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SENATE

{ REPORT
{ 110-441

TO AUTHORIZE UNITED STATES PARTICIPATION IN, AND
APPROPRIATIONS FOR THE UNITED STATES CONTRI-
BUTION TO, THE ELEVENTH REPLENISHMENT OF THE RE-
SOURCES OF THE AFRICAN DEVELOPMENT FUND

AUGUST 1, 2008.—Ordered to be printed

Mr. BIDEN, from the Committee on Foreign Relations,
submitted the following

REPORT

[To accompany S. 3169]

The Committee on Foreign Relations, having had under consider-
ation the bill (S. 3169), to authorize United States participation in,
and appropriations for the United States contribution to, the elev-
enth replenishment of the resources of the African Development
Fund, reports favorably thereon without amendment and rec-
ommends that the bill do pass.

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I. PURPOSE

The purpose of S. 3169 is to authorize United States participa-
tion in, and appropriations for the United States contribution to,
the eleventh replenishment of the resources of the African Develop-
ment Fund.

II. COMMITTEE ACTION

S. 3169 was introduced by Senators Biden and Lugar on June 19, 2008. On June 24, 2008, the committee ordered S. 3169 reported favorably without amendment, by voice vote.

III. DISCUSSION

S. 3169, the “African Development Fund Act of 2008,” authorizes U.S. participation in the eleventh replenishment of the resources of the African Development Fund. The authorized three-year appropriation (2008-2010) of \$486.2 million represents 8.9% of the total \$8.9 billion replenishment.

The African Development Fund (AfDF) 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 United States ranked fourth in funding behind the UK, Germany and France. Donors negotiate a replenishment agreement every three 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 United States 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 asserts that ensuring that development funds are not stolen or misused will result in better project and program outcomes. The committee continues to monitor progress at the African Development Bank on anti-corruption and transparency promotion.

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 Joaquim 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 that comprise 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 maintains 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 macro-economic, 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.

IV. 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, July 31, 2008.

Hon. JOSEPH R. BIDEN, JR.,
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. 3169, a bill to authorize U.S. participation in, and appropriations for the U.S. contribution to, the eleventh replenishment of the resources of the African Development Fund.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jennifer Reynolds.

Sincerely,

PETER R. ORSZAG.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 31, 2008.

S. 3169

A bill 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

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN
 RELATIONS ON JUNE 24, 2008

Summary

S. 3169 would authorize the appropriation of \$468 million to replenish the resources of the African Development Fund.

CBO estimates that implementing this bill would cost \$94 million in 2009 and \$468 million over the 2009-2013 period, assuming appropriation of the authorized amounts. Enacting the bill would not affect direct spending or revenues.

S. 3169 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. 3169 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Changes in Spending Due to S. 3169

By Fiscal Year, in Millions of Dollars

	2009	2010	2011	2012	2013	2008- 2013
Changes in Spending Subject to Appropriation:						
Estimated Authorization Level	156	156	156	0	0	468
Estimated Outlays	94	156	156	62	0	468

Basis of Estimate

The bill would authorize the appropriation of \$468 million to replenish the resources of the African Development Fund, which lends money to African countries. The President has requested the appropriation of \$468 million to implement an agreement with the African Development Fund. International agreements to replenish the resources of multilateral development banks typically cover a number of years. According to Administration documents, the replenishment agreements for the African Development Fund cover the 2009-2011 period. CBO assumes, for this estimate, that the replenishment amounts would be provided in equal installments over that period. CBO estimates that implementing this bill would cost \$94 million in 2009 and \$468 million over the 2009-2013 period, assuming appropriation of the authorized amounts.

Intergovernmental and Private-Sector Impact

S. 3169 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:* JENNIFER REYNOLDS*Impact on State, Local, and Tribal Governments:* NEIL HOOD*Impact on the Private Sector:* JACOB KUIPERS*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).

The African Development Fund Act

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SEC. 219. ELEVENTH REPLENISHMENT.

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