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Multilateral Development Banks: Overview and Issues for Congress

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Summary

Multilateral development banks (MDBs) provide financial assistance to developing countries in order to promote economic and social development. The United States is a member and donor to five major MDBs: the World Bank and four regional development banks, including the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB).

The MDBs fund primarily large infrastructure and other development projects and provide budgetary support to governments. The MDBs provide non-concessional financial assistance to governments of middle-income countries, private sector firms in developing countries, and some governments of low-income countries. The MDBs also provide concessional assistance, including grants and loans with low interest rates, to the governments of low-income countries

The Role of Congress in Shaping U.S. Policy at the MDBs

Congress plays a critical role in U.S. participation in the MDBs through funding and oversight. Congressional legislation is required for the United States to make financial contributions to the banks. Congress also exercises oversight over U.S. participation in the MDBs, managed by the Department of the Treasury, through confirmations of U.S. representatives at the MDBs and hearings. Congress also shapes U.S. policy at the MDBs through legislation. Through legislation, Congress has directed the U.S. Executive Directors to the MDBs to advocate certain policies and how to vote on various issues at the MDBs, issued reporting requirements for the Department of the Treasury on issues related to MDB activities, and tied MDB funding to specific institutional reforms.

Selected Policy Issues

There are a number of MDB policy issues and questions that Members are actively considering or might consider during the 118th Congress, including the following examples:

- **MDB reforms.** Should the MDBs focus more on global issues such as climate change? If so, how should the MDBs incorporate new issues into their operations?
- **China's role.** Should China continue to receive financial assistance from the World Bank and the Asian Development Bank? What has been the impact of China joining the EBRD and the IDB as a non-borrowing (donor) member country?
- **Energy policies.** Should the MDBs finance nuclear power projects and/or fossil fuel projects in developing countries?
- **Russia's membership.** Given Russia's war on Ukraine since 2022, should Russia continue to be a member of the World Bank and the EBRD?
- **Procurement policies.** How should MDB procurement policies interact with the sanctions policies of member countries? When bidding on MDB contracts, do private U.S. firms face a level playing field against Chinese state-owned enterprises (SOEs)?
- **U.S. leadership.** Should the head of the World Bank always be a U.S. citizen? How do vacancies for U.S. representatives to the MDBs affect U.S. leadership?

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Introduction

Multilateral development banks (MDBs) are international institutions that provide financial assistance, typically in the form of loans and grants, to developing countries in order to promote economic and social development. The United States is a member and donor to the World Bank and four smaller regional development banks: the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB).¹

Congress plays a critical role in shaping U.S. policy at these MDBs through funding and oversight of U.S. participation in the institutions. This report provides an overview of the MDBs, the role of Congress in formulating U.S. policy at the MDBs, and current MDB policy debates.

Creation and Evolution of the MDBs

The United States and allies created the World Bank after World War II to help finance the reconstruction of Europe and Japan. In the 1950s-1990s, governments in key regions created development banks to specialize in funding development projects in specific geographic regions. While the World Bank has a near global membership, the regional banks are smaller (**Table 1**). Their members include countries in the region, as well as some donor countries from outside the region.

World Bank

The World Bank is the oldest MDB as well as the largest (by lending volumes and member countries). The World Bank Group has three lending facilities. The first, the International Bank for Reconstruction and Development (IBRD), was created in 1944. The IBRD provides primarily market-based loans (often referred to as non-concessional financial assistance) to the governments of middle-income countries. The IBRD initially focused on providing financing for large infrastructure projects and has broadened to also include social projects and policy-based loans. IBRD membership has grown from 28 countries in 1944 to 189 countries today.

A second lending facility, the International Finance Corporation (IFC), was established in 1955 to extend loans and equity investments to private firms in developing countries. In 1960, at the suggestion of U.S. officials, the International Development Association (IDA) was created to make concessional loans (with low interest rates and long repayment periods) to the poorest countries. IDA also now provides grants to these countries.

Regional Development Banks

The Inter-American Development Bank (IDB) was created in 1959 in response to interest among Latin American governments for greater economic development financing and U.S. concerns

¹ This report focuses on MDBs of which the United States is a member. The United States is not a member of the Asian Infrastructure Investment Bank (AIIB), the Islamic Development Bank, the New Development Bank (whose members include the BRICS countries [Brazil, Russia, India, China, and South Africa]), the Caribbean Development Bank, the International Investment Bank (formed by countries of the former Eastern bloc), or the CAF (Corporacion Andina de Fomento [CAF], the Development Bank of Latin America). This report also does not discuss the North American Development Bank (NADBank), of which there are two members (the United States and Mexico). For more on the AIIB, see CRS In Focus IF10154, *Asian Infrastructure Investment Bank*, by Martin A. Weiss. For more on the NADBank, see CRS In Focus IF10480, *The North American Development Bank*, by Martin A. Weiss.

about the spread of communism in the region.² Consequently, the IDB has tended to focus more on social projects than large infrastructure projects, although it began lending for infrastructure projects as well in the 1970s.³

The Organisation of African Unity, predecessor of the African Union, created the African Development Bank (AfDB) in 1964 and was for nearly two decades an African-only institution, reflecting the goal of African governments to promote stronger unity and cooperation among the countries of their region. In 1973, the AfDB created a concessional lending window, the African Development Fund (AfDF), to which nonregional countries could become members and contribute. The United States joined the AfDF in 1976. In 1982, membership in the AfDB non-concessional lending window was officially opened to nonregional members.

The Asian Development Bank (AsDB) was created in 1966 to promote regional cooperation. Similar to the World Bank, and unlike the IDB, the AsDB’s original mandate focused on large infrastructure projects, rather than social projects or direct poverty alleviation. The AsDB’s concessional lending facility, the Asian Development Fund (AsDF), was created in 1973. In 2017, concessional lending was transferred from the AsDF to the AsDB, although the AsDF still provides grants to low-income countries.

