

# CRS Report for Congress

Received through the CRS Web

## Multilateral Development Banks: U.S. Contributions FY1990-2002

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### Summary

This report shows in tabular form how much the executive branch requested and how much Congress appropriated during the past 13 years for U.S. payments to the multilateral development banks (MDBs). It also provides a brief description of the MDBs and the ways they finance their operations. It will be updated periodically. Three companion reports provide further information on the MDBs. See CRS Report RS20793, *Multilateral Development Banks: Basic Background*, CRS Report RS20791, *Multilateral Development Banks: Procedures for U.S. Participation*, and CRS Report RS20413, *IMF and World Bank: U.S. Contributions and Agency Budgets*. For current funding information, see CRS Issue Brief IB96008, *Multilateral Development Banks: Issues for the 107<sup>th</sup> Congress*.

### U.S. Participation in the MDBs

The United States is a member of five MDBs: the World Bank, African Development Bank (AFDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and Inter-American Development Bank (IDB). It also belongs to two similar organizations, the North American Development Bank (NADB) and the International Fund for Agricultural Development (IFAD). The latter two agencies are not discussed in this report.

### The MDBs and Their Programs

The MDBs have similar programs, though they all differ somewhat in their institutional structure and emphasis. Each has a president and executive board that manages or supervises all their programs and operations. Except for the EBRD, which makes only market-based loans, all the MDBs make both market-based loans to middle-income developing countries and concessional loans to the poorest countries. Their loans are made to governments or to organizations having government repayment guarantees. In each MDB, the same staff prepares both the market-based and the concessional loans,

using the same standards and procedures for both.<sup>1</sup> The main differences between them are the repayment terms and the countries which qualify for them.<sup>2</sup>

The MDBs also have more specialized facilities which have their own operating staff and management but report to the bank's president and executive board. The World Bank's International Finance Corporation (IFC) and the IDB's Inter-American Investment Corporation (IIC) make loans to or equity investments in private sector firms in developing countries (on commercial terms) without government repayment guarantees. The ADB makes similar loans from its market-rate loan account. The World Bank's Multilateral Investment Guarantee Agency (MIGA) underwrites private investments in developing countries (on commercial terms) to protect against non-economic risk. The Global Environment Facility (GEF) funds project dealing with international environmental problems. The Multilateral Investment Fund (MIF) helps Latin American countries institute policy reforms aimed at stimulating domestic and international investment. It also funds worker retraining and programs for small- and micro-enterprises. The MIF originated as part of President Bush's 1990 Enterprise for the Americas Initiative (EAI.)

## **Funding MDB Assistance Programs**

The MDBs' concessional loans are financed primarily with money donated by their wealthier member country governments. The IFC and IIC fund their loans and equity investments partly with money contributed by their member countries and partly with funds borrowed from commercial capital markets. Loans from the MDBs' market-rate loan facilities are financed mainly with money borrowed in world capital markets. The member countries provide a small part of their capital subscriptions (3 to 5 percent of the total for most MDBs) in the form of paid-in capital. The rest they subscribe as callable capital. This is a kind of guarantee backing. It is a contingent liability, payable only if an MDB becomes bankrupt and lacks sufficient funds to repay its own creditors. Callable capital cannot be called by the banks to provide them with additional loan funds.

Generally, a country's voting share is directly related to the size of its contribution. The United States is the largest stockholder in most MDBs. Japan has provided more to the Asian Fund and African Fund, while two African countries have subscribed larger shares in the African Bank. Periodically, as the stock of uncommitted funds for an MDB program begins to run low, the major contributors negotiate a new funding plan that specifies their new contribution shares.

Table 1 shows the U.S. contribution share and voting share for all MDB programs. In most banks, countries get a few votes because they are members, regardless of the size of their capital subscription. Thus, for banks with a large number of small members, the

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<sup>1</sup> The International Development Association (IDA) is the World Bank's concessional loan affiliate. The Asian Development Fund (ADF), African Development Fund (AFDF), and Fund for Special Operations (FSO) are the comparable programs at the ADB, AFDB, and IDB.

<sup>2</sup> MDB market-based loans cost about ½ of 1% more than the rate the banks pay to borrow funds commercially. Repayment periods vary from 15 to 25 years. IDA and AFDF charge about ¾ of 1% annually. The IDB charges 1% to 4% (depending on the project and the borrower's level of development.) Repayment periods may vary from 30 to 50 years. Most borrowers from the concessional programs have per capita incomes of less (often much less) than \$900 annually.

voting share of large subscribers such as the United States may be a little smaller than their share in providing the bank's resources. Voting shares are the same for both market-based and concessional loans in the ADB and IDB.

