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WORLD BANK INTERNATIONAL DEVELOPMENT ASSOCIATION REPLENISHMENT ACT OF 2009

JULY 16, 2009.—Ordered to be printed

Mr. KERRY, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 954]

The Committee on Foreign Relations, having had under consideration the bill (S. 954), to authorize United States participation in the replenishment of resources of the International Development Association, and for other purposes, reports favorably thereon with amendments, and recommends that the bill, as amended, do pass.

CONTENTS

I. PURPOSE

The purpose of S. 954 is to authorize United States participation in the fifteenth replenishment of resources of the International Development Association (IDA) of the International Bank for Reconstruction and Development.

II. COMMITTEE ACTION

S. 954 was introduced by Senators Kerry and Lugar on May 1, 2009. It is cosponsored by Senator Kaufman. On May 5, 2009, the committee ordered S. 954 reported favorably by voice vote.

III. DISCUSSION

S. 954, the "World Bank International Development Association Replenishment Act of 2009" authorizes the Secretary of the Treasury, as U.S. Governor of the International Development Association, to U.S. participation in the fifteenth replenishment of the International Development Association (IDA). The U.S. 3-year appropriation, 2009–2011, amounts to $3.7 billion, representing

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14.7 percent of the total $41.6 billion replenishment. Although this represents an increase from the previous U.S. replenishment contribution, for the first time the United Kingdom (UK) has replaced the U.S. as the top donor to IDA. The UK's contribution for this replenishment is $4.3 billion or 16.7 percent of the total. In the previous IDA replenishment, the Congress appropriated $2.85 billion out of a total replenishment of $33 billion.

IDA was founded in 1960, 16 years after the creation of the World Bank, to address concern that the poorest countries could not afford to borrow at the near-market rate terms offered by the International Bank for Reconstruction and Development (IBRD).

It was established as a revolving fund, providing concessional loans to the poorest countries subsidized by donor contributions and transfers from the IBRD. It is the largest provider of multilateral official development assistance to low income countries; between 1994 and 2005 it disbursed approximately $80 billion. Since IDA provides the poorest countries with grants and loans at subsidized rates, its resources must be periodically replenished. Donor nations have replenished IDA 14 times since its founding.

On March 5, 2007, donor nations began to discuss a possible fifteenth replenishment of funds for IDA. This is the first replenishment since the G8 summit at the Gleneagles Resort in Scotland in 2005 where world leaders proposed the creation of the Multilateral Debt Relief Initiative (MDRI). The MDRI cancels the remaining debt of the world's poorest countries and pledges to double the amount of aid to Sub-Saharan Africa between 2004 and 2010, primarily in the form of grant-based assistance. In the negotiations, the U.S. emphasized the following reform areas: An expanded results measurement system to increase project effectiveness, improvements to World Bank engagement in fragile and post-conflict states, measures to enhance debt sustainability in debt relief recipients, and greater institutional transparency.

Enhanced efforts to improve results. IDA has established a results measurement system to monitor progress against key development indicators (such as primary school completion rates and HIV prevalence rates). The committee supports the World Bank's commitment to continue to improve the quality of data and the way it is measured, strengthening the link between expenditures and poverty reduction.

Fragile and post-conflict states. The committee notes that the World Bank has increased the scale of its assistance to fragile and post-conflict states such as Liberia. This is a positive development; the committee intends for this replenishment to increase the World Bank's capacity to help cash-strapped post-conflict states. Restoring essential services, initiating infrastructure reconstruction, and bringing about a "peace dividend" are critical areas that require sustained Bank support.

Debt sustainability and grants. The Bank will be able to provide grants to countries at risk of experiencing debt distress. The committee believes this represents an important step towards ending lend-and-forgive policies and will ensure that the poorest countries will be able to sustainably service their debt.

Transparency. Increased transparency is a high priority for the committee. It is important that the Bank continue to implement transparency reforms in the latest replenishment, including disclosing Board minutes, strengthening public consultation procedures, and continuing independent audits of internal management controls. The committee continues to monitor progress at the World Bank on anti-corruption efforts in its projects and programs and believes that ensuring that development funds are not stolen or misused will result in better project and program outcomes. The committee also continues to monitor progress at the World Bank on anti-corruption and transparency promotion with client countries.

