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AFRICAN DEVELOPMENT FUND 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. 955]

The Committee on Foreign Relations, having had under consideration the bill (S. 955), to authorize United States participation in, and appropriations for the United States contribution to, the African Development Fund and the Multilateral Debt Relief Initiative, to require budgetary disclosures by multilateral development banks, to encourage multilateral development banks to endorse the principles of the Extractive Industries Transparency Initiative, and for other purposes, reports favorably thereon, and recommends that the bill do pass.

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I. PURPOSE

The purpose of S. 955 is to authorize United States participation in, and appropriations for the United States contribution to the eleventh replenishment of the resources of the African Development Fund.

II. COMMITTEE ACTION

S. 955 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. 955 reported favorably by voice vote.

III. DISCUSSION

S. 955, the "African Development Fund Replenishment Act of 2009" authorizes U.S. participation in the eleventh replenishment

of the resources of the African Development Fund. The authorized 3-year appropriation, 2008–2010, of $486.2 million represents 8.9 percent of the total $8.9 billion replenishment.

The African Development Fund (AfDF or "Fund") is a concessional lending and grant making facility for low-income African member countries of the African Development Bank. The African Development Bank includes shareholders from 53 African countries and 24 non-African countries. The AfDF was created in 1972 and began operations in 1974, there are currently 38 AfDF borrower countries.

The AfDF is primarily financed by the non-African countries with the U.S. ranked fourth in funding behind the UK, Germany and France. Donors negotiate a replenishment agreement every 3 years. In December 2007, negotiations concluded for the eleventh replenishment of AfDF resources (AfDF-VI) that will provide financing of $8.9 billion during 2008 to 2011. It provides grant financing and loans on highly concessional terms to Africa's poorest countries. The AfDF financing supports investments in infrastructure, health, education, agriculture, water supply and sanitation. In addition, it provides technical assistance to facilitate basic economic policy and institutional reforms in support of sustainable economic growth and development.

In the previous AfDF replenishment, the Congress appropriated $407 million out of a total replenishment of $5.4 billion. In the latest negotiations, the U.S. emphasized the following priorities: Managing for results, fragile states, regional operations, and private sector-led growth.

Managing for Results. The U.S. pushed for a results-based framework, with concrete indicators and objectives, to guide Fund operations through 2010. The framework encourages the Fund to focus on measurable results rather than merely funding priorities. The committee agrees that the Fund should base its funding on tangible results and supports this emphasis. The committee continues to monitor progress at the African Development 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.

Fragile States. The Fund has established a special facility to provide targeted assistance to countries in transition from conflict and economic failure to stability and growth. Such assistance will support the elimination of arrears, provide resources to secure a peaceful and stable environment, and supplement capacity-building efforts. Countries that will benefit include post-conflict states such as Liberia. This committee believes this is an important sector where the Fund can exercise a comparative advantage. As an eminent persons group on the African Development Bank (chaired by former Mozambican President Juaquim Chissano and former Canadian Prime Minister Paul Martin) advised in its final report in fall 2007, the "AfDB has excess capacity and the AfDF has excess demand." It is critical that fragile states who compose the majority of AfDF borrowing countries have access to sufficient capital in order to facilitate their reconstruction and development. The committee recognizes the increased challenges for fragile states, especially in achieving sufficient capacity to govern and maintain accountability

within government institutions. Fund resources in such situations must be managed with extraordinary oversight and the tools to build similar capacity locally should be a part of any programs implemented.

Regional Operations. The Fund will provide further resources to projects that enhance regional integration and cross-border infrastructure. In addition, the Fund will develop a results measurement and development impact framework specifically for regional projects. The committee believes that development in Africa cannot be achieved on a country-by-country basis. It is vital that regions develop integrated strategies that will leverage comparative economic regional advantages.

Private Sector-led Growth. The Fund will increase support in this area by promoting macroeconomic, regulatory, and financial sector reform, as well as by helping countries develop stronger anti-corruption frameworks and improved transparency. This includes helping countries implement the Extractive Industries Transparency Initiative. Finally, the Fund will also emphasize support to the agriculture sector, to alleviate the impact of the global food crisis. This represents an area of priority for the committee. The committee also encourages the Fund to help developing countries link programs and projects with private sector partners in order to reduce poverty, promote growth, and foster job creation. At the same time, it is important that recipient countries manage private sector growth in a transparent and consistent manner, conforming to global norms and standards, especially with regard to extractive industries, international environmental standards, and internationally recognized workers rights.

S. 955 also includes two additional congressional priorities. One, the bill directs the Secretary of the Treasury to ensure that each multilateral development bank discloses to member countries the operating budget of the bank, including expenses for staff, consultants, travel, and facilities. This level of transparency is important for shareholders, including the United States, to understand how the multilateral development banks are utilizing their operational funds so that they can advocate for efficient use of those funds.

