.

Haiti: Adaptive Social Protection for Increased Resilience Project. In March 2021, IDA approved a $75 million grant for Haiti. In 2020, pandemic-induced economic impacts led to an increase in extreme poverty in Haiti, where the vast majority of poor households are concentrated in rural areas and depend primarily on agricultural livelihoods. Haiti's social protection system is weak, fragmented, and most government financed programs have been discontinued or curtailed because of recent fiscal and political events. The project seeks to operationalize a national social protection strategy that the Haitian government has put together with support of the World Food Programme, the World Bank, and USAID. The financing will improve households' resilience through unconditional cash transfers, as well as other measures to support best practices in hygiene, nutrition, maternal health, COVID-19 prevention, and financial inclusion. It is also expected to help improve the country's capacity to deliver social protection programs by expanding and improving data quality of a social registry.

African Development Bank Group

The African Development Bank Group (AfDB Group) comprises the African Development Bank (AfDB) and the African Development Fund (AfDF). As a leading multilateral financing institution in Africa, it provides countries in Africa a strong voice and ownership over development decisions and issues on the continent. The FY 2023 Budget is seeking funding for the third of eight payments for the AfDB's Seventh General Capital Increase (GCI-VII) and for a third payment under the AfDF's fifteenth replenishment period (AfDF-15). As of end-2021, and since April 2020, the AfDB Group has provided approximately $4.1 billion in support to help countries address the health and economic impacts of COVID-19, with approximately 95 percent disbursed as of December 30, 2021. In 2021, the largest sectors for AfDB Group investments were infrastructure (44 percent), multi-sectoral/budget support (23 percent), and agriculture (19 percent). The AfDB Group approved $2.1 billion in climate finance in 2020.

African Development Bank

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
54,648,752	54,648,752	54,648,752	54,648,752

Treasury requests $54.6 million towards the third of eight installments under the AfDB's GCI-VII. U.S. leadership was instrumental in achieving a wide-reaching plan to strengthen the AfDB's financial sustainability, operational quality, and institutional integrity. Failure to subscribe in full would weaken our voice on the AfDB Board and therefore our ability to oversee implementation of these reforms. Furthermore, prompt provision of capital will enhance the AfDB's lending capacity to continue its support to African countries during the prolonged COVID-19 crisis. A strong, prosperous Africa is essential to addressing today's global challenges, and the Administration has signaled its commitment to Africa, including through initiatives such as Prosper Africa. Maintaining U.S. leadership at the AfDB will facilitate strong U.S. partnerships with the AfDB, as has been the case with Power Africa. The AfDB will also play an important role as a responsible financial partner for African economies as they seek to maintain or restore debt sustainability and reduce their dependence on less transparent or higher-priced financing sources.

Program Description

The AfDB provides public sector financing at market-linked rates to 20 member countries, and provides loans, equity investments, lines of credit, and guarantees to the private sector in all 54 African member countries. The AfDB approved approximately $3.4 billion in financing in 2021.

The AfDB is financed by capital contributions from shareholders, borrowing from international capital markets, and retained earnings. Shareholders approved GCI-VII in 2019 to allow the AfDB to expand its support to African countries and the private sector in the face of continued significant development needs on the continent.

AfDB Management has made progress implementing a package of reform commitments agreed under GCI-VII. Most notably, the AfDB approved an enhanced income model that better controls lending volumes, an action plan to improve social and environmental safeguards, and demonstrated increased budget discipline in its 2021 budget. Management continues to work on greater operational selectivity, clarifying organizational structure and responsibilities, implementing a quality assurance plan to improve project quality, and strengthening the AfDB's approach to governance, anti-corruption, and internal controls.

The United States is the largest non-regional shareholder at the AfDB, with 6.4 percent of total shareholding, and the second-largest shareholder overall, after Nigeria.

How Support for the AfDB Promotes U.S. Interests

AfDB financing supports U.S. economic development, national security, and foreign policy objectives in Africa in the following ways:

- **COVID-19 Response and Economic Stabilization:** In the past year, the AfDB has prioritized helping Africa surmount the health and economic challenges of the persistent pandemic. During the first year of the pandemic, approximately $2.6 billion in AfDB loans supported activities such as increasing testing capacity and PPE 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.
- **Supports U.S. Interests in North Africa:** In 2020, the AfDB provided approximately $1 billion in financing to Tunisia, Morocco, and Egypt, all of which are important U.S. partners in the fight against terrorism. Typically, AfDB financing to these countries supports governance and business-climate reforms, infrastructure development, and job creation. In 2020, the focus was on shoring up economic and health responses to the pandemic.
- **Creates Opportunities for U.S. Businesses**: The AfDB has a $13 billion portfolio of regional integration projects and is accelerating its partnership with the African Continental Free Trade Area, which could represent one of the world's largest free trade areas. It increasingly plays a critical role in developing and opening African markets for U.S. exporters and investors, in line with the Prosper Africa initiative. AfDB financing develops physical and telecommunications infrastructure that boosts trade, leverages business climate reforms, supports local SMEs, contributes to the growth of an African middle class of consumers, and promotes regional integration supporting the African Continental Free Trade Agreement. It also supports improvements in countries' policy environments to drive private sector investment and growth, and it promotes rules and policies around lending that are conducive to U.S. interests.
- **Finances Climate Change Adaptation and Mitigation for Africa:** In recognition that Africa is one of the regions already most affected by climate change, the AfDB has adopted ambitious climate finance targets to help countries invest in adaptation and mitigation, with a particular focus on investments in renewable energy, integrated water resources management, and climate-smart agriculture.
- **Infrastructure Investment:** Improved infrastructure is critical to Africa's growth and prosperity, including power to run health clinics, roads to transport agricultural products

to market, and ports to facilitate trade and connectivity. The AfDB's investment in African infrastructure, including through collaboration with Power Africa, helps support an environment for increased U.S. investment and trade. In 2021, the AfDB approved $731 million in infrastructure investment.
- **Combats Illicit Finance.** The AfDB is working closely with the United States and African countries to identify and implement specific actions to improve transparency, combat corruption and criminal activity, and increase government accountability in Africa.

Meeting U.S. Commitments to the AfDB

Failure to meet commitments to GCI-VII would result in further dilution of U.S. shareholding and could risk our single-country seat on the Executive Board, where the United States is the only shareholder to have its own seat. It would significantly weaken U.S. credibility and influence at the AfDB and impair our ability to advance important U.S. strategic priorities in Africa, whose geopolitical importance will only grow given its vast natural resources and where inclusive economic development is vital to provide jobs and other support for Africa's rapidly growing population—which can be both an opportunity to be harnessed for growth or a risk of contributing to instability.

Achieving and Measuring Results

In 2020, the AfDB reports that it:

- Supported agricultural sector investments that improved the livelihoods of 6.3 million farmers;
- Improved agricultural water management on 16,500 hectares of agricultural land;
- Built or re-constructed 1,300 kilometers of feeder roads to bring agricultural goods to market; and
- Provided 8.3 million people with improved access to improved water and sanitation.

The AfDB maintains a Results Measurement Framework to track and hold the AfDB Group accountable for its performance on 105 quantitative indicators, organized in four interconnected levels: (1) development progress in Africa; (2) the AfDB Group's contribution to development in Africa; (3) the quality of the AfDB Group's development operations; and (4) the AfDB Group's organizational efficiency.

Project Examples

Ghana: Accra Urban Transport Project. The AfDB approved $84 million for Accra Urban Transport in 2016, and it was completed in 2021. The construction of the 4-tier Pokuase interchange with an additional 10 kilometers of local roads has improved mobility on the Accra-Nsawam section of the Accra-Kumasi Highway, which experiences an average daily traffic of more than 50,000 vehicles per day. This has resulted in a 37 percent decrease in vehicle operating cost, reduced travel time from 2 hours to 30 minutes, and reduced road accidents by 40 percent. These outcomes have supported reduction of CO_2 emissions and improved quality of life for road users and persons living in the project area. As part of the project, AfDB provided information and communications technology (ICT) training in 14 elementary and junior high schools constructed under the project. It provided fully equipped modern ICT labs and access to customized ICT training for over 12,000 elementary and junior high school children, more than 50 percent of them girls. The project supported a local women's group by renovating their facilities and ICT systems and providing business training, which helped increase the annual average income of more than 500 women by 10 percent. Additionally, the project is contributing to multi-donor production of the Accra Urban Masterplan, which will integrate interventions in various sectors, including transport, and help coordinate greater synergy between projects throughout the city.

Zambia: Lusaka Sanitation Program Climate Resilient Sustainable Infrastructure Project. The AfDB contributed $50 million towards the total cost of $127 million for this project in 2015. To keep pace with the increasing urbanization pressures in the Greater Lusaka region, the AfDB invested in the Lusaka Sanitation Program which had a strong focus on incorporating climate resilient designs into the public sanitation infrastructure. Lusaka had been experiencing rapid urbanization, where nearly 70% of the city's population lived in peri-urban areas. These regions only had access to pit latrines and were dependent on groundwater for their potable water, which was often contaminated. This program targeted rehabilitation and construction of new sanitation infrastructure for the urban poor in those areas. Over 1 million direct and indirect beneficiaries gained access to water and sanitation services, resulting in improved public health and sanitary conditions, particularly for women. The project included capacity support to the Lusaka Water and Sewerage Company (LWSC) to construct the new wastewater treatment facilities and the expanded pipeline networks and more importantly maintain the infrastructure once in operation. The project is currently on track to extend the sewer networks and has already added 2,000 new sewer connections at the household level and building gender sensitive and disabled-friendly sanitation facilities in schools, public places and health centers.

Cabo Verde: Covid-19 Crisis Response Support Program. In 2020, the AfDB approved $35 million in policy-based lending to help Cabo Verde respond to the COVID-19 pandemic. At project completion, this support enabled Cabo Verde to increase its capacity in the health response through the development of a COVID-19 information website for health system management and increased its stock of ventilators from 86 to 114. This support also helped to promote social protection during the crisis, with the National Institute for Social Protection coverage rate increasing from 43.9 percent in 2018 to 45.1 percent in 2021. Direct food assistance made possible through this support benefited 32,495 households (approximately 154,419 individuals), which was vital to prevent food insecurity during the pandemic as many lost their main source of income during the lock-down. In addition, this support enabled the Council of Ministers to approve a plan for the partial financing of wages for employees on leave, extending a financial cushion during the pandemic.

African Development Fund

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
171,300,000	171,300,000	211,300,000	171,300,000

Treasury requests $171.3 million in support of AfDF programs over the AfDF-15 replenishment period (FY 2020 – FY 2022), including towards a third payment to AfDF-15.

Program Description

The AfDF provides grants and highly concessional loans to the 37 poorest countries in Africa, of which half are fragile and conflict-affected states. AfDF approvals, including approvals to AfDF countries through the Transition Support Facility (the AfDF's window for fragile and conflict-affected states), totaled approximately $2.4 billion in 2021.

During the AfDF-15 replenishment negotiations, the United States achieved the following reform commitments that will increase AfDF's efficiency and its ability to achieve impact:

- In coordination with the IMF and World Bank, AfDB management is instituting a dynamic application of country debt sustainability analysis, has proposed stronger allocation incentives around debt sustainability and the provision of grants, and will update the Bank's Non-Concessional Borrowing Policy.
- Management presented a strong case for greater project selectivity to maximize effectiveness, with a two-pillar approach that will mostly fund infrastructure projects and capacity development to increase the sustainability and effectiveness of infrastructure projects.
- AfDF will apply its cutting-edge fragility diagnostic tools in all AfDF countries and refine its approach to operations in fragile countries to better address the drivers of fragility.

