



JUSTIFICATION FOR APPROPRIATIONS
FY 2014 BUDGET REQUEST



U.S. DEPARTMENT OF THE TREASURY
INTERNATIONAL PROGRAMS

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Justification for Appropriations
FY 2014 Budget Request

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Dear Member:

On behalf of President Obama, it is my pleasure to submit the Congressional Budget Justification for the Department of the Treasury's Fiscal Year 2014 International Programs.

Today, U.S. leadership in the multilateral development banks (MDBs) remains strong thanks to the bipartisan support from Congress for the recent general capital increases and replenishments. Investments in multilateral institutions remain a cost-effective way to promote our national security, support the next generation of export markets, and address key global challenges like environmental degradation and food insecurity, while fostering private sector development and entrepreneurship.

Treasury's FY 2014 Budget is primarily a continuation of previously negotiated and authorized multi-year MDB commitments for capital increases and replenishments based on the bipartisan actions taken by Congress in support of the MDBs in FY 2012. The Budget also includes arrears payments, which are an important element of Treasury's multi-year approach to the MDBs.

Our support for the MDBs has strengthened U.S. leadership of these institutions, enabling us to leverage critical reforms to improve accountability, transparency, and development effectiveness. United States investments in the MDBs account for roughly \$3 billion of the Administration's Function 150 Budget, yet they leverage nearly \$100 billion in annual development commitments. As an historical example, the U.S. capital increase commitment of \$420 million made to the World Bank under the Reagan Administration helped support \$325 billion in lending over the subsequent two decades.

As we seek to protect our recovery and increase exports, our support of the MDBs is critical. These institutions are helping to nurture the next generation of emerging markets as they become more vital trading partners for the United States. Emerging markets and developing countries accounted for nearly 60 percent of U.S. exports in 2012—up from 45 percent in 2000—and the MDBs are uniquely equipped to provide the scale of investment necessary to sustain further global growth and safeguard global public goods.

Our request includes continued funding for food security to fund country-led, evidence-based agriculture development strategies and projects in the world's poorest countries. For example, investments made by the Global Agriculture and Food Security Program at the World Bank continue to make major strides in improving agricultural development in countries seeking to reduce food insecurity. In 18 countries, smallholder farmers have seen significant increases in productivity with corresponding income gains.

In addition, Treasury's Budget requests funding for the environmental trust funds, which support United States economic, security, and environmental objectives to reduce instability and conflict caused by resource scarcity; reduce harmful, long-lived chemicals, such as mercury in our air and water; conserve global biodiversity; and develop markets for the export of U.S. environmental technologies.

Our request also seeks funding for Treasury's Office of Technical Assistance, which makes critical, targeted investments in strategically important areas such as the Middle East and North Africa and Burma.

Additionally, the request includes funding for the new Middle East and North Africa Transition Fund, a multi-donor fund administered by the World Bank. This fund is leveraging contributions from G-8 and Gulf countries to support policy reforms in Arab transition countries to strengthen democracy and create more open economies.

Finally, the request seeks to implement the 2010 International Monetary Fund (IMF) agreement. In 2010, G-20 Leaders and the IMF membership decided on a set of quota and governance reforms designed to enhance IMF effectiveness. The United States successfully achieved its negotiating priorities in this process: (1) a United States quota increase with a simultaneous and equivalent roll back in our participation in the IMF's New Arrangements to Borrow; and, (2) preservation of the unique U.S. veto in the IMF. Legislation is required to preserve United States leadership in the IMF.

These investments continue to represent outstanding value for money. As we continue to seek the best returns for taxpayer resources, these commitments are sound investments that preserve U.S. leadership and advance U.S. economic growth and national security while furthering efforts to combat poverty and improve environmental and food security.

I look forward to working with you on this important request.

Sincerely,



Jacob J. Lew
Secretary of the Treasury

Executive Summary

Multilateral Development Banks

The FY 2014 Request for the multilateral development banks (MDBs) is comprised almost entirely of annual commitments negotiated and authorized in previous years. These include a continuation of the capital increases at the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), the African Development Bank (AfDB), and the Asian Development Bank (AsDB). Investments in multilateral institutions remain a cost-effective way to promote U.S. national security, support broad-based and sustainable economic growth, and address key global challenges like environmental degradation, while fostering private sector development and entrepreneurship. Continued support preserves U.S. leadership at the MDBs—leadership that has greatly benefited both the MDBs and U.S. taxpayers for more than 60 years.

Treasury's Request includes funding for the concessional windows at the MDBs that support the world's poorest countries. MDB concessional facilities are an important source of financing for development needs in many of the world's most fragile and post-conflict states. The projects they support help save lives by combatting extreme hunger and poverty while promoting global stability, prosperity, and private sector growth. The FY 2014 Request includes funding for the third and final installment of the sixteenth replenishment of the International Development Association (IDA) and the third and final installment of the twelfth replenishment of African Development Fund (AfDF). In addition, Treasury is requesting funding that will both meet the U.S. commitment to the first installment of the tenth replenishment of the Asian Development Fund (AsDF) and clear a portion of U.S. arrears at the AsDF, which currently total over \$326 million. Treasury's Request also includes \$6.3 million to clear a portion of the outstanding U.S. arrears to the Multilateral Investment Fund (MIF).

Food Security

The FY 2014 Request includes \$135 million for a contribution to the Global Agriculture and Food Security Program (GAFSP). Investments made by GAFSP continue to make major strides toward improving agricultural outcomes in countries seeking to reduce food insecurity. In 18 countries, smallholder farmers have seen significant increases in productivity on a per hectare basis with corresponding income gains. GAFSP is responsive to country needs and is aligned with their own home grown strategies. It fosters cooperation among donors and allocates resources based on results.

The food security budget also includes \$30 million for the second of three installments for the ninth replenishment of the International Fund for Agricultural Development (IFAD), the only global development finance institution solely dedicated to improving food security for the rural poor. This request is equivalent to our annual commitment under the previous replenishment, made in 2008.

Environment and Clean Energy

The FY 2014 Request includes \$427.5 million for the Global Environment Facility (GEF), the Clean Technology Fund (CTF), and three programs supported by the Strategic Climate Fund (SCF): The Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Program for Scaling up Renewable Energy in Low-Income Countries (SREP). FY 2014 funding for Treasury's multilateral environment and clean energy programs will spur direct

action and investment by other countries to reduce their own pollution sources and advance ongoing efforts. These global actions mitigate threats to our domestic environment that increasingly originate beyond our own borders, enhancing our national security and providing opportunities for U.S. businesses, especially in clean energy.

The U.S. contribution leverages significant funding from other donors, developing country governments, development institutions, and the private sector. Each U.S. dollar contributed to the GEF, CTF, and SCF leverages four to five additional dollars from other donors and six to ten times that from other funding sources—including the private sector.

Debt Relief

The FY 2014 Request includes \$175.3 million to meet a portion of the U.S. commitment to the Multilateral Debt Relief Initiative (MDRI) at IDA and the AfDF under the current replenishment cycles. MDRI, together with associated debt relief efforts, reduced the debt burden for participating countries by about 90 percent as compared to the debt levels existing prior to entering the debt relief process. As a result, these countries have been able to increase poverty-reducing expenditures by an average of more than three percentage points of GDP over the past ten years.

Middle East and North Africa Transition Fund

The FY 2014 Request includes \$5 million for the Middle East and North Africa Transition Fund, a new multi-donor trust fund administered by the World Bank. This fund was created under the U.S. chairmanship of the Group of 8 to assist Arab countries that are members of the Deauville Partnership with Arab Countries in Transition (currently Egypt, Tunisia, Jordan, Morocco, Libya, and Yemen) as they address their diverse economic challenges during their political transitions. The fund provides quick dispensation for small grants to help countries put in place economic policies and government reforms that will allow them to attract greater flows of capital. A wide range of countries have already provided or committed to provide funding, including the United Kingdom, Saudi Arabia, Canada, France, Japan, Russia, Kuwait, and Qatar.

Treasury Technical Assistance

The FY 2014 Request includes \$23.5 million for Treasury's Office of Technical Assistance (OTA). This small program achieves big objectives as it fosters economic growth by enabling a government to provide better services for its citizens and reduce dependency on foreign aid. For over 20 years, OTA has helped developing countries build effective financial management systems—a core element of a well-functioning state. These financial management systems include: building efficient revenue collection, well-planned and executed budgets, judicious debt management, sound banking systems, and strong controls to combat corruption and other economic crimes. The program provides significant, cost-effective value for U.S. development, foreign policy, and national security objectives.

International Monetary Fund

Treasury is seeking legislation within its FY 2014 Budget Request for the International Monetary Fund (IMF). G-20 leaders and the IMF membership reached agreement at the 2010 Seoul Summit on a set of IMF quota and governance reforms designed to enhance IMF effectiveness. The U.S. successfully achieved its negotiating priorities: (1) a U.S. quota increase with a corresponding roll back in our participation in the IMF's New Arrangements to Borrow (NAB);

and, (2) preservation of U.S. veto power in the IMF.

Legislation is needed to increase the U.S. quota in the IMF by approximately \$63 billion and simultaneously reduce by an equal amount U.S. participation in the NAB. This action results in no overall change in U.S. financial participation in the IMF. The legislation is also necessary to allow the U.S. to accept an amendment to the IMF Articles of Agreement facilitating changes in the composition of the IMF Executive Board while preserving the U.S. board seat.

Since its inception, the IMF has been a critical tool for the U.S. in promoting global financial stability. The IMF supports U.S. jobs, exports, and financial markets. During crises abroad, the U.S. leverages the IMF to protect our domestic economy.

As the world's largest economy, the U.S. is the only country with a veto to shape major IMF governance and resource decisions. As emerging economies play a bigger role and seek greater influence, it is critical that the U.S. maintains its influence in the global economy in the coming years. This requires ensuring the IMF remains the leading first responder with adequate quota resources and that the U.S. continues to preserve its veto power. Unless the U.S. acts now to honor its IMF commitments, we risk jeopardizing our leadership position.

Finally, the IMF is a safe and smart investment, with a rock solid balance sheet including reserves and gold holdings that exceed total IMF credit outstanding (about \$140 billion). The IMF has never defaulted on any U.S. reserve claims on the IMF since its inception nearly 70 years ago.

The required authorization requests, including for mandatory funding for the IMF quota increase and NAB rollback, will be submitted separately. The proposal has an assumed enactment date in FY 2013. The net cost of the proposed IMF legislation is zero, both in terms of budget authority and outlays.

Treasury International Programs

Summary of Appropriations and Requests
Treasury International Programs
 FY2012 - FY2014 (in millions of \$)

	FY 2012 Enacted	FY 2013 CR Rate¹	FY 2014 Request	FY 2014 Request Full Numbers
Economic Growth, National Security and Poverty Reduction (MDBs)				
International Development Association (IDA)	1,325.0	1,333.1	1,358.5	1,358,500,000
Int'l Bank for Reconstruction and Development (IBRD)	117.4	118.1	187.0	186,956,866
Inter-American Development Bank (IDB and FSO)	75.0	75.5	102.0	102,020,448
Multilateral Investment Fund (MIF)	25.0	25.2	6.3	6,298,000
Inter-American Investment Corporation (IIC)	4.7	4.7	-	-
Asian Development Bank (AsDB)	106.6	107.2	106.6	106,585,848
Asian Development Fund (AsDF)	100.0	100.6	115.3	115,250,000
African Development Bank (AfDB)	32.4	32.6	32.4	32,417,720
African Development Fund (AfDF)	172.5	173.6	195.0	195,000,000
Subtotal	1,958.5	1,970.5	2,103.0	2,103,028,882
Food Security				
Global Agriculture and Food Security Program (GAFSP) ²	135.0	135.8	135.0	135,000,000
Int'l Fund for Agricultural Development (IFAD)	30.0	30.2	30.0	30,000,000
Subtotal	165.0	166.0	165.0	165,000,000
World Bank Environmental Trust Funds				
Clean Technology Fund (CTF) ³	184.6	185.8	215.7	215,700,000
Strategic Climate Funds (SCF) ⁴	49.9	50.2	68.0	68,000,000
Global Environment Facility (GEF) ⁵	89.8	90.4	143.8	143,750,000
Subtotal	324.4	326.3	427.5	427,450,000
Debt Relief				
Bilateral Debt Reduction	-	-	-	-
Multilateral Debt Relief Initiative (MDRI) for IDA	167.0	168.0	145.3	145,300,000
Multilateral Debt Relief Initiative (MDRI) for AfDF	7.5	7.5	30.0	30,000,000
Tropical Forest Conservation Act (TFCA)	12.0	12.1	-	-
Subtotal	186.5	187.6	175.3	175,300,000
Treasury Office of Technical Assistance	27.0	27.2	23.5	23,500,000
Transition Fund	-	-	5.0	5,000,000
TOTAL TREASURY REQUEST	2,661.4	2,677.7	2,899.3	2,899,278,882

¹ The CR Rate reflects the annualized level provided by the Continuing Appropriations Resolution, 2013 (P.L. 112-175).

