



Fact Sheet on the Multilateral Development Banks

Summary

- The current situation is unusual. The last multilateral development bank (MDB) general capital increase (GCI) was in 1988. During the recent global financial crisis, at the request of the G20, the MDBs intensified support for affected countries to help maintain the growth and stability of their economies. As a result, the banks now face a resource shortfall and need to replenish their funds to avoid drops in lending in the future.
- In FY12, Treasury requested \$358.4 million for GCIs for the MDBs.
- The U.S. annual contributions to the MDBs can be expected to leverage \$95 billion in planned MDB development in FY12.
- All of the multilateral development banks maintain AAA credit ratings.

Advancing U.S. Economic Opportunities

- One in three U.S. manufacturing jobs depends on exports, according to the U.S. Chamber of Commerce. In 2010, more than half of U.S. exports went to developing countries.
- With the help of the work of the MDBs, U.S. exports to some nations have increased 200%.
- The World Bank has directly-sourced 2,500+ procurement contracts from U.S. firms, totaling \$1.6+ billion over the last decade, plus indirect procurement and sales.
- For every \$1 invested by the U.S. in the IDB, \$1.35 is returned to the United States in disbursements to U.S. companies.
- The MDBs foster more consistent and transparent rules of the game in export markets for U.S. companies than those created by national governments or advanced by other national donors, enabling U.S. firms to compete in situations to which they would not otherwise have access.

Multiplying Investments

- For every \$1 the U.S. contributes, the MDBs leverage \$25-30.
- The last capital contribution by the U.S. was leveraged at a ratio of 800:1, turning \$420 million dollars into \$325 billion.
- The MDBs pool monies together to achieve more than the U.S. government or private companies could on their own.
- The Banks lend – not donate - funds, so as funds are repaid, they can usually be lent again without additional U.S. contributions.
- Some former MDB loan recipients are now donors, such as France and South Korea, or are about to become donors, such Chile and Brazil.

Promoting National Security Interests

- The Asian Development Bank and the World Bank built the Ring Road and the Afghan-Uzbek Railroad which are used by U.S. and Afghan troops to access remote regions of Afghanistan.
- MDB funding supports good governance, anti-corruption efforts, infrastructure, and other elements which promote stability in weak states and contribute to the prevention of conflict.
- The DOD calls the MDBs a “complementary effort” to its work, enabling the DOD to do its actual job and bring soldiers home sooner.



Fact Sheet on the Multilateral Development Banks

Sustaining U.S. Leadership and Influence

- Most MDBs are based on a shareholder system. With a voice at the MDBs and as the largest single shareholder, the U.S. has and can continue to push forward its objectives by influencing the direction of funding towards projects of strategic importance to the U.S. If U.S. influence declines, other countries, such as China, have expressed an interest in purchasing U.S. shares and would undoubtedly use their increased influence in the MDBs to pursue their objectives.
- If U.S. loses its veto at the World Bank, we lose influence over the Articles of Agreement, including the composition of the board, and leadership and membership in the Bank.
- If U.S. does not meet its commitments to the African Development Bank, we could forfeit our single seat on the Board.

Driving Reforms at the MDBs

- The MDBs are not perfect, but significant changes are underway, including
 - Increased transparency. For example, U.S. negotiating pushed the World Bank to publish nearly every operational document online;
 - Stronger financial accountability, ensuring that loans are properly priced and influences the directing of funds;
 - Greater information sharing, particularly on contractor debarring, ensuring that bad actors cannot move from one funder to the other;
 - Enhanced impact evaluation mechanisms and compliant mechanisms for communities, creating greater accountability on the ground;
 - Preparations for long-term stability. For example, the IDB would be required to generate 90% of their administration costs from loan charges and 20% of its lending would have to go towards private sector development; and
 - Higher standards on the environment, anti-corruption, gender inclusion, and other issues which may not be prioritized if other nations assumed the U.S. leadership role at the MDBs.
- Since capital increases are long term, MDBs can plan their programs, build capacity, and follow through with their efforts to ensure programs have a greater impact.