**Table 1. U.S. Contribution and Voting Shares in the MDBs**

	Contribution /Subscription	Voting		Contribution /Subscription	Voting
<b>World Bank Group</b>			<b>Inter-American Dev Bank</b>		
IBRD	17.8%	16.5%	IDB	30.3%	30.3%
IDA	23.9%	14.9%	FSO	46.8%	30.3%
IFC	22.8%	23.8%	IIC	25.5%	25.1%
MIGA	21.0%	16.2%	MIF	35.3%	29.1%
<b>Asian Development Bank</b>			<b>African Development Bank</b>		
ADB	16.1%	13.1%	AFDB	5.7%	5.3%
ADF	12.6%	13.1%	AFDF	13.3%	6.2%
<b>EBRD</b>	10.1%	9.8%			

In IDA, by contrast, the donors have separated the issues of voting power and contributions. In recent decades, they have chosen not to receive more IDA votes in return for their contributions. Thus, while the United States, Canada, Japan, the countries of the European Union, and the wealthy Arab oil states have donated 99% of IDA's resources, they have 65% of the vote. This is more than enough to protect their interests, however, as decisions are reached by majority vote. The arrangement diffuses possible tensions by giving the developing countries a sense that their voices are heard. In the past two IDA replenishments, the United States has provided about 20% of the new funds.

Before 1976, the United States was the only significant contributor to the IDB's Fund for Special Operations, and the FSO was the largest loan program at the Inter-American Bank. Japan, Canada, the Europeans, and other non-regional countries have since joined the IDB and the FSO has become a much smaller program. In the last FSO replenishment, the United States agreed to provide 8% of the new resources. The African Development Bank controls 50% of the vote in the AFDF, though it has contributed only about 1% of the concessional loan program's resources. This maintains a semblance of African control. The interests of the donors are protected by the fact that a three-quarters majority is required to approve AFDF loans.

## U.S. Appropriations for MDBs

Table 2 shows the amounts of money the Administration has requested and Congress has appropriated (budget authority) annually since FY1990 for U.S. contributions and subscriptions to the multilateral banks. The numbers in parentheses are subscriptions to MDB callable capital. Since 1981, the United States no longer appropriates money to back its callable capital subscriptions to the MDBs. Rather, Congress includes language in the annual Foreign Operations Appropriations Acts establishing program ceilings for the amount of new callable capital the United States may subscribe in each MDB during the current fiscal year.

### U.S. Contributions or Subscriptions to Multilateral Development Banks, Millions of U.S. Dollars

	1990	1991	1992	1992	1993	1993	1994	1994
	Approp	Approp	Request	Approp	Request	Approp	Request	Approp
<b>WORLD BANK GROUP</b>								
Int'l Bank for Reconstruction & Develop								
--IBRD capital, paid in	49.8	110.6	70.1	69.1	70.1	62.2	70.1	29.7 <sup>b</sup>
--(IBRD capital, callable)	(1,609.7)	(2,899.6)	(2,267.4)	(2,233..9)	(2,287.4)	(2,010.5)	(2,287.4)	(902.4)
Int'l Development Association (IDA)	960.6	1,031.7 <sup>a</sup>	1,060.0	1,044.3	1,060.0	1,024.3	1,250.0	1,024.3
Int'l Finance Corporation (IFC)	74.6	40.3	40.3	39.7 <sup>a</sup>	50.0	35.8	50.0	35.8
Multilateral Investment Guarantee Agency								
--MIGA paid in capital	--	--	--	--	--	--	--	--
--(MIGA capital, callable)	--	--	--	--	--	--	--	--
Global Environmental Facility (GEF)	*.*	*.*	--	--	--	30.0	--	30.0
<b>ASIAN DEVELOPMENT BANK</b>								
--ADB ordinary capital, paid in	--	--	25.5	--	51.0	38.0	13.0	13.0
--(ADB ordinary capital, callable)	--	--	(187.0)	--	(187.0)	(278.5)	(95.4)	(95.4)
Asian Development Fund (ADF)	175.0	126.9	175.0	125.0	144.5	62.5	170.0	62.5
<b>AFRICAN DEVELOPMENT BANK</b>								
--AFDB ordinary capital, paid in	9.5	10.1	9.0	8.9	--	--	--	--
--(AFDB ordinary capital, callable)	(134.8)	(135.4)	(134.8)	--	--	--	--	--
African Development Fund (AFDF)	104.6	105.5	135.0	103.9	135.0	103.9	135.0	103.9
<b>INTER-AMERICAN DEVELOPMENT BANK</b>								
--IDB ordinary capital, paid in	31.5	57.5	57.3	56.5	57.3	56.5	57.3	56.2
--(IDB ordinary capital, callable)	--	(2,235.1)	(2,235.1)	(2,202.0)	(2,235.1)	(2,202.0)	(2,235.1)	(2,190.0)
Fund for Special Operations (FSO)	63.5	20.9	20.6	20.3	20.6	20.3	20.6	20.2
Inter-American Investment Corp	--	13.0	12.5	8.3	--	--	--	--
Multilateral Investment Fund (MIF)	*.*	*.*	100.0	--	100.0	90.0	100.0	75.0
<b>EUROPEAN BANK</b>								
--EBRD paid in capital	*.*	*.*	70.0	89.0	70.0	60.0	70.0	--
--(EBRD capital, callable)	*.*	*.*	(163.4)	(161.0)	(163.4)	(140.0)	(163.4)	--
<b>TOTAL MDB APPROPRIATION</b>	<b>1,469.1</b>	<b>1,516.5</b>	<b>1,775.3</b>	<b>1,565.0</b>	<b>1,758.5</b>	<b>1,583.4</b>	<b>1,936.0</b>	<b>1,450.6</b>

