

**NOMINATIONS OF THE 113TH  
CONGRESS—SECOND SESSION**

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**HEARINGS**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

**ONE HUNDRED THIRTEENTH CONGRESS**

**SECOND SESSION**

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**NOMINATIONS OF MARK SOBEL, SUNIL  
SABHARWAL, MATTHEW MCGUIRE, AND  
MILEYDI GUILARTE**

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**WEDNESDAY, MAY 14, 2014**

**U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.***

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Mark Sobel, of Virginia, to be United States Executive Director of the International Monetary Fund for a term of two years  
Sunil Sabharwal, of California, to be United States Alternate Executive Director of the International Monetary Fund for a term of two years  
Matthew T. McGuire, of the District of Columbia, to be United States Executive Director of the International Bank for Reconstruction and Development for a term of two years  
Mileydi Guilarte, of the District of Columbia, to be United States Alternate Director of the Inter-American Development Bank

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The committee met, pursuant to notice, at 10 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez (chairman of the committee) presiding.

Present: Senators Menendez, Murphy, Corker, and McCain.

**OPENING STATEMENT OF HON. ROBERT MENENDEZ,  
U.S SENATOR FROM NEW JERSEY**

The CHAIRMAN. Good morning. This hearing will come to order. Today we have four well-qualified nominees for the committee's consideration. These nominees, if confirmed, will represent the United States in the International Monetary Fund, the International Bank for Reconstruction and Development, and the Inter-American Development Bank, three essential international institutions tasked with international macroeconomic stability, poverty alleviation, and economic development.

Every Presidential administration since Harry Truman's has valued the work of international financial institutions. Most have sought to strengthen them and bolster their capability to reduce poverty and increase economic development. President Eisenhower said they assist the world's poorest in their struggle for "freedom from grinding poverty."

But then, as now, they are also instrumental in keeping America prosperous and secure. It is in our clear interest to support the

global and regional institutions that promote global financial stability, sound fiscal policies, open markets, good governance, and help alleviate poverty. And, in the decades after World War II, they helped keep the peace.

That said, recent efforts to undermine U.S. participation in these institutions in my view is not the answer, and is a direct threat to U.S. global leadership of an international economic system that we largely built.

Do they need reform? Yes. As the world economy evolves, so must these organizations, and the three international financial institutions we will hear about today are all in the process of reform. I look forward to hearing our nominees' thoughts on the progress being made in reforming these organizations, and what each of them intends to do to continue the reform process.

Our first panel will focus exclusively on the IMF. Six weeks ago, this committee approved a Ukrainian bill that included important governance and quota reforms that IMF members agreed to in 2010 in recognition of the key role the IMF played in stabilizing Ukraine's economy, but also because we believed it was time for the United States to ratify reforms that would reinforce the IMF as the first-responder to international financial emergencies.

At the end of the day, supporting the IMF has not been a partisan issue. Presidents Reagan, Clinton, and both Presidents Bush backed legislation to increase IMF resources, and President Reagan called the IMF "the linchpin of the international financial system."

In fact, during our debate on the Ukraine bill, I quoted from a letter to House and Senate leadership from members of the Bretton Woods committee who argued—and I quote—"implementing the IMF quota reforms bolsters our leadership in the Fund and provides the United States with leverage to continue to preserve our national security and economic interests abroad." So I look forward to hearing from our first panel why they believe the IMF as an institution, and the 2010 reforms in particular are critical to continued U.S. global economic leadership.

We welcome all of our nominees and their family members and friends. We also encourage nominees to introduce family members so we can also acknowledge them for their support and shared sacrifice in this process.

With that, let me recognize the distinguished ranking member, Senator Corker.

**OPENING STATEMENT OF HON. BOB CORKER,  
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. Mr. Chairman, thank you for calling the hearing and to the two of you for your public service in the roles that you now play and hopefully will play in the future.

I appreciate the opportunity, as you mentioned, to examine the roles of these three entities, the IMF, the World Bank, and IDB.

I want to share the chairman's comments and concerns regarding the IMF. I too wish that we had been able to pass the IMF reforms that actually began—I had a good conversation yesterday with Mr. Sobel. But these IMF reforms began early in the Bush administration, and somehow things have been conflated, if you will, recently and people have forgotten the origin of these and have tried to use

the fact that these reforms are continuing to be pushed by this administration as if this is something new.

But I do think it is very important for us to have the kind of reforms put in place at the IMF that have been discussed. The IMF continues to be a viable entity. I think that we do a very poor job here of explaining to people back home that when you have a population of 4.5 percent of the world and yet you share in 22 percent of the world's gross domestic product, it is very important—more important—to our citizens maybe than any other that the world is stable and that we have the opportunity to continue to grow economically, and we do a really, really bad job of that, I think, on this committee but, candidly, in the Senate and as Federal officials in general.

So I appreciate you being here. I do think there are some challenges when you look at the World Bank and just other sources of loans. I want to talk a little bit about that.

But, Mr. Chairman, I just want to close with this. I know that the IMF legislation that we looked at was a part of a Ukraine bill, and I appreciate the way we have done so many things together in a bipartisan way.

I will have to tell you that it is very frustrating to get up every morning and to read the newspapers and to see what Russia is doing inside Ukraine. For Russia to be making statements that they have moved troops away—and we know that they have not—for them to continue to foment problems inside the country as we sort of race—it is almost a game of chicken between now and May 25 when the election takes place. It does not appear that we are doing anything. It looks like Putin is doing a whole lot. And it is very disturbing to me to know that we are in a position as a nation, where we are unwilling to prevent the kind of behavior that Russia is putting forth. And I know that many people on both sides of the aisle share those same frustrations.

But thank you for the hearing today, and I look forward to the witnesses' testimony and I look forward to working with the chairman as we move along to try to put the IMF reforms in place at some point so that, again, we have an institution that is healthy and is able to—even though mistakes were made during the European crisis—and I am sure it will come up today or at least in written questions. Mistakes were made. Having an entity like this that helps usher in economic stability in countries where that does not exist is a good thing. So thank you for the hearing.

The CHAIRMAN. Well, thank you, Senator Corker, and thank you for your work with us on the IMF as part of the Ukraine package and your observations about it, with which we totally agree, and hopefully we can get there at some point in this process.

With that, let me introduce our first panel today: Mark Sobel, nominated to be U.S. Executive Director of the IMF; and Sunil Sabharwal, to be alternative U.S. Executive Director to the IMF.

Mr. Sobel has served as Deputy Assistant Secretary of the Treasury for International Monetary and Financial Policy, Senior Advisor to the U.S. Executive Director of the IMF, and Director of the Office of International Monetary Policy, as well as other senior positions at Treasury.

Mr. Sabharwal began his career at the European Bank for Reconstruction and Development. He has worked in international payment systems in both the United States and Europe and has held senior positions at First Data Corporation, Western Union, and GE Capital.

Thank you both for your willingness to serve.

Let me just say for the record that your full statements will be included in the record, without objection, in their entirety. We ask you to summarize them in about 5 minutes or so, so that we can enter into a Q&A session. And again, if you have family members here, please feel free to introduce them.

Mr. Sobel.

**STATEMENT OF MARK SOBEL, OF VIRGINIA, TO BE UNITED STATES EXECUTIVE DIRECTOR OF THE INTERNATIONAL MONETARY FUND FOR A TERM OF TWO YEARS**

Mr. SOBEL. Thank you, Chairman Menendez, Ranking Member Corker, and members of the committee. I am honored that President Obama nominated me to serve as Executive Director of the United States to the International Monetary Fund, and I am grateful to Secretary Geithner, Secretary Lew, and former Under Secretary Lael Brainard for supporting me.

I am delighted to be joined today by my wife, Martha Halperin.

Working with talented Treasury colleagues and senior officials in administrations from both parties, I have had the rare privilege of holding a front row seat in the making of American history for over three decades. As you noted, I have served as an Assistant Financial Attache in Bonn, Germany; Director of the Treasury's International Monetary Policy and Transition Economy Offices; worked in the staff of the U.S. IMF Executive Director; and since 2000, as Deputy Assistant Secretary for International Monetary and Financial Policy. In recent years, I have been proud to play a role in America's leadership in establishing the G20 Leaders process and reforming the IMF.

Seventy years ago, as our brave soldiers fought in World War II to liberate the global from tyranny and dictatorship, our Nation's financial diplomats took the lead in creating a new vision for international economic cooperation. Their vision shunned protectionism and beggar-thy-neighbor currency policies, forces that helped catalyze the war, and instead trumpeted multilateralism and shared prosperity. At the center of that vision, they created the IMF.

Since its inception, the Fund has well served the world economy and U.S. national security and economic interests, whether it be in helping to mitigate economic crises in Latin America in the 1980s, support the transition of the ex-Soviet states in the 1990s, combat the Asian and emerging market crises of the latter 1990s, provide concessional support and debt relief for poverty alleviation in low-income countries, or tackle the European crisis of the past years.

Without the IMF, these developments had the potential to rock geopolitical stability to a much greater extent, often in countries with strategic significance to our national security. Without the IMF, these developments also had the potential to spread more virulently around the world and seriously harm U.S. growth and

jobs through decreased export opportunities, lost foreign investment, and financial shocks.

Throughout my career, I have seen firsthand the IMF's strengths. Its ability to design and support country reform programs is unparalleled. The IMF brings together officials from around the world, creating shared understanding. It fosters multilateral rules of the road. Its technical assistance helps countries build the infrastructure for more robust economic policies. The IMF's surveillance can help prevent crises.

But despite the Fund's strengths, the organization, like any other, has room for improvement, for example, in better providing crisper judgments on global rebalancing and exchange rate issues, strengthening its work on crisis prevention and debt sustainability, supporting pro-poor spending in low income countries, and helping make financial sectors more resilient.

I believe firmly in defending U.S. interests and in advancing multilateralism, as well as in working pragmatically and collegially, with analytic rigor and in a nonpartisan manner. I also believe in the IMF's mission and that our Nation's leadership of the IMF is critical. Those beliefs have guided my career.

If confirmed as U.S. Executive Director, I will work vigorously to strengthen and improve the IMF consistent with those beliefs. I will dedicate myself to doing my utmost to work with Congress to help secure U.S. passage of the 2010 quota and governance reforms.

Again, to have been nominated by the President to represent the United States in the International Monetary Fund, the very institution at the center of America's post-World War II global economic and financial vision, is a tremendous and humbling honor and a responsibility that I am eager to undertake.

Thank you.

[The prepared statement of Mr. Sobel follows:]

PREPARED STATEMENT OF MARK SOBEL

Thank you Chairman Menendez, Ranking Member Corker, and members of the committee. I am honored that President Obama nominated me to serve as Executive Director of the United States to the International Monetary Fund (IMF), and I am grateful to Secretary Geithner, Secretary Lew, and former Under Secretary Lael Brainard for supporting me. I am delighted to be joined today by my wife, Martha Halperin.

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Again, to have been nominated by the President to represent the United States in the IMF—the very institution at the center of America's post-WWII global economic and financial vision—is a tremendous and humbling honor and a responsibility that I am eager to undertake.

