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MULTILATERAL DEVELOPMENT BANKS:
LEGISLATION AFFECTING U.S. PARTICIPATION

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June 29, 1987

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ABSTRACT

This report discusses the various types of legislation the U.S. Congress has used (or has considered using) to influence U.S. policy towards the multilateral development banks (MDBs) or to influence the operations of the MDBs themselves. One category of laws specifies actions that the representatives of the United States at the MDBs or executive branch officials must take in specific situations. A second category seeks to use the "power of the purse" to make the MDBs take (or forswear) certain actions. The report discusses some of the arguments in favor and in opposition to these two types of congressional initiatives and it identifies some of the conditions which effect their relative effectiveness and success. The report provides a full list of the laws that govern U.S. policy towards the MDBs. It shows how much money the United States has contributed to the MDBs in the past decade. It also outlines the contribution process and the way the MDBs receive funds from donor countries such as the United States.

MULTILATERAL DEVELOPMENT BANKS:
LEGISLATION AFFECTING U.S. PARTICIPATION

The United States is a member of four multilateral development banks (MDBs): the World Bank, the African Development Bank (AFDB), the Asian Development Bank (ADB), and the Inter-American Development Bank (IDB). The banks make loans to promote growth and economic change in developing countries. In 1986, they approved new loans totalling \$23.7 billion. 1/ The United States is the largest contributor to all but the African institution. 2/ The volume of U.S. contributions to the multilateral banks has grown substantially in the past two decades. In fiscal 1967, the United States paid in \$374 million to the multilateral institutions. In fiscal 1977, the number rose to number rose to \$655.13 million. In fiscal 1987, the United States provided \$949.33 million in paid in contributions.

As the level of U.S. contributions has increased, the MDB program has become more controversial in the United States. There has been considerable debate about the composition of the MDBs' loan program, the kinds of activities the banks have financed, and the amounts that particular countries have received. From time to time, Members of Congress have proposed amendments to pending MDB legislation which would regulate U.S. policy in specific ways

1/ For further information on the largest of these institutions, see CRS Report 86-769F The World Bank: Eighteen Questions and Answers.

2/ In the World Bank, the United States has 19.88 percent of the vote in the International Bank for Reconstruction and Development (IBRD), 29.95 percent in the International Development Association (IDA), and 27.77 percent in the International Finance Corporation (IFC.) In the Asian Development Bank (ADB), the United States has 13.70 percent of the vote, while in the Inter-American Development (IDB), its voting share is 34.51 percent. In the African Development Bank (AFDB), the United States has 5.69 percent of the vote in the Bank itself and 5.82 percent in the African Development Fund (AFDF.) In the AFDB, Nigeria and Egypt have larger voting shares than the United States, while in the AFDF, Japan's share is larger.

or seek to influence the MDBs' policies or procedures. (The United States became a member of each MDB as a result of legislation adopted by Congress. Periodically, new legislation is presented to Congress to authorize and appropriate money for U.S. participation in new funding MDB plans.)

Congress has used two basic approaches in its efforts to influence MDB policy or operations. One has involved the adoption of legislation that states what U.S. policy shall be or how the United States shall use its "voice and vote in the MDBs in particular situations. The other has involved the possible use of the "power of the purse" -- varying the size of the U.S. payment or conditioning the way the U.S. contribution in order to gain leverage or influencing MDB operations.

This paper reviews the record for both types of legislation. First, it identifies the laws which have been adopted specifying or directing U.S. policy in the multilateral agencies. Second, the paper reviews the various ways Members of Congress have sought to use the "power of the purse" to influence the MDB program in particular ways. It also discusses possible arguments favoring and opposing these various steps.

I. LAWS GOVERNING U.S. POLICY AND U.S. PARTICIPATION IN THE MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks are international bodies, not U.S. Government agencies. If Congress is concerned about a particular aspect of the MDB program, it cannot move (as it can with U.S. Government programs) to rectify the situation by adopting laws which require the agencies to operate in specific ways or prohibit certain activities.

The United States does have full legal control, however, over the way its votes are cast and its influence used in the multilateral agencies. By law,

the power to instruct the U.S. representatives to the MDBs is vested in the President and the President has delegated this authority to the Secretary of the Treasury. 3/ Congress has adopted numerous laws which supersede this procedure and direct what U.S. policy shall be in specific situations. A list of these requirements is provided in appendix 1, page 25. The basic laws governing U.S. membership in the MDBs are listed in appendix 2, page 33.

Some of these laws require the Administration to provide Congress with certain kinds of information. 4/ For example, the Administration is to consult with Congress before beginning negotiations with other countries about new MDB funding plans. It is also supposed to report on whether the MDBs have taken certain kinds of action. For example, Congress is to be informed about loans to countries with poor human rights records or the proportion of MDB aid targeted for aid to the needy.

Some of the legislative guidelines state policy or signal congressional concern about specific issues. For example, Congress has said that it shall be the policy of the United States to encourage MDB lending to countries that

3/ Bretton Woods Agreements Act, section 4, as revised by sections 1(a) and 3(a) of Reorganization Plan No. 4 of 1965, effective July 27, 1965, 30 F.R. 9353. Executive Order 11269, February 14, 1966, 31 F.R. 2813.

4/ Current law requires the Administration to make 19 separate reports to Congress on 29 issues involving the MDBs. Eleven are reports which are filed on a periodic basis. The rest are explanatory reports which are to be filed only if certain events occur. In most cases, the Administration has complied with the directive that it provide the required information. The report of the National Advisory Council on International Monetary and Financial Policy (NAC), for example, is a comprehensive document (published annually) which provides Congress with considerable data on U.S. policy and MDB operations. In other cases, the Administration has not complied with the terms of the reporting requirement. Since 1970, for example, no report has ever been filed (as required by P.L. 91-599, sec. 31[1]) showing the status of projects funded by previously approved MDB loans. Some of the reports on MDB performance in targeting assistance to the needy (required by P.L. 95-118, sec. 1103) were filed but none provided any of the information required by the law.

pursue development strategies designed to meet basic human needs and growth-with-equity. Congress has said it would be U.S. policy to promote the integration of women and to encourage more MDB lending for projects which aim at meeting domestic food needs rather than encouraging the export of certain politically-sensitive agricultural products. Congress has also used its MDB laws as media through which it can announce its concerns about issues such as Taiwan's status in the ADB, the need for more aid to Africa, or the level of MDB aid to certain countries. As a technical legal matter, there may be some doubt whether these statements of policy have a controlling effect on the day-to-day details of U.S. participation in the banks. Some analysts argue that statements of policy or concern are not the same thing as directives that the Administration must do certain things in specific situations. These may be important indicators, however, of congressional expectations about future trends in the MDB program.

Some of the laws require the executive branch to consult with other countries or to propose the adoption of certain kinds of resolutions in MDB forums. For example, the U.S. representatives are to seek clear international standards or changes in the banks' articles of agreement so as to encourage more lending to countries with favorable records on basic human needs and less lending to countries with unfavorable records on human rights.

Some of the laws also require that the U.S. representatives at the banks oppose any extensions of MDB assistance to countries in certain situations. The United States must use its "voice and vote," for example, to oppose MDB lending to countries with poor human rights records, to countries which expropriate U.S. owned private investment without adequate compensation, or to countries which fail to take adequate steps to prevent the export of illegal drugs to the United States. The U.S. representatives at the MDBs must also oppose

all loans for the production for export of palm oil, sugar, citrus, copper, or any other product in surplus in world markets if that output would hurt U.S. producers of competing products. Congress has passed some of these injunctions more than once.

