

# THE BRETTON WOODS COMMITTEE

APRIL 2024

## The President's FY25 Budget Request and the International Financial Institutions

In March 2024, as the Biden Administration released its Fiscal Year 2025 (FY25) budget request, the U.S. Department of the Treasury detailed its budget requests to fund U.S. participation in—and leadership of—international financial institutions (IFIs), including the International Monetary Fund (IMF); the World Bank and other multilateral development banks (MDBs); and other multilateral institutions and initiatives.<sup>1</sup> The Administration's budget request represents a commitment to sustaining the IFIs and their instrumental role in rebuilding and strengthening the world economy in response to global challenges.

The President's budget request includes an International Affairs Budget—with proposed funding for the Department of State, USAID, and international programs administered by several other U.S. agencies—that totals \$64.4 billion,<sup>2</sup> a 10% increase compared to the Fiscal Year 2024 (FY24) enacted level of \$58.5 billion.<sup>3</sup> Of that sum, a total of \$2.5 billion is requested for International Programs led by the Treasury Department, a \$0.1 billion or 4% increase from the FY24 enacted level.<sup>4</sup>

The material below outlines the Biden Administration's FY25 budget request for the IFIs and related multilateral initiatives. Each section also describes how Treasury indicated the requested funding would be used if appropriated.

### INTERNATIONAL MONETARY FUND

#### *What has the Administration requested?*

As its FY25 budget requests for the IMF, the Biden Administration requested two authorizations with new appropriations and two authorizations without new appropriations. The two requested authorizations with appropriations would enable Treasury (1) to increase the U.S. quota subscription to the IMF and (2) to reduce the U.S. commitment under the IMF's New Arrangements to Borrow (NAB). Each request relates to U.S. implementation of an IMF Board of Governors resolution, of December 2023, to increase IMF member quotas by fifty

1 U.S. Department of the Treasury, FY 2025 Congressional Justification: Treasury International Programs, available at <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-request-annual-performance-plan-and-reports/budget-documents-congressional-justification>.

2 White House Office of Management and Budget, Budget of the U.S. Government: Fiscal Year 2025, p. 105, [https://www.whitehouse.gov/wp-content/uploads/2024/03/budget\\_fy2025.pdf](https://www.whitehouse.gov/wp-content/uploads/2024/03/budget_fy2025.pdf).

3 U.S. House of Representatives Committee on Appropriations, Summary: Further Consolidated Appropriations Act 2024, p. 31, available at <https://appropriations.house.gov/further-consolidated-appropriations-act-2024>.

4 Unofficial \$2.4 billion FY24 enacted level tabulated by authors from FY24 appropriations law. *See id.*

percent, while reducing NABs and phasing out Bilateral Borrowing Arrangements commensurately.<sup>5</sup> This approach follows the approach in the enacted FY24 budget.

First, to increase the U.S. subscription to IMF quotas, Treasury requested an authorization and appropriation of SDR 41.5 billion (USD 55.0 billion)<sup>6</sup>; Treasury noted, however, that this request has no budgetary cost because it constitutes an exchange of monetary assets, not a budget outlay. Second, Treasury requested an authorization and appropriation to reduce the U.S. commitment to NABs by SDR 9.2 billion (USD 12.2 billion).<sup>7</sup> Although Treasury also requested an extension for U.S. participation in NABs to December 2030, Treasury appears to have secured that extension under FY24 appropriations that became law on March 23, 2024,<sup>8</sup> after Treasury had published its FY25 budget requests.

Treasury also requested two authorizations regarding the IMF that require no new appropriations. First, Treasury requested authorization to use previously-appropriated funds to subsidize up to \$21 billion of loans to the IMF's Poverty Reduction and Growth Trust (PRGT). Treasury obtained that authorization under FY24 appropriations that became law after Treasury had published its FY25 requests.<sup>9</sup> Second, Treasury requested authorization to use previously-appropriated funds to subsidize up to \$10 billion of loans to the IMF's Resilience and Sustainability Trust (RST).

### ***How would this money for the IMF be used?***

The IMF uses the PRGT to offer subsidized loans to the 69 poorest countries when they encounter balance of payments problems. The PRGT consists of three lending facilities designed to provide urgent, short-term, or medium- to long-term balance of payments support. In recent years, the PRGT has helped countries respond to the COVID-19 pandemic and to economic repercussions of the Russian invasion of Ukraine.