Thank you.

The CHAIRMAN. Thank you.

Mr. Sabharwal.

**STATEMENT OF SUNIL SABHARWAL, OF CALIFORNIA, TO BE UNITED STATES ALTERNATE EXECUTIVE DIRECTOR OF THE INTERNATIONAL MONETARY FUND FOR A TERM OF TWO YEARS**

Mr. SABHARWAL. Chairman Menendez, Ranking Member Corker, distinguished members of the committee, it is an honor to appear before you today to present my personal and professional credentials for the position of the United States Alternate Executive Director of the International Monetary Fund.

I am grateful to the President for nominating me to this important office and to Secretary Lew for his confidence and support. I also want to thank your staff for taking the time to meet with me prior to today. If confirmed, I look forward to advancing our shared commitment to make the IMF an even more effective organization and one where U.S. interests are strongly represented, promoted, and defended.

I would like to introduce members of my family who are here with me today, starting with my son, Nicolas, a freshman at Duke University with an interest in engineering and sciences; my daughter Izabella, a freshman at National Cathedral School in high school, who is vying to follow her grandfather to be an Olympian track athlete; and finally, my wife, Gabrielle, whose forensic sciences background and attention to detail actually has helped me a great deal to be able to be sitting here in front of you. Gabrielle and I also share a common passion for the sport of fencing, as we

met 25 years ago in Culver City, CA, at a fencing club and continue our involvement with the sport and the Olympic movement.

The CHAIRMAN. Who wins? [Laughter.]

The CHAIRMAN. Well, that was determinative. Go ahead. [Laughter.]

Mr. SABHARWAL. I was born in New Delhi, India, to an Indian father and a Hungarian mother. My parents separated when I was 9, and I moved to Budapest, Hungary, part of the Soviet Bloc at the time. Following my mother's refusal to join the Communist Party, she was denied a business permit, was constantly harassed for her religious beliefs, in the end giving the family no choice but fleeing the country and seeking asylum in the U.S. Embassy in Vienna. I had just finished high school then.

Through the cooperation of the U.S. State Department, the United Nations, and charitable organizations, we received political asylum in the United States, more precisely in Columbus, OH, with the specific assistance of the Upper Arlington Lutheran Church. To date, I will never forget the reception we received in Columbus in December 1983, just a few days before Christmas, and will remain forever grateful to Professor Cole and his family who enabled me to enroll at the Ohio State University a few weeks after my arrival. While I put myself through college with the use of financial aid, work-study, and scholarships, my family moved to California. Upon graduation, I joined them in California to begin my professional career.

When I left Hungary in 1983, I thought that was going to be for good. Little did we know that less than 10 years later, massive political changes would sweep the region free. One of the first institutions created to foster the transition was the European Bank for Reconstruction and Development, and I was fortunate enough to play a meaningful role in the region's transition as an American citizen and an EBRD employee.

I established the EBRD office in Budapest in early 1992, a time in which Hungary was at the forefront of innovative foreign direct investment legislation and regulations. This experience allowed me to participate in landmark public and private sector transactions, including the first bank and telecom privatizations, infrastructure projects, municipal finance, and venture capital deals. I then transitioned to the EBRD headquarters in London as a member of its financial institutions team, which had the responsibility of investing and lending to banks in the region.

The 5 years I spent at the EBRD had shaped my early professional career and have had a significant impact throughout. I then spent about 10 years working for GE and First Data Corporation, most of it focused on investing in the financial services sector and companies that provide services to the financial services industry. For the last 8 years, I have served as an independent investor and adviser to the same sectors.

As a result of my global upbringing, through which I have had an ability to relate to people around the world, and my 25 years of tenure in the financial services sector, gained in both public and private domains, I am equipped with the experience necessary to carry out successfully the duties, if confirmed, of the U.S. Alternate Executive Director at the IMF. In addition, my language skills and



volunteer experiences are also highly relevant in a body where we need to get representatives of nearly 200 countries to support us on a wide-ranging set of issues.

I look forward to answering your questions and, if confirmed, working with members of the committee on policy matters affecting the IMF.

Thank you for the opportunity to appear before the committee today.

[The prepared statement of Mr. Sabharwal follows:]

PREPARED STATEMENT OF SUNIL SABHARWAL

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I look forward to answering your questions, and, if confirmed, to working with members of the committee on policy matters affecting the IMF.

Thank you for the opportunity to appear before the committee today. I would be pleased to answer any questions you may have.

The CHAIRMAN. Well, thank you both. You have started off very well because neither one of you used your full time, and that is a rarity here at the hearings. So we appreciate that.

Let me start off with you, Mr. Sobel. The United States championed the 2010 IMF quota and governance reforms, but we are the only major IMF member country that has yet to ratify them. How would you describe this as impacting U.S. leadership in the IMF? And if confirmed, what actions would you take as the Executive Director to counter any real or perceived decline in U.S. influence?

Mr. SOBEL. Thank you.

I think, as you have suggested, both of you suggest in your statements, it is an absolute priority for the United States to implement the 2010 legislation. The IMF is extremely critical to the United States for our national security, for our economy, for our ability to lead and foster a multilateral system of governance around the world, and it is also crucial to how the world views American leadership. This is an institution we created, and the world looks to us to play a major role in leading it. And when we are the one country that has not passed our legislation, I think the world looks at us and wonders if we truly remain committed to multilateralism and to this institution.

You know, I was struck during the recent spring meetings of the IMF and World Bank. There are many important issues in the global economy. There are issues about how are we going strengthen global growth. What are the risks and the potential tail risks that could undermine our economy? But, in fact, what happened was that the global community ended up spending most of its time focused on what did the inability to secure legislation mean for the IMF. So I think it was a distraction from really some of the very important issues that the world economy faces.

I believe that there is a very strong case for the legislation, for the important role the IMF plays for the United States. I think the legislative package is an excellent one. We are not putting \$1 into the IMF, and yet, we are preserving our veto power. We are preserving our leadership and influence, and we are achieving some modernization of the IMF, which is critical for the Fund’s future. So it is an excellent package. I will do whatever I can to work with you to make sure that the importance of this legislation for the United States and for the global economy is understood by all.

The CHAIRMAN. And, if confirmed as the Executive Director, until we get to that point, you will have a challenge, when dealing with your counterparts in making them understand that we are truly

committed. And I assume that we can count on you to be able to do that.

Mr. SOBEL. You may, sir. I, in my current position, wear a G20 hat. This issue is very prominent in the G20 as well, and the Secretary, I, and many others have spent a considerable amount of time explaining the situation to others, assuring them that the executive branch remains fully committed to securing passage of this legislation, and we will certainly continue to do that.

The CHAIRMAN. Let me ask you. I would appreciate it if you could discuss the key role the IMF plays in intervening in financial crises such as the ongoing situation in the Ukraine. And as part of that, please explain how ratification of the 2010 reforms would strengthen the IMF's ability to fulfill its mission.

Mr. SOBEL. Unfortunately, countries live beyond their means. They fall into stress, and they come to the IMF often too late. But what the IMF works to do—I would say the country then faces two paths. One is a path of disorderly adjustment. In that path, the country puts in place measures that are half-hearted, piecemeal, and there can be a very sharp, disorderly contraction in the economy that has major spillover effects on the global economy, including the United States.

What the IMF seeks to do is to help the country put in place sound reforms for a market-based economy and provide some financial support, conditioned on implementation of tough reforms, tough reforms that are necessary for the country to live within its means and to tighten its belt, but to provide support to provide for a more orderly and gradual adjustment path that is less disruptive to the people of the country and less disruptive to the global economy. And that is why I think the Fund programs are so important in supporting market economies around the world and lessening the spillback to the United States.

Ratification of the IMF again is absolutely vital for strengthening the IMF. We want the membership of the IMF to feel part of a multilateral system. We benefit from a multilateral system, and we benefit from countries playing according to multilateral rules of the road. What we do not want to see is the world economy splinter off into regional blocs. We do not want to see a Ukraine that is dependent upon its neighborhood and not have the support of the international community. And so to do that, we need a modernized IMF that the membership feels is relevant and legitimate, and the 2010 reforms will help precisely do that.

The CHAIRMAN. I have one last question for you. Last year, I joined 60 other Senators in a letter to Secretary Lew raising concerns about currency manipulation. A number of studies estimate large U.S. job losses due to direct and sustained intervention in foreign exchange markets by our major trading partners. And know that I am deliberately not referring to the effects of central bank monetary policies.

We in Congress are looking for a robust administration action plan. Now, I understand Treasury's preference has been to address this through the IMF and G20, not through trade negotiations, but so far such attempts have fared poorly.

If confirmed, would you use your position to motivate IMF leadership to press currency manipulators to move forward toward market-based exchange rates?

Mr. SOBEL. Thank you for that question.

As I mentioned in my opening remarks, the IMF was created—one of the reasons it was created was specifically to overcome beggar-thy-neighbor currency practices which, as I noted, was one of the factors that gave rise to the disruptions in World War II.

Foreign exchange surveillance is a core mandate of the International Monetary Fund. This is another area referencing what Senator Corker said at the beginning. Senator Corker said that the governance reforms in the IMF have been pursued in both last administrations. The same can be said about IMF and foreign exchange surveillance. Both administrations very actively since 2005 have pressed the IMF to exercise firmer and more rigorous surveillance over exchange rates. And as you have acknowledged, we have also pushed this case very heavily in the G20.

In response, I think the IMF has significantly improved its analysis. It has improved its coverage of exchange rate issues in its article 4 work and other papers. I still feel that there is more to be done. As I indicated in my statement, I feel there is more to be done in providing crisper assessments and judgments in this area, and I would like to assure you that, if confirmed, I will definitely press the IMF to undertake more vigorous and more robust foreign exchange surveillance.

The CHAIRMAN. Thank you.

Now, Mr. Sabharwal, since it is only Senator Corker and I, I am going to take advantage and ask one more question and will then turn to him.

Being the alternate is important as well because if Mr. Sobel is not, for any reason, acting and you are going to get engaged, I want to know how you think. So I would appreciate if you could give us your perspective, as someone with extensive experience in the private financial sector, on the importance of the IMF in ensuring international financial stability, and why you think—assuming you think—full implementation of the proposed 2010 quota and governance reforms are justified and necessary.

Mr. SABHARWAL. Thank you for the question.

The IMF really sits in the center of the global economy. One of its missions is to avert crises, and if a crisis does happen, to contain them. Whenever the private sector looks to invest, the first item of risk it is looking at is the risks that the IMF is addressing, macroeconomic risks, which includes financial economic currency as well. Therefore, a strong IMF creates strong global economies, which then leads to a growing economy that is helpful for us in the United States as about 15 percent of our GDP is based on exports creating 10 million jobs, and of course, a stronger global economy results in more exports. When there is stability around the world, then those countries are also investing more back home.

As a business person, I would think that a proposal where each U.S. dollar—our dollars—is being matched four to one by other countries in the objective of strengthening the IMF, and on top of that, we are then the only country with a veto right. That is a very strong proposition and one, from a businessman's perspective, I

would take because it benefits us. It is leveraging our capital. It is growing the global economy that is creating jobs back home. The strength of the global economy again is enabling others to invest in our country, travel to our country, again beneficial for the U.S. economy.