II. THE "POWER OF THE PURSE" AND U.S. POLICY TOWARDS THE MDBS

The Administration makes its recommendations to Congress as regards the amounts it believes should be authorized and appropriated for new U.S. contributions to the MDBs. In addition to using this legislation specifying policy and controlling the U.S. vote, Members of Congress has also sometimes sought the enactment of specific limits or conditions on the way those funds can be contributed or used. The idea is to use the "power of the purse" as a way of getting leverage or of otherwise influencing the MDBs.

The Contribution Process

Before discussing the ways members of Congress have sought to use the contribution process to influence the policies or operations of the multilateral banks, it is necessary to describe the basic procedures which occur when the United States makes contributions to the multilateral banks. There are specific steps and stages where legislative interventions might have an effect.

A. Negotiation. Every few years, as it becomes evident that each of the multilateral agencies will need new funds, the MDB donor countries negotiate new international agreements by which they all agree to cooperate in a plan for expanding the MDBs' resources. Their means for accomplishing this is a resolution of the Board of Governors of the MDB under discussion. In the draft resolution, the United States and the other donor countries agree on the size

of the prospective increase, the amounts which are to come from each donor country, and other terms of the new funding plan. Once the representatives of the donor countries have agreed upon their proposed plan, they submit it for the formal approval of their respective governments. In most cases, because the U.S. voting share in the MDB is so large, the formal consent of the United States is needed before the new funding plan can legally go into effect.

B. Authorization. The basic rules governing U.S. participation are set forth in the Acts of Congress (the Bretton Woods Agreements Act, etc.) whereby the United States took membership in each multilateral agency. These laws all stipulate that, before the United States can formally agree to participate in a new funding plan which would require U.S. contributions, an Act of Congress is needed to authorize the U.S. Governor (Secretary of the Treasury) to vote for the MDB resolution. Congress must also authorize the appropriation of the funds needed to pay for the U.S. contribution to the new MDB funding plan. The authorization for the U.S. Governor to vote and the authorization for the funds are usually contained in the same legislation. Once a sufficient number of countries have agreed to participate in the proposed MDB funding plan, it legally goes into effect. The donor countries may then inform the MDB of their plan to contribute specific amounts in support of the funding plan.

C. Appropriation. Each year, the Administration asks Congress to appropriate money to meet the U.S. share for MDB funding plans previously authorized by Congress. This is done through the foreign operations appropriations legislation. Table 2 shows the amounts requested by the Administration and appropriated by Congress for the MDBs in the past decade.

D. Commitment. Once Congress has appropriated funds, the U.S. Governor transmits a formal pledge to the specific MDB, committing the United States to provide a specific sum of money as part of the U.S. share in a specified MDB

funding plan. Since 1977, Congress has stipulated in its authorization acts that, while the U.S. Governor can vote for a resolution of the Board of Governors that says the United States and other countries will contribute certain amounts, the U.S. Governor cannot make formal commitments until the necessary funds are actually approved in appropriations legislation.

In the case of IDA and the other MDB concessional loan programs, the MDB proceeds (after it has received the formal pledge) to make loan commitments to countries for aid projects which are to be financed using those contributed funds. In general, the donor countries all make their contributions to the MDB's concessional loan programs at about the same time. If a major country, such as the United States, fails to make its payments on time or in the right amount, the MDB replenishment plans are usually drawn in such a way that the other donors are entitled to suspend or diminish their own contributions correspondingly. The United States makes its formal commitment to the MDB in the form of non-negotiable, non-interest-bearing, letters of credit.

The link between the formal pledge and future MDB lending is less direct in the case of the IBRD and the other ordinary capital (market rate loan) programs. The MDBs finance their market rate loan operations mainly with funds borrowed in world capital markets. The capital subscriptions by the United States and the other member countries serve as backing for the MDBs' commercial borrowings. Once the member countries make the subscriptions to new capital stock planned in the new MDB funding resolutions, the MDBs are able to make new loan commitments to borrower countries and to borrow the necessary money to finance those new loan commitments. The U.S. pledge for a new MDB ordinary capital funding plan takes the form of a subscription to new capital stock. At the time of subscription, the United States pays to the bank a small fraction (usually 10 percent or less) of the full value of the stock. The rest is subscribed on a

Table 2. U.S. Contributions to
Multilateral Development Banks, FY 1978-1988
(in millions of current dollars)

	1978		1979		1980		1981		1982		
	Request	Appropriation	Request	Appropriation	Request	Appropriation	Request	Appropriation	Request	Appropriation	
World Bank Group											
International Bank for Reconstruction and Development (IBRD), paid in (IBRD capital, callable)	52.30 (470.65)	38.00 (342.00)	66.50 (598.50)	16.31 (146.79)	102.00 (923.20)	16.31 (146.77)	86.29 (776.77)	32.79 (295.10)	159.46 (1,831.02)	146.89 (1,687.73)	
International Development Association (IDA)	1,175.00	800.00	1,550.00	1,258.00	1,092.00	1,072.00	1,100.00	520.00	820.00	700.00	
IDA African Facility (IDA/Af. Fac.)	--	--	--	--	--	--	--	--	--	--	
International Finance Corporation (IFC)	44.60	38.00	40.10	40.10	33.45	19.00	14.45	--	14.45	14.45	
Multilateral Investment Guarantee Agency (MIGA)	--	--	--	--	--	--	--	--	--	--	
Asian Development Bank (ADB)											
ADB ordinary capital, paid in (ADB ordinary capital, callable)	20.36 (183.21)	16.80 (151.19)	23.92 (215.28)	19.45 (175.05)	24.83 (323.37)	19.45 (175.05)	29.79 (268.26)	24.83 (223.38)	4.96 (44.88)	4.71 (42.63)	
Asian Development Fund (ADF)	60.00	49.51	70.50	70.50	171.25	70.50	171.25	114.79	167.00	108.25	
African Development Bank (AfDB)											
AfDB ordinary capital, paid in (AfDB ordinary capital, callable)	--	--	--	--	--	--	17.99 (53.96)	17.99 (53.96)	--	--	
African Development Fund (AfDF)	10.00	(10.00)	25.00	(25.00)	41.67	(25.00)	58.33	(41.67)	58.33	(58.33)	
Inter-American Development Bank Group (IDB)											
IDB ordinary capital, paid in (IDB ordinary capital, callable)	40.00 (360.00)	36.70 (328.50)	27.30 (561.40)	27.30 (561.40)	51.50 (635.83)	27.30 (561.40)	58.93 (726.95)	51.55 (560.74)	46.25 (645.57)	48.05 (609.58)	
Fund for Special Operations (FSO)	200.00	114.72	325.30	175.00	325.28	175.00	325.28	200.00	175.00	173.18	
Inter-American Investment Corporation (IIC)	--	--	--	--	--	--	--	--	--	--	
1983											
	Request	Appropriation	Request	Appropriation	Request	Appropriation	Request	Appropriation	Request	Appropriation	
IBRD, paid in (IBRD, callable)	126.04 (1,530.28)	126.04 (1,530.28)	109.72 (1,353.22)	79.72 (983.22)	139.72 (1,353.22)	139.72 (1,353.22)	182.87 (2,105.45)	105.00 (1,353.22)	182.85 (2,105.19)	55.81 (688.26)	204.91 (2,169.16)
IDA	945.00	945.00	945.00	945.00	900.00	900.00	750.00	669.90	750.00	622.62	958.33
IDA/Af.Fac.	--	--	--	--	--	--	--	71.78	--	64.81	--
IFC	--	--	--	--	--	--	35.03	27.83	35.03	--	35.03
MIGA, paid in (MIGA, callable)	--	--	--	--	--	--	--	44.40 (177.61)	--	44.40 (177.61)	--
ADB, paid in (ADB, callable)	.25 (2.24)	.25 (2.24)	13.23 (251.38)	13.23 (251.38)	13.23 (251.37)	13.23 (251.37)	13.23 (226.23)	11.40 (251.37)	13.23 (251.37)	13.23 (251.37)	15.06 (276.50)
ADF	131.63	131.63	147.12	100.00	191.23	191.23	130.00	95.70	130.00	91.41	218.96
AfDB, paid in (AfDB, callable)	--	--	17.99 (53.96)	17.99 (53.96)	17.99 (53.96)	17.99 (53.96)	17.99 (53.96)	15.49 (48.96)	17.99 (53.96)	13.99 (41.98)	9.00 (134.92)
AfDF	50.00	50.00	50.00	50.00	50.00	50.00	75.00	59.57	75.00	53.79	75.00
IDB, paid in (IDB, callable)	62.42 (828.14)	62.42 (828.14)	58.00 (1,230.96)	38.00 (806.46)	78.00 (1,230.96)	78.00 (806.46)	58.00 (1,230.96)	36.34 (1,230.96)	58.00 (1,230.96)	16.42 (1,111.56)	121.10 (2,376.74)
FSO	221.68	221.68	113.62	80.42	145.00	145.00	72.50	38.25	72.50	17.26	110.10
IIC	--	--	--	--	20.00	13.00	13.00	11.20	13.00	--	26.80