The IMF instituted the RST in May 2022. The RST focuses on longer-term structural challenges, such as climate change and pandemic preparedness, that entail significant macroeconomic risks and where policy solutions are in the nature of global public goods. Financing from the RST is available to low-income countries, developing and vulnerable small states, and lower middle-income countries based on the strength of their reforms and debt sustainability considerations. As of March 1, 2024, 19 governments had contributed a total of \$41.1 billion to the RST, led by China (\$8.0 billion), Germany (\$6.7 billion), and Japan (\$6.6 billion).<sup>10</sup>

5 See IMF, *IMF Board of Governors Approves Quota Increase Under 16th General Review Quotas*, Dec. 18, 2023, <https://www.imf.org/en/News/Articles/2023/12/18/pr23459-imf-board-governors-approves-quota-increase-under-16th-general-review-quotas>.

6 See IMF, *SDR Valuation*, [https://www.imf.org/external/np/fin/data/rms\\_sdrv.aspx](https://www.imf.org/external/np/fin/data/rms_sdrv.aspx) (SDR1 = US\$1.325610) (rate as of Mar. 25, 2024).

7 See *id.*

8 See H.R. 2882, Further Consolidated Appropriations Act, 2024, § 7071(c), available at <https://www.congress.gov/bill/118th-congress/house-bill/2882/text>.

9 See H.R. 2882, Further Consolidated Appropriations Act, 2024, § 7071(c).

10 See IMF, *Resilience and Sustainability Trust*, available at: <https://www.imf.org/en/Topics/Resilience-and-Sustainability-Trust> (last accessed March 25, 2024).

## WORLD BANK

### *What has the Administration requested?*

The Administration has requested \$1.664 billion to support U.S. leadership at the World Bank, consisting of \$1.430 billion for the International Development Association (IDA) and \$233.3 million for the International Bank for Reconstruction and Development (IBRD).

### *How would this money for the World Bank be used?*

Treasury's budget request relates to two of the five World Bank institutions: IDA and the IBRD. IDA is the World Bank's concessional window. It offers subsidized loans and grants to the 75 poorest and most vulnerable countries, including more than 30 fragile and conflict-affected states. IDA programs aim to boost economic growth, reduce inequalities, and improve living conditions. Like any grant-making entity, IDA requires regular replenishments in order to continue operations. The Biden Administration's budget request for IDA, \$1.430 billion, would fund a contribution that the United States pledged under IDA's last replenishment exercise in 2021.

The Biden Administration's budget request also supports IDA by exempting it from U.S. Securities and Exchange Commission registration requirements. Registration requirements increase the cost to IDA of issuing securities to borrow funds in U.S. capital markets, and all other multilateral development banks already have been granted such an exemption. Doing so for IDA puts it on a par with other IFIs and MDBs and lowers IDA's borrowing costs, increasing the resources available to the world's poorest countries. This proposal has received broad, bipartisan support in Congress. On February 24, 2023, Rep. Maxine Waters (D-CA) introduced a bill in the House, H.R.1161, to provide this exemption, and the House Financial Services Committee reported the bill out of committee by a vote of 38-0 on February 28, 2023. In December 2023, the committee published a report on the bill.<sup>11</sup>

The remaining \$233.3 million budget request for the World Bank would go to the International Bank for Reconstruction and Development (IBRD), the World Bank's vehicle for lending to middle-income and creditworthy low-income countries. This sum includes \$206.5 million as the final of six payments committed by the United States as part of the IBRD's last capital increase in 2018. The remaining \$26.8 million would fund loan guarantees to enable the IBRD to lend up to \$2 billion for energy innovation and diversification in emerging markets. Treasury also requested authorization to vote in favor of amending a lending limit imposed by the IBRD Articles of Agreement that Treasury described as anachronistic and not risk-based. The IBRD committed nearly \$7 billion to infrastructure projects in its 2023 fiscal year and has increased lending to support government responses to the economic repercussions of the Russian invasion of Ukraine.

<sup>11</sup> H. Rept. 118-289, Aligning SEC Regulations for the World Bank's International Development Association Act, Dec. 1, 2023, *available at*: <https://www.congress.gov/congressional-report/118th-congress/house-report/289/1>.

## REGIONAL MULTILATERAL DEVELOPMENT BANKS

### *What has the Administration requested?*

The Administration has requested a total of \$504.5 million for six regional MDB accounts: the African Development Bank, African Development Fund, Asian Development Bank, Asian Development Fund, Inter-American Investment Corporation (IDB Invest), and European Bank for Reconstruction and Development.