Thank you.

The CHAIRMAN. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman. And again, thank you both for being here.

Just for those who might be looking on and members who are not here, explain the relationship, if you would, between the actual person and the alternate and how the two interrelate and why we have it set up in that way, if you would briefly.

Mr. SOBEL. Thank you, Senator.

The Office of the United States Executive Director is responsible for being the voice of the United States. In the IMF, some people talk about our votes. So we cast the votes. The office does. The Fund tries to operate most of the time on consensus, but we also provide the intellectual heft from the United States to articulate and represent our views.

I would say one thing I have learned in my career is that virtually any issue of importance to the international monetary system is discussed in the IMF board.

So what does the IMF office do?

Senator CORKER. Before we get to that, just if you would specifically—there is an Executive Director and then there is an alternate. Explain why we have it set up that way, if you would briefly.

Mr. SOBEL. It goes back to the original governance of the Fund, but of course, there is just a tremendous amount of work that goes to the board, and the two are there to represent the United States in the board, to discuss with colleagues around the world and build a consensus to advance U.S. positions. And of course, if one or the other is not present, the other would serve as the representative.

Senator CORKER. So you have to be present to vote. Is that correct?

Mr. SOBEL. Yes.

Senator CORKER. You cannot do that by proxy.

Mr. SOBEL. Absolutely not.

Senator CORKER. So is that the reason you have an alternate?

Mr. SOBEL. Absolutely.

The IMF board meets three to four times a week. They are bringing hundreds of papers to the board for discussion and presentation of ideas every year, and the office needs to be positioned to read all the papers and weigh in on each and every one of them. It is a tremendous volume of work.

Senator CORKER. So, Mr. Sobel, we had a meeting yesterday, and I have been listening to your testimony today and I appreciate it. You used the word "intellectual" a minute ago. You all provide the intellectual work to analyze what is happening. And you seem very quiet and unassuming and sort of reserved. It is kind of refreshing when you think about the environment I live in daily.

But on the other hand, I would like to ask this question. I mean, you talk about influencing others. And I know you probably have a very high IQ, beyond certainly the person asking the question.

I guess the question is how much on the EQ side is relevant to the job. I mean, is this an influencing job where you are out trying to influence other people? You are relatively quiet and I am just wondering what kind of skills you possess relative to getting other people from other countries who have divergent views to come your way.

Mr. SOBEL. Well, thank you for that question. [Laughter.]

The CHAIRMAN. Let me forewarn you before you answer. Do not take Senator Corker's self-effacing way to suggest that somehow your intellect is greater than his. This is his "oh, shucks" way of getting to people. So I just want you to know.

Senator CORKER. Thank you.

Mr. SOBEL. I thank you for that. I had not been fooled.

Well, first of all, I thank you for perceiving me for being quiet and unassuming. I know many people who would not agree with your assessment.

Over my career, I have come to appreciate that the United States leads not only by virtue of being the largest country in the world, but by having good people who are smart and can put forward strong reasoning and lead with analysis and good ideas. Obviously, we have to be collegial. I think my colleagues around the world know that if I need to be a tough negotiator, I can be a tough negotiator. But I am a straight talker and I am on my game.

Senator CORKER. How much of the job, though seriously—I know we talked a little bit yesterday. But how much of the job is you influencing others through discussion and conversation? How much of it is just analyzing some paper and people reading and making a decision based on what is in a paper?

Mr. SOBEL. The two actually come together. You read papers. You form your analysis, but then you go talk to others to form the best position and to exchange ideas on it. And I think that really is in large measure the essence of what one does in the IMF executive board.

Senator CORKER. Well, I know we talked a little bit about the quota package or you did with the chairman. I think there has been some discussion on our side of the aisle, not by me, but some have questioned the difference between the NAB and the risk that our Nation has relative to that versus going ahead and making the investment that is called for by the IMF reforms.

Would you mind using this opportunity to distinguish between the two and to talk a little bit about that risk? I think it would be your view that the investment is not any more risky than having the NAB out there, or at least I think that is what it was yesterday. But if you would, please share your thoughts in that regard.

Mr. SOBEL. Thank you.

Both our contributions to the NAB and quotas I feel are extremely secure. I feel our reserve claims on the IMF are completely secure. The safeguards that would apply to the NAB or the quota are the same. When NAB or quota resources are lent out, they are lent out subject to strong conditionality. When the IMF lends to country X, our exposure as a nation is not to country X. It is to the Fund's balance sheet. The Fund's balance sheet is rock solid. The Fund is regarded around the world as a de facto preferred

creditor. The Fund has strong reserves. It has strong unrealized gold profits that could back our loans in case there were any questions. So the Fund's balance sheet is rock solid. I think that is beyond debate.

Senator CORKER. Has the Fund ever lost—has the Fund ever had a year where losses took place?

Mr. SOBEL. No, absolutely not.

Senator CORKER. Has it ever lost money on a single loan?

Mr. SOBEL. The Fund has not lost money.

Senator CORKER. On any loans ever.

Mr. SOBEL. They at times have extended loans, and some principal has gone into arrears but it has been repaid.

Senator CORKER. So I think one of the things that people who criticize the reforms and maybe criticize the IMF in general are concerned about is there have been a lot of exceptional access loans recently. It seems to be growing. People get concerned. Obviously, the IMF has had a solid track record, as you just alluded to, but people over time, as they watch things happen that are, quote, extraordinary, meaning they are not the norm, get concerned about the IMF and the governance there, if you will, becoming more lax and potentially exposing taxpayers' losses. I wonder if you might respond to the fact that we have done much more of that recently than in the past. We, meaning the IMF.

Mr. SOBEL. Thank you.

One observation I would make about the way the global economy has changed that is directly relevant to your question is that if you think back to the 1970s and 1980s countries developed current account issues, problems, and by tightening macro policies, they could adjust their current accounts.

What has happened—and this is a tremendous benefit to the world economy—is that we are seeing countries around the world that have become more integrated into the global financial system. Their capital accounts play a much more pronounced role in the financing of the country, and when they face serious stress, capital can flee very quickly. And I think that is part of the reason why, starting with Mexico in 1994 and continuing through the Asia crisis, is that you have sent the Fund need to rely more on exceptional access programs to provide countries with resources to stop liquidity runs, to stop liquidity pressures and the like.

So no policymaker that I know of has ever liked approving exceptional access programs, but it was felt that one needed to do this for the stability of the global economy.

Now, in the case of Greece, this issue has arisen, as you know, and it has been debated in the press. What I wanted to say about the issue in that context is that in mid-2010, I feel that Greece was looking potentially at a massive default or a departure from the euro, and it was also a time when Europe had not built the firewalls that were really needed to protect the Eurozone. And had Greece defaulted or left the euro at the time, I feel there would have been potentially a massive contagion also within the Eurozone. This would have had a tremendously detrimental impact not only on Europe, not only on the world, but particularly the United States. There were a lot of forecasts that I saw at the time that said if it had been highly contagious, it could have pushed us

back into recession at a time when we were just beginning to grow our way out of the 2009 financial crisis, and that would have meant a loss of hundreds of thousands of jobs in the United States.

And between May and July of 2010, the stock market in the United States declined by about 15 percent, largely on these developments, and it wiped off, I was told, \$2 trillion in capitalization. So those are the savings of American works. Those are their pensions.

And so I think that the IMF, working with the Europeans to provide support for Greece, even if it was exceptional access, was very much in the interests of the United States and the global economy.

Senator CORKER. Is it OK if I can go just a little bit longer? I know I am already over, and I appreciate the extra time.

So in the case of Greece in particular, there were actually allegations that the IMF not only did something exceptional but also sort of bent the rules. And that news—that kind of came out at a time which made it difficult, if you will, when we were looking at IMF reforms. Do you want to talk a little bit about that and the fact that it actually looked like maybe the IMF staff—it just seemed there was a little shading of what the current situation was in order to make this happen. And should that concern policymakers here in Washington?

Mr. SOBEL. I would be pleased to answer that.

So when the exceptional access criteria were developed in the early 2000s, Under Secretary John Taylor, whom you may know, played a role in advancing that. As I said, no policymaker liked approving exceptional access loans. And he felt that there could be perhaps a more systematic and rigorous process for examining whether such loans met certain criteria: sustainability, could the country regain market access and the like. And we developed the exceptional access criteria.

Now, there were a number of loans, even then, that were approved that did not fulfill all the criteria of the exceptional access. I think Turkey, Uruguay, Argentina, maybe even Brazil back then that we approved the did not meet the criteria.

So if we fast forward to—so I guess the point is I always thought of the criteria as guidelines but not rigid rules. They were to help us think through the case and whether it made sense.

If we fast forward to the Greek case, the IMF felt that there was a question as to whether there was a high probability of sustainability of the program. So they put into the second criteria systemic exception. And they put this to the board, which under the Fund's governance is the body that, with requisite voting power, is duly constituted to approve such loans and that policy change, and the board approved that. Everybody read the paper. Everybody in the world knew what they were doing. The shareholders did it, and I outlined the reasons why I felt at the time this was absolutely the right thing to do for the world economy and for the U.S. economy.

Senator CORKER. So I know that I have gone over and unfortunately so long that now there is another member. And I have messed up the chairman's schedule. But I have a couple of questions and I am going to ask you directly in writing. I talked to you a little bit yesterday about the Argentina bonds issue and whether you were involved in trying to get a brief written outside of the



Treasury oversight, if you will. So I am going to ask you a couple of other questions in writing.

But I thank you both for your willingness to serve in this way and your testimony today. Thank you very much.

I am sorry to take so long.

The CHAIRMAN. Senator, my pleasure.

Senator Murphy.

Senator MURPHY. Thank you, Mr. Chairman. I actually will not belabor this meeting.

Thank you very much, both, for being here. Mr. Sobel, I am sure you have covered the topic of Ukraine in your remarks and some of the back and forth. Maybe you have answered this, but let me just pose it to you and if you have, you can expound upon it.

I appreciate all of the thought that the IMF has given to the conditions upon which support has been granted to the Ukrainian Government. A lot of outstanding questions remain about their ability to repay that loan, especially given some of their past history with this kind of assistance.

What is the relationship between the ability of Ukraine to normalize trade relations with Russia and their ability ultimately to pay back the money that has been lent and will be lent? Or is there an ability to have a frozen conflict over the course of 5 or 10 years and still be able to repay their obligations? Ultimately, obviously, we believe that there is going to be an ability for Ukraine to have a relationship with Europe but also have a significant relationship with Russia. But if that were not to happen in the course of the next 10 years, does that potentially compromise their ability to pay back that money and what role would the IMF have then in trying to facilitate some normalization of relations after the temporary hostilities, that we hope are temporary, abate?

Mr. SOBEL. Thank you, Senator Murphy.

