

Treasury International Programs

Program Summary by Appropriations Account
(Dollars in Thousands)

Appropriations	FY 2009	FY 2010	FY 2011		
	Enacted	Enacted	President's Budget	\$ Change	% Change
International Financial Institutions	\$1,493,802	\$2,043,670	\$2,957,176	\$913,506	44.7%
International Development Association	1,115,000	1,262,500	1,285,000	22,500	2%
Multilateral Food Security Fund			408,400	408,400	100%
Climate Investment Funds		375,000	635,000	260,000	69%
Clean Technology Fund		300,000	400,000	100,000	33%
Strategic Climate Funds		75,000	235,000	160,000	213%
<i>Pilot Program for Climate Resilience</i>		<i>55,000</i>	<i>90,000</i>		
<i>Forest Investment Program</i>		<i>20,000</i>	<i>95,000</i>		
<i>Scaling-Up Renewable Energy Program</i>			<i>50,000</i>		
Global Environment Facility	80,000	86,500	175,000	88,500	102%
African Development Fund	150,000	155,000	155,940	940	1%
African Development Bank	802				
Asian Development Fund	105,000	105,000	115,250	10,250	10%
Asian Development Bank			106,586	106,586	100%
International Fund for Agricultural Development	18,000	30,000	30,000	0	0%
Inter-American Development Bank:		29,670	46,000	16,330	55%
Multilateral Investment Fund	25,000	25,000	25,000	0	0%
Inter-American Investment Corporation		4,670	21,000	16,330	350%
Debt Restructuring	\$60,000	\$60,000	\$70,000	\$10,000	16.7%
Bilateral Debt Relief/HIPC Trust Fund	40,000	40,000	50,000	10,000	25%
Tropical Forest Conservation Act	20,000	20,000	20,000	0	0%
Treasury Technical Assistance	\$25,000	\$25,000	\$38,000	\$13,000	52.0%
Total Program Level	\$1,578,802	\$2,128,670	\$3,065,176	\$936,506	44.0%

Explanation of Request

President Obama has called for multilateral solutions to today's global challenges, including economic governance, development, climate change, food security, and transnational threats. Treasury is leading efforts to support the President's agenda through specific Department activities:

- **Economic governance:** Treasury leads the Administration's engagement with the International Financial Institutions (IFIs) to address critical issues regarding economic governance and multilateral support of broader economic priorities.
- **Development:** Treasury also leads the Administration's engagement with the Multilateral Development Banks (MDBs) to address development priorities.
- **Climate change:** Treasury is supporting the President's recent climate commitments in Copenhagen through funding of international efforts to combat global climate change and to help developing countries respond to its impacts.
- **Food security:** As part of the President's commitment to address global hunger and food security, Treasury has designed and launched a new multi-donor trust fund to provide

financial support for poor countries committed to addressing their internal food security needs.

- Transnational threats: Treasury’s Office of Technical Assistance helps strengthen economic capacity of countries around the world, including many countries of vital national security interest to the United States.

Total resources required to support Treasury International Assistance Programs for FY 2011 are \$3.065 billion, including contributions to the International Financial Institutions (IFIs) of \$2.957 billion, \$70.0 million for Debt Restructuring, and \$38.0 million for Treasury's International Affairs Technical Assistance Programs.

Purpose of Program

Treasury’s International Programs promote economic growth and poverty reduction in developing countries through U.S. participation in the multilateral development banks (MDBs), provide debt relief to poor and heavily indebted countries that have committed to economic reform and poverty reduction, and promote economic growth by working directly with governments around the world to help them strengthen capacity of their core institutions.