S. 954 lays out several congressional priorities. First, the bill requires that the World Bank consider greenhouse gas emissions when undertaking environmental assessments of potential funded projects. Second, the bill directs the Secretary of the Treasury to urge the World Bank to help countries build capacity to investigate, adjudicate, and punish corruption. Third, it requires the Secretary to use the voice and vote of the United States to strengthen inspection panel functions within the multilateral development banks. Fourth, it includes language promoting that MDBs rigorously evaluate the development impact of selected projects, programs, and financing operations. Fifth, it authorizes separate appropriations for the Multilateral Debt Relief Initiative to ensure full funding of U.S. commitments. Sixth, it directs the Secretary of the Treasury to conduct a study on the respective roles of the Departments of State, Treasury and the U.S. Agency for International Development play in the formulation of United States policy concerning the development policy, programs, and activities of the World Bank Group.

IV. COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 11, 2009.

Hon. JOHN F. KERRY.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 954, the World Bank International Development Association Replenishment Act of 2009.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John Chin.

Sincerely,

DOUGLAS W. ELMENDORF.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 11, 2009.

S. 954

World Bank International Development Association Replenishment Act of 2009

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN RELATIONS ON MAY 5, 2009

SUMMARY

S. 954 would authorize the appropriation of $3.7 billion for the United States' share of the fifteenth general replenishment of the resources of the International Development Association (IDA–15). That replenishment agreement covers the three-year-period ending in June 2011.

The bill also would authorize the appropriation of up to $356 million to meet potential shortfalls in the U.S. commitment to compensate the International Development Association (IDA) for debts cancelled under the Multilateral Debt Relief Initiative (MDRI) during the IDA–15 replenishment period.

CBO estimates that implementing S. 954 would cost about $2.6 billion over the 2010-2014 period, assuming appropriation of that amount. (The Congress has already appropriated $1.1 billion for fund replenishment in 2009.) Enacting the bill would not affect direct spending or revenues.

S. 954 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 954 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Changes in Spending Due to S. 955*
By Fiscal Year, in Millions of Dollars

	2010	2011	2012	2013	2014	2010–2014
Fifteenth Replenishment of the International Development Association						
Estimated Authorization Level	1,320	1,319	0	0	0	2,639
Estimated Outlays	1,196	1,319	124	0	0	2,639
Multilateral Debt Relief Initiative						
Estimated Authorization Level	0	0	5	0	0	5
Estimated Outlays	0	0	5	0	0	5
Total Changes.						
Estimated Authorization Level	1,320	1,319	5	0	0	2,644
Estimated Outlays	1,195	1,319	129	0	0	2,644

* The Congress appropriated $1,115 million for a contribution to the International Development Association (IDA) for fiscal year 2009, enacted in the Omnibus Appropriations Act, 2009 (Public Law 111–8) on March 11, 2009. CBO assumes there would be no additional funding for the IDA for this year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 954 will be enacted before June 30, 2009, that the estimated amounts will be appropriated each fiscal year, and that outlays will follow historical spending patterns for U.S. contributions to IDA.

Fifteenth Replenishment of the International Development Association

S. 954 would authorize the appropriation of $3.7 billion for contributions to IDA–15. The 15th replenishment was agreed to in December 2007, committing the United States and other donors to contribute a total of $25.1 billion to IDA.

Based on information from the Department of the Treasury, CBO expects that the U.S. commitment to IDA–15 would be funded with appropriations over fiscal years 2009 through 2011. The Omnibus Appropriations Act, 2009 (Public Law 111–8) provided a total of $1,115 million for IDA. The Treasury Department has indicated that it has used $49 million of this amount to clear arrears to IDA–14, and that it plans to provide the remaining $1,066 million for the first installment to IDA–15. CBO further expects that the remaining authorized amounts of $2,639 million for IDA–15 would be provided in two installments of about $1,320 million a year in 2010 and 2011. We estimate that making those contributions would cost $2,639 million over the 2010–2014 period.

Multilateral Debt Relief Initiative

S. 954 also would authorize the appropriation of up to $356 million to meet potential shortfalls in the U.S. commitment to compensate IDA for debts cancelled under the MDRI during the IDA–15 replenishment period.

