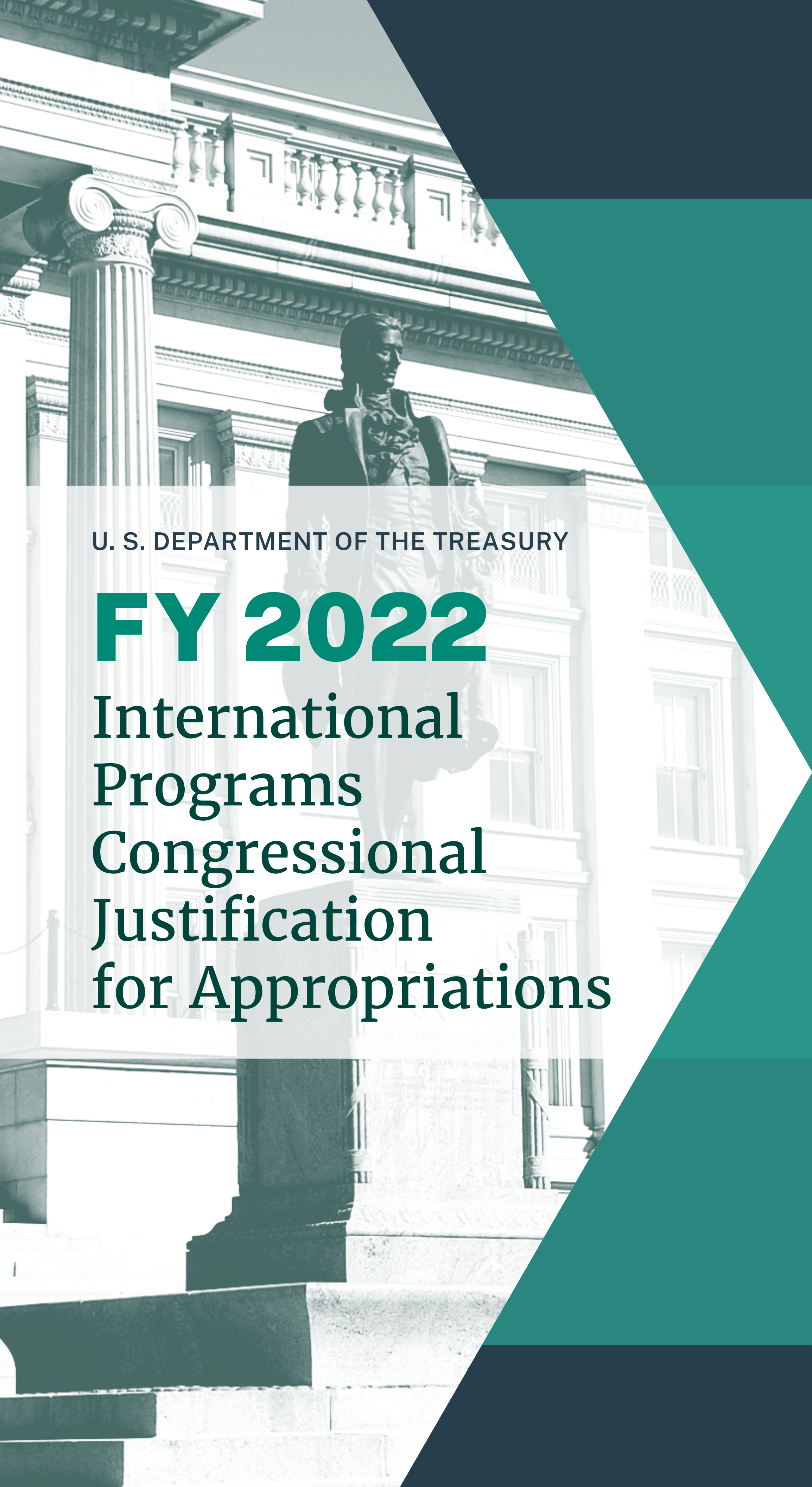

U. S. DEPARTMENT OF THE TREASURY

# FY 2022

# International Programs Congressional Justification for Appropriations

## Message from the Secretary of the Treasury

Dear Member:

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

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

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

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

Sincerely,

Janet L. Yellen

Janet L. Yellen

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# FY 2022 Executive Summary

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

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

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

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

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

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

**Multilateral Development Banks**

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

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

Treasury's requests for the MDBs include:

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

*International Development Association (IDA):* $1.428 billion in support of IDA programs over the nineteenth replenishment (IDA-19; World Bank FY 2021 – FY 2022[2]), including towards the second of three installments to IDA-19, and of which, $426.6 million is to eliminate unmet commitments for IDA replenishments.

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

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

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

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

**International Monetary Fund – Contributions to IMF Facilities and Trust Funds**

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

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

**Climate Change and Environment**

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

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

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

**Food Security**

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

## Technical Assistance – Office of Technical Assistance

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

## Debt Restructuring and Relief

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

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

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

# Summary Tables

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

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

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

## Unmet Commitments to International Financial Institutions

(in thousands of US dollars)

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

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

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

# Multilateral Development Banks

The MDBs that the United States is a member of provide over $100 billion in assistance to developing countries annually. 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.

The MDBs play key roles in addressing and responding to global priorities and crises. Since the start of the COVID-19 pandemic, they have provided over $85 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 countermeasures. The MDBs have financed a wide range of efforts, including the purchase and distribution of vaccines, personal protective equipment, and other medical supplies; emergency budget support; cash transfer programs; credit to the private sector; food security; 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 – and by advising countries on 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 greenhouse gas (GHG) emissions, to adapt to the impacts of climate change, and to build resilience.

The President's FY 2022 Budget begins the process of 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*. Treasury will engage with the international financial institutions to identify actions that achieve these policy objectives in the near term. The MDBs currently have flexibility to support a broad range of energy infrastructure projects, including those that rely on carbon-intensive fossil fuels. Treasury will engage with the MDBs to reduce financing for carbon-intensive projects and increase support for zero-carbon solutions.

The MDBs have been strong partners in supporting economic development that includes and benefits disadvantaged, marginalized or vulnerable groups, including through the identification, protection, and creation of opportunities for such groups. The regional development banks give developing nations, and marginalized groups within those nations, voice and decision-making power over their own future. 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 gender, race, ethnicity, sexual orientation, gender identity, disability or indigenous identity.

# 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 2022 Budget is seeking funding for the third payment for the IBRD general and selective capital increases agreed to in 2018 and for IDA, including for the IDA nineteenth replenishment (IDA-19) and to eliminate unmet commitments to IDA pledges. The World Bank Group has been the leading MDB in assisting developing countries overcome the health and economic impacts of the COVID-19 pandemic. As of end-March 2021, the World Bank Group has approved approximately $46 billion in financing specifically for COVID-19 response projects. The World Bank is also the largest source of multilateral climate finance for developing countries.

## International Bank for Reconstruction and Development

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| 206,500,000 | 206,500,000 | 206,500,000 |

Treasury requests $206.5 million for the International Bank for Reconstruction and Development (IBRD) for the third 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.

### 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, environment, health and nutrition, and education. The IBRD supports long-term human and social development needs that private creditors are often unwilling to finance. During the World Bank's 2020 fiscal year (WB FY 2020; July 1, 2019 to June 30, 2020), the IBRD approved $28.5 billion in loans and technical assistance, an increase of about 23 percent from FY 2019. Much of this increase reflected significantly 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 $6.8 billion (24 percent), followed by Europe and Central Asia at $5.7 billion (20 percent) and South Asia at $5.6 billion

(20 percent). India, the Philippines, and Turkey were the top three borrower countries in FY 2020.

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-March 2021, the IBRD had lent approximately $23 billion to developing countries to respond to COVID-19 in the previous year, which accounted for about 68 percent of total IBRD lending ($33.6 billion) during the period. World Bank Management has committed to making up to $6 billion in IBRD financing available for the purchase of COVID-19 vaccines.