International Programs FY 2011 Budget Highlights
(Dollars in Thousands)

	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2009 Enacted	\$1,493,802	\$25,000	\$60,000	\$1,578,802
FY 2010 Enacted	\$2,043,670	\$25,000	\$60,000	\$2,128,670
Increases/(Decreases)	913,506	13,000	10,000	936,506
FY 2011 President's Budget Request	\$2,957,176	\$38,000	\$70,000	\$3,065,176

FY 2011 Program Request

International Financial Institutions (IFIs) (\$2,957,175,848)

The FY 2011 Budget requests \$2.957 billion for U.S. contributions to the multilateral development banks (MDBs), which include \$1.838 billion for scheduled annual commitments to these institutions and \$76 million to pay a portion of outstanding U.S. arrears, which total just under \$1 billion. The budget also includes \$635 million towards international efforts to combat global climate change and to help developing countries respond to its impacts and \$408.4 million towards a new multi-donor trust fund designed to help developing countries improve food security and reduce poverty, which will allow

for an initial contribution of \$475 million when combined with 2010 funds.

International Development Association (IDA) (\$1,285,000,000)

The request of \$1.285 billion includes the third installment of the U.S. three-year commitment to the IDA15 replenishment (\$1.235 billion) and \$50 million to pay down a portion of arrears to IDA. Through IDA, the World Bank supports 78 of the world’s poorest countries by providing the largest source of interest-free loans, grants, and debt relief of any multilateral development institution. Major IDA15 initiatives and policy reforms include: an expanded results measurement system;

improvements to World Bank engagement in fragile and post-conflict states; measures to further improve debt sustainability; and progress towards greater transparency and accountability at the institution. IDA funding is also necessary to meet the U.S. share of the costs of multilateral debt relief for the poorest indebted countries through the Multilateral Debt Relief Initiative (MDRI).

*Multilateral Food Security Fund
(\$408,400,000)*

The request provides \$408.4 million for the Multilateral Food Security Fund, also known as the Global Agriculture and Food Security Program (GAFSP), a new multi-donor trust fund designed to help developing countries improve food security and reduce poverty. An important component of the Administration's Global Hunger and Food Security Initiative, the fund will be administered by the World Bank and was developed through the leadership of the United States, Canada and Spain. GAFSP will make medium to long-term investments through a variety of international financial institutions in five key areas critical to a comprehensive approach to food security: raising agricultural productivity; linking farmers to markets; reducing risk and vulnerability; improving non-farm rural livelihoods; and technical assistance, institution building, and capacity development. GAFSP will offer financing through a public sector and a private sector window; for both windows, priority will be given to proposals that leverage resources from other domestic and international partners, both public and private. GAFSP will leverage the resources and expertise of the World Bank, International Fund for Agricultural Development (IFAD) and other multilateral institutions that complement and reinforce the efforts of our bilateral food security programs.

*Climate Investment Funds (CIF)
(\$635,000,000)*

The request provides \$635 million for the Climate Investment Funds, two multilateral trust funds. \$400 million is for the Clean Technology Fund (CTF), an effort to reduce the growth of greenhouse gas emissions in emerging economies by catalyzing large-scale private sector investments through financing the additional costs of commercially available cleaner technologies over dirtier, cheaper alternatives. The remaining \$235 million is for the Strategic Climate Fund (SCF) suite of three programs which pilot innovative approaches and scaled-up activities aimed at specific climate change-related challenges in developing countries. The SCF is comprised of the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Program for Scaling-Up Renewable Energy in Low Income Countries (SREP). The PPCR will help very poor countries better prepare for the unavoidable effects of climate change through innovative development plans, strategies, and projects. The FIP will reduce deforestation in developing countries through improved governance and forest management, and by addressing the drivers of deforestation. The SREP will demonstrate the economic, social and environmental viability of low carbon development pathways in very poor countries.

*Global Environment Facility (GEF)
(\$175,000,000)*

In 2010, donor governments will agree to the fifth replenishment of the GEF. The total amount for the fifth replenishment is expected by March 2010. The U.S. commitment will total \$680 million, to be paid in four equal installments of \$170 million from FY 2011 through FY 2014. During the replenishment negotiations, the

United States has so far achieved important policy reforms to improve the GEF's overall effectiveness, particularly with regard to country owned business plans for GEF funding and resource allocation. The FY 2011 request includes \$170 million for the first installment of GEF5 and \$5 million for a portion of U.S. arrears to the GEF, for a total request of \$175 million.