The European Bank for Reconstruction and Development (EBRD) was founded in 1991. The motivation for creating the EBRD was to ease the transition of the former communist countries of Central and Eastern Europe (CEE) and the former Soviet Union from planned economies to free-market economies. Unlike the other MDBs, the EBRD has an explicitly political mandate to support democracy-building activities. The EBRD’s financial assistance is heavily targeted on the private sector, although the EBRD does also extend some loans to governments in CEE and the former Soviet Union. The EBRD does not have a concessional loan window. In 2011, following the “Arab Spring,” the EBRD expanded its geographical mandate to the southern and eastern Mediterranean. Several countries have since joined the EBRD.⁴

Table I. MDB Fast Facts

MDB	Year Founded	Members	Headquarters	President (Nationality)
World Bank	1944	189	Washington, DC	Ajay Banga (United States)
African Development Bank	1964	81	Abidjan, Ivory Coast	Akinwumi A. Adesina (Nigeria)
Asian Development Bank	1966	68	Mandaluyong, Philippines	Masatsugu Asakawa (Japan)
European Bank for Reconstruction and Development	1991	71	London, United Kingdom	Odile Renaud-Basso (France)

² Sarah Babb, *Behind the Development Banks: Washington Politics, World Poverty, and the Wealth of Nations* (Chicago: University of Chicago Press, 2009), p. 27.

³ The IDB Group also includes the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), which extend loans to private-sector firms in developing countries, much like the World Bank’s IFC. In 2016, the assets of its concessional lending window (the Fund for Special Operations) were largely transferred to the IDB’s main (non-concessional) lending facility.

⁴ For example, Tunisia (2011), Lebanon (2017), Libya (2019), Algeria (2021), and the United Arab Emirates (2021, as a non-borrowing member).

MDB	Year Founded	Members	Headquarters	President (Nationality)
Inter-American Development Bank	1959	48	Washington, DC	Ilan Goldfajn (Brazil)

Source: CRS analysis of MDB websites and annual reports.

Structure and Organization

The World Bank is a specialized agency of the United Nations. However, it is autonomous in its decisionmaking procedures and its sources of funds. It also has autonomous control over its administration and budget. The regional development banks are independent international agencies and are not affiliated with the United Nations system.

Board of Governors

The MDBs have similar internal organizational structures. Run by their own management and staffed by international civil servants, each MDB is supervised by a Board of Governors and a Board of Executive Directors. The Board of Governors is the highest decisionmaking authority, and each member country has its own governor. Countries are usually represented by their Secretary of the Treasury, Minister of Finance, or Central Bank Governor. The United States has always been represented by the Treasury Secretary. The Board of Governors meets annually, though it may act more frequently through mail-in votes on key decisions.

Board of Directors

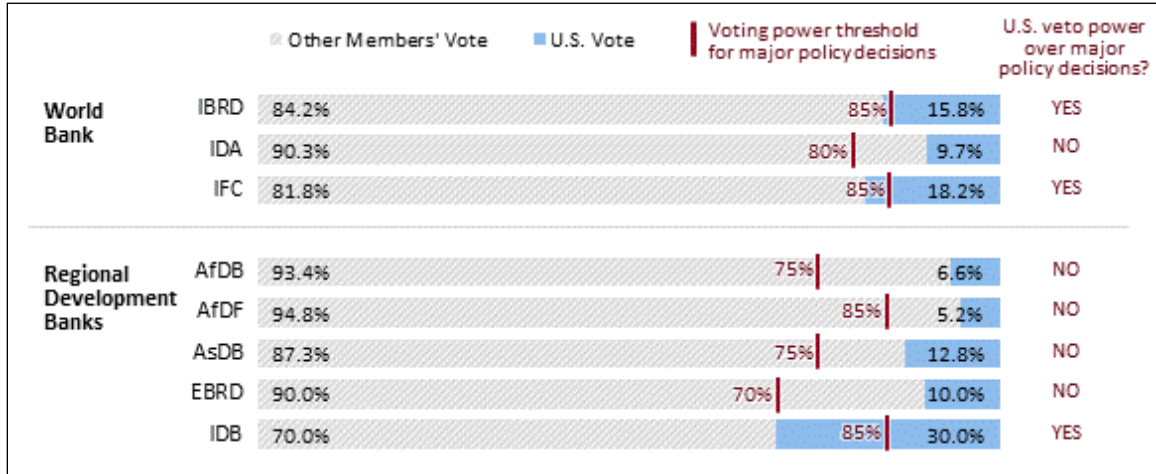
While the Boards of Governors in each of the banks retain power over major policy decisions, such as amending the founding documents of the organization, they have delegated day-to-day authority over operational policy, lending, and other matters to their institutions' Board of Executive Directors. The Board of Executive Directors in each institution is smaller than the Board of Governors. There are 25 members on the World Bank's Board of Executive Directors, and fewer for some of the regional development banks.

Some major donors, including the United States, are represented by their own Executive Director. Other Executive Directors represent groups of member countries. Each MDB Executive Board has its own schedule, but they generally meet at least weekly to consider MDB loan and policy proposals and oversee bank activities.

Weighted Voting

Decisions are reached in the MDBs through voting. Each member country's voting share is generally weighted on the basis of its cumulative financial contributions and commitments to the organization. The voting power of the United States is large enough to veto major policy decisions at the World Bank and the IDB (**Figure 1**). However, the United States cannot unilaterally veto more day-to-day decisions, such the approval of individual loans.

Figure I. U.S. Voting Power



Source: Figure created by CRS using MDB annual reports and financial statements.

Donor Commitments and Contributions

MDBs are able to extend financial assistance to developing countries due to the financial commitments of their more prosperous member countries.

Non-Concessional Lending Facilities

To offer non-concessional financial assistance, the MDBs borrow money from international capital markets and then relend the money to developing countries. MDBs are able to borrow from international capital markets because they are backed by the guarantees of their member governments. This backing is provided through the ownership shares that countries subscribe to as a consequence of their membership in each bank.

