



# THE BRETTON WOODS COMMITTEE

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## Explainer: The President's FY24 Budget Request and the International Financial Institutions

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In March 2023, as the Biden Administration released its Fiscal Year 2024 (FY24) 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 by several other U.S. agencies—that totals \$70.5 billion, an 11% increase compared to the Fiscal Year 2023 (FY23) enacted level. Of that sum, a total of \$4.0 billion is requested for International Programs led by the Treasury Department, a \$1.7 billion or 71% increase from the FY23 enacted level. Nearly half of this proposed increase in funding would be for Treasury to contribute \$800 million to the Green Climate Fund, while \$400 million would be for MDB accounts, \$300 million would be for the Clean Technology Fund, and \$200 million would be for other international programs.

In July 2023, the Senate and House Appropriations Subcommittees on State, Foreign Operations, and Related Programs (“SFOPS”) released their proposals for funding the International Affairs Budget.<sup>2</sup> The Senate SFOPS Subcommittee proposed a total of \$61.8 billion in International Affairs funding (88% of the total requested by the Biden Administration), and the House SFOPS Subcommittee proposed a total of \$52.5 billion (74% of the Biden Administration's total request).

In August 2023, the Biden Administration announced a request for supplemental FY23 appropriations centered on “three sets of critical needs”:

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- 1 U.S. Department of the Treasury, FY 2024: International Programs Congressional Budget Justification and Annual Performance Report and Plan, available at <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-request-annual-performance-plan-and-reports/treasury-international-programs-justification-of-appropriations>.
  - 2 S.2438, Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024, July 20, 2023, <https://www.congress.gov/bill/118th-congress/senate-bill/2438>; H.R.4665, Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024, July 17, 2023, <https://www.congress.gov/bill/118th-congress/house-bill/4665>.

(1) security, economic, and humanitarian assistance funding to support Ukraine and countries and populations impacted by the Russian invasion of Ukraine; (2) disaster relief; and (3) border security and migration.<sup>3</sup> The Biden Administration's request for FY23 supplemental appropriations includes requests for funding to the World Bank and for authorization to use previously-appropriated funds for IMF programs.

Below, we outline the Biden Administration's FY24 budget request for the IFIs and related multilateral initiatives, the corresponding funding amounts proposed by the Senate and House SFOPS Subcommittees in July, and, in the case of the World Bank and IMF, the Biden Administration's request for FY23 supplemental appropriations. Each section also describes how the funding would be used if appropriated. This explainer does not speculate on what may be included in any stop-gap funding bills in lieu of full year appropriations for FY24 but we remain hopeful that Congress will find a way to reach agreement on funding and authorizations for the international financial institutions before the end of the calendar year.

## INTERNATIONAL MONETARY FUND

### *What has the Administration requested?*

The Biden Administration requested no new FY24 appropriations for U.S. participation in the IMF. However, it requested two authorizations from Congress. Treasury is seeking authorization to renew the existing U.S. participation and financial commitment to the IMF's New Arrangements to Borrow for an additional five-year period, through the end of 2030; current authorization for U.S. participation expires on December 31, 2025. Treasury is also seeking authorization to use a previously-appropriated \$20 million to subsidize up to \$21 billion of loans to the IMF's Poverty Reduction and Growth Trust (PRGT) and Resilience and Sustainability Trust (RST). In its FY23 supplemental funding request, the Biden Administration likewise proposed authorization for such use of a previously-appropriated \$20 million.

### *What have the Senate and House SFOPS Subcommittees Proposed?*

The Senate and House SFOPS Subcommittees proposed no new FY24 appropriations for U.S. participation in the IMF, consistent with the Biden Administration's request. Neither subcommittee addressed the requests for authorization extending US participation in the New Arrangements to Borrow, or to use previously-appropriated funds for the PRGT and RST. Both of these authorization requests are matters for the authorizing committees with jurisdiction over IMF matters (i.e., the House Financial Services Committee and the Senate Foreign Relations Committee).