African Development Fund (AfDF)
(\$155,940,000)

The request of \$155.9 million includes the third of three installments of the U.S. contribution to the AfDF11 replenishment. The African Development Fund (AfDF) is the African Development Bank's concessional window and serves 40 of the poorest countries in Africa, by providing highly concessional loans, grants, and debt relief. Funding of the U.S. AfDF11 commitment is critical to ensuring support for the poorest African countries to counter the impact of the global financial crisis. U.S. financing also supports the implementation of reforms championed by the United States during the replenishment process, such as the performance-based allocation system and the results-measuring system. AfDF11 also created a Fragile States Facility to provide additional assistance to post-conflict countries to accelerate the transition process from conflict and decline to stability and growth. In addition, AfDF funding is necessary to meet the U.S. share of the costs of multilateral debt relief for the poorest indebted countries through the MDRI.

Asian Development Fund (AsDF)
(\$115,250,000)

The request of \$115.3 million is for the second of four installments of the U.S. contribution to the ninth replenishment of the Asian Development Fund (AsDF10). The AsDF, the Asian Development Bank's (AsDB) concessional window, provides development financing for investments in infrastructure,

health, education, environment, and private-sector development, as well as policy advice to the poorest countries in the Asia-Pacific region. In the AsDF10 Agreement, the United States secured a number of important policy reforms, including: the completion of a grants framework through which grants will comprise 25 percent or more of assistance; a significant improvement in the results framework governing AsDF and AsDB operations; strengthened anti-corruption practices and safeguards; and increased transparency.

Asian Development Bank (AsDB)
(\$106,585,848)

The request of \$106.6 million is the first of five paid-in capital subscriptions of the U.S. subscription to the fifth General Capital Increase (GCI V) of the Asian Development Bank. The GCI increases the capitalization of the AsDB's Ordinary Capital Resources (OCR) window, which provides market-linked financing to developing member countries of the AsDB. The OCR, considered the hard-loan window, provides development financing for investments in infrastructure, energy, transport, environment, private-sector development, and public sector management. In the GCI V agreement, the United States secured a number of important policy reforms, including: improvements in the environmental safeguards, strengthening risk management and anti-corruption, and increasing resources to the poorest.

International Fund for Agricultural Development (IFAD)
(\$30,000,000)

The request of \$30 million will cover the second of three payments of the U.S. contribution to the International Fund for Agricultural Development's (IFAD's) eighth replenishment, which the U.S. committed to in February 2009. IFAD is the only multilateral development

institution focused exclusively on reducing rural poverty and hunger through improving agricultural productivity. Because of its mission and expertise, IFAD plays a key role in supporting the renewed focus on agricultural development and food security. IFAD8 makes key commitments to a number of U.S. priorities: a strengthened results measurement framework; human resources reform; a renewed performance-based allocation system; and a commitment to developing a comprehensive environmental strategy that will help poor farmers adapt to the likely impacts of climate change.

Multilateral Investment Fund (MIF)
(\$25,000,000)

The request of \$25.0 million is for the fourth installment of the U.S. contribution to the first replenishment of the MIF, which the U.S. committed to in April 2005. The MIF works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF projects incorporate a significant degree of counterpart financing, with a goal of having 50% of project costs financed by local counterpart contributions. The MIF is providing highly-focused support for private sector development in Latin America and the Caribbean through the provision of technical assistance on regulatory and legal reforms, re-training of the workforce, and increasing productivity and competitiveness of small businesses and micro-enterprises.