Donors typically provide 5%-10% of the value of these capital share as actual payments to the MDBs, called “paid-in capital.” They provide the rest of these shares in the form of a guarantee that the donor stands ready to provide to the bank if needed. This is called “callable capital,” because the money is not actually transferred from the donor to the MDB unless the bank needs to call on its members’ callable subscriptions. Banks may call upon their members’ callable subscriptions only if their resources are exhausted and they still need funds to repay bondholders. To date, no MDB has ever had to draw on its callable capital.

The financial backing of their member country governments enables the MDBs to borrow money in world capital markets at the lowest available market rates, generally the same rates at which developed country governments borrow funds inside their own borders. The banks are able to relend this money to their borrowers at much lower interest rates than the borrowers would generally have to pay for commercial loans, if, indeed, such loans were available to them. As such, the MDBs’ non-concessional lending windows are self-financing and even generate net income.

MDB Capital Increases

Periodically, when donors agree that future demand for loans from an MDB is likely to expand, they increase their capital subscriptions to an MDB’s non-concessional lending window in order to allow the MDB to increase its level of lending. This usually occurs when the economy of the world or the region has grown in size and the needs of

their borrowing countries have grown accordingly, or in response to a financial crisis. An across-the-board increase in all members' shares is called a "general capital increase" (GCI). In comparison, a "selective capital increase" (SCI) is typically small and is used to alter the voting shares of member countries.

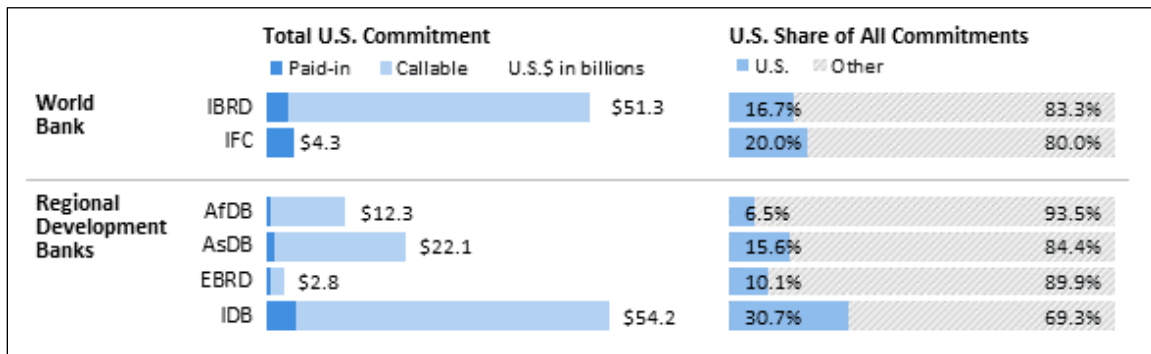
The voting power of member countries in the MDB is determined largely by the amount of capital contributed and through selective capital increases; some countries subscribe a larger share of the new capital stock than others to increase their voting power in the institutions.

GCI's happen infrequently. All the MDBs had GCI's following the global financial crisis of 2008-2009; simultaneous capital increases for all the MDBs had not occurred since the mid-1970s. In FY2020, Congress authorized U.S. participation in a GCI for the World Bank (P.L. 116-94).

U.S. Contributions

The United States is the largest donor at the IBRD, IFC, EBRD, and IDB. The United States is the second-largest donor to the AfDB (after Nigeria) and the AsDB (after Japan). U.S. financial commitments to the non-concessional lending facilities varies by bank, from less than \$5.0 billion at the IFC and the EBRD to over \$50 billion at the World Bank and the IDB (Figure 2).

Figure 2. Non-Concessional Lending Windows: U.S. Financial Commitments
2022



Source: Figure created by CRS using MDB annual reports and financial statements.

Concessional Lending Facilities

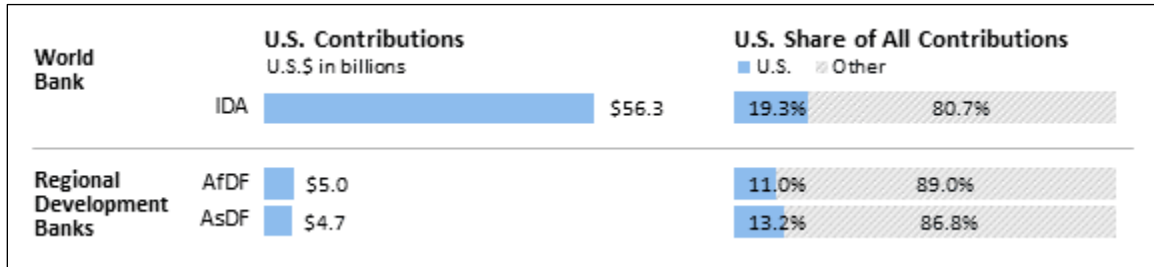
Concessional lending windows have generally been funded directly from the financial contributions of their member countries. Most of the money comes from the more prosperous countries, while the contributions from borrowing countries are generally more symbolic than substantive. The MDBs have also transferred some of the net income from their non-concessional windows to their concessional lending windows in order to help fund concessional loans and grants. In 2018, IDA started issuing some bonds to finance its programs, similar to the bonds issued by the non-concessional windows.

As the MDB extends concessional loans and grants to low-income countries, the window's resources become depleted. The donor countries meet together periodically, usually every three to five years, to replenish those resources. These increases in resources are called *replenishments*. If these facilities are not replenished on time, they will run out of lendable resources and have to reduce their levels of aid to poor countries.

U.S. Contributions

The United States is the largest donor at IDA and the AfDF, and the second-largest donor to the AsDF (after Japan). The United States has contributed more than \$55 billion to IDA since it was created, \$5 billion to the AfDF, and \$4.7 billion to the AsDF (**Figure 3**).