Source: Derived from the Administration's budget document ("Budget of the U.S. Government") and House and Senate Appropriations Committees Reports, relevant years.

"callable" basis, not subject to payment unless the MDB needs the money because defaults by its borrowers render it incapable of meeting its own financial obligations.

In general, the new capital increase plans do not require that the member countries all make their subscriptions at the same time. If the United States subscribes less all it is allowed to subscribe under the terms of a new MDB capital expansion plan, the other countries could buy their stock anyway. The MDB would not be legally prevented from borrowing funds but, as a practical matter, the amount it could borrow would be less than otherwise. (Bondholders note how much of the MDB callable capital which stands surety for their loans was subscribed by the United States and the other industrial countries.) The limiting effect of a reduced U.S. subscription would be felt on the lending side of MDB operations. The MDB charters say that the total value of MDB loans outstanding cannot exceed the value of their subscribed capital stock. A drop in the size of the U.S. subscription would bring about a one-for-one reduction in the amount the multilateral agency can loan in future years.

E. Disbursement. The United States disburses money from the Treasury to pay for the paid-in portion of its capital subscriptions about the same time it subscribes to them. The money to pay for other U.S. contributions is held in the Treasury, however, until the multilateral agencies actually need it to finance their loans. When the MDBs agree to finance a development project, they do not release money right away. Rather, they open a line of credit against which they make disbursements to finance the work on the project as it progresses. In many cases, it may take as long as 8 to 10 years for the MDB to outlay fully all the funds covered by the original loan commitment. As the MDB needs money to pay the bills for an activity covered by its loans, it calls on the Treasury to convert the U.S. letters of credit into money. It is

at that point that the U.S. Treasury disburses funds to cover the U.S. contribution to the multilateral agency which Congress authorized and appropriated several years earlier.

Use of U.S. Contributions to Influence MDB Operations

There are a number of possible methods by which Congress might seek to use the contributions process as a vehicle for influencing the operations or policies of the MDBs. In the main, Congress has not adopted these proposals. A few, however, have become law. The following discussion identifies the various types of actions which have been or could be used.

A. Restrict Pending Authorization Requests. During its consideration of MDB authorizing legislation, Congress could cut the amount being approved for future contributions, to penalize the MDB for past loans which Congress disapproved. Alternatively, if Congress were concerned about future MDB operations, it could stipulate that the U.S. Governor could not vote for the MDB funding resolution and no U.S. funds could be contributed until the funding plan were amended to restrict the multilateral agency's future activities. To date, no Members of Congress have proposed action of this sort (past proposals to cut MDB authorization levels have been justified on budgetary -- not policy -- grounds).

Two separate methods have been identified here, one dealing with past MDB loans and another focusing on possible future MDB practices. An argument in favor of cutting the authorization would hold that this is an appropriate way for signaling congressional displeasure with past MDB performance. If the MDB made a certain amount of loans which Congress dislikes, then the U.S. share in the future funding plan could be cut specifically in order to penalize the MDB for a particular past practice. As a counterargument, the opponents might argue that cuts of this sort might be punitive but they do not affect what the

MDB will do in the future. In any case, opponents might say, Congress should look at the MDB's total program -- not simply a few loans -- when it calculates the benefits the United States derives from its continued participation in a multilateral agency.

The alternative approach -- a requirement that the MDB funding resolution be amended to prohibit the bank from making certain kinds of loans -- would have a more direct effect on MDB future operations. The advocates of this approach might hold that this offers a clear and candid way for the United States to express serious concerns and the method is compatible with the formal procedures of the MDB program. The MDBs are political institutions, they say, and they should be able to respond effectively to their members' policy concerns. The opponents might argue that the approach violates the spirit and letter of the MDB charters. The charters require the MDBs to base their loan decisions on economic criteria, and the charters prohibit them from discriminating against countries on political grounds. The opponents might also argue that, just as a law cannot violate the U.S. Constitution, the MDB Board of Governors' funding resolutions cannot violate the requirements of the MDB charters. As a negotiating strategy, they might add, this approach is also wrong because it is too inflexible. Unless Congress were to amend its directive by future law, the critics might argue, the U.S. negotiators could not agree to compromise plans which met basic U.S. concerns but fell short of the goal stipulated in law.

B. No further contributions. One proposal has urged that Congress bar any future U.S. participation in MDB funding plans if the multilateral agencies take certain specified steps. In 1980, the House adopted an amendment by Representative Gerald Solomon to an Asian Development Bank authorization act barring any future U.S. contributions to the ADB if Taiwan was excluded from membership.

(The final Act stipulated, instead, that the United States would reconsider its future participation in the ADB if Taiwan were excluded.) In 1987, Senator Symms has proposed (in S. 220) that the United States should be barred by law from participating in any future MDB funding agreements if the MDBs made certain loans to finance the production of commodities or minerals.

As an argument in favor of this approach, one might insist that the issue at hand is very important and claims about possible injury to the MDB program should not prevent the United States from seeking rectification of current wrongs. One could argue that there will be little actual injury to the MDB program. One could also argue that a threat to terminate future U.S. participation will force the MDBs and the other member countries to take the U.S. position seriously. The view presumes that, if the MDBs and the other donor countries have to decide between continued U.S. participation in the MDB program and the right to make certain kinds of loans (or to expel Taiwan), they will acquiesce to the U.S. position. As a counterargument, one might say that -- however valid U.S. concern about a particular issue might be -- the MDB program is very valuable to the United States and the risks from this proposal outrun the possible gains. One could also argue say that the proposed U.S. position lacks flexibility and it invites other countries to turn their policy concerns into non-negotiable demands.

C. Deauthorization of U.S. Contributions. A second approach would have Congress adopt legislation which automatically rescinds past authorizations for U.S. contributions if the MDBs take certain disapproved actions. In 1977, for instance, the Senate adopted an amendment by Senator Dole which said that, if the MDBs made any new loans to Vietnam, Cambodia, or Laos, the existing authorizations for U.S. contributions to them would be reduced (deauthorized) by corresponding amounts. In 1987, Senator Symms proposed (in S. 220) that the

authorizations for future U.S. contributions would be proportionally reduced if the MDBs made certain types of loans for commodities and minerals. Thus, in effect, if an MDB lent \$100 million for such purposes and the U.S. share of that MDB's total funding was 20 percent, the amount authorized for future U.S. contributions would be reduced by \$20 million. If other countries reduced their contributions when the United States cut its amount, this procedure might significantly reduce the amounts available to the MDBs whenever they made an undesirable loan.