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

## How IBRD Promotes U.S. Interests

The IBRD is the largest development bank in the world and is uniquely positioned to address development challenges 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 and climate change. The IBRD also provides developing countries with a robust, high-quality alternative to coercive, non-transparent lending from China and other actors.

- The IBRD supports economic stability in strategically important countries, such as Jordan, Iraq, Ukraine, Indonesia, Egypt, El Salvador, Guatemala, Colombia, and others, by providing a less expensive source of funds 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, gender equality and inclusion, youth education and job training, 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 beyond what it could do on a bilateral basis.
- IBRD investment promotes transparency and high standards for procurement, debt sustainability, and social and environmental safeguards.

In the context of negotiations on the 2018 capital increase package, IBRD Management committed to a series of reforms to 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 in 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 countries below the IBRD's graduation discussion income threshold to 70 percent (from an FY 2017 level of 60 percent). The IBRD has also introduced differentiated loan prices, making it the first multilateral development bank to charge higher loan prices for non-concessional lending to wealthier countries. This practice incentivizes wealthier countries to borrow from markets rather than the IBRD.

The IBRD will approach its graduation policy more rigorously. For all countries above the graduation discussion income threshold ($7,065 gross national income per capita for the World Bank's FY 2021), 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 ensure a more efficient use of IBRD funds, which is important for a public institution whose purpose is to eliminate global poverty.

## 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. This loss of shareholding could lead to a loss of 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.

## Achieving and Measuring Results

Over the WB FY 2019-2020 period, the World Bank, including the IBRD, achieved the following:

- Provided 25 million people with access to improved water sources and 177 million people with improved sanitation services;
- Provided 275 million people with essential health, nutrition, and population services;
- Completed 53 large-scale learning assessments for primary and secondary school systems to improve learning outcomes;
- Helped 97 countries institutionalize disaster risk reduction in national plans;
- Created new or improved electricity services to 31 million people; and
- Enhanced access to transportation services for 65 million people.

In 2020, the WBG provided a record total of $21.4 billion in climate finance, 28 percent of total approvals. Of this, 52 percent was for climate change adaptation and 48 percent was for climate change mitigation.

**Project Examples**

**India – Accelerating India's COVID-19 Social Protection Response Program**. As of end-April 2021, India had the second highest number of recorded COVID-19 cases in the world. Over 90 percent of the country's workforce is employed in the informal sector, which is especially vulnerable during the resulting economic recession. The World Bank provided a $1 billion loan to this program, which works through existing national programs and platforms to expand the impact and coverage of India's social protection system by helping vulnerable groups, including informal workers, access more social benefits across the country. It is ongoing and has thus far helped more than 22 million workers receive cash benefits, exceeding the original target.

**Jordan.** In June 2019, the World Bank approved an additional $200 million loan for Jordan's Emergency Health Project, which began in 2017. Financed in parallel by the Islamic Development Bank, this project supports the Jordanian government's efforts to maintain the delivery of critical health services to poor, uninsured Jordanians and Syrian refugees at Ministry of Health facilities. Despite the pandemic, this project has enabled the government to increase the number of health services delivered at these facilities to target populations. The project has also supported maternal health among refugee populations. For example, as of August 2020, the project contributed to an 83.2 percent increase in the proportion of Syrian women accessing their first prenatal care visits during the first trimester.

## International Development Association

| | FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|---|
| Total Request | 1,097,010,000 | 1,001,400,000 | 1,427,974,140 |
| *Of which, payment toward replenishment unmet commitments* | - | - | 426,574,140 |

The FY 2022 Budget requests $1.428 billion in support of IDA programs over the IDA-19 period (WB FY 2021 – FY 2022, or July 1, 2021 – June 30, 2022), including towards the second of three installments to IDA-19, and of which $426.6 million is to eliminate unmet commitments to IDA replenishments.

**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 2020, IDA approved $30.4 billion in concessional credits and grants for 305 projects, an increase of nearly 39 percent above FY 2019 levels. Much of this increase reflected the provision of large-scale financing to IDA recipient countries in response to the COVID-19 pandemic. The Sub-Saharan African region received the largest portion of IDA's new commitments in 2020 at $19.1 billion (63 percent), followed by the South Asia region at $6.1 billion (20 percent). Nigeria, Bangladesh, and the Democratic Republic of Congo were the top three from IDA recipient countries during WB FY 2020.

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-April 2021, IDA had provided approximately $17.8 billion in COVID financing (47 percent of total new IDA financing of $38 billion) during the previous 12 months to address the health, social, and economic impacts of the pandemic.

- The IDA-19 replenishment emphasizes themes that support U.S. priorities: jobs and economic transformation; improving governance; gender equality; climate change; and addressing fragility, conflict, and violence. IDA's focus on better governance, reducing the causes of fragility and conflict, improving private sector investment environments, and increasing women's participation in the economy are aligned with U.S. national security and development strategies. IDA's support for climate change investments, particularly climate resilience in the poorest and most fragile states, aligns with U.S. interests.
- IDA is implementing its Sustainable Development Finance Policy (SDFP) to better incentivize sound debt management and transparency. Debt sustainability and transparency among low-income countries is a top priority for the United States and our

key allies. Countries that are able to make more informed and transparent borrowing decisions are less likely to take on unsustainable debt that endangers future growth prospects or that creates dependence on any particular foreign state, including China and other U.S. competitors.
- The United States pledged $3.004 billion over three years towards the IDA-19 replenishment. The United States remains the largest IDA donor historically and holds the largest voting share.
- IDA is cost-effective: every $1 contribution from the United States to IDA-19 catalyzes approximately $27 in additional resources — contributions from other donors, internally generated resources (e.g., reflows from previous loans), and market financing.

In response to the COVID-19 pandemic, IDA front-loaded resources from the last two years of the IDA-19 replenishment cycle (July 2021 – June 2023) to the first year—increasing first year resources from $26.5 to $35 billion—to meet crisis financing needs. In order to prevent a drop-off in funding during the last two years of the IDA-19 period, and to support a durable recovery from COVID-19 in IDA countries, IDA donors and management decided to advance the negotiations for the IDA-20 replenishment negotiations by one year. The IDA-19 implementation period will be shortened from a three-year to a two-year cycle, and the IDA-20 replenishment period will commence in July 2022.[3]

## How 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. IDA supports U.S. economic and national security interests by:

- Reinforcing U.S. and international political and security objectives through economic growth, job creation, and the provision of social services in fragile and conflict-affected countries.
- Advancing reforms that promote private investment, 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 and reduce GHG emissions.

## Meeting U.S. Commitments to IDA

U.S. unmet commitments to IDA replenishments and IDA's Multilateral Debt Relief Initiative (MDRI) amount to $1.930 billion ($426.6 million for IDA replenishments and $1.504 billion for IDA MDRI) in FY 2021. 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,

[3] Donors will still contribute the same amount for IDA-19. The U.S. pledge to IDA-19 remains $3.004 billion, to be paid over the three-year FY 2021-2023 period.

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.

In addition to $1.001 billion for the second IDA-19 installment, the FY 2022 Budget requests $426.6 million to eliminate U.S. unmet commitments to IDA replenishments. Clearing these unmet commitments will provide additional resources that IDA can program immediately to support sustainable recovery in the poorest countries. It will also tangibly demonstrate U.S. commitment to restoring its leadership in the multilateral system.

The clearance of unmet commitments for IDA replenishments, however, will be partially offset by an increase of unmet commitments to MDRI. 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, donors committed to compensate IDA and AfDF for the cancelled debt on a dollar-for-dollar basis. The United States has payments to IDA MDRI due through 2044. The U.S. share of MDRI costs during IDA-19 is $878.8 million, including a payment of $297.3 million due in January 2022. U.S. unmet commitments to MDRI will increase in FY 2022 by a commensurate amount unless funding is provided.