² FY 2012 Enacted amount does not include the transfer of \$25 million from the Development Assistance Account. FY 2013 CR Rate does not include the transfer of \$14.6 million from the Development Assistance Account.

³ FY 2012 Enacted amount does not include the transfer of \$45 million from the Economic Support Fund.

⁴ FY 2012 Enacted amount does not include the transfer of \$25 million from the Economic Support Fund.

⁵ FY 2012 Enacted amount does not include the transfer of \$30 million from the Economic Support Fund.

Treasury International Programs

Summary of Arrears
Multilateral Development Banks
FY2002 - FY2012
(Budget Authority; in \$)

MDBs	Arrears end-FY2002	Arrears end-FY2003	Arrears end-FY2004	Arrears end-FY2005	Arrears end-FY2006	Arrears end-FY2007	Arrears end-FY2008	Arrears end-FY2009	Arrears end-FY2010	Arrears end-FY2011	Arrears end-FY2012
IDA	73,015,000	78,540,000	120,727,880	327,527,880	337,027,880	377,877,880	385,572,880	505,572,880	478,072,880	480,542,880	423,042,880
MIGA	10,892,087	9,271,689	8,154,321	8,154,321	6,867,321	6,867,321	6,867,321	6,867,321	6,867,321	6,867,321	6,867,321
AFDF	220,000	10,849,144	16,789,221	29,637,221	30,994,221	32,351,221	33,366,261	39,421,261	40,476,261	86,636,261	109,136,261
AFDB	13,420	42,126	67,315	619,934	2,036,730	3,453,526	1,433,026	631,375	615,239	615,239	615,239
AsDF	133,158,400	138,908,527	98,339,611	102,139,611	118,389,611	134,639,611	175,345,350	185,595,350	195,845,350	311,095,350	326,345,350
AsDB	-	-	-	-	-	-	-	-	-	213,020	212,868
IDB	-	-	-	-	-	-	-	-	-	-	27,022,861
MIF	88,772,000	64,341,172	39,488,672	28,576,672	26,852,572	50,128,472	50,330,972	50,330,972	50,330,972	50,380,972	50,380,972
IIC	16,055,000	2,822,619	47,822,619	47,822,619	46,098,519	46,098,519	46,098,519	46,098,519	41,428,519	20,470,519	15,800,519
IFAD	11,000	104,857	189,339	309,339	459,339	3,609,339	3,683,722	3,683,722	3,683,722	4,243,722	4,243,722
GEF	210,937,600	171,585,848	140,668,364	141,528,364	169,828,364	170,628,364	169,527,644	169,527,644	163,027,644	205,057,644	258,987,644
EBRD	-	232,732	441,776	725,225	10,157	10,157	-	-	-	-	-
TOTAL	533,074,507	496,698,714	472,689,118	687,041,186	738,564,714	825,664,410	872,225,695	1,007,729,044	980,347,908	1,166,122,928	1,222,655,637

Notes:

1. The amount of AfDB arrears (\$615,239) corresponds to the 51 capital shares from GCI-V forfeited by the United States
2. The United States has not had arrears to the IFC, IDB FSO or NADBank during the FY2002-FY2012 Period

Multilateral Development Banks

World Bank Group

The World Bank Group (WBG) is composed of 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). Treasury is seeking funding for its commitments to IDA and IBRD.

International Development Association

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$1,325,000	\$1,333,109	\$1,358,500

Treasury requests \$1,358.5 million for the third and final installment to the Sixteenth Replenishment of the International Development Association (IDA-16).

IDA:

- Makes highly concessional loans and grants to the world's 81 poorest countries – home to 2.5 billion people, 1.8 billion of whom survive on \$2 a day or less;
- Is the single largest source of development finance in the world's poorest countries, and operates across a range of sectors, including primary education, basic health, clean water and sanitation, the environment, infrastructure, and agriculture; and
- Was ranked “best performer” in aid transparency in an independent ranking of 58 donor organizations in 2011.

U.S. funding for IDA has helped save tens of millions of lives, combatting extreme hunger and poverty around the world while promoting global stability and prosperity. Projects funded through IDA help support U.S. national security objectives by addressing the root causes of extremism and conflict, and support U.S. economic objectives by fueling demand for exports in new markets.

The U.S. was the driving force behind the creation of IDA in 1960 and remains its largest shareholder. IDA's strong leveraging of other donor contributions, coupled with internal World Bank resources, makes it an effective organization in which to invest U.S. development resources. Every \$1 contribution from the U.S. leverages almost \$12 in contributions from other donors and internal Bank resources. In FY 2012, IDA's commitments reached \$14.8 billion, funding 158 new operations. By region, Sub-Saharan Africa received almost half of total IDA commitments.

IDA Project Examples:

- **Laos.** With the help of a \$10 million IDA grant, Laos is benefiting from significantly increased access to electricity. Before the project, only 65 percent of the population in targeted villages had access to electricity. During the project's implementation from 2006 to 2012, the number of people able to access electricity rose to 80 percent, a 15 percentage point

increase. A unique feature of this project was a targeted sub-program aimed exclusively at the poorest segments of the population. Called “Power to the Poor,” the sub-program used interest free credits to bring electricity to 30,000 households, mostly headed by women.

- **Regional.** IDA grant funding has played a major role in supporting regional integration projects, especially in sub-Saharan Africa. In fiscal year 2012, a \$35 million IDA grant was approved to the West African Power Pool (WAPP). WAPP is a cooperative power pooling mechanism for integrating national power system operations into a unified regional electricity market. WAPP will provide electricity to four of IDA’s poorest countries: Liberia, Sierra Leone, Cote d’Ivoire, and Guinea. Liberia and Sierra Leone are still recovering from the civil wars that have devastated large parts of both countries, and – in the case of Liberia – led to the complete destruction of its public power system. In all four countries, electricity connection rates are among the lowest in the world and the cost of generating power in these countries remains high, primarily due to the small size of the power systems and the reliance on fossil fuel-based generation. By leveraging the costs of large-scale electricity production across several markets, projects such as this one will generate affordable electricity for the millions of firms and individuals who drive the region’s economic growth.

International Bank for Reconstruction and Development

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$117,364	\$ 118,083	\$186,957

Treasury requests \$117.4 million for the third of five installments for the general capital increase (GCI) at the International Bank for Reconstruction and Development (IBRD). Treasury also requests \$69.6 million for the second of four payments for the selective capital increase (SCI) at the IBRD. Participation in both the GCI and SCI is necessary to maintain U.S. shareholding above the 15 percent veto threshold at the World Bank. With 15.8 percent of voting power, the U.S. is the World Bank’s largest shareholder and the only country with a veto over changes to the World Bank’s Articles of Agreement.

IBRD:

- Aims to reduce poverty in middle-income and creditworthy poorer countries – where one-third of the world’s people live on less than \$2 per day – through loans, guarantees, risk management products, and analytical and advisory services;
- Helps poor people gain access to jobs, markets, and social services;
- Provides financing for essential infrastructure services, such as water, electricity, and roads;
- Is uniquely positioned to address global challenges, such as food insecurity and environmental degradation; and
- Yields healthy returns for U.S. economic, security, and humanitarian interests by strengthening new sources of global growth, working with governments to improve governance, accountability, and public financial management, and supporting post-conflict relief efforts.

Through leadership as the IBRD's largest shareholder, the U.S. has helped shape the global development agenda. It has advanced approaches that encompass core American values, such as helping to provide open environments for the private sector, good governance (e.g., transparency and accountability), a more prominent role for civil society, and universal access to healthcare and education. U.S. investments in the IBRD have a significant leveraging effect, with every additional dollar of U.S. capital allowing increased lending of over \$25 due to burden-sharing with other shareholders and the Bank's ability to borrow in international capital markets.

IBRD General Capital Increase

In 2010, IBRD shareholders committed to increase its capital to forestall a substantial decrease in lending capacity as a result of the financial crisis. Without the GCI, lending would have fallen from an average of \$15 billion a year to less than \$8 billion a year, significantly curtailing the IBRD's ability to respond to regional and global challenges.

A key outcome of the GCI negotiations was a commitment to transfer additional IBRD resources to finance IDA. As a result, each \$1 contributed to capital will leverage nearly \$8 in income transfers from IBRD to IDA, providing a total of \$6.6 billion of internal transfers over the next nine years. Without this GCI, the dramatic decline in lending would mean that the income from loan reflows needed to support the internal transfers to IDA would be sharply diminished—leaving donor nations to shoulder a greater burden for IDA contributions.

U.S. support and its strong multiplier capacity will enable the IBRD to continue vital work to improve health and educational outcomes and to expand the access of poor people to basic services. Without fully financing the GCI, however, a permanent decrease in U.S. shareholding and voting share would result, as well as a loss of U.S. veto power.

IBRD Selective Capital Increase

The selective capital increase (SCI) is a mechanism to adjust ownership shares of the IBRD, in this instance to enhance the voice and participation of developing and transition economies, while preserving that of the poorest members. The multi-year SCI negotiation aimed to better reflect major changes in the global economy, recognizing that a shift in participation was necessary to preserve the IBRD's legitimacy and effective governance. Under the SCI, the U.S. preserves both its relative voting share and position as the largest IBRD shareholder, while "overrepresented" countries, principally in Western Europe, cede voting power to developing countries.

A key outcome of the SCI was to preserve the current voting power of the U.S. above the 15 percent threshold required for veto power over amendments to the IBRD's Articles of Agreement. This objective is in line with the U.S. position as the world's largest economy. As with the GCI, failure to fully finance the SCI would result in a permanent decrease in U.S. shareholding and voting share, as well as a loss of U.S. veto power.

IBRD Project Examples:

- **The Philippines.** In September 2010, the IBRD provided \$60 million in additional financing to an existing project aimed at reducing rural poverty in the Philippines, where almost three-fourths of the country's poor live in rural areas. The project's approach is unique, as it empowers citizens to directly manage development resources, rather than being solely the beneficiaries. From its origins in 2002 through May 2011, the project has benefited 1.35 million households in over 4,500 villages. Women in particular have gained

from the program, both through their active project management role (as community facilitators and volunteers) as well in terms of employment opportunities and education attainment. A rigorous impact evaluation of the program has shown an average five percent increase in per capita consumption. The project's success has made it a model for a national program covering all poor municipalities throughout the Philippines.

- **Colombia.** The IBRD has also supported innovative approaches to education. For example, the IBRD has funded a two-phase project to provide \$40 million in financing to improve access to quality education in over 100 rural municipalities in Colombia. Previous education interventions in Colombia, and elsewhere, concentrated on increasing quantity (school attendance) without improving quality (learning outcomes). As a result, children often passed through school with low levels of math and reading comprehension. During the first phase of this program, Colombia realized gains in both coverage and learning achievement, accompanied by reductions in grade repetition rates, in the targeted municipalities. The second phase of the program is also yielding positive attendance and learning outcomes. Looking ahead, the project aims to simultaneously decrease the lowest level of achievement in math and language, and increase the completion rate at the secondary school level.