An argument in favor of this approach might state that it clearly penalizes the multilateral agencies whenever they make loans contrary to legislated U.S. objections. Over time, one could say, this approach would limit the MDBs' willingness to make loans of this type. A counterargument might hold that -- unless the amounts of money are really quite substantial -- the multilateral agencies will go ahead with their loan plans despite U.S. financial pressure. Faced with a choice between finances and principles, the MDBs might forego some income in order to show the world that they are non-political autonomous agencies, not subject to the control of any single country.

A broader counterargument might hold that such attempts to deauthorize are not timely or aimed at the appropriate place. If the United States wants to reduce its agreed share in an MDB funding plan, it should do so at the time the MDB funding plan is authorized. The counterargument would hold that, if Congress authorizes the U.S. representatives to vote for an MDB resolution that contemplates a certain contribution from the United States, the amount which Congress authorizes for contribution should match the amount stipulated in the international agreement. Congress might delay or stretch out its contributions to an MDB funding plan, the advocates of this view would argue, and this also has an effect on the status of the United States in the multilateral

agency. If the United States wants to reduce the actual amount it has agreed to provide, however, it cannot merely cut the authorization -- it must also seek a change in the U.S. share set forth in the formal Board of Governors resolution establishing the MDB replenishment plan.

D. Earmarking Appropriations. A third approach would be to seek the imposition of restrictions on the way the multilateral agencies can use any money contributed by the United States. During the late 1970s, there was substantial conflict in Congress about whether to attach amendments to the annual foreign aid appropriation act requiring that the U.S. funds be spent or not be spent in specific ways. In 1975, the Inter-American Development Bank refused to accept a U.S. contribution which carried an earmark specifying that part of the funds had to be used for loans to credit unions and cooperatives. Congress subsequently deleted the restriction from the law. In 1977, the World Bank made a \$60 million IDA loan to Vietnam. While this loan was under consideration, the House debated whether to adopt legislation directing that no U.S. aid could be used "indirectly" for assistance to Vietnam or six other countries. After the World Bank loan was approved, the House voted to attach this prohibition to its version of the foreign aid appropriations bill, and similar language was also approved in the House version of the 1978 and 1979 legislation. The Senate insisted that the measure be omitted, however. After strenuous discussion each year, it was not included in the final act. The World Bank president said each year that his agency would be unable to accept legally the funds if Congress attached the "indirect" restriction to the U.S. contribution. In 1979, after Congress had firmly deadlocked on the issue, it received a letter from World Bank President McNamara saying that his agency would not be providing any aid to Vietnam during the period covered by the appropriations then under consideration. In 1987, Senator Symms proposed (in S. 220) that limits should

be placed on the kinds of activities the MDBs could finance using funds contributed by the United States.

Two issues arise in the case of these proposals.

First, can donor countries restrict the way the MDBs use their contributions? Second, if restrictions are allowed, will they have a significant impact on the MDBs' lending programs?

There has been a major controversy since at least the late 1970s about earmarks on "indirect" aid. ^{5/} The advocates of earmarks argue that this is a valid exercise by Congress of the "power of the purse." They maintain that it is wrong for the banks to use U.S. contributed funds for purposes which are not supported by the United States and there needs to be some mechanism to prevent that from occurring. The opponents argue that earmarking is a violation of the MDBs' charters, that the MDBs cannot legally accept or use the funds, and that efforts of this sort invite other countries to attach restrictions to their own contributions. Ultimately, they say, the practice would undercut the effectiveness of the multilateral agencies, and the damage done to the MDBs' programs would not be worth the benefits that might be gained from earmarking U.S. contributions. The opponents note that, while President McNamara's pledge to Congress in 1979 was made without prior formal consultation with the Bank's Board of Governors or its Board of Executive Directors, there was in fact a growing consensus in the Bank and among the donor countries that Vietnam did not merit further aid from the multilateral institution.

The other issue is whether earmarking would seriously change the loan

^{5/} For a discussion of this, see CRS issue brief IB79114 Multilateral Development Banks: Can the U.S. Restrict Its Contributions? [archived] See also: Jonathan E. Sanford. Restrictions on United States Contributions to Multilateral Development Banks. The Journal of International Law and Economics, 15:3 (1981). For a different view, see: Victoria E. Marmorstein. World Bank Power to Consider Human Rights Factors in Loan Decisions. The Journal of International Law and Economics, 13:1 (1978).

programs administered by the MDBs. Proponents argue that, if U.S. funds are restricted, the MDBs will have less money available to finance objectionable activities. Opponents contend that, if an MDB wants to make a certain type of loan not supported by the United States and if other donor countries support this lending, the MDB will simply use funds contributed by the other countries. The funds derived from the United States could be attributed to other parts of international agency's loan portfolio and there would be no real change in the overall character of the bank's operations.

The earmarking issue in the 1970s had to do with the way the multilateral agencies used funds the United States contributed to their concessional loan windows. The bulk of the money for these loans comes directly from contributions by governments (rather than from borrowings or investments), so earmarking would have a direct effect on the amount the MDBs could lend.

This is not necessarily the case, however, with the plan set forth in 1987 in S.220. According to this legislation, the MDBs would be penalized if they use "funds appropriated or otherwise made available pursuant to any provision of law" to finance certain kinds of loans for the production of commodities or minerals. The restrictions on the use of U.S. contributed funds do not seem to affect any loans financed with money contributed by other countries or obtained through borrowing or income from the MDBs' investment portfolios. The MDBs get most of the money for their ordinary capital (non-concessional) loans from borrowing or investment income. Little is financed with direct contributions by governments. Therefore, it is not clear that the proposed restriction in S. 220 would have any direct impact on the loan program financed through the MDBs' regular non-concessional loan window. Most of the commodity or mineral loans which prompted the legislation are financed in this manner.

E. Cut Appropriation Levels Proportionally. This is a variant on the

concept of reducing authorization levels. It would not seek to change the amount the United States has agreed to provide, but it would reduce the amount actually provided in order to call attention to a specific concern. The prime example of this was the 1979 cut in contributions to IDA 4. That year, after the question of prohibitions on "indirect" U.S. aid were settled, Congress voted to penalize the World Bank for having made the 1977 loan by cutting the final U.S. contribution to IDA by \$20 million. (This was the presumed U.S. share of the Vietnam loan, calculated on the basis of the fact that the loan was financed with funds from the IDA fourth replenishment and the United States was scheduled to provide one-third of the funds for IDA 4.) In 1981, the point having been made, Congress appropriated the final \$20 million due for the IDA 4 replenishment.

F. Block Disbursement. Congress has adopted several requirements which prevent the Treasury from contributing previously-appropriated funds to the MDBs if they fail to take certain specified steps. For example, the annual appropriations acts stipulate that none of the funds provided by the act may be made available to any international agency where the U.S. representative cannot obtain (upon request) any document prepared by the management of the international agency or information on the amounts the agency has lent to each of its borrowers. Likewise, no funds may be contributed to any MDB which pays their U.S. executive directors more than certain specified amounts. The United States makes its contributions to the banks in the form of non-revocable letters of credit, against which the MDBs may draw as they require the funds. The Treasury Department interprets the above legislative injunctions as affecting whether the letters of credit may be provided, not whether they may be honored when the time actually comes to pay out the money.