*SOURCE:* Derived from the annual appropriation legislation. Figures in parentheses are callable capital, which is not actually appropriated. (See text.) Asterisks show the MDB in question did not exist or the United States was not a member in the year indicated. Dashes show that the MDB did exist but no U.S. contribution or subscription was requested and/or approved by Congress that year.

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	<b>1995</b> Request	<b>1995</b> Approp	<b>1996</b> Request	<b>1996</b> Approp	<b>1997</b> Request	<b>1997</b> Approp	<b>1998</b> Request	<b>1998</b> Approp
<b>WORLD BANK GROUP</b>								
Int'l Bank for Reconstruction & Develop								
--IBRD capital, paid in	23.3	23.0	28.2	28.2	--	--	--	--
--(IBRD capital, callable)	(753.0)	(750.0)	(911.4)	(911.4)	--	--	--	--
Int'l Development Association (IDA)	1,250.0	1,175.0 <sup>e</sup>	1,368.2	700.0	934.5	700.0	1,034.5	1,034.5
Int'l Finance Corporation (IFC)	88.7	68.7	67.7	60.9	6.7	6.7	--	--
<b>Multilateral Investment Guarantee Agency</b>								
--MIGA paid in capital	--	--	--	--	--	--	--	--
--(MIGA capital, callable)	--	--	--	--	--	--	--	--
Global Environmental Facility (GEF)	100.0	--	110.0	35.0	100.0	35.0	100.0	47.5
<b>ASIAN DEVELOPMENT BANK</b>								
--ADB ordinary capital, paid in	--	--	13.2	13.2	13.2	13.2	13.2	13.2
--(ordinary capital, callable)		(647.9)		(647.9)	(647.9)	(647.9)	(647.9)	(647.9)
Asian Development Fund	170.0	168.0	127.2	--	150.0	100.0	150.0	150.0
<b>AFRICAN DEVELOPMENT BANK</b>								
--AfDB ordinary capital, paid in	0.1	0.1	--	--	--	--	--	--
--(AfDB ordinary capital, callable)	(2.0)	(2.0)	--	--	--	--	--	--
African Development Fund (AfDF)	125.7	69.9 <sup>e</sup>	127.2	--	50.0	--	50.0	45.0
<b>INTER-AMERICAN DEVELOPMENT BANK</b>								
--IDB ordinary capital, paid in	52.2	28.1	26.0	26.0	25.6	25.6	25.6	25.6
--(IDB ordinary capital, callable)	(1,614.6)	(1,594.6)	(1,523.8)	(1,523.8)	(1,503.7)	(1,503.7)	(1,503.7)	(1,503.7)
Fund for Special Operations (FSO)	21.6	21.3	20.8	10.0	31.4	10.0	20.8	20.8
Inter-American Investment Corp	--	--	--	--	--	--	--	--
Multilateral Investment Fund (MIF)	100.0	75.0	100.0	53.8	27.5	27.5	30.0	30.0
<b>EUROPEAN BANK</b>								
--EBRD capital, paid in	70.2	69.0	81.9	70.0	11.9	11.9	35.8	35.8
--(EBRD capital, callable)	(163.4)	(161.4)	(163.3)	(27.8)	(27.8)	(27.8)	(123.2)	(123.2)
<b>TOTAL MDB APPROPRIATION</b>	<b>2,001.8</b>	<b>1,697.9</b>	<b>2,070.4</b>	<b>997.1</b>	<b>1,350.8</b>	<b>929.9</b>	<b>1,459.9<sup>e</sup></b>	<b>1,394.8</b>