**Achieving and Measuring Results**

During IDA-18 (WB FY 2018 – FY 2020), IDA reports 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

**Ghana – COVID-19 Emergency Preparedness and Response Project.** In April 2020, IDA approved a $35 million loan to Ghana to strengthen the country's national health system to effectively respond to the pandemic. The project seeks to improve contact tracing; provide social and financial support to households; and improve the containment, isolation, and treatment capacity of the national health system. Due to growing financing needs, the World Bank approved an increase of $130 million for this project in November 2020. The additional financing also expanded communications and awareness campaigns to improve understanding of COVID-19 vaccines and to support vulnerable groups, such as persons with disabilities and survivors of gender-based violence, who have been disproportionately affected by the pandemic.

**Honduras – Additional Financing for the COVID-19 Emergency Response Project**. In April 2021, IDA approved $20 million in additional financing to the first $20 million COVID-19 response project approved a year earlier in April 2020. That first project helped detect and respond to COVID-19 focusing on procurement of personal protective equipment (PPE) and laboratory and intensive care equipment, as well as training on their use. The primary objectives of the additional financing are to enable affordable and equitable access to COVID-19 vaccines, help ensure effective vaccine deployment, and strengthen preparedness and response. The IDA financing provides upfront resources to help the government purchase vaccines that meet the World Bank's vaccine approval criteria and strengthen health systems for successful vaccine deployment. This additional financing is expected to help vaccinate at least 25 percent of the country's population in line with Honduras's National Prioritization Plan.

# African Development Bank Group

The African Development Bank 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 increased voice and ownership over development decisions and issues in Africa. The FY 2022 Budget is seeking funding for the second of eight payments for the AfDB's Seventh General Capital Increase (GCI-VII) and for the second of three payments under the AfDF's fifteenth replenishment period (AfDF-15). As of end-March 2021, the African Development Bank Group has provided approximately $4.1 billion in financing to help regional member countries address the health and economic impacts of COVID-19.

## African Development Bank

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| - | 54,648,752 | 54,648,752 |

Treasury requests $54.6 million towards the second 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 ability to ensure that these reforms are implemented robustly. 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.

### 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 had approximately $3.6 billion in approvals in 2020, 72 percent of which was used for COVID-19 response. Other approvals supported infrastructure projects (primarily energy and transportation), agriculture, and social sectors.

- 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 FY 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. Every $1 of U.S. paid-in capital for the AfDB has supported approximately $253 in lending.

**How 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 Response and Economic Stabilization:** In the past year, the AfDB has prioritized helping the African continent surmount the health and economic challenges of the persistent pandemic. As of end-March 2021, approximately $2.6 billion in AfDB loans have 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. In normal years, 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 plays a critical role in developing and opening African markets for U.S. businesses, in line with the goals of Prosper Africa. AfDB financing develops physical and telecommunications infrastructure that boosts trade, leverages business climate reforms, supports local small and medium enterprises (SMEs), and contributes to the growth of an African middle class of consumers. 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 that climate change is already affecting the most, 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.
- **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 key U.S. strategic priorities in Africa.

**Achieving and Measuring Results**

In 2019, the AfDB reports that it:

- Provided 6.4 million people with improved access to transport;
- Constructed or improved 1,900 miles of power distribution and transmission lines; and
- Provided loans and other financial services to 53,000 small businesses.

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. Although the AfDB Group was due to update its Results Measurement Framework in 2020, to reflect the impact of commitments made under GCI-VII as well as AfDF-15, this was delayed due to the pandemic and will be accomplished in 2021 instead.

**Project Examples**

**Kenya – COVID-19 Response Program:** In 2020, Kenya received $215 million in budget support to help the country respond to the COVID-19 pandemic. This support enabled an increase in health expenditures; the establishment of a COVID-19 social protection response plan; provision of sanitation services and free water supply; the establishment of a relief scheme for local businesses; establishment of a support fund for SMEs; and tax relief for low income earners. With this support, the government significantly increased its testing capacity, with ability to test over 30,000 people daily. The project increased the number of designated acute healthcare facilities with isolation capacity and equipment that meet Ministry of Health standards, from 14 to 290. The social protection schemes have benefitted approximately 1.5 million people, while 58,182 SMEs have benefitted from tax relief measures.

**Egypt – Gabal El-Asfar Wastewater Treatment Plant - Phase II.** Completed in 2019, the Gabal El Asfar Wastewater Treatment Plant, Stage II, Phase II Project is part of a large program to strengthen Egypt's public health and environmental protection by improving the quality of wastewater discharged into the drainage system in Cairo East. The AfDB's financing of $58 million facilitated the construction of a treatment plant with an additional capacity of 500,000 cubic meters per day, sufficient to treat the wastewater generated by 2.5 million people, and benefiting the 8 million people in the catchment area, as well as about 785,500 living downstream. The plant is now the biggest facility of its kind in Africa and the Middle East. The project's innovative design enables the plant to reduce its carbon footprint and electricity consumption by using the gas produced from treating the sludge to generate up to 70 percent of the electricity needed to operate the plant. Treated wastewater is used to irrigate agricultural land, and the treated sludge (about 80 tons per day) is sold to a private enterprise—for organic fertilizer production—and contributes to the financial sustainability of the plant.

## African Development Fund

| | FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|---|
| Total Request | 171,300,000 | 171,300,000 | 211,300,000 |
| *Of which, payment toward replenishment unmet commitments* | | - | 40,000,000 |

Treasury requests $211.3 million in support of AfDF programs over the AfDF-15 replenishment period (FY 2020 – FY 2022), including towards the second of three installments to AfDF-15 and of which, $40 million is for unmet commitments to AfDF replenishments.

**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 Fund, totaled approximately $2 billion in 2020. Approximately 71 percent of 2020 approvals were to respond to health, socio-economic, and capacity needs surrounding the COVID-19 crisis in Africa.

- 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. The United States pledged $513.9 million over three years, which is equivalent to the U.S. pledge to the previous replenishment.

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, focusing on a two-pillar approach that will largely 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 leading up to the Mid-Term Review in 2021, will refine its approach to operations in fragile countries to better address the drivers of fragility.

The United States is historically one of the largest donors to the AfDF and currently has 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 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:** As of end-March 2021, the AfDF had 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 that climate change is already affecting the most, 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.

## Meeting U.S. Commitments to the AfDF

U.S. unmet commitments to the AfDF replenishments and MDRI at the AfDF amount to approximately $350.9 million ($154.2 million for AfDF replenishments and $196.7 million for AfDF MDRI) in FY 2021. 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 on which the United States is a leading voice.

In addition to $171.3 million for the United States' second AfDF-15 installment payment, the FY 2022 Budget requests $40 million to reduce U.S. unmet commitments to AfDF replenishments—which amount to $154.2 million—as part of a multiyear effort to eliminate U.S. unmet commitments to the AfDF. The request will provide resources that the AfDF can program quickly for crisis response and recovery and reassert U.S. leadership in the multilateral system.

The decrease in U.S. unmet commitments for AfDF replenishments, however, will be partially offset by an increase of unmet commitments to AfDF MDRI of about $29 million. 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 2044. The U.S. share of the cost of AfDF MDRI during the AfDF-15 period is $68 million, including a payment of approximately $29 million in January 2022. U.S. unmet commitments to MDRI at the AfDF will increase in 2022 by this amount unless additional resources are appropriated.

**Achieving and Measuring Results**

In 2019, the AfDB reported that programs in AfDF countries:

- Built 244 miles of power distribution lines;
- Provided 11.3 million people with improved access to transport, half of them women;
- Provided 8.3 million people with new or improved access to water and sanitation, about half of whom were women; and
- Supported improvements in agricultural productivity benefiting 20 million people.