Figure 3. Concessional Lending Windows: Cumulative U.S. Contributions
FY2022 (World Bank) and 2022 (other MDBs)



Source: Figure created by CRS using MDB annual reports and financial statements.

Development Projects and Financing

The MDBs have evolved to provide an array of financial assistance for developing countries. MDB financing can address a range of development objectives, and can be utilized by a range of actors in developing countries.

Types of Financing

MDBs provide financial assistance to developing countries, typically in the form of loans and grants, for investment projects and budget support. *Investment project financing* includes large infrastructure projects, such as highways, power plants, port facilities, and dams, as well as social projects, including health and education initiatives. *Development policy financing* provides budget support to developing countries to help borrowers address actual or anticipated development financing requirements.

Types of Borrowers

Non-concessional and concessional assistance is generally targeted at different types of recipients (**Table 2**). Non-concessional assistance, typically in the form of loans but also through equity investments and loan guarantees, is generally extended to governments of middle-income countries, although some creditworthy low-income countries may be eligible. Non-concessional lending facilities are also referred to the bank’s “ordinary capital resources.” Some MDBs also provide non-concessional financial assistance to private-sector firms in developing countries, either from ordinary capital resources or a separate lending window. Concessional lending facilities provide financial assistance in the form of grants or low-cost loans to the governments of low-income countries.

Table 2. MDB Lending Windows

MDB	Type of Financing		Type of Borrower		
	Non-concessional	Concessional	Middle-income govts.	Low-income govts.	Private sector
World Bank Group					
International Bank for Reconstruction and Development	✓		✓		
International Development Association		✓		✓	
International Finance Corporation	✓				✓
African Development Bank					
Ordinary capital resources	✓		✓		✓
African Development Fund		✓		✓	
Asian Development Bank					
Ordinary capital resources	✓	✓	✓	✓	✓
Asian Development Fund		✓		✓	
European Bank for Reconstruction and Development					
Ordinary capital resources	✓		✓		✓
Inter-American Development Bank					
Ordinary capital resources	✓	✓	✓	✓	✓

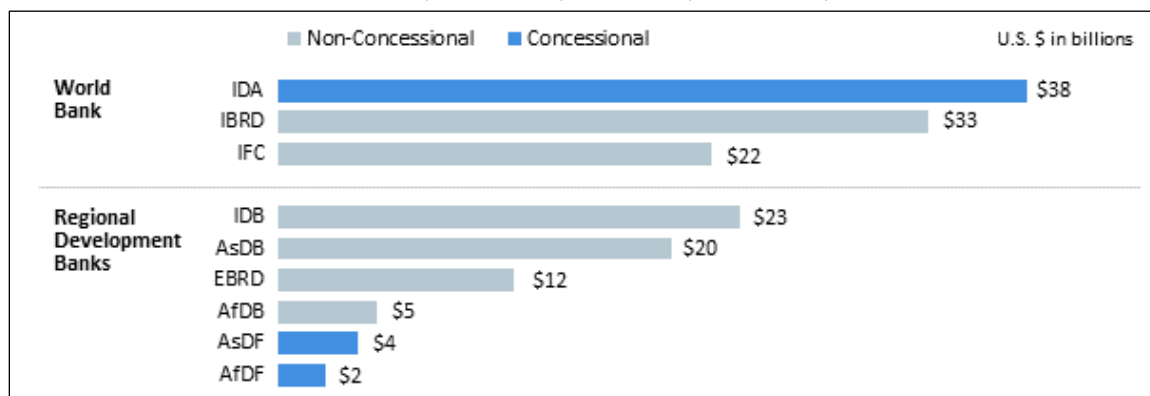
Source: CRS analysis of MDB websites, annual reports, and financial statements.

Amount of Financing

In 2022, the MDBs provided more than \$100 billion in financial assistance to developing countries (**Figure 4**). Of the total, about 80% was provided by the World Bank, and about 20% by the regional development banks. In 2022, about 40% of the assistance were concessional loans and grants, and about 60% were market-based loans and other types of non-concessional financial assistance.

Figure 4. Financial Assistance: New Commitments

FY2022 (World Bank) and 2022 (other MDBs)



Source: Figure created by CRS using MDB annual reports and financial statements.

Effectiveness of MDB Financing

Some observers have raised questions about the effectiveness of foreign aid, including the aid provided by the MDBs. In the early 2000s, scholars conducted several broad assessments of the impact of foreign aid on economic growth in developing countries. These studies produced varying results, making it difficult to reach firm conclusions.⁵ Over the past two decades, it has become more common for academic studies to focus on more specific assessments of foreign aid projects and initiatives and their impact on a range of outcomes. For example, there are studies assessing the environmental effects of World Bank funded hydropower dams, the impact of cash transfers of educational impacts in Tanzania, the impact of World Bank policy loans on the quality of public sector governance, and the impact of foreign aid on maternal mortality, among numerous other studies.⁶

Each MDB also has an independent evaluation unit or department focused on evaluating its development effectiveness.⁷ These units, which report directly to the Board of Directors, evaluate the banks' development projects, strategies, and policies. In 2022, policy experts at the Center for Global Development called for more rigorous impact evaluation assessments, noting that less

⁵ For example, William Easterly, "Can Foreign Aid Buy Growth?," *Journal of Economic Perspectives*, vol. 17, no. 3 (Summer 2003), pp. 23-48; Carl-Johan Dalgaard and Henrik Hansen, "On Aid, Growth, and Good Policies," *Journal of Development Studies*, vol. 37, no. 6 (August 2001), pp. 17-41; Craig Burnside and David Dollar, "Aid, Policies, and Growth," *American Economic Review*, vol. 90, no. 4 (September 2000), pp. 847-868.