World Bank Group: Monitoring Performance and Measuring Results

Strengthening the results orientation of the WBG has been a key priority to ensure that U.S. contributions are generating positive and lasting results on the ground. For example, the U.S. was a major driver of a special structure in IDA to assess results and is now working to ensure that lessons from projects are incorporated into new projects.

Results are measured and managed at several levels, including by tracking outcomes at the project level and linking disbursements to the achievement of specific targets. In addition, the WBG reports on results through the following three publicly available fora: 1) an annual report known as the "Corporate Scorecard"; 2) an annual report prepared by an Independent Evaluation Group (IEG) housed at the WBG; and 3) a management action record, which tracks the adoption of the IEG's recommendations. These transparent assessments of performance ensure that taxpayer dollars are being invested wisely, and will lead to long-term improvements in development results.

Corporate Scorecard

The Corporate Scorecard establishes targets and monitors the WBG's performance against those targets.¹ It uses indicators to track development results and institutional performance. Project level data (e.g., the number of children immunized) is combined with corporate performance (e.g., average time from loan approval to disbursement), and broader development impacts are tied to the Millennium Development Goals (e.g., child mortality) to track results.

The Corporate Scorecard is updated semi-annually and is made publicly available on the WBG's web site. The fourth Corporate Scorecard was publicly released in October 2012. Reporting positive trends in areas such as ante-natal services, the Corporate Scorecard showed increases in the number of women receiving care and in the number of children being immunized.

¹ The Corporate Scorecard can be found here:
<http://databank.worldbank.org/databank/download/World%20Bank%20Corporate%20Scorecard%202012.pdf>

Independent Evaluation Group

The IEG, an independent unit within the WBG, assesses the results of the WBG's work and provides accountability in the achievement of those results. Drawing from its own evaluations and other information sources, the IEG produces an annual report: Results and Performance of the World Bank Group (RAP).²

The RAP provides a rich set of data on country programs and projects, and usefully aggregates the data to point out strengths, weaknesses, and emerging trends. The 2012 RAP lauded the WBG for its significant progress in managing for results. The RAP also noted WBG's shifting focus from increasing access to services to the improvement of the quality of services. Integrating key priority issues—environment, social development, and gender—is also a critical component of the WBG's strategic directions and country programs. While most country programs met their objectives, IEG found that the high performance standard set in the Corporate Scorecard has yet to be attained. IEG pointed to opportunities for enhancing the effort in preparation and supervision as a way to improve project outcome ratings.

Management Action Record

The Management Action Record (MAR), which has tracked adoption of IEG recommendations, is an important tool for WBG learning. To strengthen the quality of evaluation recommendations and their implementation by WBG management, the MAR process is being revised. For example, IEG is prioritizing recommendations, considering their feasibility and cost effectiveness, and reducing their number and complexity. At the same time, Management will define actions and timelines to respond to IEG's recommendations that will provide benchmarks against which to assess progress. The latest MAR, which covers 26 evaluations completed between FY 2008 and FY 2012, shows that adoption of IEG recommendations has increased over time.

² The RAP Report can be found here: http://ieg.worldbank.org/content/dam/ieg/rap2011/rap2011_vol1.pdf

Inter-American Development Bank Group

The Inter-American Development Bank Group is composed of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), and the Multilateral Investment Fund (MIF). Treasury is seeking funding for its commitments to the IDB and the MIF.

Inter-American Development Bank

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$75,000	\$ 75,459	\$102,020

Treasury requests \$102.0 million for the third of five installments for the IDB's Ninth General Capital Increase (GCI).

IDB:

- Is one of the largest sources of development financing for Latin American and the Caribbean, a region of significant commercial and strategic importance to the U.S.;
- Provides 26 borrowing member countries with close to half of their multilateral financing for major development priorities, including infrastructure, private sector growth, regional integration, and social safety nets; and
- Supports U.S. strategic economic and security interests by working to strengthen citizen security in the region, as well as financing the construction of schools, bridges, health clinics and roads, thus providing opportunities for people to lift themselves out of poverty.

For over 50 years, the U.S. has been the leading shareholder of the IDB, ensuring that U.S. investments made in partnership with the other members of the Bank are financially sound and advance the economic and social development of Latin America and the Caribbean. As the largest shareholder of the IDB, the U.S. exercises strong influence over the Bank's policies and programs, which further strengthens the role of the IDB as a partner in advancing U.S. priorities in the Western Hemisphere.

U.S. investments in the IDB have a significant leveraging effect, with every additional dollar of U.S. capital allowing lending to increase by over \$10 because of burden-sharing with other shareholders and the Bank's ability to borrow in international capital markets.

IDB General Capital Increase

The U.S. supported the recapitalization of the IDB in 2010 in order to avert a sharp reduction in lending during the financial crisis. Without the GCI, lending would have fallen to approximately \$7 billion a year, well below estimates of the \$12 billion in borrowing needs of member countries. The GCI agreement also secured a total of \$2 billion in grants for Haiti through 2020. U.S. influence was evident during the GCI negotiations, in which the U.S. consolidated key institutional reforms to improve the strategic direction of the IDB.

IDB Project Examples:

- **El Salvador.** The IDB is a key partner in critical U.S. priorities in the region, such as citizen security in Central America. A social youth violence prevention project in El Salvador combines work training, institutional strengthening, and jail rehabilitation programs. In a joint effort by the central government and the municipalities of the San Salvador metropolitan area, a \$45 million loan from the IDB seeks to generate more opportunities for the nearly one in four Salvadoran youth between the ages of 15 and 24 who do not work or study. The project will support 30 municipalities that develop and implement prevention plans. Around 10,000 youth will benefit from these communal programs that include sports, art, and training in the prevention of intra-family violence. Projected reductions in crime and violence rates – even under conservative assumptions – would generate a benefit of \$2.50 for every dollar invested.
- **Mexico.** Salud Digna Para Todos I.A.P., a Mexican non-profit organization, received a \$10 million loan from the IDB to expand access to high-quality, low-cost medical diagnostic services in several northwestern and central Mexican states. The loan will help finance the opening of 38 new diagnostic clinics in the next five years, tripling the organization's current network and providing affordable and timely health diagnostic studies for approximately 2.5 million patients a year. The IDB financing is expected to be complemented by syndicated loans and co-financing of up to \$7 million from social impact investors mobilized by the Bank. This project will help narrow an important gap in diagnostic and preventive healthcare, as over two thirds of beneficiaries come from the poorest segments of the population. The project will pave the way for the accurate, affordable, and timely detection and diagnosis of health risks and diseases, providing low-income Mexicans with early treatment, improving their chances of survival, and avoiding costly medical interventions that strain both personal finances and finances of the public health system. Over the 10-year life of the IDB loan, the project aims to benefit 26 million mainly low-income citizens.

Inter-American Development Bank: Monitoring Performance and Measuring Results

The IDB tracks two broad areas of performance for its projects. First, it measures whether its strategic focus is fully aligned with the programming and the delivery of specific operations in each country. Second, the IDB measures results at the project and country level to ensure that outputs, outcomes, and, in some cases, long-term impacts of each intervention are captured.

In 2011, the IDB's country dialogue, which is aimed at producing results-based country strategies and program documents, marked its second year of implementation. The Bank expects to achieve full implementation of results-based country strategies in 2013.

The IDB tracks project performance from project design to project completion. Internal performance indicators include: evaluation at entry, outputs, efficiency during project implementation, and the achievement of results at the end of the project.

In addition, the IDB produces an annual Development Effectiveness Overview (DEO).³ Through this review, the IDB tracks progress on regional development goals (e.g., reductions in the extreme poverty rate) and assesses the IDB's outputs against those goals (e.g., individuals

³ The DEO can be found here: <http://iadb.org/en/topics/development-effectiveness/development-effectiveness.1222.html>

benefitting from a targeted anti-poverty program). The DEO also assesses progress on lending program targets as well as operational effectiveness and efficiency.

In 2011, the DEO found that most outputs contributing to the regional goals were satisfactory. However, there were challenges in the areas of infrastructure and social welfare. The IDB generally met its targets in operational effectiveness, except in certain measures of efficiency, where the time to produce a country strategy or to meet criteria for loan disbursements lagged. As a result, the IDB has focused its efforts on the timely execution of projects and strategies to improve results.

The IDB also has a strong independent evaluation office (OVE) that works with the Bank’s Board of Directors to identify improvements needed in corporate operations and the effectiveness of project interventions. OVE conducted a comprehensive review of the reforms agreed to as part of the GCI and presented its findings at the IDB’s Annual Meeting in March 2013. OVE’s report commended the IDB for its strong implementation of the agreed reforms, while pointing to a few areas where more work is needed to strengthen effectiveness (e.g., the Bank’s inspection panel and its programming in Haiti). Management has responded constructively to this evaluation and is working with the Board of Directors to address the shortcomings identified.

Multilateral Investment Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$25,000	\$25,153	\$6,298

Treasury requests \$6.3 million to clear a portion of U.S. arrears (approximately \$50 million) to the Multilateral Investment Fund (MIF). The need for new financing for the MIF is urgent since U.S. arrears account for more than half the MIF’s annual operating budget. Without additional financing, the institution will be forced to cease operations in 2014 or 2015. This payment will help to support the valuable contributions that the institution is making to development in Latin America.

MIF:

- Is a special facility within IDB that promotes micro- and small-enterprise growth in Latin America, and provides both grant and equity financing to stimulate private sector development;
- Works directly with private and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce, and broaden the economic participation of smaller enterprises; and
- Reinforces U.S. regional economic objectives by supporting economic growth and poverty reduction through increased private investment and private sector development in Latin America and the Caribbean.

The U.S. was the primary force behind the creation of the MIF. Since its establishment in 1993, its focus has been on areas prioritized by the U.S. For example, in April 2009, the MIF agreed to participate in a new partnership announced by the White House to provide up to \$250 million to

microfinance institutions to weather the global financial crisis and allow them to continue to help small businesses in the Western Hemisphere.

For every dollar of donor contribution, the MIF leverages over \$3.75 from the private sector or counterpart organizations.

MIF Project Examples:

- **Regional.** In April 2012, Caterpillar, CEMEX, Microsoft, Arcos Dorados, and Wal-Mart joined the MIF in supporting a region-wide initiative in all 26 borrowing member countries to provide high-impact, market-relevant training and job placement services to at least one million youth over ten years old. The initiative will bring together government agencies, multinational companies, local firms, and non-governmental organizations (NGOs) to scale up the successful employment training models that the MIF and its partners have developed in nearly two decades of work.
- **Guatemala.** Through a \$350,000 grant, the MIF helped Salcajá – a rural financial cooperative primarily serving indigenous women in Quetzaltenango and Totonicapán – expand financial services based on remittances. Specifically, the MIF funded a market study and technical assistance needed to design and market new financial products, increase clients, and update databases and information systems. Financial products and services introduced for the first time included savings accounts, debit cards, credit card services, online account consultations, repatriation insurance, hospitalization insurance, funeral insurance, and payment of utility bills. Salcajá also created a customer service program in local languages (Quiche, Mam) and developed an orientation program for new members of the cooperative. Over the course of the project, the cooperative increased its membership from 18,000 to over 27,000 members. Remittance transfer has also increased as services have become more efficient and less costly.
- **Dominican Republic.** Through a \$370,000 grant, approved in September 2012, the MIF will support the development of a recycling business to improve health and environmental conditions in 11 disadvantaged communities in Santo Domingo. The project will create the Association of Community-based Environmental Sanitation Foundations for Recycling (AFCSA), which will promote linkages with the private sector, including both suppliers and purchasers of recyclable materials. Other partners, such as PepsiCo, have already committed to finance the infrastructure and basic equipment needed for a collection center.

Multilateral Investment Fund: Monitoring Performance and Measuring Results

Results-based management is a central MIF priority. The MIF has adopted an integrated project management system to tie disbursements to specific well-defined milestones, measure results at the beneficiary level, collect data on results and beneficiaries from every project, and aggregate that data across projects and topics.