### *How would this money for regional MDBs be used?*

Treasury requested \$54.6 million for a U.S. contribution to fund the African Development Bank's (AfDB) latest capital increase of 2019. The AfDB provides loans to public sector borrowers in Africa, as well as loans, equity investments, lines of credit, and guarantees to private sector African enterprises.

For the African Development Fund (ADF), the AfDB's concessional lending window, the Biden Administration requested \$197.0 million under the U.S. commitment for the ADF replenishment of 2022. The ADF provides grants and low-cost loans to the least developed countries in Africa, many of which are fragile states in need of inexpensive financing to achieve stability and sustainable growth.

A Biden Administration request for \$84.4 million would fund U.S. participation in a recent initiative by the Asian Development Bank (ADB): the Innovative Finance Facility for Climate in Asia and the Pacific (IFCAP). The requested \$84.4 million would enable ADB to guarantee loans totaling up to \$1 billion, which in turn would enable the ADB to lend up to an additional \$4 to \$5 billion. IFCAP supports infrastructure sectors, such as energy and transportation, and policy reforms to promote low-emission growth, adaptation, and resilience in low-income, middle-income, and vulnerable ADB members.

For the Asian Development Fund, the ADB's lending vehicle for low-income countries, the Biden Administration requested \$43.6 million to cover U.S. commitments under the Asian Development Fund replenishment of 2020. The Asian Development Fund provides grants to the poorest countries in Asia and the Pacific, including Afghanistan and Small Island Developing States, to support water, energy, financial sector development, agriculture, and health projects.

Treasury requested \$75.0 million to subscribe to a portion of the U.S. share of a capital increase for IDB Invest, which is the private sector financing unit of the Inter-American Development Bank. The Biden Administration did not request any funding for other branches of the IADB, whose most recent general capital increase was in 2010, and for which the United States has fulfilled its pledged contribution. The request for \$75.0 million for IDB Invest in FY25 is intended for investments in high-quality infrastructure and in enterprises with strong potential to generate employment.

Lastly among regional MDB accounts, the Biden Administration requested \$50.0 million to fund an initial payment for shares in the European Bank for Reconstruction and Development (EBRD) issued to the United States under a 2023 capital increase. Treasury also requested authorization to subscribe to the

remainder of EBRD shares issued to the United States. The EBRD has supported countries responding to the economic repercussions of the Russian invasion of Ukraine, including Ukraine itself. The regions of EBRD operations include the Western Balkans, Central Asia, the Middle East, and Northern Africa.

## **OTHER MULTILATERAL INITIATIVES**

Along with the IMF, World Bank, and regional MDBs, the Biden Administration's budget request proposes funding for a range of other multilateral initiatives, particularly related to energy and environment, food security, infrastructure, and sovereign debt relief.

### ***What has the Administration requested?***

The Administration has requested \$300.2 million to support multilateral energy and environment funds; \$54.0 million for global food security programs; a net negative \$(101.0) million for sovereign debt restructuring and relief (including a \$10.0 appropriation); and \$5.0 million for quality infrastructure.

### ***How would this money for other multilateral initiatives be used?***

#### **Multilateral Trust Funds in Energy and Environment**

The Treasury Department's request for \$300.2 million for energy and environment initiatives consists of \$150.0 million for the Clean Technology Fund (CTF) and \$150.2 million for the Global Environment Facility (GEF).

The budget request would provide \$150.0 million to the CTF, which was formed in 2008 and works exclusively with MDBs. The CTF catalyzes private and public investment in low-income countries to cover the cost difference between clean-energy technologies and dirtier ones. Among its initiatives is the Accelerating Coal Transitions Investment Program, which supports coal-dependent developing countries to diversify their energy supply, and the Global Energy Storage Program, which includes projects in battery, green hydrogen, and electric vehicle infrastructure technologies.

The Biden Administration proposed \$150.2 million for the Global Environment Facility (GEF), which formed in 1991 to assist developing and transitional countries address global environmental challenges. The GEF is one the largest global funders dedicated to terrestrial and marine conservation projects, such as protecting tropical forests, combating illegal wildlife trafficking, reducing transboundary pollutants, and conserving fish stocks outside U.S. waters.

#### **Global Food Security Programs**

The Biden Administration requested \$54.0 million to support global food security through the International Fund for Agricultural Development (IFAD). IFAD is a specialized United Nations agency and IFI that supports rural economic development, including in conflict-afflicted and fragile environments by boosting farmers' agricultural productivity, incomes, and access to markets.

Treasury's \$54.0 million proposal for IFAD would fund an initial installment to IFAD's latest replenishment. Among IFAD's objectives under the new replenishment is to expand its Private Sector Financing Program, which since 2021 has deployed \$33 million into eight operations that attracted \$155 in cofinancing.