⁶ Saule Baurzhan, Glenn P. Jenkins, and Godwin O. Olashinde-Williams, "The Economic Performance of Hydropower Dams Supported by the World Bank Group, 1975-2015," *Energies*, vol. 14, no. 9 (2021); David K. Evans, Charles Gale, and Katrina Kosec, "The Educational Impacts of Cash Transfers in Tanzania," *Economics of Education Review*, vol. 92 (February 2023); Lodewijk Smets and Stephen Knack, "World Bank Policy Lending and the Quality of Public Sector Governance," *Economic Development and Cultural Change*, vol. 67, no. 1 (October 2018); Emmanuel Banchani and Liam Swiss, "The Impact of Foreign Aid on Maternal Mortality," *Politics and Governance*, vol. 7, no. 1 (2019).

⁷ Specifically, the Independent Evaluation Group at the World Bank, the Independent Development Evaluation unit at the AfDF, the Independent Evaluation Department at the AsDB, the Office of Evaluation and Oversight at the IDB, and the Independent Evaluation Unit at the EBRD.

than 5% of World Bank projects have been subject to formal impact evaluation methods since 2010.⁸

Long-standing criticisms of the MDBs that some have expressed include, among others, that the MDBs are large international bureaucracies focused on getting money “out the door” to developing countries, rather than on delivering results in developing countries; that the MDBs emphasize short-term outputs like reports and frameworks but do not engage in long-term activities like the evaluation of projects after they are completed; and that they put enormous administrative demands on developing-country governments.⁹ Many of the MDBs were also created when developing countries had little access to private capital markets.

Proponents of the MDBs have argued that, despite some flaws, such aid at its core serves vital economic and political functions. With 1.8 billion people living on less than \$3.65 a day in 2019 (most recent estimate available),¹⁰ they argue that not providing assistance is simply not an option; they argue it is the “right” thing to do and part of “the world’s shared commitments to human dignity and survival.”¹¹ These proponents typically point to the use of foreign aid to provide basic necessities, such as food supplements, vaccines, nurses, and access to education, to the world’s poorest countries, which may not otherwise be financed by private investors. Proponents also argue that the MDBs provide a key role in generating and disseminating key economic data and “lessons learned” about development projects at country, regional, and global levels.¹²

Is it better to give foreign aid bilaterally or multilaterally?

There has been debate about whether U.S. policymakers should prioritize bilateral or multilateral aid.¹³ Bilateral aid gives donors more control over where the money goes and how the money is spent. For example, donor countries may have more flexibility to allocate funds to countries that are of geopolitical strategic importance, but not facing the greatest development needs, than they might have in providing aid through a multilateral organization. By building a clear link between the donor country and the recipient country, bilateral aid may also garner more goodwill from the recipient country toward the donor than if the funds had been provided through a multilateral organization.

Providing aid through multilateral organizations offers different benefits for donor countries. By pooling the resources of several donors, multilateral organizations allow donors to share the cost of development projects (often called burden-sharing). Additionally, donor countries may find it politically sensitive to attach policy reforms to loans or to enforce these policy reforms. Multilateral organizations can usefully serve as a scapegoat for imposing and enforcing conditionality that may be politically sensitive to attach to bilateral loans. Moreover,

⁸ Nancy Lee, Amanda Glassman, Clemence Landers, and Masood Ahmed, “Our Wish List for the World Bank’s Evolution Roadmap,” Center for Global Development, November 7, 2022.

⁹ For example, William Easterly, “The Cartel of Good Intentions,” *Foreign Policy*, vol. 131 (July-August 2002), pp. 40-49; Eeshani Kandpal, Julia Kaufman, and Janeen Madan Keller, “The World Bank Should Harness Evidence to Deliver Greater Impact,” *Center for Global Development*, June 5, 2023; Christopher Ingraham, “The Solutions to All Our Problems May be Buried in PDFs that Nobody Reads,” *Washington Post*, May 8, 2014; Martin Ravallion, “The World Bank: Why It Is Still Needed and Why It Still Disappoints,” *Journal of Economic Perspectives*, vol. 30, no. 1 (Winter 2016).

¹⁰ World Bank, World Development Indicators Database.

¹¹ Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (Penguin Books, 2006), p. xvi.

¹² Martin Ravallion, “The World Bank: Why It Is Still Needed and Why It Still Disappoints,” *Journal of Economic Perspectives*, vol. 30, no. 1 (Winter 2016).

¹³ For more on the choice between bilateral and multilateral aid, see Helen Milner and Dustin Tingley, “The Choice for Multilateralism: Foreign Aid and American Foreign Policy,” *Review of International Organizations*, vol. 8, no. 3 (2011), pp. 313-341.

because MDBs can provide aid on a larger scale than many bilateral agencies, they can generate economies of scale in knowledge and lending.¹⁴

According to data from the OECD, about 25% of U.S. foreign aid disbursed to developing countries with the purpose of promoting economic and social development was provided through multilateral institutions in 2022.¹⁵

The Role of Congress

Congress plays an important role in authorizing and appropriating U.S. contributions to the MDBs and exercising oversight of U.S. participation in these institutions.

Authorizing and Appropriating U.S. Financial Contributions

Authorizing and appropriations legislation is required for U.S. contributions to the MDBs. The Senate Committee on Foreign Relations and the House Committee on Financial Services are responsible for managing MDB authorization legislation. During the past several decades, authorization legislation for the MDBs has not passed as freestanding legislation. Instead, it has been included through other legislative vehicles, such as the annual foreign operations appropriations act, a larger omnibus appropriations act, or a budget reconciliation bill.

The Foreign Operations Subcommittees of the House and Senate Committees on Appropriations manage the relevant appropriations legislation. MDB appropriations are included in the annual foreign operations appropriations act or a larger omnibus appropriations act.

Since at least the past decade, each Administration’s budget requests for the MDBs has included three major components: funds to replenish the concessional lending windows, funds to increase the size of the World Bank’s non-concessional lending windows (a “general capital increase,” or GCI), and funds for more targeted funds administered by the MDBs, particularly those focused on climate change and food security. Replenishments of the MDB concessional windows happen regularly, while capital increases for the MDB non-concessional windows occur more infrequently.