The MIF also publishes the annual Development Effectiveness Report, which analyzes the performance, effectiveness, and impact of its projects and activities.⁴

⁴ The 2012 Development Effectiveness Report can be found here:
<http://www5.iadb.org/mif/HOME/Knowledge/tabid/426/idPublication/65155/language/en-US/Default.aspx>

To ensure that the MIF's project management system functions optimally, the MIF introduced a number of tools in 2011 to strengthen project design and implementation. These included a tool to assess the development effectiveness of proposed projects (Quality for Effectiveness in Development); an improved logical framework model; a new template for project abstracts; the Diagnostic of Executing Agency Needs, an improved institutional assessment of executing agencies; a system for disbursements by results; and tools for assessing poverty levels of regions and target beneficiaries.

The MIF is now engaged in or actively planning about 20 prospective evaluations, which will take several years to conduct. Lessons learned in implementing an evaluation program emphasize the importance of: i) involving evaluators in project design and ensuring executing agency buy-in; ii) fitting impact evaluation methodologies to project specifics; iii) ensuring that project budgets cover evaluation needs; and iv) involving local staff.

African Development Bank Group

The African Development Bank Group is comprised of the African Development Fund (AfDF) and African Development Bank (AfDB). Treasury is seeking funding for its commitments to both the AfDF and AfDB.

African Development Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$172,500	\$173,556	\$195,000

Treasury requests \$195.0 million for the third and final installment of the twelfth replenishment of the African Development Fund (AfDF-12).

AfDF:

- Is the concessional arm of the AfDB Group and provides grants and highly concessional loans to the poorest countries in Africa, nearly half of which are fragile or conflict-affected states; and
- Focuses its investments on its areas of demonstrated comparative advantage: addressing Africa's infrastructure deficit, supporting regional integration by scaling investments in infrastructure, and assisting fragile states to restore stability and rebuild their institutional capacity.

U.S. contributions to the AfDF provide significant returns on U.S. economic, national security, and humanitarian objectives in Africa, with every dollar contributed by the U.S. leveraging close to \$9 from other donors.

AfDF Project Examples:

- **Botswana - Zambia.** The AfDF is investing \$75 million to support the construction of the Kazungula Bridge, which will link Botswana and Zambia. This multi-national project supports regional integration, a key AfDB priority. The project includes a new road and rail bridge to replace the existing ferry used to cross the Zambezi River and is expected to have a dramatic impact on economic activity. Currently drivers wait an average of 30 hours to cross the river—an estimated loss in productivity of \$17.5 million annually. Decreased congestion will reduce delays by about 80 percent when the bridge is completed. Improved links on this vital corridor between the two countries will also improve trade and provide benefits to both the agriculture and services sectors in Botswana and Zambia.
- **Liberia.** The AfDF is investing nearly \$40 million in the rehabilitation of the water treatment system in four urban settlements. The project will focus on restoring pre-war capacity and providing increased access to a safe water supply. When completed, the project will provide safe and reliable water to nearly 700,000 residents. As a part of the project, the AfDF is also supporting capacity building programs for the Liberian Water and Sewer Corporation and implementing a sanitation awareness campaign.
- **Côte d'Ivoire.** The AfDF is supporting women who have been victims of gender-based violence (GBV). With a lack of national services focused on GBV victims, the AfDF stepped in to establish an integrated system that provides victims with health treatment, legal

assistance, and support for economic reintegration. The project provided training for hundreds of social and health workers, police officers, and judicial agents. It is also rehabilitating and equipping health facilities and social protection centers. Beyond simply providing services and improving conditions for victims, the program also supports education and awareness campaigns to help prevent future incidents.

African Development Bank

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$32,418	\$32,616	\$32,418

Treasury requests \$32.4 million for the third of eight installments for the African Development Bank’s Sixth General Capital Increase (AfDB GCI-VI).

AfDB:

- Serves all 54 African member countries, including the Arab Spring countries in North Africa, through non-concessional lending to public and private sector entities in middle-income countries, as well as private sector lending to low income countries; and
- Yields healthy returns for U.S. economic, national security and humanitarian interests by strengthening new sources of global growth, supporting nascent democracies in North Africa, and lifting people from poverty.

Through its support for growth in Africa’s middle-income countries, the AfDB is helping solidify new democracies and create stable societies that can govern effectively and meet the needs of their people. In addition, the AfDB is helping create new markets for U.S. businesses and workers, and enhancing the capacity of African countries to move beyond development aid. U.S. investment in the AfDB has a significant leveraging effect, with each additional dollar of U.S. capital supporting additional lending of \$20 through burden-sharing with other shareholders and an increase in the Bank’s ability to borrow from the international capital markets.

AfDB GCI

The U.S. is the largest non-regional shareholder in the AfDB, and U.S. contributions to GCI-VI helped the Bank to nearly triple its lending from an average of \$1.8 billion before GCI-VI to over \$5 billion annually by 2011. In order to avoid any dilution of U.S. shareholding and retain a single seat on the Executive Board, the U.S. must fulfill its financial obligations under the GCI.

During the GCI negotiations, the U.S. championed a number of key institutional reforms. These included adoption of a comprehensive income model to ensure financial sustainability, budget discipline, and steady transfers to the AfDF, increased transparency and disclosure, stronger risk management, and a heightened focus on results. Such reforms are aimed at solidifying the major strides that the AfDB has taken over the past five years. These reforms improve the AfDB’s institutional effectiveness by narrowing its strategic focus and strengthening controls on project quality.

AfDB Project Examples:

- **Regional.** The AfDB financed a Rural Water Supply and Sanitation Initiative in 23 countries in Africa, providing equitable access to water supply and sanitation to the rural poor across Africa. In eight years of implementation, the AfDB has provided \$1.3 billion for 31 programs and leveraged \$4.2 billion from other donors. These programs have brought water supply to 45.5 million people and sanitation services to 30 million people.
- **Cape Verde.** The AfDB provided financing for the Cabeolica Wind Power Project in Cape Verde, Africa's first public-private partnership in the wind energy sector. The project leveraged six times the financing provided by the AfDB (\$20 million) and started feeding power to the grid within nine months of the start of construction. The project now supports 25 percent of Cape Verde's annual electricity demand and is helping lower carbon emissions by 65,000 metric tons a year.
- **Namibia.** In May 2012, the AfDB approved a nearly \$8 million loan to Trustco, a private sector student loan company. The loan will allow Trustco to provide more than 10,000 micro-loans to facilitate distance learning for Namibian students. The loans will benefit both current students and teachers who want to improve their own qualifications.

African Development Bank Group: Monitoring Performance and Measuring Results

In 2012, as part of the AfDB Group's effort to deepen its focus on results, it launched the Annual Development Effectiveness Review (ADER),⁵ a corporate management tool that assesses the AfDB Group's overall performance. Using the AfDB Group's Results Measurement Framework – a set of measurable objectives– the ADER presents scorecards tracking the AfDB Group's progress against its performance targets in terms of development results on the ground and operational effectiveness, and the efficiency of the AfDB Group's institutional management.

The ADER reports on how the AfDB Group: meets its key sector outputs and intermediate outcomes, which represent the AfDB Group's tangible contributions to development in Africa (e.g. miles of roads constructed or rehabilitated); links operational effectiveness to the quality of its outputs (e.g. problem projects in the portfolio); and captures institutional effectiveness to determine how well the AfDB Group is implementing internal reforms and meeting its own corporate governance targets (e.g. share of women in professional staff). The AfDB Group's independent Operations Evaluation Department, contributes to the ADER process through its assessments of completed projects, sector policy reviews, and country assistance evaluations.

The 2012 ADER found that the AfDB Group was meeting targets in most areas, including energy, water, and sanitation and health but lagging in other areas such as transport and education. As a result, the AfDB will emphasize rural transport network programs that create economic opportunities for isolated communities and youth employment programs that promote education and skills. Areas flagged for operational improvement included program delivery efficiency (e.g., the pace of disbursement) and staff turnover in human resources.

⁵The ADER can be found here: [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADER%202012%20\(En\).pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADER%202012%20(En).pdf)

Asian Development Bank Group

The Asian Development Bank Group is comprised of the Asian Development Fund (AsDF) and Asian Development Bank (AsDB). Treasury is seeking funding for its commitments to both the AsDF and AsDB.

Asian Development Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$100,000	\$100,612	\$115,250

Treasury requests \$115.25 million, with \$89.9 million to serve as the first of four contributions to the Asian Development Fund’s Tenth Replenishment (AsDF-11). The remaining \$25.35 million is for partial clearance of U.S. arrears to the AsDF, which currently exceed \$326 million. The early 2012 AsDF negotiations concluded with the U.S. pledging \$359.6 million over four years (FY 2014-2017) or \$89.9 million per year—a 22 percent reduction from the \$461 million (\$115.25 million per year) pledged during the previous replenishment period (FY 2010-2013). This reduced pledge amount, combined with the planned arrears payment, is part of a multi-year plan to clear U.S. arrears at the AsDF.

AsDF:

- Is a key source of concessional financing for development in the 20 poorest countries in the Asia-Pacific region, focusing on the construction of critical infrastructure such as roads, water and sanitation, electricity grids, and schools;
- Provides financing for development in an additional 11 fragile and vulnerable small-island states;
- Rewards performance by allocating resources based on results; and
- Has been recognized by the U.S. national security community as critical to the success of U.S. security and political objectives in Afghanistan.

The AsDF is a major partner in U.S. efforts in Afghanistan, and has committed more than \$2.8 billion to support Afghanistan’s stability and reconstruction since 2002. AsDF investments in Afghanistan are significant in both scope and scale. The AsDF is rebuilding over 1,100 kilometers of roads, enabling security forces to access remote regions and farmers to bring their products to market, as well as facilitating transport of the country’s significant mineral wealth for export. AsDF projects are also: improving irrigation and water infrastructure, so staple crops like wheat, maize, and barley can compete against the lure of opium; repairing power transmission lines, and; expanding the rail transport network. Governance reform programs are strengthening provincial administrations and improving transparency and accountability of public finances, including extractive industry revenues.

U.S. contributions to the AsDF provide significant returns on U.S. priorities in the region. Every dollar contributed by the U.S. leverages close to \$13 from other donors.

AsDF Project Examples:

- **Afghanistan.** In building a railway line from the major northern city of Mazar-e-Sharif to Hairatan, the AsDF helped to open a transport artery crucial to Afghanistan’s reconstruction and at the same time met the fundamental needs of many of the country’s poorest people. When border bottlenecks at Afghanistan’s main northern port of entry and security concerns on the southern and eastern frontiers were limiting international trade and impeding the delivery of needed materials and humanitarian aid from abroad, this railway project provided a rapid response for a better flow of goods into Afghanistan. This rail line is part of a larger rail network planned across the north and other parts of the country, as well as to neighboring Tajikistan and Pakistan. The line will help Afghanistan fulfill its potential as a key transit link in South and Central Asia.
- **Bhutan.** Environmental sustainability is one of the AsDB group’s three strategic priorities. The Green Power Development Project in Bhutan is an effort to both harness the country’s vast hydropower potential and bring electricity to rural households through the development of the Dagachhu hydropower facility. This facility will export clean energy to a private distributor in India through the existing grid, replacing electricity now produced by fossil fuel generators in the country and reducing carbon emissions. The project will use the proceeds to subsidize the development and operation of the country’s rural electrification network, extending hydroelectricity to nearly 9,000 rural households and facilities. This innovative approach is an example for other projects throughout the country.
- **Bangladesh.** AsDF is working with food producers in northwest Bangladesh. Through training, credit, and marketing support, the AsDF is assisting poor small-landholding farmers to improve their livelihoods, generate rural employment, and reduce poverty by switching from cultivation of the traditional rice crop to high-yield and high-value crops (e.g., varieties of vegetables, fruits, and spices). The project has improved food security for about 240,000 people (half of whom are women) and ensured a nutritious diet for households that subsisted mainly on rice.

Asian Development Bank

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$106,586	\$107,238	\$106,586

Treasury requests \$106.6 million for the fourth of five installments of the Asian Development Bank’s (AsDB) fifth GCI.