I think the IMF's loan for Ukraine is absolutely vital. I think Ukraine, after many years of a difficult policy experience, fits and starts, faces a critical moment, as I know you do. And we are keenly interested in seeing a Ukraine that is on the path of reform, that becomes an economy that is able to sustain its finances, to stand on its own feet, to trade and interact with the world, the whole world, and to lessen its vulnerability and dependence to its neighbors.

And that is what the IMF package seeks to do. Obviously, it is going to be a very tough program, and given the history of Ukraine with the IMF, we are going to have to be very vigilant and make sure that the tough reforms that Ukraine needs to take are implemented faithfully. These, as you know, involve addressing extraordinarily heavy subsidization of energy in the economy. I was told that basically Ukrainian consumers pay 20 percent of the cost of energy, and this results in a subsidy of about 8 percent of GDP to the economy. And so it just puts an enormous burden on them, but it also puts a tremendous dependence upon them on the region. And it also then puts huge pressure on their fiscal policy and whatnot. And given that Ukraine has had an overvalued exchange rate for a long time, it is not the most competitive economy and it is addressing those issues.

I think if Ukraine is able to address those issues—and it is going to be tough. We are going to have to monitor it very carefully—there is the prospect that Ukraine can put itself on its own feet and be able to interact on a much more market-oriented basis with the rest of the world.

And so I feel that the IMF is offering that multilateral path forward and is absolutely essential. But Ukraine will have to pay its energy bills, and that is part and parcel of the program that is being put forward for the country.

The IMF has an excellent repayment record. It is regarded as the world's de facto preferred creditor. The IMF is always repaid. And I have no doubt that Ukraine will repay the IMF, as it always has in the past. But I very much hope that this time we will be able to see Ukraine embark on a much bolder reform path, tackle the corruption and governance problems that the country has had, and make significant progress forward.

Senator MURPHY. Thank you, Mr. Sobel.

Let me just ask one thing of you, that as we implement the repayment terms, I think it is important to understand, as I know you do, that there is going to be enormous pain with respect to the conversions that the Ukrainian economy has to make to move away from these dramatic inefficiencies and oversubsidization of energy prices. But the result of moving too quickly and too rapidly is a corresponding rapid undermining of support for this new government, which ultimately I think is the only one that has the potential to deliver on these reforms.

I know this is always a tension that the IMF faces when trying to press economies for these types of reforms, but in Ukraine, which is different than some of the other European countries that have been offered these assistance packages, they have an alternative. They can always go back to a financial and economic dependence on Russia. Ultimately this path forward, one in which they are in partnership with the IMF and Europe, is better for Ukraine, better for the continent and ultimately I think better for the United States. And being careful about the timing and the terms upon which we ask them to make reforms is integral to the ability of this new government to be able to stand on its two feet in the long run.

So thank you, Mr. Chairman.

Mr. SOBEL. I fully agree with that.

The CHAIRMAN. Thank you.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

Mr. Sobel, at any time during the last year, did you urge officials of the Government of Mexico to file an amicus brief with the U.S. Supreme Court, taking the side of a foreign government against U.S. investors?

Mr. SOBEL. No, sir. The Mexican Government asked the U.S. Treasury about the litigation, but the Mexican Government decided on its very own to file, as did France and Brazil. We did not advocate that.

The Secretary was asked about this recently in a hearing in the House, and he also indicated that Mexican officials have spoken to him and that he had interacted with them on this issue and ex-

plained the longstanding concerns of the United States on this issue.

Senator MCCAIN. So I take it that your answer is you did not urge officials of the Government of Mexico to file an amicus brief with the U.S. Supreme Court.

Mr. SOBEL. No.

Senator MCCAIN. Did you recommend to the Government of Mexico that they do that?

Mr. SOBEL. No.

Senator MCCAIN. Did you urge or express support for the IMF filing a brief without the approval of your own superiors at the Treasury Department?

Mr. SOBEL. The IMF decided on its own that it wanted to file a brief and then communicated that through the U.S. ED's Office to the Treasury. This was known in the Treasury. There were senior level discussions of the issue and staff level discussions. And Secretary Lew again said in the hearings a few weeks ago that he had discussed this matter with the IMF.

Senator MCCAIN. So at no time during last year did you urge the International Monetary Fund officials to file an amicus brief with the U.S. Supreme Court.

Mr. SOBEL. It was their decision. They decided. We did not encourage or discourage them. This was their decision.

Senator MCCAIN. Are you aware of any other examples in which the IMF has intervened in a domestic court case in a member state?

Mr. SOBEL. So I am not a lawyer. I am told that it is rare for IMFs, the international financial institutions, to do so, but that they have. And I would be happy to submit for the record what our lawyers have come up with in that regard.

[The information requested was not available at the time this transcript went to press.]

Senator MCCAIN. And I assume you do not know why the IMF originally had the impression that the United States supported the filing and why that impression needed to be corrected.

Mr. SOBEL. I think you would have to ask Madame LeGarde.

Senator MCCAIN. So you have no idea.

Mr. SOBEL. No, sir.

Senator MCCAIN. Well, do you have personal views on the continuing litigation between U.S. investors in Argentina over Argentina's refusal to settle its defaulted debt?

Mr. SOBEL. So this is a longstanding issue, as you know. It involves a clause in sovereign bonds that the United States has felt the interpretation of the clause is important for the orderliness and predictability of the sovereign debt process, as well as for New York's role as a financial center.

The Bush administration filed a case in 2004—filed an amicus in 2004 with the appellate court, and the Treasury also filed two briefs in 2012 on this same issue. So there is a longstanding concern in the Treasury Department—well, not only Treasury. It is Treasury, State, and Department of Justice that all come together and weigh in on these issues. There is a longstanding concern that has existed since 2004, if not earlier, on this issue and I think that

remains the view of many. That remains the view in the Government.

Senator MCCAIN. Is it not a fact that Argentina has refused to settle its defaulted debt even though when the bonds were issued, they pledged to submit to U.S. court judgments and waive their sovereign immunity? Argentina's current leadership is defying U.S. courts and refuses to even negotiate with its creditors. And is it not true that the U.S. courts have consistently ruled against Argentina in the matter, most notably in the unanimous ruling by a panel of the Second Circuit Court of Appeals last August? It is my understanding that you disagree with that court's ruling. Do you disagree with that court's ruling?

Mr. SOBEL. Thank you.

I want to be clear. We do not condone Argentina's behavior. We have urged Argentina to honor its commitments. We have had a policy for many years of opposing MDB lending to Argentina. Our interest in the matter has related, as provided for in our briefs, to our broader concerns about the impact of this issue on—again, it comes back to the orderliness and predictability of the sovereign debt restructuring process.

It is just an issue about Argentina. We have seen a tremendous uptick in such litigation around the world over the last decade or so. There was recently an academic article, and I would be happy to provide to your staff after this, which actually contains a catalog of all the increased holdout litigation, but it affects countries like Liberia and Zaire and others around the world. That is the concern in the United States.

Senator MCCAIN. Do you agree or disagree with the court's ruling?

Mr. SOBEL. The court has ruled as it is.

Senator MCCAIN. I repeat my question, sir. Do you agree or disagree with the court's ruling? It is a pretty straightforward question.

Mr. SOBEL. I appreciate that, Senator. My job is to provide advice to the Secretary of the Treasury. The Treasury—

Senator MCCAIN. I am aware of what your job is. I would like to know whether you agree or disagree with the court's ruling. As I say for the second time, it is a pretty straightforward question. You are free to elaborate on your view, but I would like to know whether you agree or disagree.

Mr. SOBEL. I continue to believe that the court's ruling has given—gives rise to the questions that we have had for over a decade—

Senator MCCAIN. Mr. Sobel, you know, this is really getting a little frustrating. It is a fairly straightforward question. I would like to know whether you agree or disagree with the court's ruling, and you can elaborate on it however you want.

Mr. SOBEL. Senator—

The CHAIRMAN. Let me just ask because I want to wrap this up. Do you have an opinion? If you have an opinion, yes. If you do not have an opinion, then your answer is you have no opinion on the ruling.

Mr. SOBEL. I have an opinion.

The CHAIRMAN. Maybe it is not your job to have an opinion on the ruling.

Mr. SOBEL. OK, Senator, I have an opinion. I continue to be concerned that the court's ruling could upset the orderliness and predictability of the sovereign debt restructuring process. So, yes, I have concerns about the court's ruling. But that is me speaking personally. As to what the U.S. Government does, that will be a matter that will be determined by the Department of Justice, the Department of the Treasury, and the Department of State.

The CHAIRMAN. Thank you.

Senator MCCAIN. Well, I thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Let me thank both of you for your testimony. Because we are going to have votes in a few minutes, I want to get to the second panel. There are other questions. I do not want Mr. Sabharwal to think he walked away that easily. We have a few other questions, but I am sure you will both be able to answer them.

If questions are provided for the record, I would urge you to answer them expeditiously because the sooner you answer them, the more quickly we can consider you at a business hearing for the committee's vote.

And with the gratitude of the committee for your testimony and your willingness to serve, this panel is excused.

Let me bring up our second panel. We have Matthew McGuire, nominated to be the U.S. Executive Director of the International Bank for Reconstruction and Development, and Mileydi Guilarte, nominated to be the Alternate U.S. Executive Director to the Inter-American Development Bank.

Mr. McGuire is the Assistant to the Secretary and Director of the Office Business Liaison at the Department of Commerce. He previously worked as a senior executive in the financial services industry, and has been active with nonprofit and civic organizations throughout his career.

Ms. Guilarte has served at USAID, the United Nations, the World Bank, and the IMF, giving her a broad perspective on global economic development and poverty alleviation efforts.

Welcome to both of you.

Again, I will just state for the record that your opening statements will be fully included in the record for their entirety, without objection. I would ask you to summarize them in about 5 minutes. And if you do have family members or friends here, please feel free to introduce them prior to making your statement.

Mr. McGuire.

**STATEMENT OF MATTHEW T. MCGUIRE, PH.D., OF THE DISTRICT OF COLUMBIA, TO BE UNITED STATES EXECUTIVE DIRECTOR OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT FOR A TERM OF TWO YEARS**

Dr. MCGUIRE. Thank you. Thank you, Chairman Menendez, Ranking Member Corker, and distinguished members of the committee. It is an honor and a privilege to be here as President Obama's nominee for Executive Director of the International Bank for Reconstruction and Development.

I have enjoyed meeting some of your staff in the last few weeks, and I look forward to answering your questions today.

I am, as you mentioned, fortunate to have a number of family members with me, and I would like to acknowledge them before I begin. First, my wife, Michelle, is here with our two daughters, Alexandra and Charlotte. My mother, Georgianna McGuire, is here, as is my brother, Eric and his wife, Stacy. My uncle and aunt, John and Lynne McGuire, and their son and my cousin, Jason, as well as my in-laws and my other parents, Bobby and Dianne Mance. I am from D.C. as I will come back to in a minute and so many family who are here.

The CHAIRMAN. Well, thank you for populating the hearing. We appreciate it. [Laughter.]

Dr. MCGUIRE. Certainly. I try to be helpful.