### *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

<sup>3</sup> Letter from Shalanda D. Young, Director of the Office of Management and Budget, to Hon. Kevin McCarthy, Speaker of the House of Representatives, Aug. 10, 2023, <https://www.whitehouse.gov/omb/briefing-room/2023/08/10/letter-regarding-critical-needs-for-the-american-people>.

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. At an event co-sponsored by the Bretton Woods Committee on April 10, 2023, IMF Managing Director Kristalina Georgieva commented that five governments had concluded RST programs (Rwanda, Barbados, Costa Rica, Bangladesh, and Jamaica), and that 44 additional countries had expressed interest in joining RST programs.<sup>4</sup>

## WORLD BANK

### *What has the Administration requested?*

The Administration has requested \$1.712 billion to support the World Bank, consisting of \$1.479 billion for the International Development Association (IDA) and \$233 million for the International Bank for Reconstruction and Development (IBRD).

### *What have the Senate and House SFOPS Subcommittees Proposed?*

The Senate SFOPS Subcommittee proposed \$1.637 billion to support the World Bank, consisting of \$1.430 billion for IDA and \$206.5 million for the IBRD. The House SFOPS Subcommittee proposed \$1.304 billion for the World Bank, with \$1.097 billion for IDA and \$206.5 million for the IBRD.

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

IDA is the World Bank's concessional window. It offers subsidized loans and grants to the 75 poorest and most vulnerable countries, including 32 fragile and conflict-affected states. IDA programs aim to boost economic growth, reduce inequalities, and improve people's living conditions. Like any grant-making entity, IDA requires regular replenishments in order to continue operations. Most of 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 remaining \$49 million would reduce U.S. arrears, i.e., unmet contribution commitments that the U.S. government has made during previous IDA replenishments. The Senate and House SFOPS appropriations proposals for IDA, of \$1.430 billion and \$1.097 billion respectively, would be for the 2021 IDA replenishment and do not include funding for arrears.

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

<sup>4</sup> International Monetary Fund, *IMF Managing Director Kristalina Georgieva's Opening Remarks: Delivered at the IFF/BWC/Paulson Institute Panel on "Scaling Up Resilience and Sustainability Financing."* 10 Apr. 2023, <https://www.imf.org/en/News/Articles/2023/04/10/sp041023-md-iff-bwc-paulson-institute-panel-scaling-up-resilience-and-sustainability-financing>

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. Rep. Maxine Waters (D-CA) introduced a bill in the House, H.R.1161, to provide this exemption on Feb. 24, 2023 and the House Financial Services Committee reported the bill out of committee by a vote of 38-0 on Feb. 28, 2023. As of this writing, the Senate has not taken formal action on this issue.

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 fifth 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. The IBRD recently has increased lending to support government responses to the health and economic impacts of the COVID-19 pandemic and to the economic repercussions of the Russian invasion of Ukraine. The Senate and House SFOPS appropriations proposals for \$206.5 billion for the IBRD would be its capital increase.

## **REGIONAL MDBS**

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

The Administration has requested a total of \$580.2 million for five regional MDB accounts: the African Development Bank, African Development Fund, Asian Development Bank, Asian Development Fund, and Inter-American Investment Corporation (IDB Invest).

### ***What have the Senate and House SFOPS Subcommittees Proposed?***

The Senate SFOPS Subcommittee proposed a total of \$338.8 million for the five regional MDB accounts, while the House SFOPS Subcommittee proposed a total of \$76.0 million for the same accounts.