AsDB:

- Meets important needs in 24 creditworthy developing economies in Asia through the provision of loans, technical assistance, and policy advice;
- Extends private sector loans and guarantees and makes equity investments in low- and middle-income countries at market-oriented rates; and

- Supports U.S. economic, security and humanitarian interests by strengthening new sources of global growth through the construction of schools, bridges, health clinics, and roads, providing opportunities for people to lift themselves out of poverty.

The AsDB's comparative advantage is infrastructure finance in core sectors such as energy, transport, and water, which typically comprise close to 80 percent of AsDB operations. The AsDB is an indispensable U.S. partner in driving growth and reform in a region where 1.7 billion people – nearly a quarter of the world's population – still live on less than \$2 per day. U.S. investments in the AsDB have a significant leveraging effect, with each additional dollar of capital supporting additional Bank lending of over \$20. This effect is due to burden-sharing with other shareholders and the Bank's ability to borrow from international capital markets.

AsDB GCI

In 2009, the Asian Development Bank sought support for a 200 percent capital increase – its first in 15 years – to forestall a dramatic drop in lending from \$10 billion to \$4 billion annually. Shareholders agreed that new capital was necessary to ensure an adequate level of development assistance to the region with the world's largest number of people living in absolute poverty.

In addition to facilitating a strong response to the global financial crisis, the capital increase has allowed the AsDB to increase its efforts to foster inclusive and environmentally sustainable growth and regional integration throughout the Asia-Pacific region. As these efforts contribute to economic growth and poverty reduction, they also increase opportunities for U.S. suppliers of goods and services. From January to October 2012, U.S. goods exports to AsDB borrowers grew by 6.0 percent on an annualized basis compared to 2.8 percent in the rest of the world.

AsDB Project Examples:

- **Afghanistan.** While the Bank's primary focus is on sovereign lending for infrastructure activities, the capital increase also made possible the expansion of its private sector operations, which act as a catalyst for investments that the private sector might not otherwise be willing to make. A strong example is the AsDB private sector loan issued to the Afghan Telecom Development Company to re-establish critical connectivity in a fragile, conflict-wracked environment, while serving the poor, employing women, and facilitating social services. Based on the strong positive results achieved by this project, in June 2012 the U.S. Treasury awarded the AsDB the first ever Department Development Impact Honor award.
- **Armenia.** The AsDB works to mainstream gender in its operations by undertaking projects classified as either having a gender equity theme or delivering a tangible benefit to women, and contributing to gender equality and female empowerment. In Armenia, the AsDB-funded Women's Entrepreneurship Support Sector Development Program is strengthening the business environment and enabling women entrepreneurs and micro, small, and medium-sized enterprises (MSMEs) to play a greater role in economic development. This loan allows participating financial institutions to provide local currency loans to MSMEs, of which at least 50 percent must be owned by women. The program is complemented by AsDB technical assistance to improve the entrepreneurial capacity of women and increase government and private financial institution capacity to support female entrepreneurship.
- **Uzbekistan.** The AsDB-funded Small and Microfinance Development Project facilitated the establishment of 116 savings and credit unions (SCUs), which have provided credit to over 212,000 women. Through its close work with the Uzbekistan Business Women's Association, this project achieved over 40 percent female representation at the SCUs, with

women holding the positions of Chair, managing director, or both at 38 percent of them. In addition, Uzbekistan passed several pieces of legislation as part of the project to regulate the microfinance sector, providing legal protection to female entrepreneurs.

Asian Development Bank Group: Monitoring Performance and Measuring Results

The primary vehicle used by the AsDB Group to evaluate and manage results is the annual Development Effectiveness Review.⁶ Through this review, the AsDB Group assesses its performance in terms of outputs, outcomes, and operational and organizational effectiveness. It then uses those assessments to address any problems identified and as input in crafting strategic priorities. The AsDB Group is straightforward in this review and readily identifies areas where its performance has been below target. Further, the AsDB Group's Independent Evaluations Department reviews select projects and results for accuracy and effectiveness.

The latest review found that, while the AsDB Group's delivery of outputs (e.g., number of classrooms built and rehabilitated) was generally good, achievement of desired outcomes was below target even as it had improved from previous years. In terms of operational effectiveness, the AsDB Group generally met its targets, except two of the six categories: "Quality of Completed Operations" and "Finance Transfer and Mobilization". In the former category, the number of operations and strategies rated successful at completion was below target, but improved in a majority of the indicators from the previous year. In the latter category, the disbursement ratio fell below target, and AsDB management has developed initiatives to improve project readiness. The AsDB Group generally met its targets for organizational effectiveness.

To address shortcomings, the AsDB Group is currently implementing group-wide action plans to improve project outcomes and the quality of completed operations. Based on this and past reviews, the group is also working to: improve timeliness of project processing through streamlined business processes; improve the gender balance among staff (i.e., more female staff members); increase budget efficiency to continue to deliver quality operations within the current budget; and further mainstream management for development results at the AsDB and AsDF (e.g., by reviewing the results framework and improving use of results-based work plans).

⁶ The DER can be found here: <http://www.adb.org/documents/series/development-effectiveness-review>

Food Security

Global Agriculture and Food Security Program

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$135,000 ⁷	\$135,826 ⁸	\$135,000

Treasury requests \$135 million for the U.S. contribution to the Global Agriculture and Food Security Program (GAFSP). Launched in April 2010, GAFSP is the multilateral component of the President’s “Feed the Future” initiative. The World Bank not only administers this multilateral trust fund, it is also an implementing agency along with the International Fund for Agricultural Development (IFAD) and the regional development banks.

GAFSP:

- Provides additional financing for low-income countries that demonstrate a comprehensive approach to strengthening food security;
- Aligns the resources of other donors with U.S. global food security priorities;
- Promotes best practices in governance and transparency of its operations, and in the measurement of results; and
- Promotes both economic, national security, and humanitarian interests of the U.S., with projects supporting increases in smallholder farmer income through more productive agricultural sectors and improved nutritional outcomes for the most vulnerable.

The U.S. has been a driving force behind GAFSP since its inception and has successfully worked to incorporate design features that 1) require high levels of transparency; 2) include the voice of civil society; and 3) implement state of the art monitoring and evaluation systems that track the results of GAFSP’s investments. In 2012, then Secretary Geithner announced the Administration’s intention to commit \$1 to GAFSP for every \$2 in new pledges by other donors, up to a total U.S. contribution of \$475 million. This challenge, along with previous U.S. financial contributions to the fund, has underscored the U.S. commitment and helped to mobilize additional contributions from Canada, Japan, the Netherlands, South Korea, the Gates Foundation, and the United Kingdom totaling \$375 million.

After two and a half years of operations, GAFSP has made progress in its efforts to provide financing for country-led, evidence-based agricultural development strategies and projects in the world’s poorest countries. GAFSP has awarded \$658 million in grants to 18 countries in Africa, Asia, and Latin America. Once they are fully implemented, these grants are expected to increase the income of at least 8.2 million smallholder farmers and their families.

GAFSP Project Examples:

- **Togo.** GAFSP has financed the rehabilitation of 250 kilometers of rural roads to better connect farmers to local markets. It has also worked with civil society organizations to provide 18,000 farmers with better access to improved seed varieties and fertilizer. Where

⁷ FY 2012 Enacted amount does not include the transfer of \$25 million from the Development Assistance Account.

⁸ FY 2013 CR Rate does not include the transfer of \$14.6 million from the Development Assistance Account.

most Togolese farmers subsist on crops grown on unfertilized, unirrigated plots, farmers supported by GAFSP are now producing commercial volumes of rice seed on large, irrigated paddies. GAFSP funds are also spurring broader reforms that will increase productivity in the agricultural sector such as introducing a results-based management and accountability system at the Ministry of Agriculture, strengthening its fiduciary management capabilities, and modernizing its infrastructure and equipment. GAFSP funds have been catalytic in attracting other donors back to Togo's agriculture sector, such as France and Germany, which have begun to invest in rural infrastructure and value chain development.

- **Sierra Leone.** GAFSP financing has underwritten the delivery of improved extension services to farmer-based organizations to help farmers boost yields in key staple crops. Rehabilitation for irrigation has begun on 500 hectares of inland valley swamps in an effort to increase national rice production.
- **Haiti.** Farmers are gaining access to improved agriculture inputs and technologies through the development of a private agriculture service and input provider network. Access to improved seeds and fertilizers, as well as training on animal and plant health, are expected to improve yields and incomes for approximately 100,000 small farmers.
- **Bangladesh.** Through 375 new livelihood field schools, farmers are being introduced to new production technologies for rice, fisheries, and livestock, and the second year of field demonstrations of these new technologies has recently begun. The use of improved seed varieties as well as better fish and livestock management are expected to sustainably increase the income of 345,000 smallholder farmers and their families. GAFSP is also providing training to the Bangladeshi government that will improve its capacity to manage and monitor and evaluate its projects.

GAFSP: Monitoring Performance and Measuring Results

GAFSP's governance is highly inclusive and transparent. Key decisions concerning grant allocations and governance are made by GAFSP's Steering Committee, comprised of recipient country representatives and donor partners. Accredited observers from civil society and the private sector actively participate in all trust fund committee discussions. GAFSP strives for full transparency in its operations by posting online all project proposals, Steering Committee meeting minutes, and other relevant governance documents. GAFSP also makes its annual reports available online and has begun to post initial project results.

GAFSP has in place several mechanisms to track results. These include common results indicators for all GAFSP projects that will allow aggregation of results across the GAFSP portfolio, an annual GAFSP report, and the use of rigorous impact evaluations on at least 30 percent of all GAFSP-financed projects to help donors better track impacts to the household level. This is noteworthy, since most development institutions conduct impact evaluations on less than 10 percent of all projects. All results will be made publicly available on the GAFSP website.⁹ World Bank staff are currently collecting baseline data for impact evaluations in six GAFSP countries: Bangladesh, Haiti, Mongolia, Nepal, Niger, and Rwanda.

⁹ www.gafspfund.org

International Fund for Agricultural Development

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$30,000	\$30,184	\$30,000

Treasury requests \$30.0 million for the second of three installments for the Ninth Replenishment of the International Fund for Agricultural Development (IFAD).

IFAD:

- Serves 138 countries globally, with almost 50 percent of resources dedicated to Sub-Saharan Africa;
- Is a small, highly focused development finance institution that provides loans and grants to support smallholder agriculture and rural development, with the aim of improving food security in the poorest regions around the globe; and
- Works with developing country governments, civil society organizations, international non-governmental organizations, and the private sector to design innovative programs and projects that fit within national priorities for agriculture and rural development.

IFAD’s projects have a strong track record of improving rural livelihoods by taking a holistic approach to rural development. With the ultimate objective of improving rural livelihoods and food security, IFAD strives to help farmers increase agricultural productivity by adopting new agricultural techniques, developing new rural financing mechanisms (such as rural lending cooperatives), and gaining access to new markets. In addition, IFAD works closely with host governments to influence the national policies that govern agriculture and rural life.

IFAD Project Examples:

- **Chad.** In rural Chad, IFAD provided literacy training, combined with capacity building and awareness training in improved nutrition and management skills, to enable communities to run cereal banks and village credit and savings systems. The cereal bank system allowed farmers to store their grain more safely so that families not only have enough to eat throughout the year but also have a surplus to generate income. Women have used village credit systems to grow tomatoes and other vegetables and to open small markets in their villages.
- **Bangladesh.** IFAD is helping rural communities adapt to environmental degradation in high-risk areas. For instance, Bangladesh’s Ganges Delta is increasingly vulnerable to rising sea levels and extreme weather conditions. IFAD is working with poor farmers to protect their land and their families from more frequent cyclones and storms. The project is building flood protection embankments and drains and establishing cyclone shelters, livestock shelters, and protective tree belts.

IFAD: Monitoring Performance and Measuring Results

IFAD issues an Annual Report of Results and Impact (ARRI)¹⁰ of key evaluations completed each year by IFAD’s Independent Office of Evaluation, with an emphasis on areas of

¹⁰ The ARRI can be found here: <http://www.ifad.org/evaluation/arri/index.htm>

improvement or deterioration since the ARRI baseline was completed in 2003. The ARRI provides management and IFAD member states with an independent perspective on performance and identifies lessons and systemic issues that need attention.