The proponents of this approach maintain that it does not interfere with

the multilateral character of the MDB program but it does provide guarantees about the character of the program. They say the United States has a right to insist on certain minimum standards for the programs to which it provides its funds. The opponents would argue that, if the United States wants certain standards for the MDB program, it should ask the banks' Boards of Governor to adopt them rather than seeking to impose them unilaterally through the appropriations process. In any case, they would observe, once the MDBs have received money from the United States, none of the sanctions under the appropriation act would prevent them from taking the disapproved step if they desired.

G. Recall Previous Contributions. In 1977, the House rejected a proposal by Representative Clarence Miller that would have required the MDBs to return to the United States (from its past contributions) its proportional share of any loans they made to Cuba or the Indochinese countries. The proponents argued that this was an appropriate way to penalize the multilateral agencies if they took steps the United States disapproved. The opponents said that, once the U.S. money was formally contributed, there was no way under the MDBs' charters (short of withdrawal from membership) that the United States could get any of it back. They argued that these are loan programs financed on a joint basis, not institutions where every country has a separate account. They also note that there are practical problems with this approach. The MDBs may have already signed binding loan agreements committing the funds for use in specific situations. Moreover, other countries will have made their own contributions by that point, and -- under the legal terms of the MDB funding resolutions -- their governments might have to ask the MDBs to return a comparable portion of their contributions if the United States succeeded in withdrawing some of its funds. In any case, the opponents say, a step like this would be a violation of the basic multilateral character of the program.

III. EFFECTIVENESS

How effective have these legislative initiatives been in influencing U.S. policy and MDB operations? In some cases, the laws seem to have been adopted mainly to influence U.S. Government policy -- encouraging coordination between U.S. policy in the MDBs and U.S. bilateral aid policy, for example. In other cases, the laws seem to have been adopted with the expectation that the U.S. stance would have an effect on future MDB operations.

In assessing the effectiveness of these various laws, one needs to separate the acts which set policy or requires the U.S. vote to be cast in certain way from the efforts which seek to use the power of the purse.

Laws Controlling the U.S. Vote

In general, the requirements that the U.S. representatives at the banks must vote in specific ways have had a their clearest impact on MDB operations in those cases where the intent of the U.S. law parallels the underlying goals of the MDB program. One such instance was the law that directed the U.S. representatives at the banks to seek the adoption of procedures for post-hoc reviews of the effectiveness of completed MDB projects. Many analysts would argue that other instances may be the laws that require the U.S. representatives at the banks to use their influence to encourage more MDB attention to environmental issues, promote the reduction of trade barriers, to encourage more lending for renewable energy, and discourage lending to countries which expropriate foreign investors without compensation.

Less success has been achieved by the directives which require the U.S. representatives to press for goals which are only partly compatible with the goals of the MDB program. The multilateral banks, for example, seek to promote

three goals -- economic growth, financial stability, and poverty alleviation -- which are not incompatible but can have conflicting requirements in some situations. The laws which require the U.S. representatives at the banks to put special emphasis on lending for poverty alleviation or for basic human needs have helped reinforce the banks' tendencies in that direction. To the extent this emphasis detracts from the goals of promoting growth and stabilization, however, there will be limits on its success in changing MDB priorities.

The least success has been had by the laws that require the representatives to pursue goals which are incompatible with the MDB program's basic principles. The directives which require the United States to oppose lending to countries that engage in drug trafficking, violate internationally recognized human rights, or purchase sophisticated military equipment have not had much demonstrable effect on MDB loan patterns. Most MDB member countries consider these issues, serious though they may be, to be political or internal questions. Thus, they argue, the banks must give due heed to provisions of their articles of agreement which prohibit them from interfering in the internal affairs of their member countries or from using anything other than economic criteria in their decision making process. By voting to oppose MDB loans in these situations, the United States has signaled its concern. The "voice and vote" of the United States has generally not succeeded, however, in altering the MDBs' basic reluctance to interfere in what they consider to be internal or political controversies.

Efforts to Use the "Power of the Purse"

Many people are concerned that the requirements that the United States cast its votes in the multilateral development banks in certain ways is evidence of politicization, a weakening of the non-political economic character of the MDB

program. Most acknowledge, however, that the United States has the same rights all other members have to voice its concerns and to use its vote to seek to influence MDB operations. More controversy surrounds attempts to use the contribution process as a means for influencing MDB operations. Many believe this action strikes much more directly at the multilateral character of the MDB program. It is one thing, they feel, for a country to cast its vote against a loan. It is another for thing for a country to refuse to join with the other countries in supporting the activities the majority has agreed to support or for it to attempt to use its financial power to twist the decision process and force the institution to take steps the majority would not support.

This controversy aside, the record shows that some of the attempts to use the contribution process in this way have been more difficult to enact into law than others. The hardest fought issue is probably the concept of earmarks on the "indirect" use of U.S. contributed funds. It tends to become a technical legal dispute about whether the MDBs can accept or use earmarked funds, not a debate whether they should make certain kinds of loans. On the other hand, there seems to have been only limited resistance in Congress to the adoption of proposals barring the disbursement of funds to international agencies that behave in certain ways or fail to take certain steps. The laws that employ this technique have been fairly narrow in focus, however, being mainly stipulations asserting (or waiving) rights the United States presumably has already as a result of its MDB membership.

None of the techniques for using the contribution process discussed above above has been very effective in stopping the MDBs from making loans which their critics oppose. Even if U.S. legislation were to succeed in restricting the way' the banks can use U.S.-contributed funds, for instance, they would still be able make a specific loan (if the other member countries agree) using money from

other donors or from other sources. The controversy about prohibitions on "indirect" assistance helped stop the World Bank from making more loans to Vietnam, but one could argue that the change also occurred because the Bank found that this lending was no longer appropriate and the other major donor countries agreed. Some have proposed that future levels of U.S. contributions should decline if the MDBs make certain kinds of loans. The choice of whether to risk the reduced contributions or to make the loan remains with the bank, however. The United States cannot stop the MDBs from doing what they will.

The fundamental assumption underlying U.S. participation in the multilateral development banks holds that these are international agencies which have been created by governments to accomplish certain goals using specified procedures. Except through their votes cast on the MDBs' executive boards, those rules offer member governments no unilateral methods for stopping the MDBs from making certain loans. If one accepts this assumption, the basic issue is whether and how the United States can use the contribution process as a way of persuading other governments that change is needed in MDB policy or operations.

Over the years, Congress has adopted a number of laws which require that the "voice and vote" of the United States shall be used in specific ways to uphold certain policy positions. Overall, however, the position which the United States takes during formal MDB Board deliberations is not decisive. Except in the case of concessional loans from the Inter-American Development Bank, the United States lacks a sufficient vote in the multilateral banks to block loans on its own. It needs the votes of other member countries to garner a sufficient majority to stop loans which it disapproves.

The question is how the United States can effectively persuade other countries to support its position when discussions are held and votes are taken in the multilateral banks. The calculus for congressional action on contribution

levels is no different than the calculus for congressional action requiring that the U.S. vote be cast in specific ways.

The historical record suggests that congressional attempts to attach earmarks barring certain kinds of "indirect" aid have received the attention of the banks and other member countries, but they have not been as successful in getting their support or vote. Statements that future U.S. participation in the MDB program could be put at risk if certain steps were taken (e.g., the expulsion of Taiwan from the ADB) were arguably more successful in acquiring other countries' support. Moreover, unlike some of the more recent arguments about the MDBs making loans for the production of goods in sensitive economic sectors, the argument that an existing member country (Taiwan) should be allowed to continue its participation in the bank was apparently seen as more compatible with the basic principles of the MDB program.