The AfDF is financed by donor countries, including the United States, and requires new donor resources every three years. In December 2019, the United States joined other donors to conclude negotiations on the AfDF-15 replenishment, which totaled $7.7 billion. In December 2020, the United States pledged $513.9 million to be paid over three years, which is equivalent to the U.S. pledge to the previous AfDF-14 replenishment. The United States was the fourth largest donor to the AfDF-15 replenishment, behind the United Kingdom, Germany, and France. On a cumulative, historic basis, the United States is the third largest donor to AfDF, with a 5.4 percent voting share, just behind Japan and Germany.

Every $1 in U.S. contributions to AfDF-15 will mobilize nearly $15 in contributions from other donors and internally generated resources.

How Support for the AfDF Promotes U.S. Interests

AfDF assistance helps achieve U.S. national security and foreign policy objectives in Africa.

- **Reduces Instability in Fragile States:** Nineteen of the AfDF's 37 recipient countries are fragile and conflict-affected states, including countries such as Mali, Chad, and Niger that are on the front lines of the fight against terrorism in Sub-Saharan Africa. Over the 2020-2022 period, more than half of the AfDF's financing will be used to combat instability in fragile and conflict affected states, including through projects to strengthen governance and anti-corruption.
- **Addresses Economic and Social Impacts of Health and Humanitarian Crises:** Since the start of the pandemic, the AfDF has approved approximately $1.5 billion in loans and grants to help the poorest countries in Africa address the health and economic impacts of the COVID-19 pandemic. AfDF financing also seeks to address the root causes of humanitarian crises in and migration flows from Africa's poorest countries. The AfDF helps reduce fragility, builds infrastructure, strengthens food security, and supports private sector-led growth, economic diversification, and job creation.
- **Finances Climate Change Adaptation and Mitigation for Africa:** In recognition that Africa is one of the regions already most affected by climate change, the AfDF has adopted ambitious climate finance targets to help countries invest in adaptation and mitigation, with a particular focus on investments in renewable energy, integrated water resources management, and climate-smart agriculture.
- **Complements U.S. Bilateral Support to Africa:** The AfDF's work to enhance economic growth and improve stability and governance helps support U.S. objectives of increasing trade and investment with African partners, including through collaboration with Power Africa and Prosper Africa.
- **Infrastructure Investment:** Improved infrastructure is critical to Africa's growth and prosperity, including power to run health clinics, roads to transport agricultural products to market, or ports to facilitate trade. The AfDF's support for African infrastructure, including through collaboration with Power Africa, helps support an environment for increased U.S. investment and trade. In 2020, the AfDF approved $191 million in infrastructure finance.

Meeting U.S. Commitments to the AfDF

As of March 2022, U.S. unmet commitments to AfDF replenishments and MDRI at the AfDF amount to approximately $380 million, of which $154 million is for AfDF replenishment pledges and $226 million is for AfDF MDRI. These unmet commitments have decreased the financial capacity of the AfDF and have undermined U.S. credibility and leadership at a time when the AfDB Group is undertaking many critical reforms that the institution needs to undertake given the challenges faced by the countries in serves, and on which the United States is a leading voice.

MDRI provides for 100 percent cancellation of eligible debt to the AfDF and IDA for countries that completed the conditions for debt relief under the HIPC Initiative. MDRI has allowed low-income countries to reallocate scarce resources for poverty-reducing expenditures in areas such as health and education. To prevent a depletion of AfDF resources, donors committed to compensate AfDF for the cancelled debt on a dollar-for-dollar basis. The United States has annual payments to AfDF MDRI through 2054. The U.S. share of the commitments to support AfDF MDRI during the AfDF-15 period is $68 million, which the United States is scheduled to pay during the FY 2021—FY 2023 period. Of this, $30 million is due in January 2023. U.S. unmet commitments to AfDF-MDRI increase unless Congress appropriates resources to cover amounts that come due annually.

Achieving and Measuring Results

In 2020, the AfDB reported that programs in AfDF countries:

- Built or rehabilitated 175 kilometers of power distribution lines and installed 101 megawatts of new installed capacity, enabling 260,000 people to access power systems
- Helped 6.5 million people access new or improved access water and sanitation, about half of whom were women; and
- Supported improvements in agricultural productivity benefiting 16.4 million people, about half of whom are women.

AfDF-15 includes a set of 92 commitments for the AfDF to achieve over 2020-2022, which cover the AfDF's development work as well as its institutional efficiency and effectiveness. Each commitment includes at least one measurable indicator; for example, under the energy access target, the AfDF commits to create one million connections to on-grid energy and provide access for one million households to off-grid and decentralized energy access by the end of 2022.

Project Examples

Sao Tome and Principe: Multi-Country COVID-19 Response Support Program. The AfDF approved a $10.3 million crisis response budget support operation to help Sao Tome and Principe (STP) respond to the COVID-19 pandemic in July 2020, as part of a multi-country program. This support played a key role in maintaining macroeconomic stability through the pandemic-induced economic shock, providing much-needed fiscal space for the authorities, stabilizing debt levels, and strengthening its balance of payments position. The program enabled the STP Government to increase expenditures to fund urgent health sector needs, protect the livelihoods of vulnerable populations and support affected businesses. Under the program, capacity to carry out COVID-19 polymerase chain reaction (PCR) tests increased from zero to 100 tests per day, ending reliance on shipping samples abroad for testing. Moreover, the number of working ventilators in the country increased from two to 28, and 142 oxygen concentrators were made available. To protect livelihoods, more than 31,000 individuals and households (out of a population of 200,000) benefitted from the establishment and expansion of income support schemes, including 1,935 formal sector workers (41 percent women), 13,373 informal sector workers (50 percent women) and 16,000 vulnerable households. Finally, thanks to the program, nearly 100 micro, small-and-medium enterprises benefitted from $3 million in lines of credit to fund both their immediate liquidity needs and investments to emerge stronger from the pandemic-induced shock.

Gambia: Trans-Gambia Corridor Project: Construction of Trans-Gambia Bridge and Cross Border Improvement. AfDF infrastructure support in Gambia included the construction of the Trans-Gambia Bridge and Cross Border Improvement Project, for which the AfDF Board approved a grant of $95 million in December 2011 (and structured a multi-national project; the AfDB also approved a $4.4 million loan to Senegal as part of this project). The AfDF supported the construction of the historic bridge and two one-stop border posts. The project is part of the broader investment in the Trans-West African Highway (Dakar-Lagos Corridor) that will improve the region's economic competitiveness. The project is expected to reduce transport costs, encourage trade, and unite previously isolated communities. The 942 meter-long bridge spans the Gambia River, providing a safer, quicker alternative to the ferry crossing. It will enhance traffic flow between the northern and southern parts of the Gambia and Senegal.

Asian Development Bank

The Asian Development Bank comprises the Ordinary Capital Resources of the Asian Development Bank (AsDB) and the Asian Development Fund (AsDF). As a leading multilateral financing institution in Asia, it provides countries in the Asia-Pacific region a strong voice and ownership over development decisions and issues in the region. As there are no outstanding U.S. capital commitments for the Ordinary Capital Resources of the AsDB, the FY 2023 Budget is seeking funding only for AsDF. The AsDB has been a leading financier of the effort to combat the COVID-19 pandemic and address its health and economic impacts. Since the start of the pandemic, the AsDB has provided a total of approximately $29.8 billion to respond to the pandemic. In 2021, AsDB investments totaled $23.6 billion, an expected reduction from $31.6 billion in 2020. Approximately 51 percent of commitments in 2021 went for pandemic response. AsDB infrastructure investments amounted to approximately one-third of total commitments. AsDB also reported $5.3 billion in climate finance for 2020.

Asian Development Fund

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
47,395,000	47,395,000	53,323,000	43,610,000

The FY 2023 Budget requests approximately $43.6 million to support AsDF programs over the twelfth replenishment period (AsDF-13; 2021 –2024), including towards an installment for the AsDF twelfth replenishment (AsDF-13).

Program Description

The AsDF is a grants-only fund that supports the poorest and most vulnerable countries in Asia and the Pacific, including small island developing states (SIDS). U.S. contributions to the AsDF also support the AsDB's Technical Assistance Special Fund (TASF), which has supported COVID-19 related technical assistance grants for the poorest countries. Sixteen countries are eligible to receive AsDF grant assistance, of which 13 receive a specific country allocation, while all 16 countries can access grants under a thematic set-aside for health and disaster preparedness, climate adaptation, disaster response, and investments for gender equality. AsDF grants help recipient countries reduce poverty, support economic growth, mitigate and respond to disaster risks, boost regional integration, and address the unique challenges confronting fragile and conflict-affected states and SIDS.

- In 2021, AsDF approvals totaled $315 million, a significant decrease from $1.1 billion in 2020, of which about 60 percent supported COVID-19 response projects.
- In typical years, 40 to 50 percent of AsDF support focuses on infrastructure projects in the energy, water, and transportation sectors.
- During the AsDF-13 replenishment negotiations, the United States achieved important policy commitments, including increasing support to Pacific SIDS, a comprehensive package for strengthening public debt sustainability, and a focus on quality infrastructure

investment. Along with specific country grant allocations, 8 percent of AsDF-13 grants ($134 million) are allocated for supporting disaster risk reduction and climate adaptation, and 8 percent for fostering regional cooperation and integration, including regional health security.
- During the AsDF-13 period (2021–2024), AsDF will provide up to $277 million in grants for disaster risk reduction and climate adaptation and up to $255 million to facilitate faster pandemic and disaster response and provide support for humanitarian relief for AsDF countries in the wake of crises in the region.
- AsDF-13 is providing grants to address the humanitarian needs of the Afghan people through non-government organizations, while preventing the flow of funds to the Taliban.

In September 2021, the United States pledged $174.44 million for the AsDF-13 replenishment, to be paid over four years. This is an 8 percent decrease from the previous replenishment, matching the overall decline in donor contributions required due to growth of contributions from internally generated resources and changes in country eligibility for AsDF grants. This decrease allows for $15 million in savings while allowing the United States to remain the third-largest donor, after Japan and Australia. Every $1 contribution from the United States to AsDF-12 catalyzes almost $22 in new donor contributions and internally generated resources.

How Support for the AsDF Promotes U.S. Interests

AsDF assistance helps achieve U.S. national security, climate goals, economic, and foreign policy objectives in Asia and the Pacific.

- **COVID-19 Response:** As of end-2021, and since the start of the COVID-19 pandemic, the AsDF has provided approximately $550 million in grants as part of the AsDB's comprehensive response to the COVID-19 pandemic. The funds were used to support expenditures for health system support, vaccine procurement ($90 million), and to help counter macroeconomic impacts and sustain social safety net spending. An additional $168 million in technical assistance grants from the TASF supported countries' efforts to strengthen their health systems to address the pandemic.
- **Providing a Superior Source of Development Financing for Small Island Developing States:** The AsDF-13 replenishment includes an economic vulnerability premium for AsDF-eligible SIDS. Given development needs and capacity constraints, small states, including Pacific Island states, are especially vulnerable to unfavorable and non-transparent lending which does not contribute meaningfully to development. The premium benefits the small and vulnerable island countries and is combined with greater focus on promoting debt sustainability and transparency, including applying IDA's Sustainable Development Finance Policy (SDFP). AsDF grants also support investments in disaster preparedness and climate adaptation in Pacific SIDS and Maldives, which are already experiencing the effects of more frequent weather-related disasters and sea level rise.
- **Climate Adaptation in Asia and the Pacific:** Beyond the portion of individual country allocations used for climate finance, about 8 percent ($134 million) of AsDF-13 financing is allocated to support disaster resilience and climate adaptation. An additional

8 percent ($134 million) is allocated for regional cooperation and integration and regional public goods, such as environmental protection and regional health security. In total, AsDF-13 expects to allocate at least 35 percent of total financing for climate adaptation and mitigation projects.