In addition to the ARRI, IFAD produces an annual Report on IFAD's Development Effectiveness (RIDE)¹¹ to track IFAD's performance against its Results Measurement Framework (RMF).¹² The RIDE includes indicators to measure outputs of ongoing projects, outcomes of recently closed projects, and indicators of institutional management efficiency and resource effectiveness. Key output indicators include: number of people receiving services from IFAD-supported projects; area of constructed/rehabilitated irrigation projects; number of people trained in crop/livestock production practices/technologies; number of marketing groups formed/strengthened; and number of people trained in business and entrepreneurship. At the outcome level, IFAD's RMF assesses performance against internationally accepted criteria of project performance: relevance, effectiveness and efficiency; rural poverty impact; and other performance criteria such as sustainability; innovation, replication and scaling up; and gender equality and women's empowerment.

¹¹ The RIDE can be found here: <http://www.ifad.org/deveffect/ride/index.htm>

¹² The Results Measurement Framework can be found here: <http://www.ifad.org/deveffect/mfdr.htm>

World Bank Environmental Trust Funds

Clean Technology Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$184,630 ¹³	\$185,760	\$215,700

The U.S. has pledged a total of \$2 billion to the Climate Investment Funds, which include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). As of December 2012, the U.S. had paid \$714 million into the CTF and \$200 million to the SCF for a total of \$914 million.

Treasury requests \$215.7 million for the CTF. The FY 2014 request is critical to keep funds moving through the CTF pipeline for ongoing projects. Currently, the U.S. is the only country that has not yet contributed its full pledge amount.

CTF:

- Targets 18 emerging market countries with rapidly growing energy demand, including Mexico, Turkey, India and South Africa;
- Has a robust pipeline with 62 projects totaling over \$2.4 billion expected to be approved in 2013 and 2014;
- Supports U.S. economic, national security, and environmental objectives by incentivizing countries to deploy renewable energy and clean transport and to increase energy efficiency throughout the economy by reducing greenhouse gas emissions, enhancing energy security, and opening up new markets for green technologies; and
- Keeps overhead costs low by delivering programs through the multilateral development banks (MDBs).

The CTF provides a single channel to promote green solutions to growing energy demand in some of the largest emerging market countries. The CTF taps into the capital, human, technical, environmental, and fiduciary resources and safeguards of the MDBs. This increases the leverage of U.S. financial resources while minimizing administrative costs. For every dollar the U.S. has contributed to the CTF, other donors have contributed \$4.70. Most importantly, the CTF is helping to jump-start large-scale green infrastructure investments and expand markets for green technologies in key trading partner countries.

As of December 2012, the CTF had approved 41 projects using \$2.3 billion in funding, which attracted co-financing of \$18.8 billion from recipient governments, the private sector, and the MDBs. Out of that total, MDB co-financing accounts for \$5.8 billion, while co-financing from non-MDB sources amounts to \$13 billion, much from the private sector. Every CTF dollar leverages an additional \$5.5 dollars from non-MDB resources.

CTF Project Examples:

- **Philippines.** In the Philippines, the CTF is combining \$105 million of its funds with a \$300 million investment from the Asian Development Bank (AsDB) to catalyze the market for

¹³ FY 2012 Enacted amount does not include the transfer of \$45 million from the Economic Support Fund.

electric tricycles, or e-trikes. The program will improve road safety, increase take-home pay for 100,000 taxi drivers by reducing fuel costs, and improve health in selected cities by reducing pollution by 20 percent. Currently, unsafe motorcycle taxis that run on imported oil are a primary form of transportation in many cities in the Philippines. Since most electric vehicle manufacturers are focused on bringing family-sized cars to mature markets, technology for smaller electric vehicles has not been developed. The CTF project will provide 100,000 e-trikes to drivers in selected cities on a rent-to-own basis, jumpstarting a domestic e-trike industry and constructing vehicle charging stations.

- **Turkey.** The European Bank for Reconstruction and Development has used \$50 million from the CTF to create a \$500 million renewable energy and energy efficiency lending facility with five of Turkey's leading banks. Overall, the program will help Turkey save \$150 million in energy imports every year while reducing annual greenhouse gas emissions by an amount equal to taking 144,000 cars off the road. As of August 2012, the program had made 216 sub-loans, which are saving Turkish businesses money by reducing energy use.

CTF: Monitoring Performance and Measuring Results

The CTF trust fund committee is composed of an equal number of donor and developing countries. Accredited observers from civil society and the private sector participate actively in all trust fund committee discussions. All CTF investment plans, financial information and policies are made available to the public.

The CTF takes results measurement and evaluation seriously. CTF projects are subject to all MDB monitoring and evaluation requirements and integrated into MDB results measurement systems. There is also a CTF specific monitoring and evaluation system using the CTF results framework that tracks:

- Tons of greenhouse gas emissions reduced or avoided;
- Volume of direct finance leveraged through CTF funding;
- Installed capacity of renewable energy as a result of CTF interventions;
- Number of additional passengers using low-carbon public transport as a result of CTF interventions; and
- Annual energy savings as a result of CTF interventions.

An independent evaluation of the effectiveness of the CTF and SCF will be completed in 2013. Its principal objectives are to assess the development and organizational effectiveness of these funds and to document experiences and lessons for the benefit of future programs.

Strategic Climate Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$49,900 ¹⁴	\$50,205	\$68,000

The U.S. has pledged a total of \$2 billion to the Climate Investment Funds, which include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). As of December 2012, the U.S. had paid \$714 million into the CTF and \$200 million to the three SCF sub-funds for a total of \$914 million.

Treasury requests \$68 million for the SCF funds in FY2014. This amount is critical to keep funds moving through the SCF pipeline for ongoing projects. Currently, the U.S. is the only donor that has not yet contributed its full pledge amount to the fund. Other donors have contributed \$1.7 billion in resources.

SCF:

- Is funded by donor pledges of \$2.4 billion and is comprised of three programs;
 - The Pilot Program for Climate Resilience (PPCR) works with 19 countries to increase their resilience to the environmental drivers of instability;
 - The Program for Scaling-up Renewable Energy in Low-Income Countries (SREP) helps eight countries use renewable energy to expand energy access, stimulate economic growth, and reduce vulnerability to energy shocks;
 - The Forest Investment Program (FIP) works with national governments, the private sector, indigenous people, and local communities in eight countries to reduce deforestation and forest degradation; and
- Has a robust project pipeline with 77 projects expected to come up for approval in 2013 and 2014.

SCF funds benefit the U.S. by providing a single channel to promote diverse solutions to the myriad challenges faced by 33 countries that struggle to balance economic growth and environmental pressures. SCF beneficiaries range from Mexico and Caribbean countries to countries in the Middle East, East Africa, South Asia, and the South Pacific. The SCF taps into the capital, personnel, technical and environmental resources, and safeguards of the MDBs, allowing greater leverage of U.S. financial resources and keeping administrative costs low. For every dollar the U.S. has contributed to the SCF other donors have contributed \$8.35.

As of December 2012, the SCF had approved \$409 million in projects, which has attracted over \$1.64 billion in co-financing from recipient governments, the private sector, and the MDBs. Out of that total, MDB co-financing accounts for \$718 million, while co-financing from non-MDB sources amounts to \$922 million. Every SCF dollar leverages an additional \$2.2 dollars from non-MDB resources.

¹⁴ FY 2012 Enacted amount does not include the transfer of \$25 million from the Economic Support Fund.

SCF Project Examples:

- **Caribbean.** PPCR is providing \$104 million to help six countries (Dominica, Grenada, Haiti, Jamaica, St. Lucia, and St. Vincent and the Grenadines) improve disaster management in response to devastating hurricanes, storms, and flooding. According to an assessment by the UN's Economic Commission for Latin America and the Caribbean, the region experienced \$135 billion in losses from 165 disasters between 1990 and 2008, with a sharp rise in the frequency and severity of natural disasters in recent years. As a result of PPCR funding, thousands of lives can be saved and billions in economic losses avoided through improved planning, weather forecasting, and disaster preparedness.
- **Maldives.** In 2011, the Maldives spent approximately \$261 million or 20 percent of its GDP on diesel imports. SREP investments will increase renewable energy production from 1 percent of power generated to 16 percent. These installations will save between 10-20 percent in the cost of electricity generation over costly diesel generators and reduce greenhouse gas emissions. The SREP projects will supply the people with cheaper, cleaner power and help the government save at least \$7 million in fuel subsidies per year.
- **Mexico.** The FIP will use \$15 million to help local communities and indigenous groups save forests while generating income. These communities control approximately 70 percent of forest areas in Mexico, but have limited access to credit to support sustainable land use practices that increase local incomes. FIP funding will provide a dedicated line of credit to help communities better manage lands through activities such as combining tree-growing with farming or grazing and improving native forest management. FIP funding will also provide communities with the technical, financial, and management skills to ensure the success of these projects. The program aims to create a model that can be continued on a commercial basis after the project is finished.

SCF: Monitoring Performance and Measuring Results

The PPCR, SREP, and FIP each have their own trust fund committees composed of an equal number of donor and developing countries that meet twice a year. Accredited observers from civil society and the private sector actively participate in all trust fund committee discussions. The U.S. has been a strong advocate for robust and inclusive consultation processes that involve all stakeholders when designing investment plans and projects. All investment plans, financial information and policies, are made available to the public.

Each SCF sub-fund takes results measurement and evaluation seriously, and participating countries have been actively engaged in designing a system suited to their needs and the objectives of the fund. The PPCR framework measures whether countries have been able to strengthen the resilience of vulnerable communities or regions to climate impacts such as drought, floods or extreme weather. It also measures progress in integrating climate information into decision-making across government programs. The SREP framework measures increased access to clean energy and increased supply of renewable energy. The FIP framework measures progress toward sustainable management of forests and forest landscapes; institutional and legal regulatory frameworks that manage forests and protect the rights of local communities and indigenous peoples; and strengthened capacity of local communities and indigenous peoples to access information and participate in decision making.

In addition, because SCF projects are implemented by the MDBs, they are subject to all MDB monitoring and evaluation requirements and are integrated into MDB results measurement systems.

An independent evaluation of the effectiveness of the CTF and SCF will be completed in 2013. Its principal objectives are to assess the development and organizational effectiveness of these funds and to document experiences and lessons for the benefit of future programs.

Global Environment Facility

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$89,820 ¹⁵	\$90,370	\$143,750

Treasury requests \$143.75 million for the final year of the Fifth Replenishment of the Global Environment Facility (GEF). The U.S. pledged \$575 million over four years, yet our cumulative unpaid commitments to the GEF totaled \$229 million at the end of FY 2012, the largest of any donor.

GEF:

- Is the largest funder of projects to benefit the global environment, providing grants to address issues of biodiversity, clean energy, sustainable landscapes, oceans, land degradation, and chemicals;
- Supports innovative, cost-effective investments that can be replicated and scaled up by the public and private sectors; and
- Directly benefits the U.S. by: reducing instability and conflict caused by resource scarcities, protecting international marine resources including fish stocks; reducing harmful, long-lived chemicals such as mercury in U.S. air and water; conserving global biodiversity such as tropical rainforests and other natural areas; and developing markets for the export of U.S. environmental technologies.

Since 1991, the GEF has allocated \$10.5 billion, supplemented by more than \$51 billion in co-financing, to fund more than 2,900 projects in 168 developing countries. Through its Small Grants Program, the GEF has also made more than 14,000 small grants, totaling \$707 million, directly to civil society and community-based organizations.

Each dollar of U.S. funding is matched by over \$5 in contributions from other donors. In 2012, for every dollar of donor funding, the GEF leveraged over \$2 from implementing agencies and over \$4.50 from the private sector, recipient governments, and other organizations.