FY2024 Budget Request for the MDBs

For FY2024, the Biden Administration is requesting \$2.29 billion for the MDBs, 20% more than the amount enacted in FY2023. About 80% of the MDB budget request is for non-concessional lending facilities at the World Bank, the African Development Bank, and the Asian Development Bank. The request also includes annual installments toward previously negotiated, multiyear capital increases at the World Bank and the African Development Bank, and new MDB funding initiatives at the Inter-American Development Bank and the Asian Development Bank.¹⁶

¹⁴ Martin Ravallion, “The World Bank: Why It Is Still Needed and Why It Still Disappoints,” *Journal of Economic Perspectives*, vol. 30, no. 1 (Winter 2016).

¹⁵ Organization for Economic Cooperation and Development (OECD) Development Association Committee (DAC) Statistics. Data are for gross disbursements at current prices of official development assistance (ODA). ODA is defined as flows to developing countries and multilateral institutions which are administered with the promotion of economic development and is concessional in character and conveys a grant element of at least 25%.

¹⁶ For more information, see CRS In Focus IF11902, *International Financial Institutions: FY2024 Budget Request*, by Rebecca M. Nelson and Martin A. Weiss, and CRS Report R47579, *Department of State, Foreign Operations, and Related Programs: FY2024 Budget and Appropriations*, by Emily M. McCabe and Cory R. Gill.

In August 2023, the Administration requested an additional \$2.25 billion for the World Bank as part of a larger supplemental budget request to Congress.¹⁷ The request includes \$1.25 billion for the IBRD to leverage \$25 billion in lending at below non-concessional rates. The Administration argues that this additional funding for the IBRD would allow the World Bank to respond more effectively to global challenges and provide a “credible alternative to PRC [People’s Republic of China] financing.”¹⁸ The remaining \$1 billion would be for IDA to support low-income countries facing a number of crises, including food insecurity and destabilizing fragility and conflict.

Congressional Oversight of U.S. Participation

Since the MDBs were created, the President has delegated the authority to manage and instruct U.S. participation in the MDBs to the Secretary of the Treasury. Within the Department of the Treasury, the Office of International Affairs has the lead role in managing day-to-day U.S. participation in the MDBs.

Congress exercises oversight over U.S. policy at the MDBs through the confirmation process. The President appoints the U.S. Governors and Executive Directors, and their alternates, with the advice and consent of the Senate (**Table 3**).

Table 3. U.S. Representatives to the MDBs

As of September 11, 2023

MDB	Governor	Alternate Governor	Executive Director	Alternate Executive Director
World Bank (IBRD)	<i>Confirmation of Treasury Secretary Janet Yellen pending before Senate</i>	Under Secretary of State Jose Fernandez	Vacant ^a	L. Felice Gorordo
AfDB	Treasury Secretary Janet Yellen	Under Secretary of State Jose Fernandez	Oren Whyche-Shaw	Jessica Isaacs
AsDB	Treasury Secretary Janet Yellen	Under Secretary of State Jose Fernandez	Chantale Wong	Moushumi Khan
EBRD	<i>Confirmation of Treasury Secretary Janet Yellen pending before Senate</i>	Under Secretary of State Jose Fernandez	<i>Confirmation of Richard Weiner pending before Senate</i>	Katherine Allen
IDB	<i>Confirmation of Treasury Secretary Janet Yellen pending before Senate</i>	Under Secretary of State Jose Fernandez	<i>Confirmation of Leopoldo Martinez Nucete pending before Senate</i>	Maria Fabiana Jorge

Source: MDB websites and nomination status from congress.gov.

- a. The previous U.S. Executive Director to the World Bank, Adriana Kugler, was sworn in as a member of the Board of Governors of the Federal Reserve System on September 13, 2022.

Congress also holds hearings on a range of MDB issues. The Treasury Secretary testifies annually before the appropriations committees on the Treasury Department’s budget request for the

¹⁷ Letter from Shalanda D. Young, Director of the United States Office of Management and Budget, to Kevin McCarthy, Speaker of the House of Representatives, August 10, 2023, <https://www.whitehouse.gov/wp-content/uploads/2023/08/Final-Supplemental-Funding-Request-Letter-and-Technical-Materials.pdf>.

¹⁸ Ibid., p. 34.

international financial institutions (IFIs), which includes the MDBs.¹⁹ By law, the Treasury Secretary also testifies before the House Financial Services Committee and the Senate Foreign Relations Committee on the state of the international financial system, which often includes discussion of the MDBs. The House Financial Services Committee and the Senate Foreign Relations Committee also periodically hold hearings on specific MDB topics with Administration officials and policy experts. For example, in 2023, the House Financial Services Committee held a hearing on the role of the IFIs in an era of great power competition.²⁰

Congress also shapes U.S. policy at the MDBs through legislation (see the **text box** below). For example, Congress has passed legislation that directs U.S. representatives at the MDBs to advocate for specific policies and vote specific ways at the MDBs.²¹ Congress has also mandated reporting requirements, which require the Treasury Secretary to submit reports on various MDB issues.²² Congress has also attempted to influence policies at the MDBs through the power of the purse— withholding funding from the MDBs until certain reforms are enacted.²³ Members also meet, consult, and correspond with MDB officials directly.

Selected MDB Legislation in the 118th Congress

Exempt IDA bonds from securities regulations. H.R. 1161 would exempt bonds issued by IDA from U.S. securities regulations, similar to the exemptions granted to securities issued by other MDBs.

Encourage financing for nuclear energy. H.R. 806 would require the U.S. Executive Directors at the IFIs to support financial assistance in the development of nuclear energy, per U.S. national security interests.

Oppose co-financing with the Asian Infrastructure Investment Bank (AIIB). H.R. 692 would instruct the U.S. Executive Directors at the MDBs to vote against projects that include co-financing from the China-led AIIB, unless the AIIB starts providing grants and concessional financial assistance to low-income countries.