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**

**Guinea Bissau – COVID-19 Response Program.** The COVID-19 pandemic highlighted the weaknesses of the health system in Guinea-Bissau. The country has faced chronic political instability from constant regime changes that have significantly increased endemic poverty levels. The objective of the project is to reduce the spread of the virus and to boost the resilience of the health system and vulnerable communities. The AfDF's financing of $8.94 million will reach the entire Bissau-Guinean population, as it funds support for community health workers, non-government and community-based organization activities, health and sanitation activities, purchase of medicine and equipment, training and studies, and operation of health facilities. Further, the project will contribute to the capacity building of the High Commission on COVID-19, the Ministry of Health, and the Ministry of Decentralization, which would help stabilize the political situation in Guinea-Bissau.

**Malawi – Protection of Basic Services Program**. Completed in 2019, the Bank extended a $26 million grant to the government of Malawi in April 2015 to contribute towards the protection of basic services and improved value for money by strengthening accountability in the social sector. The project provided nearly two million secondary textbooks, 380 science kits, and 960 mobile science laboratory tables to 869 schools throughout the country. The government recruited 8,667 qualified teachers, which led to improved literacy and numeracy rates from 22 percent in 2015 to 25 percent in 2018 for grade 6 pupils with Level 4 literacy and numeracy. In addition, the dropout rate declined for schoolgirls, from 10 percent in 2015 to 4.2 percent in 2018, and for boys from 7.5 percent in 2015 to 4 percent in 2018.

# 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 increased 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 2022 Budget is seeking funding only for AsDF. The Asian Development Bank 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 Asian Development Bank has provided a total of approximately $18.3 billion to respond to the pandemic. Total AsDB operations reached $31.6 billion in 2020, up from $24 billion in 2019; more than $16 billion of 2020 operations was directed toward Covid-19 response.

## Asian Development Fund

| | FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|---|
| Total Request | 47,395,000 | 47,395,000 | 53,323,000 |
| *Of which, payment toward unmet commitments* | | - | 9,713,000 |

The FY 2022 Budget requests approximately $53.3 million to support AsDF programs over the twelfth replenishment (AsDF-13; FY 2021 – FY 2024), including towards the first of four installments to AsDF-13, and of which, $9.7 million is for unmet commitments to previous AsDF replenishments.

**Program Description**

The AsDF is a grants-only fund that supports the poorest and most vulnerable countries in Asia and the Pacific, primarily Afghanistan and 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. Eighteen countries are eligible to receive AsDF grant assistance, of which 13 countries are eligible for a country grant allocation. All 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 recipients 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 2020, AsDF approvals totaled $1.1 billion, up from $844 million in 2020, of which about 36 percent supported COVID-19 response projects. In typical years, a large share 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 maintaining grant levels for Afghanistan, 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.
- The United States pledged $174.44 million over four years to AsDF-13, an 8 percent decrease from the previous replenishment. 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 AsDF Promotes U.S. Interests**

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

- **COVID-19 Response:** As of end-March 2021, the AsDF provided $396 million in grants as part of the AsDB's comprehensive response to the COVID-19 pandemic. The funds were used to support expenditures to help counter macroeconomic impacts, social safety net spending, and health system support. An additional $40 million in technical assistance grants from the Technical Assistance Special Fund supported countries' efforts to strengthen their health systems to address the pandemic. AsDF has provided an additional $263 million in finance for vaccine procurement and delivery, distribution, and administration as well as associated costs.
- **Providing a Superior Source of Development Financing for Small States:** In 2020, donors negotiated the AsDF-13 replenishment, which 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 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.
- **Financing Afghanistan's Development**: The AsDF-13 replenishment includes a special allocation for Afghanistan, which maintains the AsDF's role helping Afghanistan to develop and rehabilitate its infrastructure, improve trade linkages with neighboring countries, and provide basic services through special allocations for the country.

- **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, which includes both environmental protection and regional health security. In total, AsDF-13 expects to use at least 35 percent of finance for climate adaptation and mitigation.

**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 the ability to shape the direction of AsDF policies and activities, as well its ability to ensure that sufficient concessional finance is available to strategically important countries like Afghanistan. Other AsDF donors have withheld, proportionally, a total of $108.6 million in contributions to previous replenishments in response to U.S. unmet commitments. Of the FY 2022 Budget request of $53.323 million, $9.7 million would be allocated to pay down a portion of U.S. unmet commitments as part of a multiyear effort to eliminate U.S. unmet commitments to the AsDF. This request will provide resources that the AsDF can program quickly for crisis response and recovery in the poorest countries and they will support the reassertion of U.S. leadership in the multilateral system.

**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, down from 70 percent in 2019.

AsDF reports achieving the following in 2020:

- Addressing remaining poverty and reducing inequalities: Enrolled over 18.3 million individuals in improved education and/or training (including primary and secondary education for children in addition to vocational trainings).
- Accelerating progress in gender equality: Enrolled 16,000 women in technical and vocational education (TVET) and other job training.
- Tackling climate change: Reduced flood risk in 244,000 hectares of flood-prone land.
- Urban development: Established or improved 220 urban infrastructure assets.
- Promoting rural development and food security: Established climate-resilient irrigation infrastructure and water delivery services in 17,000 hectares of land.
- Strengthening governance and institutions: Assisted 44,000 government officials to increase capacity in design, implementation, monitoring, and evaluation of institutional measures.

- Fostering regional cooperation: Implemented 62 measures to improve the execution of new trade and regional investment agreements.

**Project Examples**

**Pacific Islands – Systems Strengthening for COVID Vaccines.** The AsDF approved a project to provide $18.9 million in grants to Samoa, Tonga, Tuvalu, and Vanuatu to enable the safe and effective introduction of the COVID-19 vaccine. This was an update to an existing vaccine access project that aims to strengthen regional vaccine procurement, health systems, and community awareness. The project aims to expand supply chain and cold chain capacities, strengthen monitoring and surveillance systems to detect and report on adverse effects, incorporate COVID-19 into national vaccination policies and guidelines, train vaccinators, and strengthen communication around infectious disease control and risk management. The project is financed as part of the $9 billion Asia Pacific Vaccine Access Facility, which was launched in December 2020 to offer rapid and equitable vaccine-related support to AsDB recipient countries, and to which the AsDF has allocated $263 million to date.

**Tajikistan – COVID-19 Active Response and Expenditure Support Program.** Through this program, the AsDF supported Tajikistan's initial COVID-19 response with a $50 million grant for health measures for COVID-19 preparedness and response, increased social assistance and food security measures, and enhanced support for business entities and a $2.5 million grant to procure essential supplies and medical equipment, including test kits and equipment associated with treatment of COVID-19 patience. Further, the AsDF has proposed a project to provide $25 million in grants to Tajikistan to support procurement of COVID-19 vaccine and Tajikistan's vaccine program.

**Afghanistan -- Emergency Assistance for COVID-19 Pandemic Response**. The AsDF's support to Afghanistan's initial response to the COVID-19 pandemic included a $40 million grant to construct 15 hospitals, rehabilitate five hospitals, procure essential medical equipment and supplies, and strengthen resilience of the health system. The AsDF later provided a $100 million grant to further strengthen the health system, expand social protections, and support macroeconomic stabilization and job creation. In April 2021, the AsDF approved a $50 million grant to procure 6.14 million doses of COVID-19 vaccine and strengthen the vaccine program implementation capacity.