### **Bilateral Sovereign Debt Restructuring and Relief**

Treasury's budget request includes a net negative \$(101.0) million toward debt restructuring and relief. Of that total, a new appropriation of \$10 million would be available for debt relief through initiatives by the Paris Club (of sovereign creditors) and pursuant to the Common Framework for Debt Treatments, an initiative led by the G20 and the Paris Club that was designed to ensure that all G20 members offer poor bilateral borrowers with comparable debt relief in response to the COVID-19 pandemic. Ongoing initiatives under the Common Framework for Debt Treatments include requests from two governments that are debtors to the United States: Zambia and Ghana. Treasury's negative \$(111.0) million budget request would constitute a rescission of appropriations that were intended for debt relief for Sudan, whose ongoing civil war has interrupted its debt relief initiative indefinitely.

### **Quality Infrastructure**

The Biden Administration's budget request also proposes an inaugural contribution of \$5.0 million to the Global Infrastructure Facility (GIF), which is a World Bank intermediary fund designed to increase private participation and investment in developing country infrastructure. The GIF provides funding and technical assistance to governments and MDBs to develop pipelines of investment-ready ("bankable") infrastructure projects and to attract private investment. GIF transactions that have reached financial close have mobilized \$100 in private capital for each dollar in GIF support.

## **IFI SPENDING IN CONTEXT**

U.S. participation and leadership in IFIs advances U.S. foreign policy and economic objectives, including by enabling the United States to guide their strategic direction and promote their operational efficiency. Businesses and workers throughout the U.S. economy often benefit from partnering with IFIs on their projects or by investing in or trading with the foreign markets that IFIs develop and stabilize.

The total requested International Affairs Budget of \$64.4 billion—which comprises all foreign aid spending—represents less than 1% of the Administration's overall budget request of \$7.3 trillion.

Within the International Affairs Budget, the Treasury International Programs budget of \$2.5 billion—comprising IFI and other multilateral-related spending—represents 3.9% of the total. Overall, the proposed funding for Treasury International Programs represents just 0.03% of the total budget request.

## IFI Funding Levels

	Treasury FY25 CBJ (millions)	FY24 Enacted (millions)
<b>Total Treasury International Affairs</b>	<b>2,481.4</b>	<b>2,382.7</b>
International Monetary Fund (IMF)	0.0	n/a
IMF Quota Subscription ( <i>no budget impact</i> )	0.0	n/a
IMF NAB Reduction Authorization ( <i>no budget impact</i> )	0.0	n/a
<b>World Bank Group</b>	<b>1,663.6</b>	<b>1,586.7</b>
IDA Replenishment	1,430.3	1,380.2
IBRD	233.3	206.5
IBRD Capital Increase	206.5	206.5
IBRD Loan Guarantees	26.8	0.0
<b>Regional MDB Accounts</b>	<b>504.6</b>	<b>338.8</b>
African Development Bank Capital Increase	54.6	54.6
African Development Fund Replenishment	197.0	197.0
ADB (IF-CAP)	84.4	0.0
Asian Development Fund Replenishment	43.6	87.2
EBRD Capital Increase	50.0	0.0
IDB Invest: Capital Increase	75.0	0.0
IADB	0.0	0.0
<b>Multilateral Energy &amp; Environment</b>	<b>300.2</b>	<b>275.2</b>
Clean Technology Fund	150.0	125.0
Global Environment Facility (GEF) Replenishment	150.2	150.2
<b>Global Food Security: IFAD Replenishment</b>	<b>54.0</b>	<b>53.0</b>
IFAD Replenishment	54.0	43.0
Global Agriculture and Food Security Program	0.0	10.0
<b>Debt restructurings</b>	<b>(101.0)</b>	<b>41.0</b>
Common Framework for Debt (and Paris Club for FY24)	10.0	26.0
Offsets, rescissions	(111.0)	0.0
Debt-for-Nature swaps	0.0	15.0
<b>Quality Infrastructure: Global Infrastructure Facility</b>	<b>5.0</b>	<b>0.0</b>
<b>Treasury International Assistance Programs</b>	<b>15.0</b>	<b>50.0</b>
<i>Treasury Office of Technical Assistance</i>	40.0	38.0



*This paper was prepared by the Bretton Woods Committee's Legislative Working Group, which provides policymakers in Congress and the Administration with non-partisan expertise on the International Financial Institutions. The Working Group is co-chaired by Whitney Debevoise and Meg Lundsager.*

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