GEF Project Examples:

- **Brazil.** A \$15.8 million GEF contribution to the Amazon Region Protected Areas (ARPA), implemented by the World Bank and supported by \$70 million in co-financing from the Brazilian government and bilateral aid agencies, will preserve an area 50 percent larger than the U.S. National Park System. The results are already benefitting indigenous populations who suffered from the loss of biodiversity and natural resources. In addition, increases in eco-tourism and environmental benefits such as improved water quality and reduced pollution will positively impact the broader community. In 2012, the Treasury Department awarded ARPA the inaugural Development Impact Honors Award for achieving a four-year decline in Brazilian deforestation while helping local populations.
- **Regional/Pacific.** The GEF is working in six Pacific nations to preserve the Coral Triangle region. This region is home to more than half of the world’s coral reefs, provides the spawning ground for five species of commercially valuable tuna, and acts as a vital habitat

¹⁵ FY 2012 Enacted amount does not include the transfer of \$30 million from the Economic Support Fund

that supports the livelihoods of more than 120 million people. The GEF pledge of \$72.5 million, supported by an additional \$398.9 million from the Asian Development Bank and other sources, will safeguard biodiversity and important fish stocks while benefiting coastal communities.

- **Sub-Saharan Africa.** Artisanal and small-scale gold mining is among the largest contributors to global mercury pollution, a dangerous neurotoxin. A GEF grant of \$990,000, supported by \$2.4 million in co-financing from other aid agencies and local governments, is helping Mali, Senegal, and Burkina Faso – three major gold producing nations – promote cleaner gold production. These cleaner processes are expected to halve mercury emissions from gold mining, protecting the health of miners and their families. Further, because 70 percent of mercury pollution in the U.S. is estimated to originate abroad, reduced emissions globally have significant health benefits for Americans.

GEF: Monitoring Performance and Measuring Results

GEF projects are designed and implemented by ten multilateral agencies, including the MDBs and several specialized UN agencies, including the UN Development Program, UN Environment Program, and the Food and Agriculture Organization. By working through other agencies, the GEF is able to keep its administrative costs low by avoiding duplication of staff and management systems and processes, and leverage expertise and financial resources. The cost-effectiveness of the GEF translates to more resources being devoted to programming and results, achieving a higher return on U.S. investment.

To focus and track results, all GEF projects are designed to feed into the GEF's results framework that aggregates results across the GEF portfolio. The GEF Secretariat reports regularly to the GEF Council – the oversight body in which the U.S. participates – on progress against the GEF's key performance indicators and in implementing institutional reforms. For the current replenishment period (FY 2011-2014), the GEF is successfully implementing agreed upon reforms, including streamlining efforts that have decreased project cycle length by 50 percent in the past five years and reduced agency implementation costs without sacrificing due diligence.

The U.S., as one of the largest contributors to the GEF, has used its position to advocate successfully for strong fiduciary, environmental, and social safeguards while improving efficiency in the GEF's operations. A U.S. representative has also served on several important GEF committees, including the Chief Executive Officer (CEO) selection committee that in 2012 helped elect a new GEF CEO to a four-year term.

Debt Relief

Multilateral Debt Relief Initiative

(dollars in thousands)

	FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
International Development Association	\$167,000	\$168,022	\$145,300
African Development Fund	\$7,500	\$7,546	\$30,000
TOTAL	\$174,500	\$175,568	\$175,300

Treasury requests \$175.3 million to help cover the cost of the U.S. commitment to the Multilateral Debt Relief Initiative (MDRI) under the current replenishment cycles at the World Bank Group's International Development Association (IDA) and the African Development Fund (AfDF).

MDRI:

- Provides 100 percent cancellation of IDA and AfDF eligible debt for countries that reach completion point under the Heavily Indebted Poor Countries (HIPC) initiative; and
- Allows beneficiary countries to increase poverty reduction expenditures in areas such as basic health, education, and rural development.

The U.S. was a leading advocate for MDRI and faced considerable opposition from other donors who expressed concern that, without compensation, the additional debt forgiveness would create a financing hole for IDA and AfDF over time. As a compromise, donors agreed to compensate IDA and the AfDF for lost reflows on a dollar for dollar basis. Insufficient funding for MDRI has the same effect as a direct cut to IDA or AfDF, meaning that the amount committed by these two institutions for current programs would be reduced on a dollar for dollar basis.

Total debt relief committed under the HIPC Initiative and the MDRI amounts to around \$127 billion in nominal terms, of which about \$51 billion is associated with the MDRI. These initiatives, together with associated debt relief efforts, reduces the debt burden for participating countries by over 90 percent as compared to the debt levels existing prior to entering the HIPC process. As a result, these countries have been able to increase poverty-reducing expenditures by an average of more than three percentage points of GDP over the past ten years.

IDA and the AfDF calculate each donor's commitment at the start of each three-year replenishment cycle according to an agreed burden-sharing percentage. The U.S. share for IDA is 20.12 percent and for AfDF is 11.77 percent. Each donor's commitment to MDRI must be met within the three-year replenishment period in order to avoid a negative impact on the institution's commitment authority.

The U.S. MDRI commitment is \$475 million to IDA-16 and \$61.5 million to AfDF-12. A significant portion of the U.S. MDRI commitment to IDA-16 and AfDF-12 will be met using "early encashment credits", which IDA and AfDF award when a donor makes replenishment contributions faster than the agreed upon schedule, which is usually nine years. These credits cannot, however, cover the total U.S. MDRI commitment, and their value is dependent upon Treasury's ability to secure funds for regular IDA and AfDF replenishments.

Of the total request for MDRI, Treasury requests \$145.3 million for payment to IDA, which will be used to satisfy MDRI commitments made by the United States, including through generation of early encashment credits. Of the \$145.3 million, up to \$59.3 million will be paid to IDA to be applied directly to the U.S. share of the MDRI commitment for IDA-16. The remainder, at least \$86 million, will be applied towards IDA arrears. Executing the payment in this manner will have the benefit of fully satisfying our remaining commitment to the IDA-16 replenishment while generating at least \$91 million in encashment credits that will be applied toward the U.S. IDA-16 MDRI commitment. This approach is consistent with the use of resources appropriated for IDA-16 MDRI in FY 2012.

Treasury proposes to apply \$30 million directly to AfDF MDRI, thereby fully satisfying our remaining commitment to MDRI for AfDF-12. Unlike IDA, these funds will not be applied toward the AfDF-12 replenishment, as doing so will not generate additional encashment credits.

The FY 2014 Budget includes revised MDRI appropriations language to clarify the manner in which these payments will be executed without expanding existing authorities.

Country Examples:

- **Liberia.** Prior to entering into the HIPC/MDRI debt relief process, Liberia had the highest debt-to-GDP ratio in the world. Having reached the HIPC completion point in 2010, it now has among the lowest. The International Monetary Fund (IMF) estimates real GDP growth of almost nine percent in 2012 and expects similar results in 2013. The share of education spending in relation to GDP has increased by more than 50 percent, though it is still low in comparison to other sub-Saharan countries. The budgetary allocation to the health sector has roughly doubled since 2007, though delivering the services remains a challenge.
- **Afghanistan.** To reach its January 2010 HIPC completion point, Afghanistan had to carry out several difficult reforms including adoption of mining regulations that deter corruption, reform of the public pension system, and implementation of an external audit of the government's budget. The \$1.6 billion in debt relief provided by creditors will help the government finance critical poverty-related spending for primary education, basic health services, and rural development.
- **Tanzania.** Tanzania was one of the first countries to complete the debt relief process. Since reaching the HIPC completion point in November 2001, the primary school completion rate has jumped from 55 percent to 100 percent, the under-five mortality rate has declined by almost 40 percent, and per capita income has nearly doubled. Tanzania is on track to meet the Millennium Development Goals (MDGs) related to combating HIV/AIDS and reducing infant and under-five mortality.
- **Ghana.** Ghana reached the HIPC completion point in July 2004. Since completing the debt relief process, expenditures on poverty reduction have increased five-fold and have produced significant results. The under-five mortality rate has dropped by a third and maternal mortality rates have seen similar declines. The GDP growth has remained strong, even during the economic crisis.
- **Honduras.** Honduras reached the HIPC completion point in April 2005. Per capita income has increased 40 percent since then, and the Center for Global Development rates the country as the best performer on the MDGs among low-income countries. Honduras is expected to reach or surpass every MDG with the exception of reducing maternal mortality by 75 percent.

Technical Assistance

Office of Technical Assistance

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
\$27,000	\$27,156	\$23,500

Treasury’s Office of Technical Assistance (OTA) is a small program that supports the achievement of big objectives. Effective financial management is a core element of a well-functioning state. It fosters economic growth, enables a government to provide better services for its citizens, and reduces dependency on foreign aid. For over 20 years, OTA has helped developing countries build efficient revenue collection, well-planned and executed budgets, judicious debt management, sound banking systems, and strong controls to combat corruption and other economic crimes. OTA advisors are recognized as experts in these disciplines. They work side-by-side with colleagues in central banks and finance ministries in Asia, the Middle East, Africa, and Latin America and the Caribbean. Projects are centered on providing countries with the knowledge and skills required to move towards financial self-sufficiency—including the capability to generate and better manage their own government finances—thereby reducing dependence on international aid. OTA supports host-country designed and mutually agreed upon objectives that help to safeguard scarce public resources, finance critical services, and achieve sustainable and tangible outcomes. The program provides significant, cost-effective value for U.S. development, foreign policy, and national security objectives.

The President’s FY 2014 budget request for OTA provides \$23.5 million to strengthen economic and financial governance in fragile and developing countries where assistance is needed and where counterparts use such assistance effectively. The request will support OTA’s work in priority areas, including infrastructure finance and increasing access to financial services. It continues the program’s investment in key Administration priorities, such as the Partnership for Growth countries of Philippines, El Salvador, Ghana, and Tanzania.

OTA Project Examples:

- **Regional/Africa.** OTA is providing assistance to East African Community (EAC) member countries in a range of activities, including development of government securities markets, banking supervision, infrastructure finance, and revenue mobilization. OTA is committed both to providing additional assistance to further develop the national payments systems, and to expanding bank supervision and financial inclusion, which are integral parts of the EAC convergence strategy.
- **Liberia.** OTA supported the Department of Revenue’s effort to crack down on corruption and repair its public image. With OTA’s help, the tax administration developed a code of conduct and provided ethics training for all employees. Tax enforcement officials founded an internal investigation unit that developed operating procedures, expanded staff, identified \$513,000 in revenue losses, and provided evidence that led to 16 employees being disciplined.

- **Costa Rica.** Decaying and substandard infrastructure is a key roadblock for developing countries. OTA is building capacity in concession ministries to handle complex tasks such as developing the legal framework for concessions, designing tenders, assessing the debt and budget implications of concessions, and managing long-term contracts for construction projects. In January 2012, a public-private partnership facilitated by OTA opened a \$35 million airport terminal in the tourist gateway of Liberia City in northwestern Costa Rica.
- **Bosnia.** Bosnia issued government securities on a competitive basis for the first time, the culmination of several years of OTA work. OTA worked with Bosnia to craft laws and regulations, develop the skills of local staff to analyze governmental cash needs, and create a predictable and orderly issuance calendar. In Bosnia, the funds will be used to pay obligations to citizens relating to frozen currency accounts from the Yugoslav era, resulting in no net increase in the debt burden of the country. Approximately 90 percent of the issuance was purchased by the banking sector, insurance companies, and investment funds.

OTA: Monitoring Performance and Measuring Results

OTA maintains a robust system to monitor and evaluate program performance – from project initiation, through execution, to post-project evaluation. Each project begins with a signed bilateral terms of reference agreement between OTA and the relevant foreign ministry or central bank that lays out the high-level aims of the engagement. This is followed by a detailed work plan specifying the activities to support those aims. Advisors provide monthly reports and occasional 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 regular, on-site project reviews conducted by OTA management. Post-project reports provide evaluations of results and accomplishments of completed technical assistance and are used as a basis to improve the planning and execution of future projects.