- **Support for the Afghan People:** AsDF is providing grants through third parties to address the food, health, and education needs of the Afghan people, with special emphasis on access for women and girls.

Meeting U.S. Commitments to the AsDF

The United States has approximately $284 million in unmet commitments to the AsDF, which adversely affects the AsDF's financing capacity and U.S. leadership at the AsDB. Without fully funding its commitments, the United States risks impairing its ability to shape the direction of AsDF policies and activities, as well its ability to ensure that sufficient concessional finance is available to AsDF beneficiary countries. Other AsDF donors have withheld, proportionally, a total of $108.6 million in contributions to previous replenishments in response to U.S. unmet commitments, and these resources will not be released until the United States clears its unmet amounts.

Achieving and Measuring Results

The AsDB reports on results through its annual Development Effectiveness Review (DEfR) and Performance Scorecard, which compiles project-level outputs. In particular, the DEfR measures whether projects are effective, completed on time and according to benchmarks, and sustainable after the conclusion of AsDB or AsDF involvement. These annually assessed measures are used to compile lessons learned and adjust targets accordingly. During 2020, the AsDB's Independent Evaluation Department (IED) rated 65 percent of completed AsDB concessional sovereign operations (which include AsDF-supported operations) as successful.

AsDB reports that it achieved the following in AsDF countries in 2020:

- Enrolled over 18.3 million individuals in improved education and/or training (including primary and secondary education for children in addition to vocational trainings).
- Accelerated progress on gender equality by enrolling 16,000 women in technical and vocational education (TVET) and other job training.
- Contributed to climate change adaptation by reducing flood risk in 244,000 hectares of flood-prone land and by establishing climate-resilient irrigation infrastructure and water delivery services in 17,000 hectares of land.
- Supported urban development by establishing or improving 220 urban infrastructure assets.
- Strengthened governance and institutions by helping to build the capacity of 44,000 government officials in design, implementation, monitoring, and evaluation of institutional measures.
- Supported regional cooperation by implemented 62 measures to improve the execution of new trade and regional investment agreements.

Project Examples

Tajikistan: Climate and Disaster Resistant Irrigation Project: Approved in fall 2021, the AsDF is providing a $30 million grant for the AsDB's first ever gender equity-themed irrigation and drainage (I&D) investment in Tajikistan. This innovative approach will modernize irrigation infrastructure in the Yovon I&D system, located in Khatlon province of the lower Vakhsh river basin. It will seek to enhance agricultural productivity and climate resilience and empower women to be more involved in land and water management. The project will introduce climate- and disaster-resilient modernization of prioritized I&D infrastructure, streamline institutions and systems for effective planning and operation and maintenance of I&D infrastructure, and implement policies and strategies for gender equality to enhance women's participation in land and water management. About 6,700 farmers in the Yovon irrigation and drainage system, of whom 12 percent are female, will benefit from improved water service delivery, energy savings, and climate-smart and disaster-resilient technologies. Around 4,200 kitchen gardens, which are used to cultivate fruits and vegetables and mostly managed by women, will also benefit from the project. The project will specifically target interventions to boost the income of female as well as male farmers.

Bhutan: Green and Affordable Housing Sector Project: This project, approved in 2021 and financed with a $24 million AsDF grant, focuses on livability, safety, and sustainability of human settlements in Bhutan. The project will improve access to green and resilient affordable housing for low-income households, assist the Government of Bhutan on urbanization, and provide affordable housing. Moreover, Bhutan is highly vulnerable to climate change and natural hazards, such as flooding, forest fires, and landslides. The intensity of heavy rainfall events is projected to increase, so making housing and infrastructure more resilient to the impacts of climate and disaster events is essential to protect the urban population.

International Monetary Fund

IMF Facilities and Trust Funds

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
-	-	102,000,000	20,000,000

The FY 2023 Budget requests a total of $20 million, and the necessary lending authorization, to cover the subsidy cost of and make loans of up to $21 billion from Treasury's Exchange Stabilization Fund to the IMF's concessional lending facility for low-income countries (LICs), the Poverty Reduction and Growth Trust (PRGT), and to the Resilience and Sustainability Trust (RST). The division of this lending between the PRGT and the RST is yet to be determined.

These proposed loans are vital to enable the IMF to continue providing support to vulnerable countries struggling with the pandemic and the spillovers from Russia's further invasion of Ukraine. These contributions represent a critical opportunity to demonstrate U.S. leadership by lending through the IMF to vulnerable countries. In October 2021, President Biden joined other G20 leaders in announcing a global ambition to provide $100 billion in support for the global recovery, including through the IMF's PRGT and the RST.[9] Correspondingly, by leveraging contributions from other countries, this $20 million appropriation and related authorization will go towards unlocking $100 billion in transparent lending to vulnerable countries, thereby helping to build a more secure global economy.

Program Description

The PRGT is the IMF's concessional financing facility, through which it makes subsidized loans to support the world's 69 poorest countries. Concessional PRGT financing helps enable critical health and social support spending so countries can stabilize their economies and promote economic recovery while pursuing structural reforms to increase their longer-term stability and growth. In addition, the United States has supported establishing a new IMF facility, the RST, which will provide support to help countries undertake key structural reforms to improve their energy resilience and address longer-term vulnerabilities, such as those posed by pandemics and climate change.

PRGT:

Since the start of the pandemic, the IMF has lent over $18 billion in transparent, concessional support to about 55 poor countries through the PRGT—a roughly fivefold increase in annual lending from the PRGT's pre-pandemic average. This 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

[9] View the G20 Rome Leaders' Declaration here: G20 Declaration (gpfi.org)

payments stresses. IMF programs through the PRGT generally support policy reforms to help address longstanding macroeconomic, governance, and debt issues.

The IMF finances PRGT lending by borrowing from IMF members. As the IMF lends to low-income countries at subsidized rates but pays a market-based rate to the member countries from whom it borrows, there is generally only a de minimis cost to IMF members for lending to the PRGT. In contrast, there is a cost to the IMF for every dollar it lends through the PRGT. To cover this cost, the IMF operates an endowment-style trust, funded by grants from members. In normal times, investment income from this trust enables the PRGT to cover the cost of its lending without repeated grants. However, due to increased PRGT lending to respond to the pandemic, the PRGT now faces an estimated $4 billion gap in grant resources, and this could widen if the financing needs of low-income countries continue to grow. In FY 2022, Congress appropriated $102 million for grant contributions to the PRGT.

RST:

The RST will enable the IMF to support its members in reducing their longer-term vulnerability to the economic impacts of pandemics and climate change. The RST will provide longer-term, low-interest financing to low- and middle-income IMF members alongside full-fledged IMF programs and in support of additional reforms. By providing financing alongside regular IMF programs, RST lending will benefit from IMF lending safeguards, including strong governance requirements on borrowers, and will be overseen and approved by the IMF's Executive Board. The RST will be critical to support vulnerable countries' efforts to implement structural reforms to enhance their resilience to the macroeconomic risks associated with pandemics and to promote transitions to more sustainable energy sources, thereby reducing their energy dependence on malign actors.

RST donors will participate by providing resources to the RST, the majority of which will be loaned out to borrowing countries, while some will be reinvested to generate income to finance the RST's operations and help build the RST's credit buffers.

How Support for the IMF Promotes U.S. Interests

Sustaining the PRGT's ability to continue to lend to low-income countries directly supports macroeconomic stability and developing countries' capacity to expand health and social spending to address the pandemic, its after-effects, and the spillovers from Russia's further invasion of Ukraine. Globally, the IMF and World Bank have estimated that 90 million people have fallen into poverty since the onset of the COVID-19 crisis amid rising food insecurity and inequality. Low-income countries are still struggling to respond to the pandemic and have limited buffers to enable them to support a robust recovery. Spillovers from the Russian invasion of Ukraine, including refugees and historic commodity prices, will further exacerbate vulnerabilities and increase global poverty. A U.S. contribution to the PRGT would allow the IMF to continue providing elevated levels of concessional support to low-income countries and would particularly benefit the most vulnerable populations in these countries.

The RST will complement the IMF's current financing tools by providing affordable, long-term financing alongside a regular IMF program for countries facing current or potential balance of payments gaps resulting from longer-term sources of risk. Through this, the RST will help build vulnerable countries' capacity to address pandemics, improve low-emission energy resilience, and build resilience to the impacts of climate change. The RST will help countries better protect their most vulnerable members from the worst effects of global health and climate crises, reduce energy dependence on malign countries, and reduce global vulnerability to shocks in these areas.

U.S. loans to the PRGT and the RST would send a powerful signal of U.S. support for struggling poor countries, demonstrate the United States' commitment to lead at the IMF, particularly in providing transparent, sustainable lending for U.S. policy priorities, and will likely have a catalytic effect on contributions from other IMF member governments. The absence of U.S. support to these facilities would undercut our ability to influence their direction and undercut our role as the IMF's leading shareholder.

Program Examples

In contrast to the MDBs, the IMF does not lend for specific projects. Instead, IMF programs are meant to help member countries address balance of payments problems, forestall financial crises, stabilize their economies, and restore sustainable economic growth. IMF financing has played a critical role in enabling member countries to respond to the COVID-19 pandemic.

Kenya – IMF lending helped Kenya avert a financial crisis and put its economy back on a path to financial sustainability. The COVID-19 pandemic hit Kenya's economy hard, worsening pre-existing financial vulnerabilities and debt risks. Through the PRGT, the IMF lent Kenya $740 million in rapid emergency financing, which delivered much-needed liquidity support. This IMF financing helped Kenya avoid a financial crisis and access the financing it needed to fund its public health response. In April 2021 the IMF also approved a $2 billion, three-year IMF program—primarily funded through the PRGT—to help Kenya's economy sustainably recover from the scars of the pandemic. The program is focused on helping Kenya mitigate the pre-existing debt and fiscal risks heightened by the pandemic, while protecting priority social spending and strengthening debt management. These efforts have helped the Kenyan economy rebound from the COVID-19 shock and stage an economic recovery, with growth expected at nearly 6 percent in both 2021 and 2022.

N**iger – IMF lending helping Niger to weather shocks and build resilience.** The COVID-19 pandemic has weighed on Niger's economy, adding to pressures from security challenges and climate-related shocks. Niger's real growth rate nearly halved from 6 percent in 2019 to just over 3 percent in 2020. Through the PRGT, the IMF lent Niger $116 million in rapid emergency financing, critical liquidity support as Niger managed the challenges of lower revenues, higher spending needs, and tighter financial conditions. In December 2021, the IMF also approved a new $280 million, three-year program, funded by the PRGT, to help Niger address key economic challenges, while also reducing fragility risks and building economic resilience. With a combination of capacity building, policy advice, and financing, the IMF program aims to strengthen domestic revenue mobilization, improve the efficiency and transparency of public spending, and build stronger institutional capacity to manage natural resource revenue. These efforts have helped Niger's economic recovery, with growth expected at over 6 percent in 2022, and are also helping Niger build greater resilience to future shocks.