My mother was part of the first Peace Corps group ever to go overseas, Ghana 1, back in 1961. She was the first person in her family to go to college, having worked her way through, and when she graduated, she heard President Kennedy's call to reach out beyond America's shores and make a difference, however small or however large that might be. She taught English in a small town in Ghana called Tema, and many years later, a student of hers from Tema's secondary school became one of my professors at Brown University. As you might imagine, I grew up hearing many stories about those sorts of connections, and I grew up hearing about the importance of America's role in the world, especially through its uniquely American institutions like the Peace Corps.

My father, who died when I was 6 years old, also served in the Peace Corps in what was then East Pakistan and is now Bangladesh. He spent most of his career working on international affairs as well, and his influence on me has been considerable even in his absence.

I also grew up working in my family's business here in Washington, DC, the McGuire Funeral Service. My great grandfather, Robert Grayson McGuire, founded the funeral home in 1912, and when I was old enough I began spending my summers and my weekends there, washing cars, arranging flowers, shoveling snow off the driveway, and even acting as a pallbearer when a family was in need of another set of hands. And I will always remember that my mother and my uncle paid me minimum wage and no more, punching a time clock like everyone else, for every hour and every minute that I worked there.

Through the course of watching my grandfather, my mother, my aunt, and my uncle run the funeral home, I learned numerous things. I learned how important it is to have a bank that provides credit in bad times, as well as good, about how having economic independence makes it easier to engage with the political issues of the day, like the civil rights movement, which my family was deeply involved in, and about the pride and responsibility that comes from being able to hire more people as your company grows. These are simple yet powerful things that I carry with me to this day.

The first part of my career was squarely focused on issues of economic equality and how public policies can increase the possibilities of ordinary citizens to raise their incomes and have a shot at realizing their dreams. I got a Ph.D. in anthropology from Harvard,

finishing in 1998, and my dissertation was on the redevelopment of public housing in Chicago. During that time, I also spent several months in Ethiopia and Eritrea researching the relationship between those countries shortly after the end of their 30-year-long war. And when I finished my Ph.D., I ran a welfare-to-work job training program in New York before joining a firm that helped U.S. cities redevelop public housing projects into mixed-income communities.

In 2003, I moved into the financial services industry, and I spent the next 8 years working for several mutual fund and hedge fund companies, raising capital and serving as a senior executive in three entrepreneurial and dynamic firms. During that time, I began to more fully understand the role that financial markets play in our economy and how interconnected the global economy is as a result of the ease with which capital moves across national borders, industry sectors, and asset classes. In an era where CEO's and investors can deploy their next dollars or euros or ryal almost anywhere in the world at almost a moment's notice, it is increasingly important that countries like ours pay close attention to their financial positions and that they strive to maintain and strengthen the integrity of their capital markets.

And that is what I would like to close with. Should this committee and the full Senate confirm me, you can be sure that I will undertake the role of Executive Director with that very sensibility in mind at all times. I will strive to be a sound steward of our country's capital at the bank and I will work to ensure that each dollar we commit is used to support the values that have proven so durable since America's founding, that open societies are the strongest societies, that transparent systems are the most successful systems, and that those countries which endeavor to give all of their citizens a fair shot at becoming educated, being healthy, and achieving economic independence are the countries that will succeed no matter where they happen to be located. Those are just a few of the values I have watched President Obama champion for many years now, and I would be honored to carry them forward on his behalf and on the country's behalf as the Executive Director of the bank.

I look forward to answering any questions you might have, and I thank you again for allowing me to come before you today.

[The prepared statement of Dr. McGuire follows:]

PREPARED STATEMENT OF MATTHEW T. MCGUIRE, PH.D.

Thank you, Chairman Menendez, Ranking Member Corker, and distinguished members of the committee. It is an honor and a privilege to be here, as President Obama's nominee for Executive Director of the International Bank for Reconstruction and Development. I have enjoyed meeting some of you and your staff in the last few weeks, and I look forward to answering your questions today.

I am fortunate to have a number of family members with me, and I would like to acknowledge them before I begin. First, my wife, Michelle, is here with our two daughters, Alexandra and Charlotte. My mother, Georgianna McGuire, is here; as is my brother, Eric, and his wife, Stacy. My uncle and aunt, John and Lynne McGuire, are here as well; and so are my in-laws and my "other parents" Bobby and Dianne Mance.

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Through the course of watching my grandfather, my mother, my aunt and my uncle, run the funeral home, I learned numerous things. I learned about how important it is to have a bank that provides credit in bad times as well as good; about how having economic independence makes it easier to engage with political issues of the day, like the civil rights movement, which my family was deeply involved in; and about the pride and responsibility that comes from being able to hire more people as your company grows. These are simple, yet powerful things that I carry with me to this day.

The first part of my career was squarely focused on issues of economic equality, and how public policies can increase the possibilities of ordinary citizens to raise their incomes and have a shot at realizing their dreams. I got a Ph.D. in anthropology from Harvard, finishing in 1998, and my dissertation was on the redevelopment of public housing in Chicago. During that time I also spent several months in Ethiopia and Eritrea, researching the relationship between those countries shortly after the end of their 30-year-long war. And when I finished my Ph.D., I ran a welfare-to-work job training program in New York before joining a firm that helped U.S. cities redevelop public housing projects into mixed-income communities.

In 2003, I moved into the financial services industry, and I spent the next 8 years working for several mutual fund and hedge fund companies, raising capital and serving as a senior executive in three entrepreneurial and dynamic firms. During that time I began to more fully understand the role that financial markets play in our economy, and how interconnected the global economy is as a result of the ease with which capital moves across national borders, industry sectors, and asset classes. In an era where CEOs and investors can deploy each next dollar, or euro, or real, almost anywhere in the world at almost a moment's notice, it is increasingly important that countries like ours pay close attention to their financial positions, and that they strive to maintain and strengthen the integrity of their capital markets.

And that is what I would like to close with. Should you all confirm me, you can be sure that I will undertake the role of Executive Director with that very sensibility in mind at all times. I will strive to be a sound steward of our country's capital at the Bank, and I will work to ensure that each dollar we commit is used to support the values that have proven so durable since America's founding: that open societies are the strongest societies; that transparent systems are the most successful systems; and that those countries which endeavor to give ALL of their citizens a fair shot at becoming educated, being healthy, and achieving economic independence, are the countries that will succeed no matter where they happen to be located. Those are just a few of the values I have watched President Obama champion for many years now, and I would be honored to carry them forward on his behalf, and on the country's behalf, as Executive Director of the Bank.

I look forward to answering any questions you might have, and I thank you again for allowing me to come before you today.

The CHAIRMAN. Thank you.  
Ms. Guilarte.



**STATEMENT OF MILEYDI GUILARTE, OF THE DISTRICT OF COLUMBIA, TO BE UNITED STATES ALTERNATE EXECUTIVE DIRECTOR OF THE INTER-AMERICAN DEVELOPMENT BANK**

Ms. GUILARTE. Thank you, Chairman. Before I begin, I would like to introduce my family: my mother, Zenaida, my sister, Maida, my sister-in-law, Meda, my brother, Jose, and my father, Jose.

Chairman Menendez, Ranking Member Corker, members of the committee, thank you for the opportunity to appear before you today. I am honored that President Obama nominated me to serve as the Alternate Executive Director at the Inter-American Development Bank. I am also grateful to Secretary Lew and Assistant Secretary Marisa Lago for supporting me.

I am also grateful to my family, friends, and colleagues that are present today for their love, encouragement, and unwavering support. I specially would like to thank my mother, Zenaida, for inspiring me to be better each day.

If confirmed, I will bring to the IDB a deep understanding of Latin America, solid experience with international development, a strong belief in the value of public service, and the commitment to relentlessly promote the U.S. interests in the region.

Representing the United States at the IDB, an institution created to support the economic and social development of Latin America, is a humbling yet vital undertaking. If confirmed, I would be the first Latina in nearly 30 years to hold this important position.

Let me take the opportunity to tell you a little bit about my background, which has shaped how I came to pursue a career in international development. Born in Cuba, I left Havana for the United States at an early age with my family in search of a better life with only a single blue suitcase in our hands. I spent my formative years in Miami, where I worked side by side with my parents in flea markets each weekend to help make ends meet. These experiences taught me the value of discipline and hard work. I was the first member of my family to graduate from college, and I feel deeply blessed to have prospered in America.

While in graduate school, I focused on developing a solid academic foundation to understand economic, political, and social issues as they impact development and democracy.

After graduation, my deep commitment to the promotion of democracy and human rights led me to work and live in various countries around the globe. Professionally I have worked in countries as diverse as India, East Timor, the Philippines, and the Republic of the Maldives. Through these experiences, I deepened my leadership skills and learned how critical the interaction between financial institutions, donors, and civil society are in the development of the world's poorest nations.

At the World Bank and at the United Nations, I worked on conflict prevention, humanitarian assistance, and strengthening emerging democracies. Most recently, at the United States Agency for International Development, I worked in El Salvador shepherding an interagency initiative which supported broad-based economic growth and citizen security. These experiences allowed me to appreciate the challenges of working within complex multilateral

institutions and develop the skills to help promote effective initiatives in that environment.

Thinking about Latin America has been a constant throughout my life. The opportunity to represent our great country at the Inter-American Development Bank is a particular honor for me as an American born in Latin America.

If confirmed, I will work diligently to advance U.S. objectives at the Inter-American Development Bank by carefully stewarding the resources of the U.S. taxpayer and promoting greater accountability, transparency, and effectiveness. I look forward to working closely with the members of this committee and your staff.

Thank you for your consideration. I look forward to answering any questions you might have.

[The prepared statement of Ms. Guilarte follows:]

PREPARED STATEMENT OF MILEYDI GUILARTE

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Thank you for your consideration, and I look forward to answering any questions you might have.

The CHAIRMAN. Well, thank you both for your testimony.

Just like the previous panel, you have extraordinary personal backgrounds, and we always marvel about how people can come forth from their different backgrounds and engage in public service. So we applaud you in that respect.

And your father is probably the smartest person here. He has a guayabera on. I wish I could get away with that here. [Laughter.]

But in any event, let me ask you, Mr. McGuire. The World Bank is now in the second year of President Kim's ambitious reform plan to refocus the bank on its twin missions of ending extreme poverty by 2030 and promoting shared prosperity.

What is your assessment of that progress to date? Certainly, strong U.S. leadership is essential in this process. If confirmed, in addition to your assessment, what interaction would you expect to have with President Kim's reform program?

Dr. MCGUIRE. Thank you for the question, Mr. Chairman.

You are absolutely right. Dr. Kim has undertaken significant changes at the bank in terms of how it operates and those two goals that you outlined. I am quite supportive to this point of the efforts he is undertaking. Anytime there is significant change in an institution, there are hiccups and bumps and I think that the changes he is making are significant ones, and as a result, it is imperative as the Executive Director, the United States maintain close focus on how it is all going and whether or not the capital that we entrust to the bank continues to carry out the purposes that the board has approved them to do.