MDB procurement and Ukraine reconstruction. H.R. 4341 would instruct U.S. Executive Directors at the IFIs to oppose awarding contracts for Ukraine reconstruction to any company located in a country that supported Russia's invasion.

Reduce reliance on Russian agriculture. H.R. 4768 would mandate U.S. Executive Directors at the IFIs to advocate for investment in projects that would decrease reliance on Russia for agricultural commodities.

China's role at the IDB. H.R. 4865 and S. 2470 would establish reporting requirements about China's role in the IDB and direct the U.S. Executive Director at the IDB to limit the influence of the Chinese government and China's state-owned enterprises in IDB deliberations, activities, and projects.

China's eligibility for MDB financing. Several bills would direct U.S. representatives at the MDBs to push for "graduation" of the People's Republic of China from eligibility for financial assistance from the World Bank and the AsDB (S. 908; S. 308).

Prohibit financing for Venezuela. S. 995 would direct the U.S. Executive Directors at the IFIs, including the IBRD, IDA, and the IDB, to oppose any measure that would allow Venezuela to receive financial assistance from these organizations (S. 995).

¹⁹ The IFIs include the IMF, the World Bank, and the regional development banks.

²⁰ U.S. Congress, House Committee on Financial Services, *International Financial Institutions in an Era of Great Power Competition*, 118th Cong., 1st sess., May 25, 2023.

²¹ Congress has passed many legislative mandates over the past several decades. The Treasury Department publishes its voting record at the MDBs on its website and notes the legislation that applied, if any (<https://home.treasury.gov/policy-issues/international/multilateral-development-banks/loan-review-votes>). Some Members have considered providing the Administration with more flexibility in setting U.S. policy at the MDBs (e.g., H.R. 557).

²² Some legislative mandates call for one-off reports; other mandates call for reports on a regular basis, typically annually. For example, current legislation requires the Treasury Secretary to submit an annual report to the appropriate congressional committees on the actions taken by countries that have borrowed from the MDBs to strengthen governance and reduce the opportunity for bribery and corruption (22 U.S.C. 262r-6(b)(2).)

²³ For example, the FY2010 Consolidated Appropriations Act stipulated that 10% of the funds appropriated to the AsDF would be withheld until the Treasury Secretary could verify that the AsDB had taken steps to implement specific reforms aimed at combating corruption (Section 7086 of the Consolidated Appropriations Act, 2010 [P.L. 111-117]).

Increase collaboration with the IDB. S.Res. 273 would emphasize U.S. support for the IDB, among other provisions, as part of a broader resolution for stronger relations between the U.S., Canada, Latin America, and the Caribbean.

Selected Policy Issues

The United States has historically played a strong leadership role at the MDBs, including a key role in creating the institutions and shaping their policies and lending to developing countries. There are a number of MDB policy issues that Members are actively considering or might consider during the 118th Congress, particularly as it considers U.S. funding levels for the MDBs and confirmations for U.S. representatives at the MDBs. Some of these issues are highlighted below.

U.S. Leadership

World Bank reform agenda. Treasury Secretary Janet Yellen supports a reform agenda at the World Bank that would increase funding to combat climate change, among other objectives. Should the World Bank do more to address global issues like climate change? How in practice would the reform agenda operate? Would it require additional financing? Would the reform agenda serve as a model for the regional banks?

Confirmation of U.S. representatives to the MDBs. Several nominations for U.S. representatives to the MDB are pending before the Senate. How is U.S. leadership at the MDBs affected when U.S. positions are vacant and/or filled with officials serving on an acting basis?

Selection process for MDB leadership. By convention, the President of the World Bank has always been a U.S. citizen and the head of the International Monetary Fund (IMF) has always been European.²⁴ While some criticism of this convention has been growing over the past decade,²⁵ the U.S. nominee (Ajay Banga) was unopposed in the most recent World Bank President election in 2023. What are the ideal characteristics for the heads of MDBs, and do selection processes need reform?

MDB Operations and Structure

Proliferation of MDB trust funds. In addition to their main lending facilities, the MDBs operate a number of trust funds, whereby one or more donors contribute funds for a specific purpose. Trust funds at the MDBs have proliferated in recent decades. Currently, the World Bank has more than 100, the AsDB has more than 60, and the IDB has more than 50.²⁶ To what extent does the

²⁴ For more information, see CRS Report R42463, *Selecting the World Bank President*, by Martin A. Weiss.

²⁵ For example, see Gordon Bell, "S. Africa, Brazil Urge Open World Bank Appointment," Reuters, May 26, 2007. In 2012, the World Bank Executive Board considered more than one candidate for the presidency for the first time (Annie Lowrey, "In a Shift, The World Bank's Next Likely President Is Facing Two Rivals," *New York Times*, March 29, 2012). More recently, in 2019, more than 150 civil society organizations, academics, and other individuals signed a letter calling for an "open, transparent, and merit-based" selection process for the head of the World Bank (Bretton Woods Project, "World Bank President Selection: 'Gentleman's Agreement' Alive and Well," April 4, 2019). Also see Benn Steil, "Why Washington Should Give Up the World Bank Presidency," Council on Foreign Relations, July 24, 2023.

²⁶ World Bank, 2022 Trust Fund Annual Report, October 18, 2022; Asian Development Bank, "Funds Administered by the ADB," accessed August 18, 2023; Inter-American Development Bank, "The Combined Trust Funds Administered by the Inter-American Development Bank Combined Annual Financial Statements," December 31, 2021.