Inter-American Investment Corporation (IIC)
(\$21,000,000)

The request of \$21.0 million will clear 50% of current U.S. arrears to the IIC. These arrears must be paid by 2010 in order for the United States to not lose capital shares at the IIC. Any shares lost by the United States likely would be purchased by other shareholder countries. The

IIC promotes private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

Debt Restructuring (\$70,000,000 from direct appropriations)

The request of \$70 million is for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries (HIPC) Initiative debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA). The enhanced HIPC Initiative was launched to provide deeper, broader, and faster debt reduction for the poor, heavily-indebted countries that have made a real commitment to economic reform and poverty reduction. For the poorest and most heavily indebted countries, the United States will continue support for bilateral debt relief through the Paris Club of official creditors and the enhanced HIPC Initiative. The request includes a total of \$50 million in funding for the cost of debt restructuring programs, including bilateral HIPC and poorest country debt reduction and the HIPC Trust Fund. Under the enhanced HIPC Initiative, funding is currently needed to help satisfy the \$75.4 million outstanding U.S. pledge to the HIPC Trust Fund for debt relief from the regional development banks. Twenty million dollars is requested for the TFCA which authorizes debt relief for low and middle-income countries to support conservation of tropical forests. Under the program, treated debt is “redirected” to enable a forest fund in the beneficiary country to make grants to local NGOs and other entities engaged in forest conservation. The United States uses

appropriated funds to pay for the budget cost of this debt reduction/redirection.

*International Affairs Technical Assistance
(\$38,000,000 from direct appropriations)*

The request for Treasury's Office of Technical Assistance (OTA) is for the International Affairs Technical Assistance Program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The program supports economic policy and financial management reforms, focusing on five core areas: revenue policy and administration; government debt issuance and management; budget and financial accountability; banking and financial institutions; and economic crimes. The FY 2011 budget request will support approximately 80 technical assistance projects worldwide. The proposed investment acknowledges OTA's critical role in the Administration's international development and security agenda and will allow OTA to pursue several important objectives in FY 2011. OTA will broaden and deepen its engagements in support of U.S. and Treasury priorities and continue building capacity to counter terrorist finance and financial crimes; encourage investment, growth and job creation through development of capital markets and infrastructure finance; and promote increased access to finance for small- and medium-sized enterprises.

The proposed budget supports OTA's work to strengthen financial infrastructure and combat terrorist financing in Iraq, and other countries of vital national security interest to the U.S. where long-term stability will depend on strong financial governance. By providing increased funding directly to Treasury, OTA will be well-positioned to continue this important work and to respond to new and emerging national security challenges.

Description of Performance

International Financial Institutions:

Responding to crisis and the complex challenges of the 21st century

The IFIs have been "first responders" in the global response to the financial crisis. At the same time, these institutions are responding to increasing calls that they deliver public goods, such as intervention in fragile states and efforts to help developing countries mitigate or adapt to climate change. Full funding of the FY 2011 request for the MDBs is necessary to help ensure that they can continue to serve these critical functions.

In April 2009, President Obama and other G20 leaders called on the World Bank and the regional development banks to dramatically increase their financial support to the developing world. The multilateral development banks (MDBs) successfully responded with \$100 billion in additional lending in a matter of months. This important financing has helped to both forestall further spread of the crisis and to mitigate the impact in hard-hit regions like Eastern Europe.

In addition, the MDBs are well positioned to assist us in addressing complex, urgent challenges of the 21st century, including climate change, water and food scarcities and the risk of pandemics. For example, environmental lending - including climate change, clean energy, energy efficiency, natural resources management, and biodiversity - at the Asian Development Bank increased by more than 65% in each of the last two years, and the World Bank has pledged to scale up agriculture lending by as much as 100% over the next three years.

Reforms within International Financial Institutions

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. In recent years, these reforms included:

- Increased grant financing for the poorest countries at IDA, the AfDF, AsDF and other MDBs;
- Greater commitment to transfers of IFI net income to support lending to the poorest countries;
- Development of robust results-based management systems to incorporate measurable performance goals and demonstrate positive results on the ground;
- Increased transparency and accountability;
- Efforts to reduce corruption at institutional, project, country and regional levels.

Results Measurement

The MDBs have worked to develop a new culture dedicated to managing for development results. Treasury has been a strong proponent of this agenda, which will increase the accountability and effectiveness of MDB development efforts. We have seen substantial progress in recent years, with the MDBs laying out targets for their achievements at the project, country and institutional level, such that Treasury believes that over 90% of 2009 MDB projects include a framework that will be adequate to show the project's development results. In the last year, the MDBs have taken a major step forward with their efforts to harmonize their sector-level results indicators, which will allow for comparison across MDBs of accomplishments in sectors as diverse as public health, transportation and education.