I would say that one of the things in particular he has done I applaud, which is a move toward practice areas or in the business world we called verticals, and moving toward aligning the experts in agriculture, in education, in energy in such a manner that they really can spread their expertise more effectively across the many regions working with the country directors who understand the local environment the best. I have seen that model work quite well in the private sector, and while it takes time for it to really take root, it is one thing in particular that I think is quite commendable. And I look forward to working with Dr. Kim closely on seeing its execution all the way through.

The CHAIRMAN. Ms. Guilarte, what is your perspective on how the IDB initiatives complement U.S. foreign policy goals for this hemisphere? And do you believe there are areas where the United States and the IDB could coordinate more closely to be able to further mutual objectives?

Ms. GUILARTE. Thank you, Chairman.

The IDB plays a critical role in the region. As the largest shareholder at 30 percent, we have a unique opportunity to really shape the way that we conduct our relationship with the region. It helps in a number of ways—our assistance to the bank. Primarily it helps promote and advance our national interests, our security agenda. It helps promote U.S. opportunities and increase investment to U.S. firms, create jobs. So in a number of ways, our assistance goes a long way. A stable economy for our neighbors means a stable economy for us as well.

In terms of our collaboration, I think there is a lot of work being done right now between the IDB and the World Bank. One great

example is for the Haiti reconstruction that we have worked very closely on. So there are a lot of opportunities. It does not mean that we cannot do more. Absolutely. And if confirmed, I look forward to working with my colleague at the World Bank to promote and encourage more collaboration, ensuring that we do not duplicate any of our efforts.

The CHAIRMAN. One other question for you. Argentina has failed to honor international obligations to the IMF, the United States, and other Paris Club creditors and to private bondholders. And I understand that the administration's policy since 2011 has been to oppose all MDB loans, including from the IDB, to Argentina, and that the IDB is currently large inactive in Venezuela.

If confirmed, will you assure us that you will work to ensure that the IDB continues to take the U.S. Government's concerns about Argentina and Venezuela into consideration, and will keep the Congress informed?

Ms. GUILARTE. Thank you, Chairman.

Absolutely. The United States does not support any loans to Venezuela or Argentina, and if confirmed, I will continue to uphold that position and keep your committee informed.

The CHAIRMAN. Thank you very much.

Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

And thank you both for your willingness to do this, your great backgrounds. And you are very fortunate today that we have vote coming up and this is going to be short meeting. [Laughter.]

I would like for you, if you would, Mr. McGuire to explain to people again looking on what our national security dividend, if you will, is for being such a large contributor to the World Bank and being involved in that way.

Dr. MCGUIRE. Sure. There are any number of things. I would start with several. One, as was mentioned earlier, economic stability is in the interest of our national security in the sense that when there are fragile or failed states in any part of the world, they tend to have spillover effects in the surrounding region. And to the extent that the World Bank can serve to strengthen countries all over the globe, it allows us to extend our foreign policy toolbox, as it were, in ways that are very important to not only the citizens of those countries, but to our Government itself.

I would point secondly, coming from the Commerce Department, that I think an awful lot about the U.S. economy and its importance not only to our national security but to the globe's well-being. Clearly to the extent that there are growing middle classes around the world, there are deeper export markets for our companies to sell into, and as President Obama says an awful lot, 95 percent of the world's customers are outside of the United States. So to the extent that we can strengthen economies around the world, there are dividends not only to our national security but to companies here in the United States, to workers here in the United States, to our economy every single day.

Senator CORKER. So one of the things people look at relative to your organization, the organization you hope to be a part of—China has obviously dramatically changed over the last two decades, and yet we are still involved with—the World Bank is still involved

with making loans there. I guess I would ask, should we not be moving away from being involved with economies and countries like China, Brazil, and India?

Dr. MCGUIRE. So there are two ways I would come at that. First, in terms of India itself, as I understand it, the bank is not providing loans except—to China except in those cases where there are considerable human needs. It is really about very, very basic human needs. So if the question is in terms of loans there, I would just want to differentiate between China and some other countries.

In terms of the—

Senator CORKER. Explain that to me again.

Dr. MCGUIRE. As I understand it, at this point the World Bank is not loaning to China for projects there except for those instances where there are exceptional human needs having to do with very basic health, having to do with really fundamental lives being at stake. So in the sense that it is not like borrowing countries where there are projects coming before on a very regular basis.

Senator CORKER. So on that note, though, that is interesting, and obviously we care about people's human needs. But on the other hand, China is making massive loans to countries in Africa, obviously taking advantage of natural resource access. And actually people are very worried about the amount of loans they are making to some of those countries and their ability to repay them and what happens over time to those countries' sovereignty.

So can you explain to me the rub there? So here we are making loans to China inside their country for basic human needs. On the other hand, they are loaning massive amounts out to other countries and, in essence, maybe making them stewards of China. It just seems like to me there is a little bit of a conflict there, and I wonder how you might resolve that.

Dr. MCGUIRE. So I think the important point there is that China can do things on a bilateral basis or on a multilateral basis. And it is important that China is part of the World Bank and that we are working with them so that they are in part of this multilateral institution and with other countries from around the world who can engage and try to shape some of the things that are going on within not only China but elsewhere in the world. So really it comes down in a very basic way from my perspective about working with someone versus entirely against someone, and I think it is always advantageous to the extent you can bring people into these global institutions and work with them and try to shape behavior there.

I would also say that in terms of Africa specifically or other countries where the World Bank operates, as does a country like China bilaterally, it is very important for a member of the World Bank's role often is the smart money, if you will. The capital markets have changed. The global environment is radically different now than it was 20 years ago. One of the things that World Bank money does is often come with the expertise that is highly respected and that, therefore, can shape the way the particular governments there operate differently than they might if they only were choosing between a bilateral choice of Chinese dollars—or Chinese yuan versus American dollars and there were not institutions like the World Bank to be mediators and to push people in the right direction.

Senator CORKER. So I have met Jim Kim, and I think actually the chairman may have hosted something where he came in to talk a little bit about the World Bank. And we have been reading stories about the restructuring, and we all know probably better than anybody in the world here that when you change anything, there is lots of resistance. A lot of people have a lot of stake in the status quo.

But you feel with his background, which is very different for somebody looking at billions and billions and billions of dollars alone—he has a very different background, if you will, coming mostly I think from a health background. Do you feel like he is qualified, first of all, to carry out the role of the World Bank but also the changes that he has put in place with things that are going to lead to a good end at the World Bank?

Dr. MCGUIRE. I do and for several reasons. One, I would note that he has run various types of organizations in his career. So as president of Dartmouth University, that is a very different entity than when he cofounded Partners in Health, which was really doing health care around the world, public health. So I think the diversity of the types of organizations he has run is an advantage.

I think also importantly, though, this is where the Executive Director can play a real role. The United States is a leader on the board, as you know. We have significantly more shares than anyone else at the bank. And this is a role that I hope that I can help play by garnering support at the board level, by working closely with management, and making sure that this does go smoothly going forward.

Finally, the thing I would say that is important—and you know this as a business owner yourself, I would imagine—is how important the people under you are. And I think so long as he continues to maintain the extraordinary talent under him and let them do their jobs effectively, I am very confident that he will be able to succeed going forward.

Senator CORKER. Well, thank you both. And we will have some written questions to follow up. But I do appreciate especially people with the backgrounds that you have aspiring to serve in this way.

Thank you for bringing of your family members. We have a minister that ends up having the children's choir a lot to make sure the audience is full. [Laughter.]

So thank you very much, all of you, for being here. And we look forward to a speedy confirmation. So thank you.

Dr. MCGUIRE. Thank you very much.

Ms. GUILARTE. Thank you.

The CHAIRMAN. Thank you, Senator Corker.

Again, as I said to the previous panel, there will be some other questions submitted for the record. I would urge you to answer them as expeditiously as possible in order to consider your nomination before a business meeting of the committee.

This record will remain open until the close of business tomorrow, Thursday.

And with the thanks of the committee for your testimony and your willingness to serve, this hearing is adjourned.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

MATERIAL SUBMITTED FOR THE RECORD

LETTER SIGNED BY 11 HOUSE MEMBERS SUPPORTING THE  
NOMINATION OF MATTHEW T. MCGUIRE

**Congress of the United States**  
**Washington, DC 20515**

May 15, 2014

The Honorable Robert Menendez  
Chairman  
Committee on Foreign Relations  
United States Senate  
Washington, DC 20510

The Honorable Bob Corker  
Ranking Member  
Committee on Foreign Relations  
United States Senate  
Washington, DC 20510

Dear Chairman Menendez and Ranking Member Corker:

We write to express our strong support for President Obama's nomination of Mr. Matthew T. McGuire to become the next United States Executive Director of the International Bank for Reconstruction and Development. Mr. McGuire's experience spans several years as a senior executive in the financial services industry, and numerous leadership roles with nonprofit and civic organizations working on a wide range of public policy issues around the world. Most recently, in his capacity as Director of the Office of Business Liaison at the Department of Commerce, Mr. McGuire has been instrumental in leading the department's efforts to engage the business community on international economic and trade issues, including the Power Africa Initiative.

The World Bank is the premier multilateral development institution and our central tool to provide development assistance to U.S. allies and governments whose failure would jeopardize U.S. national security interests. At the height of the financial crisis, the institution quickly responded by boosting its lending by more than \$100 billion dollars, providing critical countercyclical support to keep our allies and partners strong. As recent international events have shown, it is in our vital interest to support the reduction of extreme poverty around the globe as a means of preventing state failure and combating cross-border terrorism.

The World Bank recently launched a series of wide-ranging reforms under President Jim Yong Kim. The next United States Executive Director will exert significant authority over the board's oversight responsibilities, and we look forward to Mr. McGuire working with senior management to better align the bank's operations with greater development results and achieving greater diversity in its senior professional workforce.

Mr. McGuire's doctoral degree from Harvard University and his significant experience in the financial industry and public sector at the global stage make him distinctively qualified for this position. We have full confidence in him to lead the U.S. Executive Director's office at the World Bank, and call upon the Senate to confirm him as soon as possible.

Sincerely,



The Honorable Gregory W. Meeks



The Honorable Lacey Wm. Clay



The Honorable Terri A. Sewell



The Honorable Patrick Murphy



The Honorable Charles Rangel



The Honorable Grace Meng



The Honorable Karen Bass



The Honorable Bobby Rush



The Honorable Hank Johnson



The Honorable Barbara Lee



The Honorable Michael E. Capuano

RESPONSES OF MARK SOBEL TO QUESTIONS  
SUBMITTED BY SENATOR ROBERT MENENDEZ

EU FINANCIAL CRISIS AND IMF REFORMS

*Question.* Since the beginning of the financial crisis in 2009, 11 European countries have entered into financial assistance programs with the IMF, with commitments totaling about \$157 billion. Of these programs, three are with members of the Eurozone: Greece, Portugal, and Ireland. Some critics, including here in Congress, are concerned about whether loans to Europe are an appropriate use of IMF resources, and have called for internal, systemic reform of the IMF surveillance program and lending processes.

- ◆ Given that you were working at Treasury during the crisis, what is your view of the IMF's response to the crisis in Europe? If confirmed, are there any aspects in particular of the IMF's mandate and/or procedures that you believe merit review and possible reform?