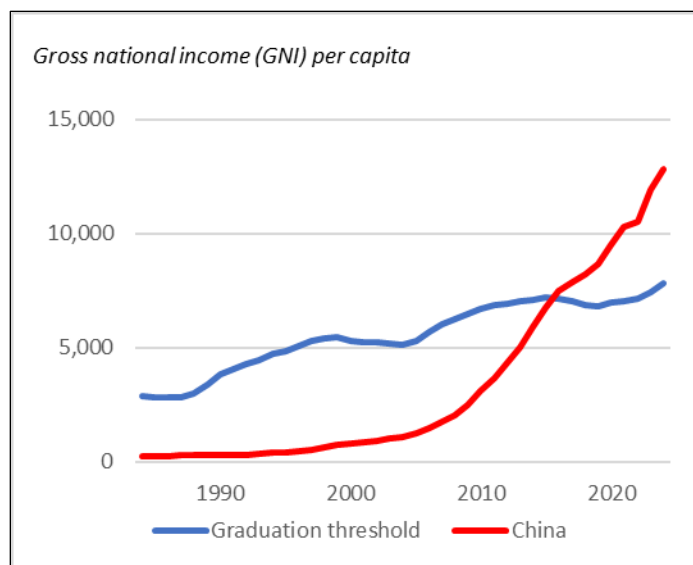
current structure of trust funds serve the interests of donors and affect the delivery of financial assistance to developing countries? Could or should they be consolidated?

Alternative sources of financing. The World Bank was created to address shortages of capital after WWII. In subsequent decades, private international capital markets developed and donor countries created new multilateral aid organizations, including the China-led Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (created by the BRICS countries [Brazil, Russia, India, China, and South America]). How, if at all, has the development of private capital markets affected MDB operations, and do the MDBs crowd out private investment? What is the impact of new development banks of which the United States is not a member?

China’s Role in the MDBs

China’s eligibility for financial assistance from the MDBs. The World Bank and the AsDB have policies on the “graduation” of countries from financial assistance. Although China has exceeded the threshold for initiating graduation negotiations since 2016 (**Figure 5**), China continues to receive financial assistance from these banks. China also has significant resources it could tap to self-fund development projects and provides significant financing to other developing countries. What are the conditions under which China should graduate as a recipient of MDB financial assistance? What are the potential implications of China’s graduation?

Figure 5. China and World Bank Graduation



Source: World Bank.

China’s membership in the EBRD and IDB. China joined the IDB in 2009 and the EBRD in 2016 as a non-borrowing (donor) member country. What have been the implications of China’s membership in these institutions? Has China’s membership increased the financial resources available for membership projects? What types of policies has China advocated for at these banks?

MDB Energy Policies

MDB financing for fossil fuels. U.S. policy on MDB financing of fossil fuel projects has shifted over the past decade. Currently, U.S. policy under the Biden Administration is to advocate for

MDB investments in clean energy and limit support for MDB fossil fuel projects to exceptional circumstances.²⁷ Under what conditions should the MDBs support fossil fuel projects? How affordable are alternative energy sources?

MDB financing for nuclear energy. For decades, the MDBs have not financed the construction of nuclear power plants, although some MDBs provide financing for safety improvements of operating plants and radioactive waste management. Some policymakers and analysts have called for MDBs to finance nuclear projects, particularly to help developing countries reduce their reliance on Russian energy and expand access to affordable energy.²⁸ Would developing countries be interested in nuclear power projects? How do the potential benefits of nuclear power compare with the risks?

Procurement for MDB Projects

MDB procurement contracts and U.S. firms. Billions of contracts are awarded to carry out investment projects financed by the MDBs each year; in 2021, U.S. firms were awarded about 1%.²⁹ As directed by U.S. law, the Commerce Department assigns procurement officers to each of the MDBs to assist U.S. companies working with the MDBs, advocate on procurement and contracting issues to ensure fair and equal treatment, and work to increase the proportion of MDB projects won by U.S. firms.³⁰ What obstacles do U.S. firms face when bidding on MDB contracts? Should the U.S. government be doing more to support U.S. firms bidding on these contracts?

Intersection of MDB procurement policies and U.S. sanctions. The World Bank does not disqualify businesses that are subject to U.S. sanctions or similar restrictions (such as foreign businesses subject to export controls) from bidding on and winning procurement contracts. According to a 2023 U.S. Government Accountability Organization (GAO) report, at least a small fraction of contracts between 2017 and 2021 appear to have been awarded to businesses on U.S. sanctions and similar lists of concern.³¹ How should MDB procurement policies interact with the sanction policies of member countries? Should the United States seek to block MDB projects from being awarded to firms that are subject to U.S. sanctions or are on other lists of concern?

State-owned enterprises (SOEs), MDB procurement policies, and China. Chinese firms win about 40% of World Bank civil works contracts.³² SOEs are common in China and may benefit from implicit and/or explicit subsidies from the Chinese government. When bidding on MDB contracts, do private U.S. firms compete on a level playing field against SOEs, including Chinese SOEs?

²⁷ In 2013, the Obama Administration ended U.S. support for MDB financing of new coal plants, with rare exceptions. The Trump Administration in 2017 reversed the U.S. position, encouraging MDB projects focused on fossil fuels. For more on the Biden Administration's policy, see U.S. Department of the Treasury, "Treasury Announces Fossil Fuel Energy Guidance for Multilateral Development Banks," press release, August 16, 2021.

²⁸ DJ Nordquist and Jeffrey S. Merrifield, "The World Needs More Nuclear Power: Why the World Bank Needs to Get in the Game," *Foreign Affairs*, January 12, 2023.

²⁹ U.S. Government Accountability Office, *World Bank Borrower Countries' Contracts to Businesses in the U.S. and to Entities Potentially on U.S. Sanctions or Other Lists of Concerns*, 23-105543, May 2023.

³⁰ Section 2302 of the Omnibus Trade and Competitiveness Act of 1988 (the 1988 Trade Act), P.L. 100-418; 22 U.S.C. 262s-2.

³¹ U.S. Government Accountability Office, *World Bank Borrower Countries' Contracts to Businesses in the U.S. and to Entities Potentially on U.S. Sanctions or Other Lists of Concerns*, 23-105543, May 2023.

³² *Ibid.*, DJ Nordquist, "China is Using the World Bank as its Piggybank," *The Hill*, May 17 2023.

Author Information

Rebecca M. Nelson
Specialist in International Trade and Finance

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