Transparency and Fighting Corruption

Through U.S. leadership, the MDBs have continued strong efforts to improve transparency, including disclosure of MDB documents and processes, and to fight

corruption at the project, country and institutional levels. For example, the World Bank recently revised its disclosure policy. This policy sets a new benchmark for transparency among the IFIs. In addition, we have strongly supported the World Bank's implementation of the recommendations made in the 2007 Volcker Panel Report on the Bank's Department of Institutional Integrity.

Debt Restructuring

The Enhanced Heavily Indebted Poor Country (HIPC) Initiative continues to make more resources available to poor, heavily indebted countries, while providing a framework for growth enhancing reforms. Under the HIPC Initiative, 35 countries had demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points as of the end of FY 2009. These countries benefit from debt relief that, together with MDRI, will lower their stock of debt by over 80%, freeing resources to support poverty reduction and economic growth. In 2008, poverty-reducing expenditures for the Decision Point HIPCs (as of FY 2009) were estimated to be over eight times as large as debt service payments, compared to only two times as large in 2001.

Under the Tropical Forest Conservation Act (TFCA), a total of 15 agreements have been signed with 13 countries, generating more than \$218 million over time for tropical forest conservation and providing leading-edge experience in financing of forest protection, which will be needed at large scale to address climate change. The TFCA debt swap mechanism has also developed a unique public/private partnership in which environmental NGOs provide additional funds for debt reduction, increasing the size of individual agreements, and contributing

additional expertise in the management of resulting programs. Nine of the 15 TFCA agreements have utilized this public/private mechanism.

Technical Assistance

The Office of Technical Assistance (OTA) provides financial technical assistance worldwide to build the financial management capacity of developing and transition countries. OTA partners with finance ministries, central banks and law enforcement agencies to build the essential financial functions of well-run states: systems to collect revenues, implement national budgets, manage public debt, oversee financial institutions, and combat economic crime. OTA's work complements assistance provided by the international financial institutions and US bilateral assistance. By strengthening the financial management capacity of countries receiving, for example, debt relief, OTA contributes to the broader goal of aid effectiveness. Finally, OTA assistance indirectly supports the private sector by strengthening the financial underpinnings of public services, such as power and infrastructure, upon which private companies depend.

Examples of innovative programming by OTA in FY 2009:

In Guatemala, OTA provides a broad range of financial technical assistance to strengthen the transparency of budget formulation and execution, to improve the management of government debt, and to increase revenue collection. Debt advisors work to create a new public debt law, to introduce standardized fungible dematerialized government securities, enhance auction calendars, eliminate tax distortions, develop strategies for retail distribution of government securities, and strengthen government and central bank communications with the market.

In 2009, OTA created the Infrastructure Finance Experts Corps (IFEC), an initiative focused on strengthening the capacity of Latin American and Caribbean governments to implement Public-Private Partnerships and other means of financing infrastructure projects. Specialists from OTA, in collaboration with the Government of Chile, provide technical assistance to promote well-designed and fiscally sound infrastructure projects. The Government of Costa Rica is hosting the pilot project for the IFEC program, which is focused on helping the Ministry of Finance, along with the Ministry of Public Works and Transportation and the National Concessions Council, to finance a major international airport, a primary commercial seaport, and light rail and toll road projects in the capital San Jose.

OTA's Economic Crimes efforts in Afghanistan have included developing a financial intelligence unit (FIU) staffed and trained to develop, populate, and access a database that contains reports on large cash transactions and suspicious activities from financial service providers. FIU analysis of information in this database supports and is shared with law enforcement in Afghanistan and strengthens the regulatory regime to conform to international norms for preventing money laundering and terrorist financing. OTA efforts in Afghanistan have resulted in greater regional and international information exchange and cooperation including membership in key anti-money laundering groups, an observership by a main financial task force, and Memoranda of Understanding signed with over one dozen financial intelligence units around the world.