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	1999 Request	1999 Approp.	2000 Request	2000 Approp.	2001 Request	2001 Approp	2002 Request	2002 Approp
<b>WORLD BANK GROUP</b>								
Int'l Bank for Reconstruction & Develop								
IBRD capital, paid in (IBRD capital, callable)	--	--	--	--	--	--	--	--
Int'l Development Association (IDA)	800.0	800.0	803.4	775.0	836.0	775.0	803.0	792.4
Int'l Finance Corporation (IFC)	--	--	--	--	--	--	--	--
Multilateral Investment Guarantee Agency								
MIGA paid in capital (MIGA capital, callable)	--	--	10.0	4.0	16.0	10.0	10.0	5.0
Global Environmental Facility (GEF)	300.0	168.0 <sup>f</sup>	(50.0)	(20.0)	(80.0)	(50.0)	(50.0)	(25.0)
			143.3	35.8	176.0	108.0	108.0	100.5
<b>ASIAN DEVELOPMENT BANK</b>								
ADB ordinary capital, paid in (ordinary capital, callable)	13.2	13.2	13.7	13.7	--	--	--	--
Asian Development Fund	(647.9)	(647.9)	(672.7)	(672.7)	--	--	--	--
	250.0	210.0	177.0	77.0	125.0	72.0	103.0	98.0
<b>AFRICAN DEVELOPMENT BANK</b>								
AFDB ordinary capital, paid in (AFDB ordinary capital, callable)	--	--	5.1	4.1	6.1	6.1	5.1	5.1
African Development Fund (AFDF)	--	--	(80.0)	(64.0)	(64.0)	(64.0)	(80.0)	(80.0)
	155.0	128.0	127.0	128.0	100.0	100.0	100.0	100.0
<b>INTER-AMERICAN DEVELOPMENT BANK</b>								
IDB ordinary capital, paid in (IDB ordinary capital, callable)	25.6	25.6	25.6	25.6	--	--	--	--
Fund for Special Operations (FSO)	(1,503.7)	(1,503.7)	(1,503.7)	(1,503.7)	--	--	--	--
	21.2	21.2	--	--	--	--	--	--
Inter-American Investment Corp Multilateral Invest. Fund (MIF)	--	--	25.0	16.0	34.0	25.0	25.0	18.0
	50.0	50.0	28.5	--	25.9	10.0	--	--
<b>EUROPEAN BANK</b>								
EBRD capital, paid in (EBRD capital, callable)	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8
	(123.2)	(123.2)	(123.2)	(123.2)	(123.3)	(123.3)	(123.3)	(123.3)
<b>TOTAL MDB APPROPRIATION</b>	<b>1,650.8<sup>e</sup></b>	<b>1,451.3</b>	<b>1,494.4</b>	<b>1,115.0</b>	<b>1,434.8</b>	<b>1,141.9</b>	<b>1,210.1</b>	<b>1,174.8</b>

## NOTES:

a. In June 1992, Congress approved legislation (P.L. 102-298) rescinding \$32.5 million of the amount previously appropriated for IDA for FY1991 and \$4 million appropriated for the IFC for FY1992. The new IDA number is shown. No rescission of IFC funds was possible, however, as the Administration had already committed all the funds.

b. The IBRD figure for 1994 includes a \$27.9 million rescission approved by Congress in 1994 in P.L. 103-211.

c. This includes the rescission of \$60 million for IDA and \$62 million for the AFDF passed (P.L. 104-6) in 1995.

d. This was appropriated separately in the 1993 NAFTA Act.

e. The Administration also requested authority to use \$52.5 million and \$52.8 million, respectively in FY1998 and FY1999, in the bilateral Economic Support Fund for contribution to the proposed Middle East and North African Development Bank (MENABANK). Congress did not give it this authority.

f. Reduced from \$192.5 million by P.L. 106-31.