# International Monetary Fund

## Contributions to IMF Facilities and Trust Funds

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| - | - | 102,000,000 |

The FY 2022 Budget requests a total of $102 million to enable the United States to make a meaningful contribution to the IMF's concessional lending facility for low-income countries (LICs), the Poverty Reduction and Growth Trust (PRGT) or to another IMF facility. These funds would be used to provide a grant to the PRGT or other such IMF facilities and to cover the subsidy cost of loans of up to 15 billion special drawing rights from Treasury's Exchange Stabilization Fund to the PRGT or other such IMF facilities.  The division of this funding between grants to and/or covering the subsidy cost of loans to the PRGT, or another IMF facility, is yet to be determined

**Program Description**

The Poverty Reduction and Growth Trust (PRGT) is the IMF's concessional financing facility, through which it makes subsidized loans to support the world's poorest countries.  Financing provided by the PRGT will help enable critical health and social support spending so countries can respond to the current crisis alongside structural reforms to increase their longer-term stability and growth.  In addition, IMF members are considering whether additional special purpose facilities to support pandemic response and transformative economic recoveries are warranted.

**PRGT**

- Since the start of the pandemic, the IMF has lent about $9.4 billion in concessional support to about 50 poor countries through the PRGT—a 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 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 $3.5 billion gap in grant resources, and this could widen if the financing needs of low-income countries continue to grow.

## How the PRGT 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. Globally, the IMF and World Bank estimate that 90 million people have fallen into poverty since the onset of the COVID crisis amid rising food insecurity and inequality. Low-income countries have fewer resources to respond to both the acute and secondary impacts of the pandemic. Funding for the PRGT would also help low-income countries purchase vaccines and other medical supplies, as well as food, fuel, and other economic necessities while maintaining public spending on pressing priorities. A U.S. contribution to the PRGT would particularly benefit the most vulnerable populations in these countries. Absent sufficient resources for the IMF's PRGT to address the balance of payments needs of the poorest countries, vaccine rollout in these countries could be further delayed, which would likely result in prolonged social and economic hardship and could allow resurgence of the virus as new strains emerge.

A U.S. loan and grant to the PRGT would send a powerful signal of U.S. support for struggling poor countries, demonstrate the United States' commitment to lead at the IMF, and likely have a catalytic effect on contributions from other IMF member governments. Given the United States' status as the IMF's leading shareholder, the absence of a U.S. commitment to the PRGT is notable.

## Program Examples

In contrast to multi-lateral development banks, 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 pandemic hit Kenya's economy hard, particularly its tourism sector. This shock worsened Kenya's pre-existing financial vulnerabilities and pushed Kenya into high risk of debt distress. 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 $2.3 billion, three-year IMF program—primarily funded through the PRGT—to help Kenya's economy sustainably recover from the scars of the pandemic while reducing Kenya's debt vulnerabilities, including through new debt limits and structural economic reforms.

**Burkina Faso – IMF lending helped Burkina Faso respond to the pandemic and continue to provide basic public services.** The COVID-19 outbreak significantly exacerbated Burkina Faso's ongoing security and humanitarian crises, severely impeding Burkina Faso's economy and weakening its financing position. To help Burkina Faso respond to the immediate impacts of the pandemic, in April 2020 the IMF's PRGT provided about $50 million in emergency lending. With the IMF's help, Burkina Faso was also able to achieve the economic reform benchmarks in its pre-existing IMF program and receive an additional $115 million in subsequent PRGT support. The combined $165 million in interest-free borrowing from the PRGT was critical in enabling Burkina Faso to expand its public health response and provide support to its economy while also maintaining spending on other social sector and defense and security priorities. To promote transparency and accountability, Burkina Faso has established COVD-19 spending oversight mechanisms and published audited reports on the use of COVID-19 funds, including those financed through IMF support.

# Climate Change and Environment

The FY 2022 budget requests $1.074 billion for multilateral climate change and environmental funds to be provided by Treasury, including the first contribution to the Green Climate Fund (GCF) since 2017, as well as requests for the Clean Technology Fund (CTF) and the Global Environment Facility (GEF)[4]. These funds are effective means through which the United States can support concerted and cohesive action by developing country partners to achieve their Nationally Determined Contributions (NDCs) under the Paris Agreement. They 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 the adoption of new technologies and levering 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 request of $15 million for the TFCCA and requests for contributions to the MDBs, which are among the largest and most effective financiers of action on climate change mitigation and adaptation.

## Green Climate Fund

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| - | - | 625,000,000 |

The FY 2022 Budget for Treasury Department International Programs requests $625 million for the GCF. 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. The State Department is also requesting $625 million for the GCF in its budget.

**Program Description**

The GCF is the largest climate-focused multilateral fund and a critical element 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 mobilize climate finance and implement impactful climate-focused projects in developing countries. It also offers a range of financing instruments—grants, loans, equity, and guarantees—to expand options for private sector partners and attract private finance for underserved priorities such as adaptation and nature-based solutions in nascent markets.

[4] Because the GEF supports multiple environmental goals, only a portion of GEF funding is included in the Administration's request for $2.5 billion in climate change finance.

- As of March 2021, the GCF has approved 173 projects worth $30.2 billion, using $8.3 billion in GCF resources and attracting $21.9 billion in public and private co-financing.
- The United States is a founding member of the GCF and is one of its top donors. 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.

**How GCF Promotes U.S. Interests**

Addressing the challenge of climate change requires joint action from all countries, including from developing countries. The GCF supports these countries to ensure that their development proceeds on a low-emissions pathway and to enhance their ability to adapt to the impacts of climate change.

Climate change mitigation and adaptation also offers new growth and investment opportunities for U.S. businesses. The GCF employs part of its funds to help mobilize financial flows from the private sector, including through its specially designed for private sector finance facility. Currently there are two U.S. firms accredited by the GCF to implement GCF projects and they are partnering with the GCF in projects worth nearly $1 billion. To date, each dollar of GCF investment has attracted about $3 of investment from private sector partners. The United States supports 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**

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. The current pipeline of public and private sector projects exceeds current GCF resources by about $22 billion. With additional resources, based on the current pipeline, the GCF would be able to increase its programming up to about $4.5 billion per year, a significant increase from the approximate $2 billion allocated in 2020.

Other countries look to the United States to play a leadership role as one of its top donors. The United States currently has an outstanding pledge of $2 billion to the GCF. Failure to fully fund the U.S. pledge would have a negative impact on the institution's ability to finance climate projects and meet its strategic objectives. It could also negatively impact U.S. diplomatic standing, as the GCF is closely associated with the implementation of the Paris Agreement.

**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 their national climate mitigation strategies. The GCF approved over $2 billion in climate finance projects in 2020, an annual record, and another $1.2 billion in projects at its March 2021 board meeting. More than 70 percent of its current portfolio is now under implementation. When fully implemented, the current portfolio is expected to provide adaptation benefits to more than 400 million people and to reduce GHG emissions by an equivalent of over 1.2 billion tons of $CO_2$.

The GCF is in the process of updating its comprehensive approach for measuring impact results, specifically how GCF projects contribute to shifting paradigms towards low-emission and climate-resilient development. This would enable more consistent measurement and reporting of quantifiable impacts by project entities. The GCF also has an Independent Evaluation Unit (IEU) to conduct evaluations of GCF policies and programming, to inform the Board of lessons learned for the benefit of future policy decisions. For example, in the past year, the IEU evaluated the GCF's engagement in SIDS, as well as the GCF's adaptation portfolio.

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, and to attract private sector partners toward climate-focused investment opportunities.

**Project Examples**

**Sub-Saharan Africa – Energy Access Relief Facility (EARF):** In 2020, the GCF approved the Energy Access Relief Facility (EARF), led by U.S. firm Acumen Fund, which functions to provide renewable energy companies in Sub-Saharan Africa with vital financial liquidity during the COVID-19 crisis, in the form of low-interest, unsecured junior loans. The GCF will channel $30 million in equity that will be used to provide concessional loans to eligible companies operating in eligible countries. The aim of these loans is to help companies remain solvent, maintain staff and supply lines, be positioned to drive the post-COVID-19 recovery, and to reduce GHG emissions by an equivalent of 1.3 million tons of carbon dioxide.