Climate Change and Environment

The FY 2023 budget requests $2.3 billion for multilateral climate change and environmental funds to be provided by Treasury, including for the Green Climate Fund (GCF), Clean Technology Fund (CTF) and the Global Environment Facility (GEF).[10] U.S. contributions to these funds enhance U.S. and global energy security by helping developing countries increase energy independence, enhance the diversity of energy sources, and decrease dependence on fossil fuel imports. These funds are effective means through which the United States can support concerted and cohesive action by developing country partners to enhance and achieve the goals outlined in their Nationally Determined Contributions (NDCs) under the Paris Agreement. These funds support developing country efforts to adapt to climate change and build resilience, reduce GHG emissions through forest and landscape conservation and restoration, and expand clean energy production, including supporting countries to the adoption of new technologies and leveraging private sector finance. Treasury's contributions to these funds will also support country level policy reforms that are essential for setting partner countries on lower emission development pathways and for scaling up private sector investment in climate solutions. These requests are complemented by the $15 million request for the TFCCA and requests for contributions to the MDBs, which are among the largest and most effective public sector financiers of action on climate change mitigation and adaptation.

Green Climate Fund

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
-	-	-	1,600,000,000

The FY 2023 President's Budget requests $1.6 billion for the GCF. This represents a total Administration request for the GCF, whereas in FY 2022 the funding request came from both Treasury and State. These resources will support ongoing project financing and will count toward the fulfilment of the outstanding U.S. pledge of $2 billion for the GCF's Initial Resource Mobilization period.

Program Description

The GCF is the largest climate-focused multilateral fund and a critical element of the financing architecture of the Paris Agreement. Its mandate is to help developing countries reduce their GHG emissions and enhance their ability to adapt to climate change. The GCF partners with more than 100 entities, including private sector financial institutions, multilateral and national public development banks, and civil society organizations, to implement impactful climate-focused projects in developing countries and mobilize climate finance. It offers a range of financing instruments—grants, loans, equity, and guarantees—to expand options for private

[10] Of this total, the Administration considers $2.293 billion to be climate finance. Because the GEF supports multiple environmental goals, only 85 percent of GEF funding ($127.7 million) is counted as part of the Administration's climate change finance request.

sector partners and attract private finance for underserved priorities such as adaptation and nature-based solutions in nascent markets.

- As of December 2021, since inception, the GCF had approved 190 projects financed with $10 billion of its resources, which mobilized $27.1 billion in public and private co-financing.
- The United States is a founding member of the GCF. During the GCF's Initial Resource Mobilization, the United States pledged $3 billion and has contributed $1 billion to date, accounting for about 5 percent of total contributions to the GCF as of March 2022. .

How Support for the GCF Promotes U.S. Interests

Addressing the challenge of climate change requires joint action from all countries, including from developing countries. The GCF supports developing countries' efforts to develop on a low-emissions pathway and to adapt to the impacts of climate change.

Given that the anticipated cost of the global low-carbon transition is far more than the public sector alone can provide, institutions like the GCF that multiply the impact of public dollars by mobilizing private sector capital are essential. Climate change mitigation and adaptation offers new growth and investment opportunities for U.S. businesses. The GCF actively seeks out opportunities to mobilize financial flows from the private sector, including through its private sector finance facility. Currently, two U.S. firms are accredited to implement GCF projects and they are partnering with the GCF in projects worth approximately $1.6 billion. U.S. firms can also partner with accredited entities to co-finance projects in addition to implementing GCF projects directly.

To date, each dollar of GCF investment has attracted about $3 of investment from private sector partners. The United States actively encourages greater GCF engagement with the private sector, which will scale up private financing for climate change efforts and will create opportunities for partnership with U.S. firms.

Meeting U.S. Commitments to the GCF

As the world's largest economy, other countries look to the United States to play a leadership role in the GCF. As of end-February 2022, the United States currently has an outstanding unmet pledge amount of $2 billion to the GCF. Failure to meet the U.S. pledge would have a negative impact on the institution's ability to finance climate projects and meet its strategic objectives. The outstanding pledge amount negatively impacts U.S. influence and diplomatic standing, as the GCF is closely associated with the implementation of the Paris Agreement.

There is increased demand for GCF projects from developing countries to support their efforts to foster low-emission, climate-resilient recovery from COVID-19 over the coming years. With additional resources, the GCF expects to be able to increase programming up to about $4.5

billion per year, up from an average of $2 billion per year, since the current pipeline of public and private sector projects exceeds current GCF resources by about $21 billion.[11]

Achieving and Measuring Results

Despite the COVID-19 pandemic, the GCF is accelerating its support for a climate-resilient recovery in developing countries, in conjunction with raising the ambitions of countries' national climate mitigation strategies. The GCF approved nearly $3 billion in climate finance projects in 2021, an annual record. As of end-2021, GCF's portfolio of 190 projects are expected to deliver GHG reductions equivalent to about 2 billion tons of CO_2 emissions and to help increase climate resilience for over 600 million people.

In 2021, the GCF Board approved an updated and comprehensive approach for measuring impact, including how GCF projects support low-emission and climate-resilient development in the most vulnerable developing countries. The GCF's Independent Evaluation Unit (IEU) conducts evaluations of GCF policies and programming, to inform the Board of lessons learned for the benefit of future policy decisions. The IEU is currently engaged in a comprehensive review of the GCF's performance during the first replenishment period.

The United States will continue to work with the GCF Board and Management to increase the GCF's ambition, enhance its effectiveness, and improve its efficiency. These efforts will help the GCF to maximize its ability to invest in projects that are innovative and have a transformative impact on climate change mitigation and climate change adaptation, particularly for countries most vulnerable to the effects of climate change. The United States will also continue to press for improvements that would help the GCF attract private sector partners toward climate-focused investment opportunities, to further expand the pool of climate finance.

Project Examples

Uganda: Building Resilient Communities, Wetland Ecosystems and Associated Catchments in Uganda. This $44 million project, approved in 2016 with a $24 million grant from the GCF, and implemented by the United Nations Development Programme (UNDP), aims to support some of Uganda's most vulnerable population in adapting to the effects of climate change. An estimated 4 million people who live in and around Uganda's wetlands rely on them for food security, but the impact of climate change, coupled with other environmental stresses, is increasing the degradation of wetlands and associated ecosystems through droughts, floods, high temperatures, and violent storms. This project has supported the Government of Uganda in managing and developing climate-resilient wetlands, helping to restore a total of 6,828 hectares of wetlands in 2020 and enhancing the capacity of the wetlands to withstand drought conditions. The project has also implemented improved weather reporting to improve the climate resilience of farming practices.

[11] See the following documents: GCF Funding Proposal Pipeline Update as of February 2021 and Status of Green Climate Fund Resources (September 2021)

Ecuador: Priming Financial and Land Use Planning Instruments to Reduce Emissions from Deforestations. This $84 million project, approved in 2016 with a $41 million grant from the GCF, and implemented by UNDP, is helping to finance Ecuador's Deforestation Action Plan, which addresses the drivers of deforestation in Ecuador. Deforestation levels in Ecuador had amounted to 109,000 hectares per year (about the size of New York City) between 2000 and 2009, primarily for agriculture. As of the end of 2020, the project has benefited over 156,000 people, which represents 13 percent of the Amazonian population and the Loja province of Ecuador, and has helped to support their transition to sustainable agricultural practices for cocoa, coffee, palm oil, and livestock, helping to reduce deforestation as well as emissions from deforestation. The GCF estimates that the project will have helped to avoid 13.4 million tons of GHG emissions by its completion in May 2022.

Namibia: Climate Resilient Agriculture in three of the Vulnerable Extreme northern crop growing regions (CRAVE). The GCF provided a $10 million grant approved in 2016 is helping to enhance the food security of Namibia's northern small-scale subsistence farming communities, which are vulnerable to climate-related challenges as incidents of drought and high temperatures increase. These communities are dependent on primary production and natural resources, particularly rain-fed agriculture, and have limited livelihood options and employment opportunities. Climate change is expected to lead to reduced crop yields, loss of ecosystems services (such as water purification and biomass energy) and ecosystem degradation. The project to date has emphasized strengthening climate adaptation, particularly increasing the resilience of farmers in coping with climate change impacts, benefiting around 21,000 people. Key results achieved include the training of farmers on adaptation options, the provision of drought resistant seeds, and climate-resilient soil preparation. Yields and farmer incomes have increased as a result of the interventions of this project.

Climate Investment Funds – Clean Technology Fund

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
-	-	125,000,000	550,000,000

Created in 2008, the Climate Investment Funds (CIFs) support MDB efforts to scale up their engagement on clean energy, climate adaptation, and sustainable land use by providing scarce concessional resources to be combined with MDB finance. As the need for climate finance has grown, donor and recipient governments agree that the CIFs play an important and targeted role that complements other climate funds. Forty-eight recipient nations signed a joint declaration in April 2019 showing clear and strong support for the CIFs and calling for the CIFs to build further on its efforts and keep its proven business model in place.

The FY 2023 Budget requests $550 million for the Clean Technology Fund, the largest window of the CIFs, of which $520 million will be used for the subsidy cost of a loan, with an estimated value of $3.22 billion. The remaining $30 million will be used for the administrative costs of the loan.

Program Description

The original CIF programs focused on clean energy, forestry and land use, and climate adaptation, and have proven effective at integrating these types of investments into MDB operations. There is now a new generation of CIF programs in five new areas[12] that will target potentially impactful climate outcomes that are not effectively addressed by other donor programming. Of the new programs, the Administration sees the Accelerating Coal Transition (ACT) Investment program as the one that could have significant near-term impact and be highly catalytic in supporting developing countries' transition away from coal. The ACT program complements the United States' bilateral efforts to promote a just energy transition in targeted countries.

The ACT program will focus on helping major coal consuming and producing developing countries to transition away from using thermal coal in their energy supply mix. Using concessional funding from the CTF alongside MDB financing and countries' own resources, the program will support a holistic approach that may include reclamation, decommissioning and repurposing of coal assets, as well as social and economic support and re-skilling opportunities for communities impacted by the transition from a coal-based economy. Additional funds are expected to be mobilized from the MDBs' own resources to support these economy-wide investment strategies that could also support social protection and additional job creation activities.

Treasury intends to extend a loan to the CTF to support the ACT program, which is an innovative way to use our budgetary resources for maximum leverage and impact. This will

[12] These new areas are Accelerating Coal Transition; Integration of Renewable Energy; Climate Smart Urbanization; Nature, People and Climate; and Accelerating Industrial Low-Carbon Transition.

allow the United States to provide significant resources for a small number of high-emitting middle-income countries, such as India, Indonesia, the Philippines, and South Africa. Decarbonizing the energy mix of these countries on a scale large enough to help support the economy-wide investments required to transition away from coal is difficult to address through existing climate finance channels. Loan funding is appropriate for the intended recipients of the ACT program, which are middle-income countries with high levels of GHG emissions.

How Support for the CIFs-CTF Promotes U.S. Interests

Combating climate change is crucial for U.S. national economic and security interests, and the Administration regards the ACT program to be of strategic value to U.S. global efforts in combatting climate change. The CTF provides an effective way to target high-emitting middle-income countries, particularly coal-dependent economies, in their efforts to transition away from coal, which is vital to reducing global GHGs. The four countries selected for the ACT program have participated in previous CTF programs, and account for about 12 percent of annual GHG emissions. A U.S. contribution will demonstrate U.S. commitment to supporting developing countries' efforts to mitigate their GHG emissions and support broader U.S. climate diplomacy efforts by providing a dedicated pool of finance that can be blended with MDB and other international finance including from U.S. bilateral agencies. Other donors have also made public pledges of almost $1.5 billion (in the form of loans, grants, and capital) to the ACT.

