

Dick Lugar

U.S. Senator for Indiana

Date: 09/15/2010 • <http://lugar.senate.gov>
Andy Fisher • 202-224-2079 • andy_fisher@lugar.senate.gov

Opening Statement for Hearing on Capital Increase Proposals from the Multilateral Development Banks

U.S. Senate Foreign Relations Committee Ranking Member Dick Lugar will make the following statement at this morning's Committee hearing.

I join the Chairman in welcoming the witnesses and thank them for appearing before the Foreign Relations Committee.

The Administration is requesting funds for the Multi-lateral Development Banks through the regular budget process. This provides the Foreign Relations Committee and Congress with an opportunity to carefully examine these increases. In 2009, the Administration waited until late in the process of a Supplemental Appropriations bill to request a \$100 billion loan for the IMF. Consequently, on that occasion, Congress did not have a full opportunity for hearings or authorizing legislation addressing whether those additional funds should have been conditioned on reforms.

The United States has strong national security and humanitarian interests in alleviating poverty and promoting progress around the world. That is why the Congress has supported appropriations for loan and grant programs through the development banks. But the American people must have confidence that our funds are managed effectively, efficiently, and transparently. We must ensure that our contributions promote U.S. interests.

The current request arrives in the context of the worst economic crisis since the Great Depression. We need to consider the impact of additional funding on our own bottom line, as well as on how funding might help strengthen U.S. influence in the global economy and contribute to U.S. national security. Maintaining our shareholding and leadership positions at the International Monetary Fund, World Bank, and regional development banks remains an important foreign policy tool that in many circumstances can be more cost effective than other mechanisms we might employ.

Given global financial linkages, we cannot achieve a full economic recovery in isolation from the rest of the world. In the face of job losses, wealth evaporation, homelessness, hunger and other outcomes, the economic viability of many nations will be tested. There is evidence that the global crisis has been tempered by the actions of the International Monetary Fund, World Bank, and the regional development banks. They have provided steady finance during a period of extreme uncertainty and turbulence.

Although the development banks have performed a valuable function, their operations can be improved significantly. Seven years ago, I began a review of the development banks that studied whether funds were being used efficiently and projects were benefitting legitimate development and financial goals. I chaired six hearings on the topic that included examinations of individual projects and policies of the respective banks. In March of this year, I issued a report entitled "The International Financial Institutions: A Call for Change." The report outlined concrete recommendations for the development banks, including prioritizing projects designed to deliver sustained, long-term development; refocusing attention on the impact of projects, rather than their size and goals; strengthening anti-corruption efforts by increasing financial resources for internal controls and embedding oversight funds into projects; and requiring budget disclosure and financial management standards for any loans going directly to a country's budget. During the negotiation process for the general capital increases, each development bank committed to specific reforms of their operations. Part of our interest today is to examine whether additional reforms are warranted in advance of capital increases and how implementation of these reforms will be monitored. The Administration and the other donor countries of the G-20 should be firm in requiring the implementation of reforms before transferring funds for the general capital increases. It is also imperative that our government examine capital increases for each bank as a unique request, because each financial institution has its own distinct management challenges.

I thank the Chairman for calling this hearing. I look forward to engaging our witnesses.

###