**Least Developed Countries (LDCs) and SIDS – Global Subnational Climate Fund:** The Global Subnational Climate Fund is an example of the GCF's ability to make blended finance work for those most vulnerable to the effects of climate change, particularly in LDCs and SIDS, by leveraging private investment at scale. The GCF, in partnership with U.S. firm Pegasus Capital Advisors, will provide $150 million in first loss equity to leverage investments at a ratio of up to 25:1 for climate action at the sub-national level. This program is intended to be a financial game-changer as smaller, local climate projects are chronically under-funded and usually unable to access commercial finance. Almost half the 42 participating countries are LDCs and SIDS.

**Bhutan for Life:** In 2017, the GCF approved a project of $26.6 million for the World Wildlife Fund, the Government of Bhutan, and other partners to promote environmental conservation to help Bhutan continue to act as a sink for GHG emissions and to remain carbon negative. The project provides households with access to renewable electricity to limit the need to use wood for fuel. The project's adaptation measures focus on encouraging local communities to manage natural resources sustainably, including protecting ten critical watersheds, restoring wildlife habitats to reduce climate impacts, and strengthening enforcement to prevent illegal logging.

## Climate Investment Funds – Clean Technology Fund

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| - | - | 300,000,000 |

Created in 2008, the Climate Investment Funds (CIFs) aimed to integrate concessional climate finance into MDB operations and then sunset once a new UNFCCC climate fund (i.e., the GCF) was created. However, as the need for climate finance has grown, donor and recipient governments agree that the CIFs play an important and targeted role to further "green" MDB operations and to incentivize climate investments that are complementary but not duplicative to other climate finance sources. 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 2022 Budget requests $300 million for the CTF, part of the CIFs, $270 million of which will be used for the subsidy cost of a 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. However, the CIFs are now at a turning point—there is little funding remaining in the legacy CIF programs, and the CTF is now operational. In that context, CIF members have agreed to refocus the CIFs' work on five new areas[5] that could be highly impactful on climate outcomes and are not effectively addressed by other funds. 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 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 for communities impacted by the transition from a coal-based economy. Support from the CTF will be for climate-related activities (e.g. training offered by solar companies to develop technical skills), but additional funds are expected to be mobilized from the MDBs' own resources for a broad range of activities to support social protection and additional job creation activities.

Treasury intends to extend a loan to the CTF to use in the ACT program, which is an innovative way to use minimal budgetary resources for maximum impact. This will allow the United States

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

to provide significant resources for a small number of high-emitting middle-income countries, potentially including countries such as India, Indonesia, and South Africa. Decarbonizing the energy mix of such countries is difficult to address through existing climate finance channels but will be crucial to meeting international climate goals. Loan funding is appropriate for the intended recipients of the ACT program, which are middle-income countries and can afford loans at higher rates. The United States would provide a smaller amount of grant funding for aspects of the program that are not as well suited for loan funding, such as technical assistance.

**How the 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. Other donors are considering substantial contributions (in the form of loans, grants, and capital) to the ACT. 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.

**Achieving and Measuring Results**

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, net change in GHG emissions, renewable energy capacity and energy storage capacity installed as a result of the program's interventions, annual energy savings and energy efficiency as a result of ACT interventions, 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. In order to account for and incorporate lessons learned from projects and activities, the CTF also manages a robust evaluation and learning exchange between the MDBs and recipient countries.

## Global Environment Facility

| | FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|---|
| Total Request | 139,575,000 | 139,575,000 | 149,288,000 |
| *Of which, payment toward unmet commitments* | - | - | 12,725,000 |

The FY 2022 Budget requests $149,288,000 for payment to the International Bank for Reconstruction and Development (IBRD) as trustee for the Global Environment Facility, including towards a final installment for the GEF-7 replenishment (WB FY 2019 – FY 2022), and of which, $12.7 million is for unmet commitments to the GEF.

**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. Since its inception, the GEF has provided more than $21.1 billion in grants and mobilized an additional $114 billion in co-financing for more than 5,000 projects in 170 countries. The GEF is currently operating under its seventh investment cycle (GEF-7), which runs from July 1, 2018 to June 30, 2022.

**How 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. 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, combatting wildlife trafficking, reducing harmful pollution, and conserving fish stocks outside U.S. waters.

**Meeting U.S. Commitments to the GEF**

The Unites States has contributed $3.1 billion to the GEF since its inception, making it the GEF's second largest donor. The United States has contributed $409.7 million to the GEF-7 replenishment to date, exceeding its pledge of $273.2 million. For each fiscal year from FY 2019 through FY 2021, 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 to date, U.S. unmet commitments stand at $102.4 million, all of which are to the GEF-2 replenishment and date to the late 1990s. In addition to $136.6 million for a final payment to the GEF-7 replenishment, the FY 2022 Budget requests $12.7 million for unmet commitments to the GEF-2 replenishment.

## Achieving and Measuring Results

As of December 2020, 73 percent of GEF-7 resources have been programmed, totaling $2.8 billion in direct GEF project financing, with an indicative co-financing rate of nearly $7.8 for each dollar invested. This programming is expected to deliver the following results:

- The mitigation of more than 1.250 billion metric tons of greenhouse gas emissions;
- The creation or improved management of more than 100 million hectares of terrestrial protected areas and more than 8 million hectares of marine protected areas;
- The improved management of nearly 150 million hectares of productive landscapes and more than 6 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 1.7 million metric tons of globally over-exploited fisheries; and
- The reduction, safe disposal, or avoidance of 37,000 metric tons of toxic chemicals.

Every four years, the GEF's Independent Evaluation Office produces a comprehensive evaluation of past project and operational performance. These evaluations influence the programming objectives for the next replenishment period.

## Project Examples

**Amazon Sustainable Landscapes Program:** Funded with $201 million in GEF grant financing, and supported by about $1.2 billion in co-financing, the Amazon Sustainable Landscapes Program (ASL) is implemented by the World Bank and aims to: (1) improve the management and financial sustainability of protected areas; (2) strengthen sustainable land use and forest management; (3) reduce carbon emissions from deforestation; and (4) promote the incorporation of biodiversity management principles into selected sectors that are contributing to deforestation. The long-term goal is to implement a landscape mosaic composed of well-managed protected areas and indigenous territories, with sustainable use in the surrounding landscapes that will ultimately ensure the maintenance of the ecological integrity and resilience of the Amazon biogeographical region. Participating countries include Brazil, Bolivia, Colombia, Ecuador, Guyana, Peru, and Suriname, which together cover 92 percent of the Amazon Basin. The two phases of the ASL is expected to deliver multiple global environmental benefits, including: (1) strengthening the management effectiveness of 98 million hectares of protected lands; (2) facilitating the creation of 4.3 million hectares of new protected areas; (3) promoting sustainable productive practices in 27 million hectares; (4) restoring 53,000 hectares of land; and (5) supporting actions to help mitigate 194 million metric tons of $CO_2$ equivalent.

**Global Wildlife Program (GWP):** This program, led by the World Bank, is funded with $213 million in GEF grant financing and is supported by about $1.3 billion in co-financing. It is a global partnership to combat wildlife poaching, trafficking, and demand. Overall, the GWP includes 37 national projects across 32 countries in Africa, Asia, and Latin America. The program approaches the poaching crisis holistically through activities in source, transit, and demand countries, including by: (1) strengthening anti-poaching and anti-trafficking law enforcement and intelligence operations; (2) increasing the size of conservation areas and improving their management; (3) promoting integrated land-use planning and human-wildlife conflict mitigation tools; (4) providing opportunities for development through nature-based tourism and other agrobiodiversity, forestry, and natural resource projects that benefit local communities;  and (5) incentivizing demand reduction through targeted consumer awareness-raising campaigns and increased legal deterrents.