Achieving and Measuring Results

Since its inception, the CTF has put a strong emphasis on regular results and impact reporting and it manages a robust evaluation and learning exchange between the MDBs and recipient countries. The CTF is developing detailed guidelines on the relevant indicators and results framework, which will include the parameters for defining, measuring, and reporting results. Targeted outcomes may include, among others, metric tons of coal diverted, annual reductions of GHG emissions, renewable energy capacity and energy storage capacity installed, annual energy savings, energy efficiency increases, employees retained at the new plant site who were previously employed at the old coal plant, and new jobs created at the repurposed site. These indicators are in line with the CTF's historical measures of core metrics to assess project impact.

The CTF has a strong track record in mobilizing additional finance. Since 2008, CTF has allocated $5.3 billion in concessional financing, which is expected to mobilize an additional $57 billion. The active CTF project portfolio consists of 64 percent renewable energy projects, 14 percent energy efficiency projects, 15 percent combined renewable and efficiency projects, and 7 percent transport projects. Of the $57 billion in mobilized co-financing, $18.9 billion is from the private sector, $15.5 billion from the MDBs, $7 billion from recipient governments, and $7.5 billion from bilateral funding institutions, with an additional $8 billion from other sources. These investments have reduced cumulative GHG emissions by 83.7 million tons of CO_2 since 2009. The cumulative installed capacity of CTF renewable energy projects is 7,569 megawatts, with solar and wind being the largest energy source for these installations.

Project Examples:

The below are some examples of projects previously financed by the CTF.

Ukraine – Second Power Transmission Project (PTP2). Since 2004, Ukraine, with the support of the World Bank, has been implementing significant reforms of the energy sector. The main objectives of these reforms are to: provide investments for energy infrastructure; improve the safety and reliability of the power supply; contribute to the uninterrupted operation of the Ukrainian energy market; and support Ukraine in its legislative, institutional, and technical harmonization of the energy sector with the European Union's Internal Energy Market. With $48 million in funding from the Clean Technology Fund and $305 million from the World Bank, this project is fully aligned with the Government of Ukraine's strategic objectives to improve the reliability of Ukraine's power transmission system and to support electricity market reform. Improved power sector competitiveness will result in greater sector ability to attract investment and generate budget revenues. Secure energy supply will provide a stimulus to local economic development whereas improved quality of energy supply at a reasonable cost will ultimately benefit the end users in particular, households and small businesses. PTP2 focuses on the development of comprehensive plans to be prepared taking into consideration strategic directions for Ukraine's power system, including: (i) scale-up of renewable power integration and low carbon development; (ii) plans and requirements for network integration/synchronization; and (iii) development of a competitive electricity market.

Philippines – Market Transformation through Electric Vehicles Project. The introduction of energy efficient electric vehicles in the Philippines, approved in 2012 in collaboration with the AsDB has helped shift over 100,000 commuters to low carbon transport. As people are drawn to big cities at historic rates in recent years, keeping city air clean and avoiding GHG emissions has become an increasing challenge that requires redesigning infrastructure and transport. This $8.38 million investment in collaboration with the AsDB has drawn over $300 million in co-financing to help the Philippines reverse negative environmental impacts from cities, and put in place greener transport for its future.

Kazakhstan – Renewable Energy Finance Facility. The EBRD and CTF are supporting the modernization of privately-operated district heating networks in the cities of Pavlodar, Ekibastuz, and Petropavlovsk. The project expects to achieve operational cost savings, improved service, reduced hot water and heat losses, and improvements in environmental standards, leading to substantial GHG emissions savings. Since 2010, funds from the have helped strengthen the country's enabling environment and facilitated the growth in capacity and investments in the renewables sector. This was done through support for developing a robust legislative and regulatory framework, such as designing of feed-in-tariffs, establishing clear laws for investors, developing frameworks for technical, environmental and legal due diligence of projects. From 2014, $433 million in EBRD investment and CTF concessional financing for 12 solar PV projects have significantly expanded private sector participation in the sector, providing over 572 megawatts (MW) of renewable generation capacity once completed. Of this, 484 MW had already been commissioned by the end of 2019, making up around 89 percent of the country's total installed solar capacity at that time.

Global Environment Facility

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
139,575,000	139,575,000	149,288,000	150,200,000

The FY 2023 Budget requests a $150,200,000 contribution to the Global Environment Facility, for the first of four planned installments for the GEF-8 replenishment (GEF-8), which will run from July 1, 2022 to June 30, 2026.

Program Description

The GEF is a multilateral trust fund that provides mainly grant-based funding to assist developing and transitional countries in addressing global environmental challenges in five focal areas: (1) biodiversity, (2) chemicals and waste, (3) climate change, (4) land degradation (primarily deforestation and desertification), and (5) international waters. As such, GEF has a distinct, specific and complementary focus to the other climate and environmental multilateral funds. Since its inception, the GEF has provided more than $21.7 billion in grants and mobilized an additional $119 billion in co-financing for more than 5,000 projects. The GEF is currently operating under its seventh replenishment cycle (GEF-7), which runs from July 1, 2018 to June 30, 2022.

How Support for the GEF Promotes U.S. Interests

The United States supported the establishment of the GEF in 1991 and has contributed to all seven replenishments. The United States views the GEF as a critical institution for addressing a wide range of environmental concerns and for providing developing countries with the means to meet their obligations under international environmental agreements. The GEF benefits the U.S. economy and environment by addressing many global environmental problems that affect our domestic health, safety, and prosperity, such as by supporting climate change mitigation, protecting tropical forests, combatting illegal wildlife trafficking, reducing global levels of transboundary pollutants, and conserving fish stocks outside U.S. waters.

During negotiations on the GEF-8 replenishment, which are expected to conclude in spring 2022, the United States supported the GEF's enhanced focus on larger-scale systemic investments, which are designed to address multiple environmental concerns simultaneously. The United States has prioritized conserving global carbon sinks; addressing ocean plastics pollution; combatting illegal, unreported, and unregulated fishing and wildlife trafficking; reducing hazardous transboundary pollutants, such as Polychlorinated biphenyls (PCBs) and mercury; and mainstreaming the generation of climate co-benefits. In addition, the United States has sought a greater focus on lower-income countries and a higher degree of private-sector engagement.

Meeting U.S. Commitments to the GEF

The Unites States has contributed $3.141 billion to the GEF since its inception, making it the GEF's second largest donor. Between U.S. fiscal years 2019 through 2021, the United States contributed $409.8 million to the GEF-7 replenishment, exceeding its pledge of $273.2 million. For each fiscal year during this period, Congress appropriated $139.6 million for the GEF, of which $136.6 million was designated for the GEF-7 replenishment. The additional amounts of approximately $3 million per year were applied to U.S. unmet commitments from the GEF-2 replenishment period. Reflecting these payments and early encashment discounts earned from contributions to GEF-7, as of February 2022, U.S. unmet commitments stand at approximately $102 million, all of which are to the GEF-2 replenishment and date to the late 1990s. The United States has been able to reduce its unmet commitments by $146 million since 2013, when they had reached an historic high of $248 million. All payments to reduce unmet commitments add to the GEF programming resources to the same extent as contributions to replenishments do.

<u>Achieving and Measuring Results</u>

As of December 2021, 87 percent of GEF-7 resources have been programmed, totaling $3.1 billion in direct GEF project financing, with an indicative co-financing rate of nearly $7.90 for each dollar invested. This programming is expected to deliver the following results:

- The mitigation of more than 1.4 billion metric tons of GHG emissions;
- The creation or improved management of more than 102 million hectares of terrestrial protected areas and more than 8 million hectares of marine protected areas;
- The improved management of more than 166 million hectares of productive landscapes and more than 28 million hectares of marine habitat (excluding protected areas);
- The ecological restoration of more than 6 million hectares of degraded agricultural land, forests, grasslands, and wetlands;
- The more sustainable management of nearly 2.4 million metric tons of globally over-exploited fisheries; and
- The reduction, safe disposal, or avoidance of 88,000 metric tons of toxic chemicals.

Every four years, the GEF's Independent Evaluation Office (IEO) produces a comprehensive evaluation of past project and operational performance. These evaluations influence the policy and programming objectives for the next replenishment period. In particular, the IEO's evaluation of GEF-7 will help inform how the GEF designs and implements its ambitious Integrated Programs which aim to deliver multiple environmental benefits across countries in GEF-8. The IEO reported that the GEF's project performance was "clearly impressive," with 80 percent of all completed projects over its 30-year history having achieved satisfactory implementation and execution ratings.

While negotiations on the GEF-8 replenishment are not yet final, the proposed programming plan promises to deliver strong results in areas such as biodiversity conservation, reduction of GHG emissions, sustainable land and seascape management, and pollution mitigation. It will also increase the amount of resources allocated to least developed countries and small island developing states. One of the strengths of the GEF is promoting programs that seek to deliver multiple environmental benefits. A key feature of the proposed GEF-8 programming architecture will be an enhanced emphasis on larger-scale systemic investments, called Integrated Programs (IPs), which are designed to address multiple environmental concerns simultaneously and which aim to produce more durable and transformative environmental benefits.

Several of the proposed IPs for GEF-8 build on successful GEF-7 programs, including the Wildlife Conservation for Development IP and the Amazon, Congo, and Critical Forest Biomes IP. Others, such as the Circular Solutions to Plastic Pollution IP, address emerging environmental concerns.

Project Examples

GEF Gold -- Global Opportunities for Long-term Development of the Artisanal and Small-scale Gold Mining (ASGM) Sector: Artisanal and small-scale gold mining (ASGM) is the largest global source of anthropogenic mercury releases into the environment, with about 38 percent of total global releases from a multitude of sites in over 70 countries.[13] ASGM accounts for about 17-20 percent of the world's annual gold production. Mercury is a highly toxic metal that can damage the brain and nervous system and presents a serious health risk, particularly for children, pregnant women, and women who are nursing. Mercury is a critical issue for international cooperation because mercury emissions can travel in the atmosphere around the earth, far from their original source. In fact, approximately 70 percent of the mercury deposited in the United States comes from global sources. To confront this problem, the GEF approved a $32 million grant to support the GEF Gold program in 2016. By working with the private and public sectors on implementing better practices, this program is estimated to reduce mercury releases by 369 tons. Since approval, the program has operated in eight countries to reduce chemicals pollution, chiefly from mercury, in the gold mining sector. The $32 million GEF grant component has helped mobilize over $135 million in co-financing towards this project, helping to achieve significant results and reductions in chemical pollutions of natural environments, waterways, and food systems.

ISLANDS Program -- Implementing Sustainable Low and Non-Chemical Development in Small Island Developing States: The ISLANDS program is a $450 million, five-year initiative backed by the GEF in 2019, implemented with the support of United Nations Environment Program, the United Nations Development Program, the Food and Agriculture Organization of the United Nations, and the Inter-American Development Bank. The Caribbean is the first region to launch the program, under which it will focus on circular economy approaches to the management of e-waste, end-of-life vehicles and plastics, as well as the environmentally sound phasing-out of harmful chemicals and materials. The ISLANDS program will also support small island developing states to develop policies to control the import of chemicals, materials, and products that lead to the generation of hazardous waste.