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

The Biden Administration requested \$54.6 million for payment of the fourth of eight U.S. contributions to fund the African Development Bank's (AfDB) latest capital increase of 2019. The Senate SFOPS Subcommittee proposed the same amount, while the House SFOPS Subcommittee proposed \$32.4 million. 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 \$224.0 million. Of this total, \$197.0 million would fund a first installment under the U.S. commitment for the ADF replenishment of 2022. The other \$27.0 million would reduce U.S. arrears to the ADF. The Senate SFOPS Subcommittee proposed \$197.0 million in appropriations for the ADF, while the House SFOPS Subcommittee proposed nil. 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 \$119.4 million would fund U.S. participation in two new initiatives by the Asian Development Bank (ADB): the Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP) and the Energy Transition Mechanism (ETM) Partnership Trust Fund. For IF-CAP, the Biden Administration requested \$84.4 million to enable ADB to guarantee loans totaling up to \$1 billion, which in turn would enable the ADB to lend up to an additional \$3.6 billion. For the ETM, the Biden Administration requested \$35.0 million. IF-CAP 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. The ETM is designed to accelerate investment in new energy generation, storage, and grid infrastructure. The Senate and House SFOPS Subcommittees each proposed no funding for the IF-CAP and ETM, although the Senate SFOPS Subcommittee indicated that the Treasury Department could allocate funding from the Treasury International Assistance Programs account to Asian Development Bank programs.

For the Asian Development Fund, the ADB's lending vehicle for low-income countries, the Biden Administration requested \$107.2 million. Of this total, \$87.2 million would cover current U.S. commitments under the Asian Development Fund replenishment of 2020, and \$20.0 million would reduce U.S. arrears. The Senate SFOPS Subcommittee proposed \$87.2 million in appropriations for the Asian Development Fund, while the House SFOPS Subcommittee proposed \$43.6 million. The Asian Development Fund provides grants to the poorest countries in Asia and the Pacific, including Afghanistan, to support water, energy, financial sector development, agriculture, and health projects.

Lastly among regional MDB accounts, the Biden Administration requested \$75.0 million to fund 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 FY24 would be intended for investments in high-quality infrastructure and in enterprises with strong potential to generate employment. The Senate and House SFOPS Subcommittees each proposed no funding for IDB Invest (and for the IADB more generally), although the Senate SFOPS Subcommittee indicated that the Treasury Department could allocate funding from the Treasury International Assistance Programs account to IDB Invest, subject to certain certifications.

## **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 \$1.4 billion to support multilateral energy and environment funds; \$121.8 million for global food security programs; \$67.0



million for bilateral sovereign debt restructuring and relief; and \$40.0 million for quality infrastructure.

### ***What have the Senate and House SFOPS Subcommittees Proposed?***

The Senate SFOPS Subcommittee proposed a total of \$300.2 million for multilateral energy and environment funds; \$243.0 million for global food security programs; \$67.0 million for bilateral sovereign debt restructuring and relief; and \$0.0 billion for quality infrastructure.

The House SFOPS Subcommittee proposed a total of \$139.6 million for multilateral energy and environment funds; \$30.0 million for global food security programs; \$61.3 million for bilateral sovereign debt restructuring and relief; and \$0.0 billion 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 \$1.4 billion for energy and environment initiatives consists of \$800 million for the Green Climate Fund (GCF), which would be matched by an identical contribution from the State Department; \$425 million for the Clean Technology Fund (CTF); \$168.7 million for the Global Environment Facility (GEF); and \$27.0 million for Resilient Development Trust Funds (RDTFs).

The proposed Treasury Department contribution of \$800 million to the GCF (and matching amount from the State Department) would be to progress toward fulfilling the U.S. pledge of \$3 billion for the GCF's Initial Resource Mobilization. The United States thus far has contributed \$1 billion to the GCF. The GCF works through the IFIs and other channels to support initiatives to lower greenhouse gas emissions and promote climate resilience in low-income countries. The Senate and House SFOPS Subcommittees each proposed no funding for the GCF, and the House proposal would prohibit funding the GCF.

The budget request would provide the CTF with \$425 million. 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. The Senate SFOPS Subcommittee proposed \$150 million for the CTF, while the House SFOPS Subcommittee proposed no funding for the CTF, and the House proposal would prohibit funding the CTF.

The Biden Administration proposed \$168.7 million for the Global Environment Facility (GEF), including \$18.5 million to reduce U.S. arrears to the GEF. The GEF is one of the largest global funders dedicated to terrestrial and marine conservation projects, such as protecting tropical forests, combatting illegal wildlife trafficking, reducing transboundary pollutants, and conserving fish stocks outside U.S. waters. The Senate SFOPS Subcommittee proposed \$150.2 million in appropriations for the GEF, while the House SFOPS Subcommittee proposed \$139.6 million.