# Food Security

## International Fund for Agricultural Development

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| 30,000,000 | 32,500,000 | 43,000,000 |

The FY 2022 Budget requests $43 million for the first 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 $1.060 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 2020, IFAD provided $822.8 million in loans and grants. IFAD expects the total program of loans and grants over the course of the IFAD-11 (2019-2021) replenishment period to reach $3.5 billion.

### How 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, reducing poverty in the remotest areas of poor and fragile countries, and supporting millions of rural people to build their resilience in the face of a changing climate.

Funding for IFAD also advances U.S. national security interests by supporting economic 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

Between 2016 and 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 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 addition, by the end of 2018, the following additional results were achieved:

- 3.1 million hectares of land were brought under climate-resilient management practices and irrigation was improved on more than 275,000 hectares of land,
- 13.8 million people accessed financial services and more than 160,000 enterprises accessed business promotion opportunities, and
- 2.08 million people were trained in community management topics (72 percent of whom were women) and 1.4 million people were trained in income-generating activities.

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 2020 IOE annual report finds continued strong performance in environment and natural resource management and adaptation to climate change in addition to a recent improvement in project-level efficiency and sustainability following a declining trend. However, IOE highlights the need for IFAD to establish clearer targets, results, and monitoring frameworks for the mainstreaming themes of nutrition and youth and better exploit the synergies between lending and non-lending (e.g., knowledge management, partnership building, and policy engagement) in the development of country strategies.

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 is developing a multi-year IOE strategy and an updated development effectiveness framework.

## Project Examples

**Bangladesh – COVID Response Support.** In 2020, IFAD provided $900,000 to Bangladesh through its COVID-19 Rural Poor Stimulus Facility (RPSF). The COVID-19 RPSF was designed to respond to the food security impacts of the pandemic with an emphasis on ensuring access to inputs, markets, rural financial services, and digital services in addition to providing other livelihood support and COVID-19 prevention measures. The COVID-19 RPSF support to Bangladesh, implemented through the Smallholder Agricultural Competitiveness Project, was used to support quick-impact provision of inputs and capacity building support for high-value and nutrient-rich home vegetable gardening in coastal areas.

**Bolivia – Economic Inclusion Program for Families and Rural Communities.** IFAD provided a total of $28 million to this initiative from its Adaptation for Smallholder Agriculture Program. The program has proven effective at building resilience to climate change, with associated social and nutritional benefits. The project is also exemplary as it drew on indigenous practices to bolster climate adaptation. The program has benefited nearly 60,000 households and restored approximately 7,000 hectares of degraded forest land.

**Rwanda – Rural Income through Exports.** IFAD **has** provided $58 million to this project, which has provided small-scale farmers in the coffee, tea, sericulture (silk production), and horticulture sectors with training, credit and technology so they can access export markets. The project assisted over 140,000 households to improve agricultural practices, increase their access to markets and financial services, and improve the quantity and quality of their cash crops. Of those receiving technical training, 69 percent were women. In 2019, IFAD reported that the farmers reported an increase of 32 percent in their income from coffee production and 92 percent in their income from horticultural production.

# Technical Assistance

## Office of Technical Assistance

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| 30,000,000 | 33,000,000 | 38,000,000 |

The FY 2022 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, 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 and terrorist financing policies. OTA also supports partner countries' efforts to raise their own domestic resources more effectively, reducing dependence on foreign assistance. OTA's work is critical for meeting U.S. foreign policy goals, such as private sector-led economic growth, reduced corruption, 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, including in areas deeply impacted by the COVID-19 pandemic, such as debt management, revenue mobilization, cash management, problem bank resolution, and broader fiscal and financial sector challenges. OTA would use the requested budget resources in FY 2022 to be able 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. 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. The request also supports important ongoing enhancements to OTA's project monitoring and evaluation regime in compliance with the Foreign Aid Transparency and Accountability Act of 2016 (FATAA).

Finally, the request seeks the elimination of the provision in current law that limits funding available to Treasury to oversee and administer its global technical assistance program. Without removal of the current limitation, beginning in FY 2022 the program estimates that it will no longer be able to fully fund essential program management functions, including project oversight, contracting (for expert advisors and logistical support services), and legal, financial management, information technology, and security services. In that event, OTA will need to reduce its already modest project footprint.

## How 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 on-site 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). Levels of traction are measured by OTA advisors and headquarters staff according to specific indicators that are relevant to each of the five OTA core areas and captured in project-specific logical frameworks and monitoring documents.

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 2022. 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

**Latin American Countries Work Together to Strengthen Anti-Corruption Measures in Revenue Administration**. Tax administration officials from several Latin American countries participated in a virtual meeting facilitated by OTA to exchange ideas to strengthen anti-corruption measures, including to address new and emerging risks related to tax policy changes resulting from the economic and fiscal challenges of the COVID-19 pandemic. The meeting, held in December 2020, included 60 representatives from tax administrations in current and former OTA partner countries, including Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Panama, Paraguay, and Peru. The participants discussed challenges to maintain existing anti-corruption controls; implementing new controls in adherence to regulations and tax relief measures put into effect by governments and tax administrations in response to the pandemic; and identifying possible fraud and corruption that arise from the application of new regulations and tax relief measures. This was the second such meeting of Latin American tax administration officials convened by OTA, following a similar event in 2019 focused on peer-to-peer learning and tax regime strengthening.

**Ecuador Restructures Public Debt.** Faced with historic economic and fiscal challenges exacerbated by the COVID-19 pandemic and the resultant fall in oil prices, Ecuador successfully restructured a majority of the country's public debt (external and domestic). OTA advised its counterparts at the Ministry of Economy and Finance on the design of the restructuring, which affected debt principal totaling approximately 35 percent of GDP and resulted in $16 billion in cash flow relief to the government and a more manageable debt profile through 2030. In addition, with OTA assistance the government developed and approved a series of legal changes to strengthen public financial management, including through publication of a yield curve for domestic government debt and increased transparency of public accounts and transactions.

**Madagascar Expands Insurance Offerings.** Madagascar passed a new insurance law that broadens the range of product offerings to include microinsurance, digital insurance, and index insurance; the new law also allows for the sale and administration of these products by non-traditional distribution channels. These changes, implemented with OTA support, address longstanding challenges faced by Madagascar's population—particularly its rural population—in accessing affordable and relevant insurance products. Additionally, the Central Bank approved the launch of a pilot index insurance product, which pays out policy holders in the event of an objective climatic event (flooding, drought, storms, pestilence) without the submission of a claim of loss. This pilot program protected 143 low-income agricultural producers by promising quick and easy insurance payments to offset catastrophic loss to their income resulting from a climactic event.

**Indonesia Develops Cash Management Strategy.** The Ministry of Finance of Indonesia began implementing key processes and tools to enable the government to reach internationally accepted standards for cash management, which is a critical aspect of the government's public financial management reform efforts. As part of a reprioritized workplan focusing on the challenges presented by COVID-19, OTA assistance focused on implementing policies and procedures for automatic payments to government vendors, including telecommunication and utility services, to enhance visibility and predictability of such payments. OTA also supported the Ministry's efforts to implement a business intelligence tool to obtain high-value information, such as trends in budget execution (revenues and expenditures), to support the public financial management decision-making process. Once fully implemented, the tool, which incorporates a data dashboard to monitor key financial management performance indicators and improve the predictability of cash flow forecasts, will help increase data digitization, thereby providing the government with more timely and actionable cash flow information as it seeks to invest anticipated cash surpluses and to borrow to finance anticipated shortfalls.

**Zambia Customs and Drug Enforcement Formalize Cooperation.** The Zambian Revenue Authority (ZRA) executed a memorandum of understanding with the Zambian Drug Enforcement Commission (DEC) to share customs and immigration, as well as various tax and money laundering information. By formalizing and improving communication, the agencies are seeking to strengthen efforts to combat tax crimes, money laundering, drug trafficking and other crimes. The issue of cross border information sharing was identified by OTA in early discussions with DEC senior management, who worked with the DEC and the ZRA in drafting the agreement that creates and outlines an information exchange process.