Ukraine – Conserving, Enhancing and Managing Carbon Stocks and Biodiversity in the Chernobyl Exclusion Zone: This six-year project was launched in 2015 and helped establish a national biosphere reserve around Chernobyl. It was implemented by the United Nations Environment Program, working with Ukraine's Ministry of Ecology and Natural Resources and Ukraine's State Agency for the Chernobyl Exclusion Zone. The project was supported by a $4.9 million GEF grant, together with $28 million in co-financing.

[13] See United Nations Environment Program, Global Mercury Assessment, 2018.

Food Security

International Fund for Agricultural Development

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
32,500,000	32,500,000	43,000,000	43,000,000

The FY 2023 Budget requests $43 million for the second of three installments towards the International Fund for Agricultural Development's twelfth replenishment (IFAD-12).

Program Description

IFAD is a small international financial institution supported by 177 member countries and dedicated to alleviating rural poverty, hunger, and malnutrition, and to supporting rural people to increase their incomes, productivity, and resilience in the face of a changing climate. The United States is a founding member of IFAD and its largest historical contributor. To date, the United States has contributed $1.06 billion to IFAD, equivalent to 11.3 percent of total contributions.

Most IFAD-supported projects are in remote rural areas with high levels of poverty where few donors operate. In 2021, IFAD provided an estimated $1.07 billion in loans and grants. IFAD expects the total program of loans and grants over the course of the IFAD-12 (2022-2024) replenishment period to reach $3.5 billion.

How Support for IFAD Promotes U.S. Interests

Through its singular focus on supporting rural economic growth, IFAD contributes to key U.S. priorities, including advancing inclusive growth, strengthening agricultural productivity and food security, reducing poverty in the remotest areas of poor and fragile countries, and supporting millions of rural people to adapt to and build their resilience to climate change. IFAD also works to crowd in private sector investment to the agricultural sector and food value chains.

Funding for IFAD also advances U.S. national security interests by supporting economic livelihoods and social stability in poor rural communities, including in fragile states around the world, helping to reduce pressures that can lead directly to mass migration, extremism and armed conflict.

Meeting U.S. Commitments to IFAD

As the largest contributor to IFAD, other member states look to the United States for leadership. Given IFAD's relatively small size, failure to fully fund U.S. commitments would have an immediate, negative impact on the institution's delivery capacity, particularly its ability to offer grant and highly concessional financing to low-income and fragile countries with higher rates of poverty and hunger. Current U.S. unmet commitments to IFAD amount to $3.8 million.

Achieving and Measuring Results

During the IFAD-10 replenishment period (2016 – 2018), 62 million IFAD beneficiaries increased their economic mobility, defined as improvements in their economic status. In addition, 47 million IFAD beneficiaries reported that their overall agricultural and food production increased, and 50 million people reported improved market access. During this period, 26 million IFAD beneficiaries also reported improved resilience, as measured by farmers' perceived ability to recover from shocks and indicators of crop and income diversification.

In 2020, IFAD supported over 128 million people, and the following specific results were achieved:

- 1.7 million hectares of land were brought under climate-resilient management practices and irrigation was improved on more than 560,000 hectares of land,
- 23.4 million people gained access to financial services and more than 530,000 rural enterprises accessed business development services, and
- 3.7 million people were trained in income-generating activities or business management.

IFAD's Independent Office of Evaluation (IOE) reports directly to the Executive Board and is responsible for validating project completion reports and conducting corporate-level reviews on governance and operational effectiveness. The 2021 IOE annual report finds continued strong performance in environment and natural resource management and adaptation to climate change. However, IOE highlights the need for IFAD to act at project design and implementation to improve project efficiency and to formulate strategies informed by conflict and fragility analyses, in order to address both the drivers and consequences of fragility.

A recent independent external peer review of the IFAD evaluation function found that the overall structure and functioning of IFAD's evaluation system was on par with comparator institutions and consistent with established professional standards but recommended an update to the existing evaluation policy. In response to these findings, the Executive Board approved a revised evaluation policy in April 2021 to cover the entire evaluation function (i.e., self-evaluation and independent evaluation), establish the core principles for evaluation at IFAD, and more broadly reflect international standards and practices for evaluation. IFAD is also revising its evaluation manual and has developed a multi-year IOE strategy and an updated development effectiveness framework.

Project Examples

Vietnam – Commodity-Oriented Poverty Reduction Program. This $33 million program, supported with a $20 million IFAD grant, reached more than 170,000 people and was completed in 2020. It enabled ethnic minority households in Ha Giang Province to benefit from market opportunities by improving households' access to markets and building their resilience to climate change. The program lowered food insecurity and tripled household income in the target area by planning for sustainable market-led development, including testing climate-smart technology, and by building pro-poor commodity investments, including providing rural financial services.

Rwanda – Irrigation and Integrated Watershed Management Project. Launched in 2019, IFAD is supporting this $25 million project with $18 million in financing. It aims to reduce poverty in the drought-prone Eastern Province of Rwanda by helping 11,250 rural farmers gain access to land and water to increase their production and bringing 1,400 hectares of land under climate-resilient management that will benefit 21,000 people. The project targets poor and food insecure rural households to strengthen resilience to droughts and support farm business development. The project includes specific measures to target the poorest people, and women and youth.

Honduras – Project for Competitiveness and Sustainable Development in the South-Western Border Region. This $34 million project, which is co-financed with the Global Environment Facility and is expected to close in 2022, aims to improve incomes, employment opportunities, food security, and living conditions in 42 impoverished municipalities in Honduras. The project seeks to benefit smallholder farmers, rural artisans, and microentrepreneurs by developing community organizations, investing in business development plans, improving rural infrastructure, and promoting integrated natural resource management. As of November 2021, the project has reached more than 8,900 households and trained more than 5,000 people in income-generating activities, of which more than 2,300 are women.

Technical Assistance

Office of Technical Assistance

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
33,000,000	33,000,000	38,000,000	38,000,000

The FY 2023 Budget requests $38 million for Treasury's Office of Technical Assistance (OTA).

Program Description

OTA works with finance ministries, central banks, and related government institutions to support efficient revenue collection, well-planned and -executed budgets, judicious debt management, sound banking systems, including financial inclusion, and strong controls to combat money laundering and other economic crimes. OTA complements the work of Treasury's offices of International Affairs and Terrorism and Financial Intelligence by helping the governments of developing and transitional countries build the human and institutional capacity to implement improvements in economic policies and policies to counter terrorist financing. OTA also supports partner countries' efforts to raise their own domestic resources more effectively, thereby reducing dependence on foreign assistance. OTA's work is critical for meeting U.S. foreign policy and national security goals, such as private sector-led economic growth, reduced corruption, infrastructure development, addressing climate and energy challenges, and increased accountability and transparency. OTA is a small, cost-effective program that leverages a cadre of highly experienced technical advisors who work side-by-side with host country counterparts. Currently, OTA has projects in approximately 50 countries in Latin America, Africa, Europe, Asia, and the Middle East.

Demand for OTA assistance around the world is strong and continues to increase. OTA would use the requested budget resources in FY 2023 to respond quickly and in a sustained way to this growing demand with an emphasis on those areas that are priorities for the United States, including 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, including by improving the climate for private sector investment in infrastructure projects in developing and transitional countries. Additionally, the requested resources would enable the program to assist partner countries in developing and implementing fiscally-sound approaches to financing climate-related or environmental projects, including renewable energy and infrastructure projects, expanding access to financial services, and strengthening transparency and accountability in public finance systems to combat corruption. The request also supports important ongoing enhancements to OTA's project monitoring and evaluation regime.

In FY 2022, Congress increased the limit on funding available to Treasury to oversee and administer its global technical assistance program, from 20% of available appropriations in FY 2021 ($6.6 million of $33 million) to 25% of FY 2022 appropriations ($9.5 million of $38 million). This increase is important to adequately fund essential program management functions in FY 2022, including management personnel to conduct project oversight, contracting services (for administrative support staff, expert advisors, and logistical support services), and legal, financial management, information technology, and security services. For FY 2023, the Administration requests the elimination of this limit so that Treasury, in consultation with Congress, may establish a level of funding that continues to support these critical administrative functions in FY 2023.

How Support to OTA Promotes U.S. National Security

OTA performs an important role in support of U.S. national security by helping developing and transitional countries combat financial crimes, money laundering, and terrorist financing. In addition, OTA helps to stabilize banking systems, develop capital markets, improve investment climates, including for infrastructure, and improve transparency and accountability in government finances. This helps to spur private sector led economic growth, thereby supporting the development of foreign markets for U.S. exports.

Achieving and Measuring Results

OTA has a robust system for monitoring and evaluating program performance, from project initiation through execution, to post-project evaluation. At the inception of each project, OTA and the relevant foreign government ministry or central bank identify the high-level aims of the engagement, which are reflected in signed terms of reference. The terms of reference are complemented by a detailed work plan specifying the activities, deliverables, and timelines for achieving those goals, as well as the outcomes that will provide evidence that the goals have been met. In addition, OTA advisors provide monthly reports and trip reports to Treasury leadership and other stakeholders on the execution of the work plan, including progress against project objectives.

These reports are validated through ongoing dialogue with advisors coupled with project reviews conducted by OTA management. In addition, post-project reports document the results of completed technical assistance and are used as a basis to improve the planning and execution of future projects. OTA closely monitors the level of “traction,” or the degree to which changes in partner governments’ behavior occur as a result of OTA assistance (e.g., the number of foreign officials who are taking an active role in pursuing change, or interim deliverables that are on time or ahead of schedule). The levels of traction are assessed three times per year by OTA advisors and headquarters staff at the project level and consider traction across all the technical areas of the project being implemented.

OTA monitoring and evaluation have consequences: projects showing results receive continued investment of OTA resources, while poorly performing projects, such as those where OTA’s counterparts lack political will to implement reform, are terminated and the resources reallocated to other projects.

Innovations in Monitoring and Evaluation

In accordance with the FATAA, OTA continues to strengthen its ability to measure the results of its technical assistance projects. This involves documenting project goals, activities, outputs, and outcomes in logical frameworks, enhancing OTA's project monitoring regime with standardized progress reporting, and conducting independent (third-party) evaluations of OTA projects. To support the costs of independent evaluations and enhanced project monitoring activities, OTA is requesting $3 million in program resources in FY 2023. Once the new framework is fully implemented, each OTA project would be subject to an independent evaluation at its midpoint (generally after the second year of technical assistance activities) and 6-12 months after a project concludes. Evaluations will seek to determine the extent to which project goals were achieved. The results of evaluations will be made available to the public as required by the FATAA.

Project Examples

Estonia Improves AML/CFT Supervision. One of Estonia's most important strategic goals is to reduce threats to national security via the financial system. The Estonian Financial Supervision and Resolution Authority (FSA), with support from OTA, drafted its first guidance document on targeted financial sanctions and anti-proliferation financing obligations in implementing a risk management and compliance program. The FSA also updated its AML/CFT market guidance document, the first update in three years. Moreover, the FSA enhanced its examination practices by incorporating statistical sampling into its examination procedures and modifying its risk rating scales, resulting in more comprehensive identification of risk.