In addition, each year OTA evaluates the level of “traction” (the degree to which changes in behavior occur—e.g., foreign officials are taking an active and participative role in pursuing change, interim deliverables are on or ahead of schedule) and “impact” (the extent to which the objectives are actually achieved) for each technical assistance project. The level of traction and impact is measured by OTA advisors and headquarters staff according to specific indicators that are relevant to each of the five OTA financial disciplines (revenue policy and administration, budget and financial accountability, debt issuance and management, banking and financial services, and economic crimes). The program also utilizes a customer survey instrument to collect information directly from country counterparts who have first-hand knowledge of OTA engagements.

OTA seeks continual improvement in operational effectiveness and efficiency. The program is currently in the second year of a multi-year effort to modernize its internal business processes, including critical administrative functions such as contracting and procurement, logistical support, and financial management. As part of this effort, OTA is upgrading its financial management infrastructure and related processes to ensure that program resources are maximized. These efforts will ensure that OTA continues to provide, timely, accurate, and reliable program information to its stakeholders, including information as part of the President’s Open Government Initiative and the newly-created Foreign Assistance Dashboard.

Transition Fund

Deauville Partnership Transition Fund

(dollars in thousands)

FY 2012 Enacted	FY 2013 CR Rate	FY 2014 Request
—	—	\$5,000

Treasury requests \$5 million for the Deauville Partnership Transition Fund, a multi-donor trust fund administered by the World Bank. This is a new request to assist members of the Deauville Partnership with Arab Countries in Transition (currently Egypt, Tunisia, Jordan, Morocco, Libya, and Yemen).

The Transition Fund represents a key component of broader efforts to advance the Deauville Partnership. This initiative brings together G-8 countries, Gulf and regional partners, and international and regional financial institutions to work in partnership with the countries undergoing historic political and social transitions in the Middle East and North Africa. As these countries go through transformations and address their diverse economic challenges, the Transition Fund will help promote a broad reform agenda and support inclusive development. The Transition Fund provides small grants to countries for diagnostic analyses, technical advice, and initial implementation of targeted policy initiatives and reforms that demonstrate strong results.

As Chair of the Deauville Partnership in 2012, the U.S. worked closely with the World Bank to design and negotiate the structure of the Transition Fund. The U.S. was also instrumental in mobilizing financial support from G-8 and Gulf donors. A wide range of countries has already provided or committed to provide funding, including the United Kingdom, Saudi Arabia, Canada, France, Japan, Russia, Kuwait, and Qatar.

The agreed contribution from the U.S. is 20 percent of total donor contributions to the Transition Fund, or up to \$50 million of an anticipated \$250 million, over several years. The Administration plans to meet this commitment with a combination of funding from Treasury and Department of State/USAID assistance accounts.

Transition Fund Projects

The Transition Fund aims to improve the lives of citizens in Arab transition countries by providing small grants for technical assistance and early implementation of projects in the areas of (1) economic governance; (2) trade, investment, and integration; and (3) inclusive development and job creation. Partnership country governments can propose individual projects to the Transition Fund Steering Committee in conjunction with an international or regional financial institution (IFI). The Steering Committee, consisting of all contributing and transition countries, reviews and approves projects with input from participating IFIs. Funds are transferred to the IFI, which oversees and monitors execution of the project.

The Deauville Partnership officially launched the Transition Fund on October 12, 2012. Several donors – including the United Kingdom, France, and Canada – immediately provided contributions. To date, the Transition Fund has approved 12 projects worth about \$47 million for Jordan, Egypt, Morocco, Tunisia, and Yemen. These projects address U.S. development and

national security priorities in the region, including support for job creation, strengthening civil society, targeting of social safety nets, and regional trade facilitation. Examples of specific projects include:

- **Jordan.** Establish a new national database of low-income families and launch an outreach program necessary to implement a new social safety net, in support of energy subsidy reforms under Jordan's International Monetary Fund program; support technical capacity building for Jordan's water sector to help advance the Jordanian Water Authority's regulatory framework to lay the foundation for involvement of the private sector in the management of waste and wastewater services.
- **Tunisia.** Establish an Investment Authority to increase investments in the country, creating much needed jobs and boosting economic growth.
- **Morocco.** Develop a new governance framework based on public consultation, transparent budgets, and fiscal decentralization.
- **Yemen.** Enhance the government's partnership with civil society organizations in development projects, which will support Yemen's national reconciliation process and development objectives.

In many cases, the projects would unlock larger amounts of multilateral and bilateral assistance by addressing a key bottleneck or constraint on the part of the government.

Transition Fund: Monitoring Performance and Measuring Results

The Transition Fund was established in line with the best practices and lessons learned from past experience with multi-donor trust funds administered by the World Bank. The Transition Fund will be governed on a non-objection basis by the Steering Committee, which comprises all donor and transition countries. The World Bank, which has extensive experience with trust funds, will serve as trustee and the administrator of the Transition Fund. In both roles, the World Bank operates under World Bank management policies and procedures.

The reporting system established for the Transition Fund will provide information on Fund results, the outcomes of individual projects, and overall portfolio performance including:

- A robust results framework for every project, which is required for Steering Committee approval of the project;
- Monitoring and evaluating reports, submitted by the IFIs, at the project level every six months during implementation;
- An annual report detailing the financial and technical performance of each project approved by the Transition Fund;
- Semi-annual reports and an annual audit report to the Steering Committee on the financial status of the Transition Fund;
- A mid-term review of the Transition Fund after 18 months of operation and an independent evaluation at completion to assess the quality of implementation and results.

All project proposals and biannual progress reports will be posted on the Transition Fund's website (www.menatransitionfund.org).

International Monetary Programs

International Monetary Fund

The International Monetary Fund (IMF) is responsible for promoting the stability of the international monetary and financial system. Its job is to promote economic growth and stability, reduce poverty, and help prevent and resolve financial crises when they occur. Since 2008, the IMF has been at the center of the global crisis response efforts, helping mitigate the impact of the crisis in its member countries and prevent contagion, while advancing U.S. strategic interests abroad.

U.S. transactions with the IMF are exchanges of equivalent monetary assets, which do not result in net budgetary outlays. When the United States provides resources to the IMF, the United States simultaneously receives an equal, offsetting claim in the form of an increase in the U.S. reserve position in the IMF. The U.S. reserve position in the IMF is an interest-bearing and liquid asset, held as part of U.S. international reserves and available to the United States on demand. As the largest economy and shareholder in the IMF, the United States not only shapes IMF policy direction, but also leverages resources from other countries; for every dollar the United States contributes to the IMF, other countries provide four dollars more.

In 2010, G-20 Leaders and the IMF membership decided on a set of quota and governance reforms designed to enhance IMF effectiveness. The United States successfully achieved its negotiating priorities in this process: (1) a U.S. quota increase with a simultaneous and equivalent corresponding roll back in the U.S. participation in the IMF's New Arrangements to Borrow (NAB); and, (2) the preservation of U.S. veto power in the IMF.

The Administration now seeks legislation to reduce U.S. participation in the New Arrangements to Borrow (NAB) by SDR 40,871,800,000 (approximately \$63 billion as of December 28, 2012) and increase the size of the U.S. quota in the IMF by an equal amount, for no change in the overall U.S. financial commitment to the IMF. Legislation is also necessary to authorize the United States to accept an amendment to the IMF Articles of Agreement that will facilitate changes in the composition of the IMF Executive Board while preserving the U.S. seat on the Board.

The required authorization requests, including for mandatory funding for the IMF quota increase and NAB rollback, will be submitted separately. The proposal has an assumed enactment date in fiscal year 2013. The net cost of the proposed IMF legislation is zero, both in terms of budget authority and outlays.

The legislation is essential to preserve the U.S. leadership and veto position in the IMF. Overall U.S. participation and exposure to the IMF will not change.

Implementation of the IMF quota and governance reforms is necessary to prevent a loss of U.S. influence in the IMF. The reforms restore the primacy of the IMF's quota-based capital structure in which the United States has the largest share. As the IMF's quota resources have been drawn down in response to financial crises, the IMF has relied disproportionately on bilateral resources borrowed from other countries, which increases these countries' influence and potentially undermines U.S. interests around the world. U.S. support for these reforms reinforces the central position of the IMF in the international monetary system at a time when emerging economies explore establishing new and parallel financial institutions. The IMF legislation will prevent a loss of U.S. influence in international financial arrangements.

A well-resourced and effective IMF is a good deal for America, for the near term health of the U.S. economy, for the prosperity of American workers, and for our strategic interests.

As the world's first responder to financial crises, the IMF helps protect the U.S. recovery and promotes increased global growth and stability, which supports U.S. jobs and exports, foreign direct investment (FDI) in the U.S., our financial markets and our economic health. Continued U.S. support to help ensure the IMF has the tools and resources it needs to do its job is critical for U.S. economic health and prosperity. Without IMF support, countries may experience financial failures that reduce demand for U.S. exports and lower FDI in the United States, threatening millions of jobs. U.S. exports accounted for 14 percent of U.S. GDP in 2011 – even more in Louisiana, Texas, Utah, Vermont, and Washington – and American export industries provide 9.7 million jobs to American workers. FDI supports 2 million manufacturing jobs, and over the last ten years, majority-owned U.S. affiliates of foreign companies have employed between 5-6 million workers, who receive 30 percent higher pay than non-FDI supported jobs. The IMF works to prevent financial instability abroad (e.g., in Europe), which causes U.S. stock market declines, hurting American household and 401K retirement savings.

The IMF is a force multiplier for U.S. strategic interests and makes the U.S. more secure. U.S. influence leveraged through the IMF was critical in encouraging Europe to build a firewall and provide the lion's share of the financing to stabilize the euro area crisis. The IMF is now working to anchor economic stability in the Middle East – in Egypt, Jordan, Morocco, and Yemen – providing policy advice and financial support to secure the political gains of the Arab Spring. Economic stagnation and poverty can become a seedbed for instability and terrorism. The IMF helps countries implement sound economic policies to boost growth, create jobs, raise living standards, and lift people out of poverty.

The IMF plays a critical role in assisting low-income countries (LICs) in achieving macroeconomic stability, a necessary part of the agenda for poverty reduction and higher long-term growth.

With strong U.S. support, the IMF has overhauled its concessional lending instruments, made available substantially more resources to support LICs, and extended interest rate relief (zero interest) on all concessional loans through the end of 2014. The IMF's concessional financing arrangements have helped to support low-income countries through the severe impact of the global financial crisis. For example, from the end of 2008 through March 2013, the IMF has provided more than \$9 billion in concessional financing to LICs through the Poverty Reduction and Growth Trust (PRGT), the IMF's concessional lending vehicle, which is funded separately from the IMF's General Resources Account (i.e., quotas and NAB).

In difficult environments, the IMF is helping governments to protect and even increase social spending in ways that are both fiscally sustainable and cost-effective. As part of its IMF program, Kenya has expanded targeted programs to aid orphans, the elderly, and other vulnerable people. The IMF is helping Djibouti achieve needed fiscal consolidation while promoting measures to safeguard and better target increased social spending of up to 6 percent of GDP. On average, countries with IMF programs increase spending for education by about 0.8 percentage points of GDP and for health by about 1 percentage point of GDP over a five-year period. The IMF has enhanced its ability to respond to countries hit by natural disasters. In 2010, the IMF established the Post-Catastrophe Debt Relief Trust (PCDR) from the IMF's own internal resources for LICs, which allowed the IMF to eliminate Haiti's entire outstanding debt to the IMF to help Haiti rebuild its economy and infrastructure after the devastating earthquake.

G-20 Leaders and the IMF membership committed to implement the quota and governance reforms by October 2012. The vast majority of the IMF membership has now acted, and only U.S. acceptance is necessary for these important reforms to enter into effect. Honoring our commitments will preserve the U.S. leadership position, our veto power, and promote the continuity of U.S. interests around the world.

The IMF is a safe and smart investment, with a rock solid balance sheet including reserves and gold holdings that exceed total IMF credit outstanding (about \$140 billion). In addition, the IMF is recognized by its entire membership as the preferred creditor, with the unique ability to set conditions to assure repayment. The IMF has never defaulted on any U.S. reserve claims on the IMF since its inception nearly 70 years ago.