There seems to be a common assumption underlying the positions advocated for both the Taiwan expulsion and the loan-for-the-production-of-commodities-or-minerals issues. Both seem to hold that, if the United States insists on its way and threatens the continuity of the MDB program, it will be successful. This may have worked in the case of the ADB and Taiwan, for the history of the Taiwan/China issue in the United States gives the threat of retaliation more than surface credibility. Whether the other countries will accord the same credibility to U.S. positions which seem to be based more on arguments about economic self-interest in specific sectors or industries is another matter.

In the end, it may be that it is the argument the United States makes, not the instrument it uses, which may be decisive in getting the MDBs to change their lending patterns in specific situations. If the United States is able to persuade enough of the other advanced industrial (donor) countries about the efficacy of its view, then the United States will probably succeed in

influencing the MDB loan program. On the other hand, if the representatives of other countries at the MDBs do not support the U.S. position, however, it may be necessary to get the attention of their higher political authorities. An international controversy caused by some unilateral U.S. effort to use the contributions process to influence MDB operations may be one way to get them involved.

If the U.S. argument is one that can win on its merits or through high-level bargaining between the United States and its allies, then escalating the issue through initiatives in the contribution process may be an appropriate strategy.

If the U.S. arguments are not persuasive or the U.S. lacks bargaining "clout," however, the contribution process may not be an effective place for policy advocates in the U.S. system to seek to make their points. They may also wish to consider whether the possible gain from seeking resolution of the issue which prompts their dissatisfaction are great enough to outweigh the possible losses which may result if the struggle damages the MDB program's underlying effectiveness.

In such situations, policy advocates might want to consider alternative means of giving expression to their concerns. The most effective of these might be legislation directing that the U.S. "voice and vote" in the MDBs be used to advocate attention to the issue of concern in specific situations. There are drawbacks to this approach. Most notably, it cannot promise success in changing MDB policy in the immediate future. It does offer opportunities, however, for keeping the issue alive. Over time, it also provides occasions for persuading other member country governments about the validity of the U.S. concern.

APPENDIX 1.
LEGISLATION GOVERNING U.S. POLICY
IN THE MULTILATERAL BANKS

General Development Policy

1. Basic Human Needs. U.S. policy in both bilateral and multilateral aid is to emphasize support for countries pursuing development strategies designed to meet basic human needs and self-sustaining growth with equity. U.S. participation in the multilateral banks is to place appropriate emphasis on the principle that development aid should help the poor majority in recipient countries participate in equitable growth and also participate increasingly in decisions which affect their lives. [IDFA Act of 1978, amending the Foreign Assistance Act of 1961, sec. 102]

2. Roles of Bilateral and Multilateral Aid. U.S. foreign aid activities which involve large-scale capital transfers should be carried out through the multilateral institutions, in conjunction with efforts by other donors, and U.S. bilateral aid programs should concentrate on projects which do not involve largescale capital transfers. [IDFA Act of 1978, amending the FA Act of 1961, sec. 103(b)(2)]

3. Agriculture; Hunger and Exports. U.S. policy in the multilateral banks shall seek to combat hunger and malnutrition by emphasizing expanded aid for countries that attempt to improve their agricultural production and by efforts to channel multilateral agricultural aid funds towards projects designed to alleviate hunger and fulfill the borrower country's domestic food needs and away from projects designed to produce certain agricultural products for export. [IFI Act of 1977, sec. 901(a)]

4. Country Economic Policies. The Secretaries of State and Treasury shall submit a report to the Appropriations Committees, by February 1986 and February 1987, discussing the domestic economic policies of all countries receiving direct or indirect aid from the United States, including an analysis of their foreign aid programs where appropriate. [FY 1987 appropriations continuing resolution, sec. 534; FY 1986 appropriations continuing resolution, sec. 535.]

5. Environmental Considerations. The Secretary of the Treasury shall instruct the U.S. representatives at the MDBs to promote changes in Bank operating policy, staffing procedures, and priorities so to give environmental considerations higher priority. Among other things, the MDBs are to be urged to systematically monitor their existing programs and to increase the proportion of their future lending which supports environmentally beneficial projects. The Secretaries of State and Treasury are to undertake discussions with other governments
(table continues next page)

and to propose formal action by the governing boards of the individual MDBs. The Treasury Secretary is to report to the Appropriations Committees each January on progress made. The Administrator of the Agency for International Development is to direct U.S. foreign posts to assess the environmental aspects of MDB projects in their countries of assignment. The Secretary of the Treasury is to direct the U.S. representatives at the MDBs to seek changes in any projects which have an adverse impact on the environment. [FY 1987 appropriations continuing resolution, sec. 539; 1986 appropriations continuing resolution, sec. 540.]

6. Foreign Investment in Development. The Secretary of the Treasury shall conduct a study of ways the MDBs could more actively encourage foreign direct investment and capital flows to developing countries, including the possible creation of new investment banking facilities in one or more of the MDBs. The Secretary shall report to Congress by mid-1985. (Bereuter amendment) [Supplemental Appropriations Act, FY 1984, sec. 1005.]

Energy Policy

1. IDB Insurance Program. The President shall evaluate, and report by Sept. 30, 1980, an IDB proposal for joint action to increase energy and minerals exploration through IDB investment insurance. [IFI Act of 1980, Title I, sec. 102]

2. Renewable Energy Resources. The U.S. Governor at the multilateral banks shall use the U.S. voice and vote to encourage more aid for the development of renewable energy resources for developing countries. In conjunction with the increased stress on environmental considerations, the Secretary of the Treasury shall instruct the U.S. representatives at the MDBs to urge the Banks to put more emphasis on programs which encourage the more efficient use of energy and other resources by borrower countries. The U.S. representatives are also to promote use of energy sources such as solar, wind, and biomass as well as to encourage more attention to more efficient use of existing output. [IFI Act of 1980, Title VI] [FY 1987 appropriations continuing resolution, sec. 539 (a)(6).]

Human Rights

1. Opposition to MDB Loans. The United States shall use its voice and vote in the multilateral banks to seek to channel assistance to countries other than those whose governments engage in a consistent pattern of gross violations of human rights or provide refuge to individuals committing acts of international aircraft hijacking. The U.S. representatives at the banks are instructed to oppose loans to those countries unless the assistance is directed specifically to programs which serve the basic human needs of the country's citizens (Harkin amendment). [IFI Act of 1977, sec. 701(a) and (e)]

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2. Required Reports and Consultations. The Secretary of the Treasury shall report quarterly on MDB loans and U.S. actions taken respecting human rights aspects of these loans. The Secretary of the Treasury shall also consult frequently with the chairmen and ranking minority members of the House and Senate authorizing committees about prospective policy changes effecting treatment of specific countries. [IFI Act of 1980, Title V, sec. 501]

3. Amendments to the Above. The word "consistent" was removed from the law. The Treasury Secretary was directed to file his required reports within 30 days of the end of the calendar quarter. [Supplemental Appropriations Act of 1984, sec. 1004, amending sec. 701 of the International Financial Institutions Act of 1977.]