Guatemala Automates Customs Administration. With OTA assistance, the Superintendency for the Administration of Taxes (SAT) of Guatemala automated key processes to streamline customs administration, increase transparency, and reduce opportunities for corruption. Project work focused on increasing revenue collection through effective risk management and implementation of a robust post clearance audit program. The project, which was executed in close collaboration with the U.S. Millennium Challenge Corporation, also focused on strengthening the results of customs examinations through improved port security and implementation of effective customs valuation databases. As part of this work, OTA oversaw a team of information technology consultants, who worked to finalize software changes and train SAT staff to maintain the automated customs administration system.

Botswana AML/CFT Reforms Recognized Internationally. In July 2021, Botswana's Financial Intelligence Agency (FIA), a key OTA counterpart, achieved membership in the Egmont Group of Financial Intelligence Units as a result of its reforms supported by OTA to strengthen procedures related to processing inquiries, quality and completeness of information, access to appropriate information from other government entities, and establishing information security protocols. In October 2021, Botswana was removed from the Financial Action Task Force (FATF) International Cooperation Review Group process (*a.k.a.,* grey list). The FATF cited Botswana's significant progress in improving its AML/CFT regime, including by developing a comprehensive national AML/CFT strategy and improving the dissemination and use of financial intelligence by the FIA and others to identify and investigate illicit finance.

Debt Restructuring Programs

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
$204,000,000	$204,000,000	$67,000,000	$67,000,000

U.S. efforts on debt restructuring and debt relief have been fundamental to helping some of the world's poorest countries restore economic stability, resume economic growth, and reduce poverty and instability. In recent years, these programs have included the Heavily Indebted Poor Countries (HIPC) Initiative and the Tropical Forest and Coral Reef Conservation Act (TFCCA). Since 2000, over 40 countries, including Haiti, Afghanistan, Liberia, Somalia, Indonesia, Costa Rica, and the Philippines have benefitted from U.S. debt relief and restructuring programs. The FY 2023 Budget requests $67 million for the cost of U.S. bilateral debt restructuring and relief programs, including $52 million for Common Framework and Paris Club debt treatments and $15 million for debt treatments under the TFCCA. No funding is requested for the DSSI, which was funded in FY 2022, or the HIPC Initiative.

DSSI and Common Framework and Paris Club

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
-	-	$52,000,000	$52,000,000

The FY 2023 Budget requests $52 million for the Common Framework and Paris Club debt treatments. This funding is necessary to fund the cost of debt treatments for poor countries under the Common Framework and as part of the United States' broader debt restructuring participation in the Paris Club. Without this funding, the United States would have to delay urgently-needed debt treatments in the Paris Club and Common Framework processes.

Program Description

The Common Framework, endorsed by the G20 and Paris Club in November 2020, offers a mechanism for eligible countries to seek comprehensive debt treatment to address unsustainable debt and heightened liquidity needs. The Common Framework aims to facilitate timely and orderly debt treatments within the context of an IMF program and fosters fair burden sharing among all official bilateral creditors and comparable treatment from private creditors. There have been three requests for Common Framework to date, and the United States is a creditor to one of the countries.

How Support to the Common Framework and Paris Club Promote U.S. Interests

In 2020, the United States helped lead G20 and Paris Club efforts to establish the Debt Service Suspension Initiative (DSSI) and Common Framework as key pillars of the international policy response to the COVID-19 pandemic. The Common Framework is a significant enhancement to the sovereign debt architecture as it brings non-Paris Club creditors, namely China (the largest official lender to developing countries), into a coordinated, multilateral debt resolution process for the first time. This will help speed up the debt resolution process by avoiding ad hoc debtor country negotiations with non-Paris Club creditors and will help maximize support to low-income countries hit hardest by the pandemic. The initiative seeks equitable burden-sharing among official bilateral creditors (members and non-members of the Paris Club) and private creditors through comparability of treatment to help beneficiary countries return to a sustainable growth path.

Tropical Forest and Coral Reef Conservation Act

FY 2021 Enacted	FY 2022 Annualized CR	FY 2022 Enacted	FY 2023 Request
$15,000,000	$15,000,000	$15,000,000	$15,000,000

The FY 2023 Budget requests $15 million for TFCCA debt treatments.

Program Description

The TFCCA enables 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. From a U.S. budget perspective, this is treated as a debt reduction. The TFCCA statute includes eligibility criteria related to economic management, democracy, and human rights. The TFCCA was reauthorized and expanded in scope to include coral reefs in 2019, and funds were appropriated for its implementation in FY 2020 and FY 2021. El Salvador was the first country to conclude an agreement under the 2019 reauthorization on September 29, 2021.

How Support to TFCCA Promotes U.S. Interests

Protecting biodiversity and combating climate change are central to U.S. national economic and security interests. Under the TFCCA, the United States can support conservation of select tropical forests and coral reefs which are critical to mitigating the impact of climate change, providing clean water, and supporting sustainable jobs in developing countries.

Achieving and Measuring Results

Each active program is guided by a binding international agreement that sets out the parameters for the governance and activities to be undertaken. Each agreement requires the establishment of a dedicated fund out of which grants are made to conserve, maintain, and restore tropical forests and/or coral reef ecosystems in the beneficiary country. The grant making activity is overseen by a committee that includes U.S. government representation. This oversight committee is required to submit a report on the fund’s conservation grants and results to the TFCCA Secretariat each year and to arrange for an annual financial audit of the fund. A summary report is submitted to Congress annually.

TFCCA Projects

Since its inception in 1998 as the Tropical Forest Conservation Act (TFCA), the United States has concluded 21 agreements with 14 countries, the most recent in 2021 with El Salvador. Prior to the El Salvador agreement in 2021, the most recent agreement was concluded with Indonesia in 2014, after which funding lapsed until FY 2020. Sixteen agreements remained in force as of the end of FY 2021, and two more are currently in the pipeline, pending availability of funds.

El Salvador: The United States concluded a bilateral debt reduction agreement with El Salvador that utilized $15 million in FY 2020 budget authority. The agreement enables El Salvador to re-direct more than $20 million in debt payments to a tropical forest and coral reef conservation fund in El Salvador. The funds will be used to provide grants primarily to local non-governmental organizations and will contribute to the conservation of El Salvador's natural forest areas, home to abundant varieties of animal and plant life. The agreement also will support the analyses and processes necessary to create El Salvador’s second marine protected area, an area with coral formations important to the region’s biodiversity and economy.

Annex 1: MDB Basics

What are the MDBs?

The United States is a member of several development institutions, including the following MDBs and other international financial institutions (IFIs) that support economic development and function like an MDB:

- African Development Bank Group (AfDB Group)[14]
- Asian Development Bank (AsDB)
- European Bank for Reconstruction and Development (EBRD)
- Inter-American Development Bank Group (IDB Group)[15]
- International Fund for Agricultural Development (IFAD)[16]
- North American Development Bank (NADB)
- World Bank Group[17]

MDBs are international financial institutions, and they differ from commercial banks in their mandate and structure. They are owned by both borrowing and non-borrowing countries and provide financial and technical assistance to developing countries, and also engage in policy dialogue to various degrees. The United States is the largest shareholder in the World Bank Group, IDB, EBRD, and IFAD; the co-largest shareholder (with Japan) in the AsDB; and the largest non-regional and second-largest overall shareholder in the AfDB.

What is Treasury's role?

In the U.S. Government, Treasury is charged with leading U.S. engagement in the MDBs. For the five largest MDBs in which the United States participates, a U.S. Executive Director (USED), who is based at each bank, is appointed by the President and confirmed by the Senate to represent U.S. interests, engaging daily in meetings at various levels and casting votes throughout the year. Treasury works closely with the USEDs to identify development priorities, institutional reforms and provide financial and budgetary oversight of the institutions. Additionally, Treasury works with a wide-ranging interagency group to provide direction for how to vote on projects and policies to the USEDs. The Secretary of the Treasury traditionally serves as the U.S. Governor to each MDB, and votes on high-level institutional matters that involve major changes to the structure or financing of the organization.

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[14] The AfDB Group comprises the African Development Bank (AfDB) and the African Development Fund (AfDF).
[15] The IDB Group comprises the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC), which the IDB Group has rebranded as "IDBInvest."
[16] IFAD is an international financial institution and a specialized development agency of the United Nations and
[17] The World Bank Group comprises the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

How do the MDBs finance development projects?

Most of the MDBs have two financing facilities, which are frequently referred to as "windows," from which they make loans, provide guarantees and other financial instruments, and provide grants: the "non-concessional" window (also referred to as "hard loan windows") and the "concessional" window (also referred to as "soft loan windows"). Some institutions have a third window for private sector operations, whereas others make private sector investments from their "non-concessional" windows. Each institution can also serve as trustee for specialized funds established at the request of member countries.

- The non-concessional windows primarily provide loans at market-linked interest rates to middle-income countries, such as Colombia, Egypt, Indonesia, and Botswana.
- The concessional windows provide some combination of grants, very low interest loans with long tenors, and a limited supply of market-linked loans to countries with per capita incomes below a certain threshold and that lack the creditworthiness to access other financing sources, including the non-concessional windows. The concessional windows for each MDB are: IDA (World Bank Group), the AfDF (African Development Bank Group), and Asian Development Fund (Asian Development Bank)

The United States is also a contributor to the International Fund for Agricultural Development, which functions like an MDB concessional window.

The EBRD, which is private sector oriented, and the NADB do not have a concessional window, while the IDB provides both non-concessional and concessional funding from one window. The AsDB provides both non-concessional and concessional loans from its Ordinary Capital Resources; the Asian Development Fund (AsDF) provides only grants.

Which MDBs finance private sector projects?

The World Bank Group and IDB Group each include institutions that are solely focused on financing private sector projects:

- The IFC is the private sector financing arm of the World Bank Group. It promotes private sector investment in developing countries by making loans and equity investments in private sector projects, mobilizing private capital alongside its own resources, and providing advisory and technical assistance services.
- MIGA is a member of the World Bank Group and is designed to encourage the flow of foreign private investment to and among developing countries by issuing guarantees against non-commercial risks and carrying out investment promotion activities.
- IDB Invest is the IDB Group's private sector financing arm. It promotes development of the private sector in Latin America and the Caribbean by providing loans and guarantees and making equity investments in private sector projects. It also mobilizes private sector capital along with its own investment activities and provides advisory and technical assistance services.

The AfDB and the AsDB can finance private sector projects out of their ordinary capital resources. The EBRD mostly finances private sector projects. The NADB finances private sector projects as well as projects sponsored by municipal and state level governments in Mexico and the United States.

How are the MDBs funded?

Countries are referred to as "shareholders" in an MDB and hold a certain percentage of shares, and therefore voting power, based on their contributions.
At times, shareholders provide new funding to support the non-concessional or concessional windows. This funding can take three forms:

- Donor replenishments
- General capital increases
- Selective capital increases

Donors may also make contributions to trust funds sponsored and administered by MDBs. (See next section.)

Donor Replenishments

Because the concessional windows provide most of their funding to the poorest countries as grants or very low-cost, long-term loans, these windows deplete their funding over time and require periodic "replenishment" by donor countries every three to four years. When fully funded, U.S. funding commitments are paid out in equal installments over the replenishment period.

General Capital Increases

Under a general capital increase (GCI), MDB shareholder governments decide to provide additional capital to support the MDBs' non-concessional or private sector windows by purchasing new shares in the institution. Unlike concessional windows, the non-concessional and private sector windows are expected to be more financially self-sustaining, requiring additional member state contributions less frequently, provided they follow prudent capital management policies. However, global and regional economic conditions or shareholders' desire to see an MDB provide higher levels of finance in support of particular aspects of a region's development agenda may lead to member countries negotiating to provide new capital to the MDB through a GCI. In these cases, member countries negotiate the total amount of additional capital required and the amount to be provided by each member.