*Answer.* The Fund's engagement with Europe is strongly in the U.S. interest. The IMF has played a critical role in supporting its European members' efforts to stabilize their economies and financial systems, and helping to mitigate contagion from Europe to other countries, particularly the United States. As our largest economic



partner, Europe is an important source of growth and jobs for the United States, and our economic health is closely intertwined with Europe's.

The IMF benefits all of its members by standing ready to provide policy advice, technical assistance, and financing, if needed. The IMF has supported specific European countries in cases where the European Union has provided the bulk of the financing and has been willing to apply its policy tools flexibly and aggressively to support necessary reforms. This lending has come with rigorous conditions in the context of macroeconomic adjustment programs. Today, Ireland has exited and Portugal is close to exiting from IMF support, and Greece has achieved a primary surplus and completed an international bond issue.

Despite its many strengths, the IMF—like any other organization—has room for improvement. As I discussed in my testimony, I think the IMF can provide crisper judgments on global rebalancing and exchange rate issues, strengthen its work on crisis prevention, spillover analysis, and debt sustainability, support pro-poor spending in low-income countries, and help make financial sectors more resilient. I look forward to working to strengthen the IMF's work in these areas, if confirmed.

RESPONSES OF MARK SOBEL TO QUESTIONS  
SUBMITTED BY SENATOR BOB CORKER

IMF QUOTA PACKAGE

*Question.* If the quota reforms are implemented, the United States will transfer approximately \$63 billion from the New Arrangements to Borrow (NAB) credit line to the more permanent IMF quota system. The overall IMF quota will be doubled, reaching approximately \$755 billion.

There are many in Congress who approved the emergency NAB credit line in 2009 because they were led to believe the NAB funds were important in a time of global financial emergency.

◆ Why is a doubling of the IMF quota justified?

*Answer.* The 2010 reforms are necessary to put the IMF on a more sustainable and stable financial footing for the future.

The world has changed since the 1980s and 1990s, and the size of IMF quotas has not kept pace with global growth and the rise in global trade and capital flows. With increased financial integration and globalization, the extent to which destabilizing flows can flee a country has greatly increased. Moreover, reflecting this and other realities, the world has confronted far greater tail risks since the global financial crisis. In short, there is the potential for much larger demands for IMF resources in the face of continuing global economic and financial instability.

The doubling in quota resources was also an important element of the 2010 negotiations, facilitating the achievement of needed realignments in quota shares and to modernize IMF governance. Specifically, these reforms are designed to rebalance shares to more accurately reflect today's global economy, while maintaining the U.S. veto.

It is critical to underscore, however, that the overall amount of resources available to the IMF when the 2010 reforms are implemented will only increase slightly, and the United States will not increase its commitment to the IMF by a single dollar.

Under the 2010 reforms, the United States preserves its veto and leadership role in the IMF, facilitates a needed realignment to ensure that the Fund's membership remains anchored in the multilateral system and continues to view the Fund as legitimate, all without committing any new resources to the IMF. At the same time, the IMF gets the resources it needs to keep pace with the growth in global output, trade, and financial flows.

*Question.* Engagement with Congress on the IMF reform package has not been effective since the administration agreed to the reform measures and quota changes in 2010. Given that you were responsible at the Treasury Department for the IMF during that period, what would you do differently going forward in your engagement with Congress to explain and promote congressional approval of the proposed IMF changes?

*Answer.* The administration has been, and continues to be, strongly committed to passage of legislation to implement the 2010 IMF quota and governance reforms. As Deputy Assistant Secretary for International Monetary and Financial Policy, I have appreciated the opportunity to engage with the Senate Foreign Relations Committee, and other congressional committees, on the importance of passing this legislation. If confirmed, I look forward to continuing to work with you and other Members of Congress on this high priority legislation.

## IMF SURVEILLANCE AND THE RESPONSE TO THE 2008 GLOBAL FINANCIAL CRISIS

*Question.* One of the key functions of the IMF is to monitor the economic and financial policies of its member countries, highlighting the risks to stability in the international monetary system and advising on needed policy adjustments. Yet, recent financial crises such as the global financial crisis of 2008 and the Eurozone crisis seem to have caught many by surprise and unprepared.

- ◆ In your view, what lessons have we learned from the 2008 crisis? What changes to IMF surveillance and policies have been implemented in response to these crises?

*Answer.* IMF surveillance indeed has an important crisis prevention role. The global community is far better served by crisis prevention rather than coping with crisis resolution.

As a first line of defense, countries have important responsibilities to implement sound policies. Many countries, especially emerging markets, have learned lessons from their crises in the past decade, and have improved their policies, consistent with IMF advice, in order to create more space and shock absorbers.

The 2008 crisis revealed other lessons. One was that the potential for capital to rapidly flee countries has further grown. Another lesson in this spirit is that interdependencies among countries have also increased, meaning that contagion can spread more virulently and quickly around the world. In this regard, IMF surveillance underestimated the combined risk across economies, as well as sectors, and the importance of financial sector feedback and spillovers. Another lesson is that a sound macroeconomic policy framework is the best first line of defense against external risks.

Accordingly, since 2008, the United States has encouraged the IMF to strengthen its focus on multilateral surveillance through increased coverage of financial stability and external sector issues, as well as analysis of the spillover effects of country policies. In response, the IMF now produces annual spillover reports and external sector reports, and has enhanced its analysis of financial stability issues in Financial Sector Assessment Program (FSAP) reports. The United States has also continued to urge the IMF to undertake more rigorous bilateral surveillance and put forward its views in a more candid and forthright manner.

Further work, though, is still needed to create incentives for countries to follow IMF advice to strengthen their policies and reduce vulnerabilities, recognizing that sovereign countries may not always follow the IMF's recommendations. If confirmed, I will work to ensure that surveillance is strengthened.

## ARGENTINA BONDS AND AMICUS BRIEFS

*Question.* As you know, the U.S. Second Circuit Court of Appeals recently held that Argentina breached its contractual obligations to U.S. taxpayers by refusing to honor its financial obligations under bonds owned by those taxpayers. Last summer, Christine Lagarde, managing director of the International Monetary Fund (IMF) announced that the Fund would be filing an amicus brief in support of Argentina's appeal to the U.S. Supreme Court.

- ◆ It is my understanding that the IMF has never before filed a U.S. Supreme Court brief. Is that accurate?

*Answer.* I am aware that though the IMF has not filed an amicus brief before the Supreme Court, it has filed at least one amicus brief in a U.S. appellate court. In 1997 and 1998, the IMF (together with the Inter-American Development Bank, Pan-American Health Organization, and Intelsat) filed, in both the federal district and appeals courts, amicus briefs opposing the imposition of D.C. sales taxes on cafeteria transactions by a World Bank contractor. *International Bank for Reconstruction and Development v. District of Columbia*, 171 F.3d 687 (D.C. Cir. 1999).

I understand that submission of amicus briefs by international financial institutions occurs infrequently, but the IMF and other international financial institutions such as the Inter-American Development Bank and the World Bank do file amicus briefs in U.S. courts from time to time.

*Question.* What communications did you have with the IMF Executive Board and any staff of the IMF regarding the Argentine sovereign debt? Did you participate in any conversations regarding the potential IMF amicus brief? If so, please describe such conversations.

*Answer.* The IMF's decision to file in this case was its own, reached by IMF management and staff. The IMF's concerns about the implications of the Court's ruling in undermining the orderliness and predictability of the sovereign debt restruc-

turing process were similar to those expressed in prior U.S. Government briefs in the litigation.

The State and Treasury Departments actively discussed the merits of whether the United States should file an amicus brief, working closely with the Department of Justice. Treasury exchanged views with the IMF at the staff level on the posture of the litigation, consistent with discussions ongoing at senior levels. As Secretary Lew stated in recent testimony (before the House Subcommittee on Financial Services and General Government on April 29, 2014), he discussed these issues with the IMF.

In the context of this broader discussion, I engaged with the IMF management, in particular through the U.S. Executive Director, who is a member of the Executive Board, to help advise senior Treasury officials in determining the appropriate U.S. posture with respect to the IMF's consideration of a potential amicus brief and to engage with IMF officials regarding such a brief.

*Question.* What are your views on the propriety of the U.S. Executive Director to the IMF advocating that the IMF or foreign governments file amicus briefs in domestic U.S. court cases?

*Answer.* The positions taken by the U.S. Executive Director to the IMF at the IMF Board are subject to the direction of the Secretary of the Treasury. If confirmed, I will adhere to the instructions of the United States Government, and in particular, the Secretary of the Treasury.

*Question.* Would you please elaborate on your concern that "the court's ruling could upset the orderliness and the ability of the debt restructuring process"?

*Answer.* The United States, in briefs filed in the U.S. Court of Appeals for the Second Circuit in [April] and December 2012, stated that U.S. efforts to promote voluntary debt restructuring, along with macroeconomic reform and support as necessary from the international financial institutions, is the most effective way to resolve sovereign balance of payment crises while minimizing economic damage. This in turn will help protect the U.S. economy and U.S. jobs.

As those briefs stated, the court's ruling may make voluntary sovereign debt restructuring substantially more difficult by tilting the incentives away from consensual, negotiated restructuring in the first place.

In 2004, the United States also filed a brief with the District Court for the Southern District of New York in the case involving Argentina. Like the 2012 briefs, the 2004 brief highlighted the potentially harmful impact on debt restructuring of both novel interpretations of standard contract terms and novel enforcement mechanisms. The 2004 brief also noted that the United States has only previously twice intervened in litigation on sovereign debt issues (in Allied Bank/Costa Rica in 1984 and in CIBC/Brazil in 1994), emphasizing the adverse effects that contractual uncertainty could have on international financial markets and on restructuring efforts.

#### INVESTOR RIGHTS AND SOVEREIGN BORROWER LENDING FROM THE IMF

*Question.* The IMF staff issued a report in April last year on sovereign debt restructuring examining collective action clauses. What are your views on balancing the rights of bond holders with the need to establish a financially stable restructuring path for the debt burdened sovereign.

- ◆ Do you think property rights of investors should be respected when a sovereign borrower needs to restructure its debt in an economic crisis? How do you balance respect for investor's property rights and the need for debt relief to help the borrowing country recover?

*Answer.* As I stated in the hearing, the United States does not condone Argentina's treatment of its creditors or actions, respects the sanctity of contract rights, and urges countries to honor their commitments. As stated in the U.S. amicus brief filed in the Argentina case, U.S. sovereign debt policy implicitly recognizes the critical role of the contract in resolving a debt crisis. Restructuring negotiations, when these unfortunately become necessary, must take place within a framework where creditors can seek recourse to the courts to enforce contractual obligations. Moreover, creditors must be assured that the terms of any new debt instruments issued pursuant to a restructuring plan will be legally enforceable. As the amicus brief submitted by the U.S. Government in 2012 stated, it would harm the process that has evolved to address sovereign debt problems if creditors, in negotiating with debtors, also retained the option to litigate to obtain interpretations of standard terms that are not supported by commercial market practice.