# Debt Restructuring Programs

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| $15,000,000 | $204,000,000 | $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 forty countries, including Haiti, Afghanistan, Liberia, Somalia, Indonesia, Costa Rica, and the Philippines have benefitted from U.S. debt relief and restructuring programs. The FY 2022 Budget requests $67 million for the cost of U.S. bilateral debt restructuring and relief programs. Of this amount, $52 million is for the G20 Debt Service Suspension Initiative (DSSI) and Common Framework on Debt Treatments (Common Framework), and $15 million is for the TFCCA. No funding is requested for the HIPC Initiative.

## DSSI and Common Framework

| FY 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| - | - | $52,000,000 |

The FY 2022 Budget requests $52 million for the DSSI and Common Framework. This funding is necessary to restructure and lower the interest rates the United States charges poor countries that have requested payment suspensions under the DSSI in line with the interest rates charged by other G20 official bilateral creditors, including China, and to fund the cost of debt treatments for poor countries under the Common Framework. All G20 members, including China, intend to provide debt suspension and restructuring on comparable terms under these initiatives. Without this funding, the United States could be forced to block the multilateral debt process under the Common Framework and charge much higher interest rates on DSSI debt service suspensions than other G20 members.

### Program Description

The DSSI, launched in April 2020, offers eligible IDA and LDCs a temporary suspension of debt service payments on official bilateral debt, enabling these countries to respond to the immediate health, economic, and social spending needs related to COVID-19.

The Common Framework, endorsed by the G20 and Paris Club in November 2020, offers a mechanism for DSSI-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.

## How the DSSI and the Common Framework Promote U.S. Interests

In 2020, the United States helped lead G20 and Paris Club efforts to establish the DSSI and Common Framework as key pillars of the international policy response to the COVID-19 pandemic. The DSSI freed up about $5.7 in fiscal space for 43 beneficiary countries in 2020, and the G20 has decided to extend the initiative to end-2021. According to the IMF and World Bank, along with exceptional financing, this support is providing significant liquidity relief to beneficiary countries which is helping facilitate higher pandemic-related spending and a return to pre-COVID growth paths. 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 2020 Enacted | FY 2021 Enacted | FY 2022 Request |
|---|---|---|
| $15,000,000 | $15,000,000 | $15,000,000 |

The FY 2022 Budget requests $15 million for the TFCCA.

## Program Description

The TFCCA enables developing countries with certain concessional debt owed to the United States to redirect some of those payments to a local currency conservation fund. 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. As of end-April 2021, negotiations have started with one country and two additional interested countries are being reviewed for eligibility.

## How 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.

**Project Examples**

Since its inception in 1998 as the Tropical Forest Conservation Act (TFCA), the United States has concluded 20 agreements with 14 countries, the most recent in 2014, after which funding lapsed. Seventeen agreements remained in force as of the end of FY 2020. Two are expected to expire during FY 2021.

**Costa Rica.** In Costa Rica, the COVID pandemic raised the risk that some local community members would resort to environmentally harmful activities to feed their families as sustainable livelihoods such as eco-tourism, which the TFCCA program had helped build over the past ten years, disappeared almost overnight. In response, the TFCCA program grant oversight committee adjusted funding levels and grant terms to prioritize proposals that mitigate the impacts of the pandemic on biodiversity and communities' livelihoods.

**The Philippines.** In the Philippines' Sierra Madre mountain range, government-led forest management efforts are implemented along with traditional practices of forest protection and conservation. TFCCA grants have supported three indigenous communities in northern municipalities covering approximately 88,000 hectares of natural forests, which have earned a formal national declaration as Indigenous Community Conserved Areas (ICCA). The declaration will strengthen forest ecosystem protection, ancestral domains management, and increase opportunities for biodiversity-friendly and sustainable livelihoods.

# Annex 1: MDB Basics

**What are the MDBs?**

The United States is a member of several development institutions, including the following MDBs:

- World Bank
- Asian Development Bank
- Inter-American Development Bank
- African Development Bank
- European Bank for Reconstruction and Development
- International Fund for Agricultural Development

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. The United States is the largest shareholder in the World Bank, Inter-American Development Bank, European Bank for Reconstruction and Development and the International Fund for Agricultural Development; the co-largest shareholder (with Japan) in the Asian Development Bank; and the largest non-regional and second-largest overall shareholder in the African Development Bank.

**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 and a wide-ranging interagency group on MDB issues. Additionally, Treasury provides 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.

**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:
  - International Development Association (World Bank Group)
  - African Development Fund (African Development Bank Group)
  - 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. Because the European Bank for Reconstruction and Development and North American Development Bank are private sector-oriented, they do not have a concessional window, while the Inter-American Development Bank provides both non-concessional and concessional funding from one window. The Asian Development Bank provides both non-concessional and concessional loans from its Ordinary Capital Resources; the Asian Development Fund provides only grants.

**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

***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.

# Annex 2: FY 2022 Appropriations Language and Authorization Requests

Below is a summary of proposed appropriations language and authorization request.

## FY 2022 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, $1,427,974,140, 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, $211,300,000, 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, $53,323,000, to remain available until expended.*

## International Monetary Fund – IMF Facilities and Trust Funds

### CONTRIBUTION TO IMF FACILITIES AND TRUST FUNDS

*For contribution by the Secretary of the Treasury to the Poverty Reduction and Growth Trust (PRGT) or other special purpose vehicle of the International Monetary Fund (IMF), $102,000,000, to remain available until December 31, 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 other special purpose vehicle of the IMF: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed 15,000,000,000 Special Drawing Rights.: Provided further, That section 5(f) of the Bretton Woods Agreements Act (22 U.S.C. 286c(f)) shall not apply to any loans made by the Secretary of the Treasury to the PRGT or other special purpose vehicle of the IMF on or prior to December 31, 2031: Provided further, That the Exchange Stabilization Fund and the financing account corresponding to transactions with the IMF are authorized to enter into such transactions as necessary to effectuate loans denominated in Special Drawing Rights to the PRGT or other special purpose vehicle of the IMF.*

## Climate Change and Environment

### GREEN CLIMATE FUND

*For payment by the Secretary of the Treasury to the International Bank for Reconstruction and Development, as trustee for the Green Climate Fund, $625,000,000, to remain available until expended.*

### CLEAN TECHNOLOGY FUND

*For contribution to the Clean Technology Fund, $300,000,000, to remain available until expended: Provided, That up to $270,000,000 of such appropriation 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: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans without limitation.*

### 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, $149,288,000, 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.*

<u>**Office of Technical Assistance**</u>

**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.*

<u>**Debt Restructuring and Debt Relief**</u>

**DEBT RESTRUCTURING**

*For "Bilateral Economic Assistance—Department of the Treasury—Debt Restructuring" there is appropriated $52,000,000, to remain available until September 30, 2023, 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 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 to eligible countries, pursuant to part V of the Foreign Assistance Act of 1961, $15,000,000, to remain available until expended.*

# FY 2022 Authorization and Other Legislative Requests[6]

## 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."*

## LOAN TO THE POVERTY REDUCTION AND GROWTH TRUST OF THE INTERNATIONAL MONETERY FUND

*Section 5(f) of the Bretton Woods Agreements Act (22 U.S.C. 286c(f)) shall not apply to any loans made by the Secretary of the Treasury to the Poverty Reduction and Growth Trust ("PRGT") or other special purpose vehicle of the International Monetary Fund on or prior to December 31, 2031: Provided, That the Exchange Stabilization Fund and the financing account corresponding to transactions with the International Monetary Fund are authorized to enter into such transactions as necessary to effectuate loans denominated in Special Drawing Rights to the PRGT or other special purpose vehicle of the International Monetary Fund.*

## 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 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.*

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[6] 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."

*(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.*