The financing arrangements for GCIs are unique. Unlike replenishments, only a small portion of the total commitment is paid directly to an MDB. This portion is called "paid-in" capital, and typically ranges from 5-10 percent of the total increase. The pay-in period often ranges significantly (e.g., from three to eight years).

The remainder of the commitment is made in the form of "callable capital." Callable capital represents a financial commitment made by shareholders, but there is no actual transfer of funds. This capital is "callable" under limited and specifically enumerated circumstances to meet the obligations of the respective MDBs. These commitments are meaningful because they enable the MDBs to strengthen their credit ratings and reduce borrowing costs, and, in turn, lend to borrowers at rates lower than what they could obtain in the markets. No MDB has made a call on callable capital to date.

If a shareholder fails to purchase the shares that it decided to buy in the capital increase negotiations, the relative shareholding and voting power of that country will be diluted. Under the rules in place for most GCIs, voting shares are adjusted to reflect contributions as they come in from shareholders, such that delayed contributions will have an impact on the current voting share. Any shares allocated to a country that are not paid for within the allotted subscription period are moved to the MDB's unallocated capital, potentially making these shares available for other shareholders to acquire. Several countries seeking to expand their influence in the MDBs have expressed an interest in purchasing shares when they become available in this manner.

Selective Capital Increases

A selective capital increase (SCI) is not intended primarily as a fundraising vehicle but is used to allocate new shares to effect changes in the relative voting power of members of an MDB or accommodate accession by new members. Unlike a GCI, where shares are allocated to members in proportion to their existing shareholding, countries subscribe to different levels of shares under an SCI to achieve the desired realignment in voting power. Countries may have to purchase shares under an SCI in order to maintain their voting power or limit dilution, but the total capital increase under an SCI is typically much smaller than under a GCI.

What are MDB Trust Funds?

Most MDBs administer trust funds, which accept contributions from donor countries, mostly in the form of grants, and are managed separately from the primary non-concessional and concessional windows of each MDB. MDBs maintain trust funds to meet key development challenges that are consistent with each MDB's mission that cannot be readily addressed by financing from its non-concessional or concessional windows or its budgetary resources. Most financing provided by trust funds is in the form of grants, though some trust funds also subsidize lending by MDBs in cases where some degree of concessionality is justified (e.g., some climate change projects and assistance to countries hosting large numbers of refugees).

Trust funds finance a range of development needs, including:

- Financing global or regional public goods, such as climate change; global public health, including responses to and prevention of global pandemics; assisting countries in supporting large flows of refugees; and regional integration initiatives.
- Providing technical assistance and advisory services, including covering the costs of project development, and efforts to promote innovation;

- Targeted financing to support national reconstruction efforts in particular countries (e.g., the Afghanistan Reconstruction Trust Fund) that are facing particularly significant resource needs; and
- Other development priorities that are not adequately addressed by MDB loans, such as natural disaster risk reduction and recovery, food security, and promotion of gender equality and social inclusion.

Broadly speaking, there are two types of trust funds: single donor trust funds and multi-donor trust funds. These trust funds have their own work plans and frameworks for measuring results and often have separate communications plans. Donors often have some involvement in governance of the fund (e.g., decisions on projects to be funded), but rules differ among institutions and between funds. The World Bank also serves as trustee for a number of Financial Intermediary Funds (FIFs). FIFs are generally larger-scale undertakings that leverage a variety of public and sometimes private resources in support of high profile global priorities like climate change, food security, and natural disaster risk reduction and response. Examples of FIFs are: the Global Environment Facility (GEF), the Green Climate Fund (GCF), the Global Agriculture and Food Security Program, the Global Fund to Fight AIDS, Malaria, and Tuberculosis (the Global Fund), and the Global Concessional Financing Facility.

FIFs provide financing for projects that are implemented by separate entities, often referred to as "implementing entities" or "implementing agencies," which often include the World Bank (serving as an implementing agency/entity), other MDBs, and U.N. Agencies. FIFs are unique from other types of trust funds as they are governed by separate donor committees or bodies, such as the Council of the Global Environment Facility. In addition to its trustee and possible implementing agency roles, the World Bank also often provides administrative services for the hosting FIF secretariats or coordinating units, e.g., the Global Environment Facility Secretariat. These units are legally part of the World Bank and are subject to World bank staff and other administrative rules. A few FIFs support organizations that have separate legal personality, such as the Global Fund and the GCF.

Annex 2: FY 2023 Appropriations Language and Authorization Requests

Below is the proposed appropriations language and authorization for Treasury's FY 2023 request.

FY 2023 Appropriations Language

Multilateral Development Banks

CONTRIBUTION TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
For payment to the International Bank for Reconstruction and Development by the Secretary of the Treasury for the United States share of the paid-in portion of the increases in capital stock, $206,500,000, to remain available until expended.

LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS
The United States Governor of the International Bank for Reconstruction and Development may subscribe without fiscal year limitation to the callable capital portion of the United States share of increases in capital stock in an amount not to exceed $1,421,275,728.70.

CONTRIBUTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION
For payment to the International Development Association by the Secretary of the Treasury, $1,430,256,000 to remain available until expended.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT BANK
For payment to the African Development Bank by the Secretary of the Treasury for the United States share of the paid-in portion of the increases in capital stock, $54,648,752, to remain available until expended.

LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS
The United States Governor of the African Development Bank may subscribe without fiscal year limitation to the callable capital portion of the United States share of increases in capital stock in an amount not to exceed $856,174,624.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND
For payment to the African Development Fund by the Secretary of the Treasury, $171,300,000 to remain available until expended.

CONTRIBUTION TO THE ASIAN DEVELOPMENT FUND
For payment to the Asian Development Bank's Asian Development Fund by the Secretary of the Treasury, $43,610,000, to remain available until expended.

International Monetary Fund – IMF Facilities and Trust Funds

CONTRIBUTION TO IMF FACILITIES AND TRUST FUNDS

For contribution to the Poverty Reduction and Growth Trust (PRGT) or to the proposed Resilience and Sustainability Trust Fund (RST) of the International Monetary Fund (IMF) by the Secretary of the Treasury, $20,000,000, to remain available until September 30, 2031: Provided, That these funds shall be available to cover the cost, as defined in section 502 of the Congressional Budget Act of 1974, of loans made by the Secretary of the Treasury to the PRGT or to the RST of the IMF: Provided further, That these funds shall be available to subsidize gross obligations for the principal amount of direct loans not to exceed $21,000,000,000 in the aggregate, and the Secretary of the Treasury is authorized to make such loans: Provided further, That the Exchange Stabilization Fund (ESF) and the financing account corresponding to transactions with the IMF are authorized to enter into such transactions as necessary to effectuate loans from resources held in the ESF to the PRGT or to the RST of the IMF.

Climate Change and Environment

GREEN CLIMATE FUND

For contribution to the Green Climate Fund by the Secretary of the Treasury, $1,600,000,000, to remain available until expended.

CLEAN TECHNOLOGY FUND

For contribution to the Clean Technology Fund, $550,000,000, to remain available until expended, of which not to exceed $520,000,000 shall be available to cover the costs, as defined in section 502 of the Congressional Budget Act of 1974, of direct loans issued to the Clean Technology Fund.

GLOBAL ENVIRONMENT FACILITY

For payment to the International Bank for Reconstruction and Development as trustee for the Global Environment Facility by the Secretary of the Treasury, $150,200,000, to remain available until expended.

Food Security

CONTRIBUTION TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

For payment to the International Fund for Agricultural Development by the Secretary of the Treasury, $43,000,000, to remain available until expended.

Office of Technical Assistance

INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE

For necessary expenses to carry out the provisions of section 129 of the Foreign Assistance Act of 1961, $38,000,000, to remain available until expended: Provided, that amounts made available under this heading may be made available to contract for services as described in *section 129(d)(3)(A) of the Foreign Assistance Act of 1961, without regard to the location in which such services are performed.*

Debt Restructuring and Debt Relief

DEBT RESTRUCTURING

For "Bilateral Economic Assistance—Department of the Treasury—Debt Restructuring" there is appropriated $52,000,000, to remain available until expended, for the costs, as defined in section 502 of the Congressional Budget Act of 1974, of modifying loans and loan guarantees for, or credits extended to, such countries as the President may determine, including the costs of selling, reducing, or cancelling amounts owed to the United States, pursuant to Paris Club debt restructurings or the "Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative" (DSSI), and for reducing interest rates paid by any country eligible for the DSSI: provided, that such amounts may be used notwithstanding any other provision of law.

TROPICAL FOREST AND CORAL REEF CONSERVATION ACT

For the costs, as defined in section 502 of the Congressional Budget Act of 1974, of modifying loans and loan guarantees, as the President may determine, for which funds have been appropriated or otherwise made available for programs within the International Affairs Budget Function 150, including the cost of selling, reducing, or canceling amounts owed to the United States as a result of concessional loans made or credits extended to eligible countries, pursuant to part V of the Foreign Assistance Act of 1961, $15,000,000, to remain available until expended.

FY 2023 Authorization and Other Legislative Requests[18]

INTERNATIONAL DEVELOPMENT ASSOCIATION TWENTIETH REPLENISHMENT

SEC. 7067.
(a) *The International Development Association Act, Public Law 86–565, as amended (22 U.S.C. §§ 284 et seq.), is further amended by adding at the end thereof the following new section:*
"Sec.32. Twentieth Replenishment.
"(a) IN GENERAL.—The United States Governor of the International Development Association is authorized to contribute on behalf of the United States $3,500,000,000 to the twentieth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.
"(b) AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,500,000,000 for payment by the Secretary of the Treasury."

ASIAN DEVELOPMENT FUND TWELFTH REPLENISHMENT

SEC. 7066. The Asian Development Bank Act, P.L. 89-369, as amended, (22 U.S.C. 285 et seq.), is further amended by adding at the end thereof the following new section:
"Sec. 37. Twelfth replenishment
(a) The United States Governor of the Bank is authorized to contribute, on behalf of the United States, $177,440,000 to the twelfth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.
(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $177,440,000 for payment by the Secretary of the Treasury."

EXEMPTION OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION SECURITIES FROM SECURITIES AND EXCHANGE COMMISSION (SEC) REGULATION

SEC. 7067

(a) Exemption from Securities Laws; reports to Securities and Exchange Commission
Any securities issued by the Association (including any guaranty by the Association, whether or not limited in scope) and any securities guaranteed by the Association as to both principal and interest shall be deemed to be exempted securities within the meaning of section 3(a)(2) of the Securities Act of 1933 [15 USC § 77c(a)(2)] and section 3(a)(12) of the Securities Exchange Act of 1934 [15 USC § 78c(a)(12)]. The Association shall file with the Securities and Exchange

[18] The sections of authorization and legislative language below are included in the General Provisions section of the Department of State and Other International Programs chapter of the Appendix of the President's FY2022 Budget."

Commission such annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the Association and its operations and necessary in the public interest or for the protection of investors.

(b) Authority of Securities and Exchange Commission to suspend exemption; reports to Congress The Securities and Exchange Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Policies, is authorized to suspend the provisions of subsection (a) of this section at any time as to any or all securities issued or guaranteed by the Association during the period of such suspension. The Commission shall include in its annual reports to the Congress such information as it shall deem advisable with regard to the operations and effect of this section.