The Treasury Department has indicated that it expects to fund most or all of the United States' MDRI commitment of $356 million for IDA–15 by accelerating the encashment (payment) schedule for U.S. replenishment payments to IDA–15. Under the department's plan, those payments would be completed in four years—by 2012—rather than the nine years that would otherwise be allotted. Based on a formula negotiated with IDA, those early payments would earn credits towards the U.S. MDRI commitment because of the additional interest IDA would earn. Based on information provided by the Treasury Department on this early encashment income, CBO estimates that additional appropriations would be required to meet the U.S. MDRI commitment. Assuming appropriation and accelerated encashment of the estimated amounts over the 2009–2012 period, CBO estimates that authorizing such appropriations would cost about $5 million in 2012.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 954 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by:

Federal Costs: John Chin
Impact on State, Local, and Tribal Governments: Jacob Kuipers

Impact on the Private Sector: Burke Doherty

Estimate approved by:

Theresa Gullo, *Deputy Assistant Director for Budget Analysis.*

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with Rule XXVI, paragraph 12 of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman).

International Development Association Act

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SEC. 23. FOURTEENTH REPLENISHMENT.

(a) The United States Governor International Development Association is authorized to contribute on behalf of the United States $2,850,000,000 to the fourteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $2,850,000,000 for payment by the Secretary of the Treasury.

SEC. 24. FIFTEENTH REPLENISHMENT.

(a) The United States Governor of the International Development Association is authorized to contribute, on behalf of the United States, $3,705,000,000 to the fifteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated $3,705,000,000 for payment by the Secretary of the Treasury.

SEC. 25. MULTILATERAL DEBT RELIEF.

(a) The Secretary of the Treasury is authorized to contribute, on behalf of the United States, not more than $356,000,000 to the International Development Association for the purpose of funding debt relief under the Multilateral Debt Relief Initiative in the period governed by the fifteenth replenishment of resources of the International Development Association, subject to obtaining the necessary appropriations and without prejudice to any funding arrangements in existence on the date of the enactment of this section.

(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, not more than $356,000,000 for payment by the Secretary of the Treasury.

(c) In this section, the term "Multilateral Debt Relief Initiative" means the proposal set out in the G8 Finance Ministers' Communique entitled "Conclusions on Development," done at London, June

11, 2005, and reaffirmed by G8 Heads of State at the Gleneagles Summit on July 8, 2005.

International Financial Institutions Act

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TITLE XIII.—THE ENVIRONMENT

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SEC. 1307. ASSESSMENT OF ENVIRONMENTAL IMPACT OF PROPOSED MULTILATERAL DEVELOPMENT BANK ACTIONS.

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SEC. 1308. EXPANSION OF CLIMATE CHANGE MITIGATION ACTIVITIES OF, AND USE OF GREENHOUSE GAS ACCOUNTING BY, MULTILATERAL DEVELOPMENT BANKS.

(a) USE OF GREENHOUSE GAS ACCOUNTING.—The Secretary of the Treasury shall seek to ensure that multilateral development banks (as defined in section 1701(c)(4)) adopt and implement greenhouse gas accounting in analyzing the benefits and costs of individual projects (excluding those with de minimus greenhouse gas emissions) for which funding is sought from the bank.

(b) SENSE OF CONGRESS.—It is the sense of Congress that adopting and implementing greenhouse gas accounting includes—

(1) calculating net greenhouse gas flows;

(2) establishing uniform calculation techniques, with provision for modification as professional standards evolve;

(3) making public the calculation techniques and calculations;

(4) measuring greenhouse gas emissions of individual projects;

(5) considering global social costs of the emissions when evaluating the economic cost benefit of such projects; and

(6) performing greenhouse gas accounting for each such project.

(c) EXPANSION OF CLIMATE CHANGE MITIGATION ACTIVITIES.—The Secretary of the Treasury shall work to ensure that the multilateral development banks (as defined in section 1701(c)(4)) expand their activities supporting climate change mitigation by—

(1) expending support for investments in energy efficiency and renewable energy;

(2) reviewing all proposed infrastructure investments to ensure that all opportunities for integrating viable energy efficiency measures have been considered;

(3) increasing the dialogue with the governments of developing countries regarding--

(A) analysis and policy measures needed for low carbon emission economic development; and

(B) reforms needed to promote private sector engagement in renewable and energy efficiency investments; and

(4) integrate low carbon emission economic development objectives into multilateral development bank country strategies.

(d) REPORT TO CONGRESS.—NOT LATER THAN 1 YEAR AFTER THE DATE OF THE ENACTMENT OF THIS SECTION, AND ANNUALLY THEREAFTER, THE SECRETARY OF THE TREASURY SHALL SUBMIT A REPORT ON THE STATUS OF EFFORTS TO IMPLEMENT THIS SECTION TO THE

Committee on Foreign Relations of the Senate and the Committee on Financial Services of the House of Representatives.

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