Lastly, the budget request for energy and environment initiatives also includes \$27.0 million for Resilient Development Trust Funds managed by MDBs that support disaster response and resilience. As examples, the Biden Administration

referred to the African Development Bank Adaptation Benefits Mechanism, which supports climate change adaptation actions, as well as the World Bank's Pacific Catastrophe Risk Assessment and Financing Initiative, which supports efforts to provide Pacific Island Countries with access to catastrophe risk insurance. The Senate and House SFOPS Subcommittees each proposed no funding for Resilient Development Trust Funds, although the Senate SFOPS Subcommittee indicated that the Treasury Department could allocate funding from the Treasury International Assistance Programs account to such trust funds.

### **Global Food Security Programs**

The Biden Administration requested a total of \$121.8 million for the International Fund for Agricultural Development (IFAD) and the Global Agriculture and Food Security Program (GAFSP).

The Administration's \$81.8 million proposal for IFAD consists of \$43.0 million to complete the U.S. pledge for IFAD's latest replenishment in 2021; \$35.0 million for the IFAD Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+); and \$3.8 million to eliminate U.S. arrears. 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. The ASAP+ program focuses on building resilience to weather-related drivers of food insecurity. The Senate SFOPS Subcommittee proposed \$43.0 million for IFAD, while the House SFOPS Subcommittee proposed \$30.0 million, in each case to fund the IFAD replenishment.

The remaining \$40 million that the Biden Administration proposed for global food security would be for GAFSP, which is a multilateral financing platform dedicated to improving food and nutrition security. The G20 launched the GAFSP following the global food price crisis of 2007-08; it works to build resilient and sustainable agriculture and food systems in the world's poorest countries. The Senate SFOPS Subcommittee proposed \$20.0 million for GAFSP, while the House SFOPS Subcommittee proposed nil for FY24.

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

The budget request includes \$67 million that would be used to provide poor countries with debt restructuring and relief. Of that total, \$52 million would provide debt relief pursuant to the Common Framework for Debt Treatments, an initiative led by the G20 and the Paris Club (of sovereign creditors) that was designed to ensure that all G20 members offer poor bilateral borrowers with comparable debt relief in response to the COVID-19 pandemic. The other \$15 million would be used to support debt-for-nature swaps, in which developing countries with outstanding debts to the United States may redirect payments to support forest and coral reef conservation efforts.

The Senate SFOPS Subcommittee proposed appropriating the amounts requested by the Biden Administration. Meanwhile, the House SFOPS Subcommittee proposed \$46.3 million for debt relief under the Common Framework for Debt Treatments, along with the requested \$15.0 million for debt-for-nature swaps.

### Quality Infrastructure

The Biden Administration's budget request also proposes an inaugural contribution of \$40 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. During its pilot phase, GIF investments of \$24 million mobilized \$6.6 billion of private capital. The proposed U.S. contribution of \$40 million would match the amount provided by the GIF's current largest contributor, Japan.

The Senate and House SFOPS Subcommittees each proposed no funding for the GIF, although the Senate SFOPS Subcommittee indicated that the Treasury Department could allocate funding from the Treasury International Assistance Programs account to the GIF.

### 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 (\$70.5 billion)—which comprises all foreign aid spending—represents just slightly more than 1% of the Administration's overall budget request of \$6.8 trillion.

Within the International Affairs Budget, the Treasury International Programs budget (\$4.0 billion)—comprising IFI and other multilateral-related spending—represents 5.7% of the total. If the proposed State Department contribution to the GCF were included, the sum would equal 6.8% of the International Affairs Budget.

Overall, the proposed funding for Treasury International Programs represents just 0.06% of the total budget request. When the proposed State Department contribution to the GCF is added, the sum with Treasury International Programs equals 0.07% of the overall budget request.