Second, the bill requires the Secretary of the Treasury to direct the United States Executive Director of each multilateral development bank to use the voice and vote of the United States to ensure that the bank endorses the principles of the Extractive Industry Transparency Initiative (EITI) and integrates such principles into any project funded by the bank that is related to an extractive industry. The World Bank has already endorsed EITI and now integrates the EITI principles in its extractive industry projects. The other multilateral development banks are at varying stages of endorsement and implementation.

V. 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. 955, the African Development Fund 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. 955

African Development Fund Replenishment Act of 2009

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

SUMMARY

S. 955 would authorize the appropriation of $468 million for the United States' share of the eleventh general replenishment of the resources of the African Development Fund (AfDF–11). That replenishment covers the three-year period ending in December 2010.

The bill also would authorize the appropriation of up to $26 million to meet potential shortfalls in the U.S. commitment to compensate the African Development Fund (AfDF) for debts cancelled under the Multilateral Debt Relief Initiative (MDRI) over the 2006–2054 period. CBO expects that provision would have no significant budgetary impact.

CBO estimates that implementing S. 955 would cost $318 million over the 2010–2014 period, assuming appropriation of that amount. (The Congress has already appropriated $150 million for fund replenishment in 2009.) Enacting the bill would not affect direct spending or revenues.

S. 955 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. 955 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
Estimated Authorization Level	159	159	0	0	0	318
Estimated Outlays	95	159	64	0	0	318

* The Congress appropriated $150 million for a contribution to the African Development Fund (AfDF) 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 AfDF for this year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 955 will be enacted before the end of fiscal year 2009, that the estimated amounts necessary to fully fund the U.S. share of the current replenishment will be appropriated each fiscal year, and that outlays will follow the historical spending patterns for U.S. contributions to the fund.

AfDF–11

S. 955 would authorize the appropriation of $468 million for contributions to AfDF–11. The 11th replenishment was agreed to in December 2007, committing the United States and other donors to contribute a total of $8.9 billion to the fund.

Based on information from the Department of the Treasury, CBO expects that the U.S. commitment to AfDF–11 would be funded with appropriations over fiscal years 2009 through 2011. The Omnibus Appropriations Act, 2009 (Public Law 111–8) provided $150 million for the first installment. CBO further expects that the remaining authorized amounts of $318 million would be provided in two installments of $159 million in 2010 and 2011.

MDRI

S. 955 also would authorize the appropriation of up to $26 million to meet potential shortfalls in the U.S. commitment to compensate the AfDF for debts cancelled under the MDRI, which was agreed to in September 2006 and covers the 2006–2054 period.

The Treasury Department has indicated that it expects to fully fund the United States' MDRI commitment of $26 million for AfDF–11 by accelerating the encashment (payment) schedule for U.S. replenishment payments to AfDF–11. Under the department's plan, those payments would be completed in four years—by 2012—rather than the 10 years that would otherwise be allotted. Based on a formula negotiated with the fund, those early payments would earn credits towards the U.S. MDRI commitment because of the additional interest that the fund would earn. Based on information provided by the Treasury Department on this early encashment income, CBO expects that additional appropriations to meet the U.S. MDRI commitment would not be required for either AfDF–11 (2009–2011) or AfDF–12 (2012–2014). As a result, CBO estimates that authorizing such appropriations would not significantly affect discretionary spending over the 2010–2014 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 955 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: Marin Randall
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).

African Development Fund

Sec. 201. This title may be cited as the "African Development Fund Act".

Sec. 202. The President is hereby authorized to accept participation for the United States in the African Development Fund (hereinafter referred to as the "Fund") provided for by the agreement establishing the Fund (hereinafter referred to as the "agreement") deposited in the archives of the United Nations.

* * * * * * *

SEC. 219. ELEVENTH REPLENISHMENT.

(a) IN GENERAL.—The United States Governor of the Fund is authorized to contribute on behalf of the United States $468,165,000 to the eleventh replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.

(b) AUTHORIZATION FOR APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitiation, $468,165,000 for payment by the Secretary of the Treasury.

SEC. 220. MULTILATERAL DEBT RELIEF INITIATIVE.

(a) IN GENERAL.—The Secretary of the Treasury is authorized to contribute, on behalf of the United States, not more than $26,000,000 to the African Development Fund for the purpose of funding debt relief under the Multilateral Debt Relief Initiative, 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) AUTHORIZATION OF APPROPRIATIONS.—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 $26,000,000 for payment by the Secretary of the Treasury.

(c) MULTILATERAL DEBT RELIEF INITIATIVE DEFINED.—In this section, the term "Multilateral Debt Relief Initiative" means the proposal set out in the G8 Finance Ministers' Joint Communiqué entitled "Conclusions on Development", London, June 11, 2005, and reaffirmed by G8 Heads of State at the Gleneagles Summit on July 8, 2005.

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