

U.S. Senate Committee on Foreign Relations
Chairman John F. Kerry
September 15, 2010

Chairman Kerry Opening Statement At Hearing On
“Banking on Reform: Capital Increase Proposals from the Multilateral
Development Banks”

Washington, D.C. – This morning, Senate Foreign Relations Committee Chairman John Kerry (D-MA) held a hearing on increased funding for the Multilateral Development Banks.

The full text of his statement as prepared is below:

Thank you all for coming today. We are here to discuss proposed increases in the capital we provide to Multilateral Development Banks. We're fortunate to be joined by three policymakers who can speak directly to the new burdens these banks have taken on and the challenges they still must evolve to meet.

For many years, Multilateral Development Banks have played a crucial, often unsung role in fostering global development. The World Bank and four other multilateral banks that service Asia, Europe, Africa and the Americas offer loans, technical assistance, and grants to developing nations. They finance projects to roll back poverty, educate girls, combat corruption, spread economic opportunity, and generally lay the foundations for stable, well-governed societies.

Where it matters most to our interests, in places like Pakistan and Afghanistan, the World Bank and Asian Development Bank have been valuable partners. For many years, they have placed good people in harm's way to further our common goals.

The global financial crisis has driven home both the importance of institutions like these, and the need to expand them to match the scale of our global challenges. From 2007 to 2008, total net private financial flows to the developing world fell precipitously. In 2009, as the crisis took hold and markets fell, current account balances of developing nations shrank by half.

As the flow of capital to many developing nations cratered, the World Bank increased its lending from \$13.5 billion in 2008 to a record \$33 billion in 2009. Devastating as the global financial crisis has been, it would have been far worse without the rapid response, technical advice, and billions of dollars of capital that the Multilateral Development Banks provided.

Today these banks are asking for an increase in capital. At a time when budgets are strained, they will have to continue make their case to the American people and to us, as well as to other donors.

I would advise a cautious approach to ensure that, in taking several difficult steps at once, these institutions maintain their support from Congress. But do I believe the Multilateral Development Banks have a strong case to make in asking for greater contributions. They have protected the developing world from the worst of the financial crisis. And because the MDBs accept contributions from many regional and global partners, this is not a burden we carry alone. In fact, for every dollar we directly contribute, we enable one hundred dollars worth of lending to the developing world.

As the largest shareholder in all but one of the major Multilateral Development Banks, we are deeply invested in seeing that these institutions remain effective and relevant. Going forward, it will be important to address questions of how nations share power within these institutions. The question of how we decide leadership at institutions like the World Bank must be taken in a thoughtful and measured way. In trying to make these institutions more representative, we must not leave them less effective. This isn't an easy discussion, but while

we can support a fundamentally merit-based approach from top to bottom, we still need to reach an understanding about what merit-based means in practice.

Finally, even as these Banks grow and restructure, they must also do more to address twenty-first century challenges. This includes food security and empowering women—but especially the urgent and fundamentally linked challenges of climate change and energy poverty. As we invest limited public resources, we have to ensure that these banks support our clean energy and climate priorities.

We have a series of difficult questions to confront, including how to reform our current institutions to build the Multilateral Development Banks of the twenty-first century. But it's clear that these banks represent an increasingly important tool to enhance global stability and advance our own interests.

We are joined today by three policymakers at the center of these discussions. Marissa Lago is the Treasury Department's Assistant Secretary for Markets and International Development. Ambassador Curtis Chin is U.S. Executive Director to the Asian Development Bank. And Ian Solomon serves as U.S. Executive Director to the World Bank.

Finally, I want to recognize Senator Lugar's years of effort to eradicate corruption and bring transparency to our Multilateral Development Banks.

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