4. Parallel Treatment with Bilateral Aid. The Secretary of the Treasury shall instruct U.S. Executive Directors at the multilateral banks to consider, in carrying out their duties, "specific actions by either the executive branch or the Congress as a whole on individual bilateral assistance programs because of human rights considerations." [IFI Act of 1977, sec. 701(b)(1)]

5. Seek an International Standard. The Secretaries of State and Treasury shall consult widely with other countries to develop a viable standard for meeting basic human needs and protecting human rights and a mechanism for insuring that the rewards of international economic cooperation go to countries which subscribe to such standards. The President shall instruct the U.S. representatives of the multilateral banks to propose and seek adoption of amendments to the banks' Articles of Agreement establishing human rights standards to be used in connection with their assistance programs (Young amendment). The President shall instruct the U.S. Governor of the multilateral banks to consult with other governors about the adoption of charter amendments establishing human rights standards to applications for their assistance. [IFI Act of 1977, sec. 703. Foreign Assistance Appropriations Act of 1979, sec. 611. IFI Act of 1980, Title V, sec. 705]

Basic Human Needs

1. Encourage Lending. The United States is to use its voice and vote in the banks to seek to channel assistance to projects which address the basic human needs of the people in the recipient country. The Secretary of the Treasury is required to instruct U.S. Executive Directors at the multilateral banks to consider, in carrying out their duties, the extent to which the banks' economic assistance directly benefits the needy people in the recipient country. [IFI Act of 1977, sec. 701(d)] [IFI Act of 1977, sec. 701(b)(s)]

2. Seek an International Standard. The Secretary of the Treasury shall consult with other countries about the adoption of guidelines in all the banks specifying that some specific portion of the benefits of their lending should be targeted toward helping the poorest people in the borrower countries. [1981 Reconciliation Act, adding sec. 1101 to the IFI Act of 1977]

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Lending to Specific Nations

1. Loans to non-members. No funds authorized for U.S. contribution to the IDB may be used for assistance to non-member countries. (Cuba is not a member of the IDB.) [IFI Act of 1980, Title I, sec. 29(d)]

2. Taiwan membership in ADB. It is the sense of the Congress that Taiwan shall be allowed to retain membership in the ADB, and a serious review of U.S. contributions and membership will ensue should Taiwan be expelled from the ADB. It is the Sense of Congress that Taiwan should remain a member of the Asian Development Bank and its status in that body should remain unaltered no matter what action is taken on the application of the Peoples' Republic of China for membership. The Secretaries of State and Treasury should make it clear that the United States will not countenance attempts to expel Taiwan from the ADB. [IFI Act of 1980, Title II, sec. 25] [Supplemental Appropriations Act, 1984, sec. 1002, adding sec. 27 to the Asian Development Bank Act.]

3. Haiti. The Secretary of the Treasury shall instruct the U.S. representative to the IDB to work with the representatives on the IDB executive board from other countries to encourage development of a coordinated economic development program to help Haiti. The Agency for International Development is to cooperate in such an effort. [FY 1987 appropriations continuing resolution, sec. 554.]

4. Chile. It is the Sense of Congress that the United States should oppose MDB aid to Chile, under terms of sec. 701 of the International Financial Institutions Act, until that country ends its pattern of human rights violations and institutes democratic political reforms. [FY 1987 appropriations continuing resolution, sec. 556.]

5. Aid to Africa. Congress found that Sub-Saharan Africa is faced with very serious economic conditions and that only a combined effort by the African countries themselves and international aid donors can overcome its current problems. Congress found that the International Development Association's (IDA) Special Facility for Sub-Saharan Africa was an important vehicle for promoting the needed policy reforms and coordinating aid and that it was in the interest of the United States to participate. Elsewhere in the legislation, it authorized \$225 million (which had not been requested by the Administration) for U.S. contributions to the Facility. [Further Continuing Appropriations Act, 1986, sec. 101.]

6. El Salvador and Nicaragua. It is the Sense of Congress that in providing assistance to all countries, in particular Nicaragua and El Salvador, the World Bank should encourage programs which assist the private sector and help stabilize the economy of the nation. The U.S. representatives at the Bank should encourage such programs. [P.L. 96-389 adding sec. 38 to the Bretton Woods Agreements Act.]

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Opposition to Certain Kinds of Countries

1. Expropriation. The President is to instruct the U.S. Executive Directors at the multilateral banks to vote against all loans to countries which have expropriated investments owned by U.S. citizens or repudiated contracts with U.S. citizens or imposed discriminatory taxes which have a similar confiscatory effect, unless arrangements for prompt, adequate, and effective compensation have been made or good faith negotiations are underway (Gonzalez amendment). The voting power of the United States is also to be used in the IDB to disapprove any loan from the Fund for Special Operations to a country if U.S. bilateral aid to that country is suspended due to provisions of the Hickenlooper amendment, which bars aid in cases of uncompensated expropriation of U.S. investments. [1972 IDB Act, adding sec. 21 to 1960 IDB Act; IDA III Act, adding sec. 12 to 1960 IDA Act; 1972 ADB Act, adding sec. 18 to 1966 ADB Act; 1976 AFDF Act, sec. 210; 1965 IDB Act, adding sec. 15(c) to 1959 IDB Act]

2. Drug trafficking. The Secretary of the Treasury is to instruct the U.S. Executive Directors at the multilateral banks to vote against loans to any country whose government has failed, in the view of the President, to take adequate steps to prevent the illegal sale of narcotics or other controlled substances to U.S. Government personnel stationed in that country or to prevent the illegal entry of such drugs from that country into the United States (Rangel amendment). [1972 IDB Act, adding sec. 22 to 1959 IDB Act; IDA III Act, adding sec. 13 to 1960 IDA Act; 1972 ADB Act, adding sec. 19 to 1966 ADB Act. Does not cover AFDF or IFC]

MDB Lending Policies

1. Integration of women. The President is requested to instruct the U.S. representatives at the multilateral banks to carry out their duties in ways that will encourage and promote the integration of women into the national economies of member and recipient countries and into professional and policy-making positions within the banks. The President is also asked to consider the banks' progress in adopting and implementing such policies or practices when making contributions to these international agencies (Percy amendment). [FA Act of 1974, adding sec. 305 to FA Act of 1961]

2. Military equipment. The U.S. voting power in the IDB is to be used to disapprove any loan which might assist the recipient country directly or indirectly to acquire sophisticated or heavy military equipment. The Administration is required to report annually in the NAC annual report on Latin American defense expenditures and steps taken by IDB members to restrain military expenditures and strengthen free and democratic institutions. [1967 IDB Act, adding sec. 16(c) to 1959 IDB Act. 1970 IDB Act, P.L. 91-599, sec. 31(1), freestanding legislation.]

3. Light capital technology. The United States is to use its voice and vote in the multilateral banks to promote the development and use of light capital technologies as major facets of the inter-

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national institutions' development strategies. Major emphasis is to be placed on the production and conservation of energy through light capital technologies. In the IDB, the U.S. Executive Director is directed to propose a resolution to the Executive Board providing for adoption and use of light capital technology as a major facet of the IDB's development strategy (Long amendment). [IFI Act of 1977, sec. 801; 1976 IDB Act, adding sec. 29 to 1959 IDB Act]

MDBs and International Trade

1. Competitive commodities. The U.S. representatives to the MDBs shall oppose any loan for establishing or expanding production for export of palm oil, sugar, or citrus crops if the loan will cause injury to U.S. producers of the same, similar or competing agricultural commodities (Mathis/Moore amendment). The Secretary of the Treasury is also to instruct U.S. representatives at the banks to oppose any aid for the production of any commodity for export, if the commodity is in surplus on world markets and the aid will cause substantial injury to U.S. producers of the same, similar or competing commodities (Obey amendment). The President is also directed to initiate wide international consultations in the OECD and elsewhere concerning formation of viable standards regarding use of development aid for production of exported commodities, including items in oversupply on world markets that might substantially harm U.S. producers of competing products (Schweiker amendment). The National Advisory Council on International Monetary and Financial Policies (NAC) shall include in its annual reports a list of World Bank project proposals that would enhance countries' capacity to produce a commodity for export if that commodity is or will be in surplus in world markets and such assistance would cause injury to U.S. producers. [IFI Act of 1977, sec. 901(a); Foreign Assistance Appropriation Act of 1979, secs. 609-610. Supplemental Appropriations Act, 1984, sec. 813, adding sec. 50 to the Bretton Woods Agreements Act.]

2. Copper and Metals Industries. The Secretary of the Treasury shall instruct the U.S. representatives at all the MDBs to use the vote and voice of the United States to oppose any assistance for the production of any copper commodity for export or for the expansion or improvement of any copper mining, smelting, or refining capacity. The U.S. representatives at the MDBs shall also take into consideration, in assessing prospective MDB loans that would expand or improve countries' capacity for producing or fabricating minerals and metal products, mercially, whether there is surplus capacity in the industry, and whether (if the United States is also a producer of the product) it imports more than half its consumption of the product. [Supplemental Appropriations Act, 1985, sec. 501 and 502(c).]

3. Competing Products. The Secretary of the Treasury shall instruct the U.S. representatives at the MDBs to give attention to the effect that country economic adjustment programs might have on individual industry sectors and world commodity markets, so as to minimize the impact on world markets and avoid government subsidy of exports. [Supplemental Appropriations Act, 1985, sec. 502(b).]

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4. Elimination of Trade Barriers. In 1986, Congress adopted legislation which stipulated that the MDBs would also be covered by the directives in sec. 49 of the Bretton Woods Agreements Act. As a result, the Secretary of the Treasury was directed to instruct the U.S. representatives at the MDBs: (1) to seek consultations with the representatives of other governments about ways the MDB program could be used to reduce obstacles to international trade and investment and to discourage countries from pursuing unfair trade and investment practices; (2) to urge the Banks to use their loan programs as mechanisms for encouraging countries to eliminate trade barriers; to take countries' progress in this area in account as the U.S. determines its position on specific loan requests; and (3) to report to the relevant committees of Congress if the United States supports MDB loans to countries which have not achieved the targets the international agencies have set for them for reductions in import barriers. [FY 1987 appropriations continuing resolution, sec. 555.]

5. Information on MDB Export Opportunities. The Secretary of the Treasury shall assure that information relating to export opportunities from multilateral bank lending shall be transmitted promptly to the State and Commerce Departments. A system for broad dissemination of that information to large and small businesses shall be devised. [IFI Act of 1980, Title IV]

Bank Internal Management Operations

1. Audits and evaluations. The Secretary of the Treasury is to instruct the U.S. Executive Director at the IDB to seek formation of an autonomous evaluation unit in the IDB. Also, the President is directed to propose, through the U.S. representatives at the World Bank and ADB, formation of similar evaluation units in the other multilateral banks to examine and review the programs and activities of each agency and report their findings to their Executive Boards for transmittal to member country governments (Selden amendments). [1967 IDB Act, adding sec. 14 to 1959 IDB Act; FA Act of 1973, adding sec. 302(e)(2) to the FA Act of 1961]

2. Access to loan data. No U.S. funds may be contributed to any multilateral institution whose U.S. representative cannot, upon request, obtain data on the amounts and names of borrowers for all loans, including loans to employees, and the compensation and related benefits of bank employees. [Foreign Assistance Appropriations Act of 1977, 1978, and 1979, sec. 605]

3. Executive Director' salaries. No U.S. contribution may be made to a multilateral bank whose U.S. Executive Director and Alternate Executive Director receive, including any supplemental compensation from the U.S. Government, salaries in excess of those provided for individuals occupying levels IV and V, respectively, of the U.S. Government's executive schedule. [Foreign Assistance Appropriations Act of 1978 and 1979, Title III]

(table continues next page)

4. Staff salaries. The President is to direct the U.S. Executive Directors at the multilateral banks to take all appropriate actions to keep the salaries and benefits of bank employees to levels comparable to those of employees of private business and the U.S. Government in comparable positions (Helms amendment). [IFI Act of 1977, sec. 704]

5. Removal of MDB staff. Congress specified that it is the policy of the United States that no efforts shall be made to replace or remove staff members of the regional development banks, on account of the individuals' political philosophy or activities. The Secretary of the Treasury must consult with the chairmen and ranking members of the relevant authorization and appropriation committees and subcommittees before undertaking any effort. [Supplemental Appropriations Act of 1984, sec. 1006.]

6. Reports on Effects of MDB Activity. The NAC annual report shall discuss the status of each MDB loan approved or outstanding, including a progress report on the projects covered by each loan and discussion of how each will benefit the people of the recipient country. The NAC annual report shall discuss the effectiveness of the procedures which exempt the World Bank and IDB from U.S. banking laws and how the banks' operations assist in financing the development of their member countries. [IDB Act of 1970, P.L. 599, sec 31(1), freestanding legislation. Bretton Woods Agreement Act, sec. 15(b). IDB Act of 1959, sec. 12.]

Other Criteria

1. Non-Proliferation and MIAs. The Secretary of the Treasury is also to instruct the U.S. Executive Directors at the banks to consider, in carrying out their duties:

A. Whether the recipient country has detonated a nuclear device or is a State Party to the Nonproliferation Treaty, or both, and,

B. Whether, for assistance to Vietnam, Laos, and Cambodia, the government of each country has been responsive in providing a more substantial accounting of Americans missing in action. [IFI Act of 1977, sec. 701(b)(3-4)]

2. Consultations with Congress. The Secretary of the Treasury shall consult with the chairmen and ranking minority members of the authorizing and appropriating committees and subcommittees before, during, and at the conclusion of any MDB funding negotiations which might involve future contributions from the United States. [1981 Reconciliation Act, adding sec. 1201 to the IFI Act of 1977]

APPENDIX 2.
BASIC LAWS GOVERNING U.S.
PARTICIPATION IN THE MDBS*

1. Bretton Woods Agreements Act. P.L. 79-171, approved July 31, 1945. (Authorized U.S. membership in IBRD and International Monetary Fund.)
2. International Finance Corporation Act. P.L. 84-350, approved August 11, 1955. (Authorized U.S. membership in the IFC.)
3. Inter-American Development Bank Act. P.L. 86-147, approved August 7, 1959. (Authorized U.S. membership in the IDB.)
4. International Development Association Act. P.L. 86-565, approved June 30, 1960. (Authorized U.S. membership in the IDA.)
5. Asian Development Bank Act. P.L. 89-369, approved March 16, 1966. (Authorized U.S. membership in the ADB.)
6. African Development Fund Act. P.L. 94-302, approved May 31, 1976. (Authorized U.S. membership in the AFDF.)
7. International Financial Institutions Act of 1977. P.L. 95-118, approved October 3, 1977. (Enacted several directives governing U.S. votes or procedures for U.S. participation in the MDBs as a whole.)
8. International Financial Institutions Act of 1980. [informal title] P.L. 96-259, approved June 3, 1980. (Enacted several directives governing U.S. votes or procedures for U.S. participation in the MDBs.)
9. African Development Bank Act. P.L. 97-35, approved August 13, 1981. (Authorized U.S. membership in the AFDB.)
10. Foreign Assistance Act of 1961. P.L. 87-195, approved September 4, 1961. (This is the basic law for the U.S. bilateral aid program. On occasion, notably the International Development and Food Assistance Act of 1978, it has been amended to stipulate what U.S. policy shall be on certain issues also affecting the MDB program.)

* In general, most new law affecting U.S. participation in the MDBs takes the form of amendments adding new sections to these basic acts. Occasionally, Congress has adopted freestanding legislation in MDB authorization acts (new laws which do not amend the prior MDB acts) which affect U.S. participation in the MDBs. The most important of these (the IFI Acts of 1977 and 1980) are cited here. Freestanding legislation has also been enacted through appropriations acts. These are cited in Appendix 1 but not listed here.