*Question.* Do you think good faith negotiations between a sovereign borrower and its private sector investors is the best way to arrive at a fair and mutually agreed

restructured deal? What do you think of the proposals from some quarters for a non-negotiated or unilateral deal approach on the grounds of expediency?

Answer. I believe that good faith negotiations between a sovereign borrower and its private sector are the best way to arrive at a fair and mutually agreed deal. Borrowers should engage constructively with creditors, and fully disclose information on the country's financial situation and plans going forward.

I would not support proposals that would impose a unilateral deal on the grounds of expediency.

#### TTIP AND FINANCIAL SERVICES REGULATION

*Question.* Treasury has opposed including financial services regulatory issues in TTIP. Is that still Treasury's position or has there been any further interagency discussion on how to approach the issue in TTIP?

Answer. It is my understanding that the administration's position has not changed. As Secretary Lew has indicated, traditional market access issues for financial services should be part of the negotiations; however, financial prudential and regulatory cooperation should continue in existing and appropriate bilateral and multilateral regulatory fora, such as the G20, the Financial Stability Board, and international standard setting bodies, in parallel alongside the TTIP negotiations.

*Question.* My understanding is that the Europeans have stated publicly that the current Financial Regulatory Markets Dialogue (FMRD) is insufficient to address bilateral issues, and they appear to be insistent that these issues be addressed in TTIP.

- ◆ Isn't there some sort of creative solution that can bring some of these issues into TTIP in a way that does not undermine U.S. law or negatively affect regulators' prudential authority?

Answer. Ensuring the safety and soundness of the U.S. financial system through a robust regime of prudential regulation and supervision remains a top priority of the administration.

Since the financial crisis, the United States has been pursuing a comprehensive agenda, with ambitious deadlines, on regulatory and prudential cooperation in the financial sector—multilaterally, in the G20 and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies such as the Basel Committee on Banking Supervision and the International Organization of Securities Commissions.

Alongside the TTIP negotiations, the United States will continue to work to make progress in these channels in the near term, including by raising international standards to the levels that our financial regulators are now implementing in the United States. This is the best way to assure high quality regulation globally and level the playing field for U.S. firms.

#### CONGRESSIONAL RELATIONS

*Question.* In your role as Deputy Assistant Secretary of the Treasury, did you at any time discourage the U.S. Executive Director to the International Bank of Reconstruction and Development, the U.S. Executive Director for the Asian Development Bank, or the Executive Director from the Inter-American Development Bank from agreeing to requests to appear at hearings of the Senate Foreign Relations Committee?

Answer. No.

*Question.* If confirmed as U.S. Executive Director, do you commit to appearing at hearings of this committee when requested and to responding to committee requests for information in a timely manner?

Answer. Yes, I look forward to working with your committee.

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#### RESPONSES OF MARK SOBEL TO QUESTIONS SUBMITTED BY SENATOR JAMES E. RISCH

*Question.* In your answers to Senator McCain's questions you indicated that both the IMF's announcement, in July 2013, that it would file an amicus brief with the U.S. Supreme Court siding with Argentina against U.S. investors, and then the subsequent reversal of this announcement were decisions that originated at the IMF and received no support or influence by any U.S. Government officials.

- ◆ Is this an accurate summary of your position?

Answer. The IMF's decision to file in this case was its own, reached by IMF management and staff. The IMF's concerns about the implications of the Court's ruling in undermining the orderliness and predictability of the sovereign debt restructuring process were similar to those expressed in prior U.S. Government briefs in the litigation.

The State and Treasury Departments actively discussed the merits of whether the United States should file an amicus brief, working closely with the Department of Justice. Treasury exchanged views with the IMF at the staff level on the posture of the litigation, consistent with discussions ongoing at senior levels. As Secretary Lew stated in recent testimony (before the House Subcommittee on Financial Services and General Government on April 29, 2014), he discussed these issues with the IMF. In view of the posture of the litigation, and the U.S. decision not to file a brief, Treasury indicated to the IMF that it would not support the brief.

*Question.* In its 68-year history, the IMF has never attempted to influence a domestic U.S. court case, and in fact, the Fund has maintained a decades-long tradition of remaining neutral in debt disputes between member states.

- ◆ Will you assure this committee that, if confirmed as U.S. Executive Director to the IMF, you will maintain this tradition and oppose any effort by the IMF to influence a domestic U.S. court case?

Answer. The positions taken by the U.S. Executive Director to the IMF at the IMF Board are subject to the direction of the Secretary of the Treasury. If confirmed, I will adhere to the instructions of the United States Government, and in particular, the Secretary of the Treasury.

I am aware that though the IMF has not filed an amicus brief before the Supreme Court, it has filed at least one amicus brief in a U.S. appellate court. In 1997 and 1998, the IMF (together with the Inter-American Development Bank, Pan-American Health Organization, and Intelsat) filed, in both the federal district and appeals courts, amicus briefs opposing the imposition of D.C. sales taxes on cafeteria transactions by a World Bank contractor. *International Bank for Reconstruction and Development v. District of Columbia*, 171 F.3d 687 (D.C. Cir. 1999).

I understand that submission of amicus briefs by international financial institutions occurs infrequently, but the IMF and other international financial institutions such as the Inter-American Development Bank and the World Bank do file amicus briefs in U.S. courts from time to time.

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RESPONSES OF SUNIL SABHARWAL TO QUESTIONS  
SUBMITTED BY SENATOR ROBERT MENENDEZ

IMF REFORM

*Question.* The 2010 quota and governance reforms increase the IMF's resources and adjust its governance structure to more accurately reflect current global economic participation. However, stemming from IMF engagement in EU countries during the financial crisis, some critics contend that other systemic and operational reforms should be considered.

- ◆ Do you agree that, aside from the 2010 reforms, other internal reforms are needed at the IMF and do you intend to explore additional reform options, if confirmed?

Answer. It is important for the IMF to be evenhanded and maintain the same high standards in its lending to European countries as in its lending to other countries around the world. On the other hand, it is not uncommon that the IMF's exposure at any given time is high to a finite group of countries in a given region for the purposes of avoiding contagion, negatively affecting the global economy. An example of this would be the Asian crisis of the late 1990s.

The IMF plays an important role in promoting fiscal discipline and open and transparent budget processes in its member countries. As a businessman, I believe that the IMF should apply similar discipline to its own internal budget framework and demonstrate strong institutional transparency. I understand the United States has been a strong voice over the years in encouraging IMF budget stringency and greater transparency of the IMF's operations. I look forward to supporting these efforts and looking into these issues further, if confirmed.

IMF SURVEILLANCE

*Question.* A frequent accusation of critics is that IMF surveillance is ineffective, because the IMF has no means of enforcing its policy recommendations in countries that do not borrow from the IMF.

- ◆ Do you agree with this assertion? If so, how might the USED's office work with the IMF to make its surveillance more effective?

Answer. Surveillance is one of the IMF's primary activities to identify risks and prevent crises. Many countries have learned lessons from past crises and have improved their policies consistent with IMF advice. I understand that given the importance of surveillance to crisis prevention, the United States has encouraged the IMF to strengthen its focus on multilateral surveillance through increased coverage of financial stability and external sector issues, as well as analysis of the spillover effects of country policies. Multilateral surveillance can be further improved by increasing cooperation with and amongst other stakeholders of the global economy.

In addition, more work is needed to create incentives for countries to follow IMF advice to strengthen their policies and reduce vulnerabilities, recognizing that in the end, countries are responsible for charting their own course.

Therefore, I believe surveillance can be improved throughout, via a number of methods, such as the application of peer pressure using the article IV consultations and publication of IMF staff assessments. If confirmed, I will work to ensure that surveillance is strengthened.

#### IMF TRANSPARENCY & ACCOUNTABILITY

*Question.* To what extent has the IMF, as it claims, increased transparency and accountability to both shareholders and loan recipients? If confirmed, will ensuring greater transparency in the IMF be a priority for you?

Answer. In the 1990s, very little information was published about the IMF's institutional or operational activities. Since then, I understand the United States has consistently pressed for greater transparency at the IMF, including enhanced disclosure of economic and financial information by IMF member countries. Today, extensive information about the IMF's operations and activities is publicly available on the IMF Web site, and I understand that over 90 percent of IMF article IV staff reports and lending program documents are published. If confirmed, I will work to promote enhanced transparency at the IMF.

#### RESPONSES OF MATTHEW T. MCGUIRE TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

##### WORLD BANK SAFEGUARD REFORM

The World Bank is currently overhauling its social and environmental safeguard policies. With strong U.S. leadership, the Bank was the first international financial institution to adopt such policies, which have been influential and remain critical in ending extreme poverty and promoting shared prosperity.

- ◆ As USED, how will you use this opportunity to ensure safeguard policies reflect international best practices and U.S. development priorities at the World Bank?

Answer. The World Bank's social and environmental safeguard policies are an integral part of its comparative advantage and impart value added beyond the financing that the World Bank provides. The current review of the World Bank's safeguards is an opportunity to update and strengthen the safeguards, both in terms of the written policies and the way in which they are implemented. If confirmed, I will work with other Board members to build support for safeguard policies that reflect international best practices and U.S. development priorities. I will also actively consult with civil society groups and the private sector on the World Bank's safeguard review process.

##### WORLD BANK RESPONSE TO UKRAINE AND GLOBAL FINANCIAL CRISIS

*Question.* What is your evaluation of the World Bank's response to the global financial crisis? What reforms, if any, would have improved its effectiveness? The World Bank has announced its intention to support IMF and other bilateral and multilateral efforts to stabilize and reform Ukraine. What are the goals of this program and what role do you anticipate you would have as USED in discussions regarding Ukraine?

Answer. The World Bank responded to calls from G20 Leaders to increase lending to emerging and developing economies in support of essential government spending during the global financial crises. The World Bank's Independent Evaluation Group concluded that the World Bank was responsive in scaling up countercyclical financing, but was also critical of the Bank's crisis-related fiscal management operations

and financial sector support. The evaluation puts these findings into perspective by noting the severe economic headwinds.

In Ukraine, the World Bank has responded rapidly. My understanding is that the Board will consider a lending package totaling up to \$3 billion in 2014. I also understand that World Bank programs in Ukraine are tackling the difficult reforms required in the country to improve governance and lay the foundations for future economic growth. If confirmed, I will continue to encourage the World Bank to respond effectively to the crisis in Ukraine.

#### WORLD BANK ENERGY INITIATIVES IN AFRICA AND ASIA

*Question.* Off-grid energy markets in sub-Saharan Africa and South Asia have grown rapidly, but could grow faster with better access to reliable financing partners.

- ◆ If confirmed, what will you do to ensure the Bank's Lighting Africa and Lighting Asia programs not only break down market barriers, but also provide long-term, low-cost financing?

*Answer.* I understand the United States supports the World Bank's Energy strategy, which aims to increase access to energy, enhance energy security and move countries toward more sustainable energy practices. Lighting Africa and Lighting Asia are helping to increase access to modern lighting services by setting industry standards for product quality, promoting relevant policy and regulatory reforms and mobilizing private capital to increase access to low-cost finance. If confirmed, I will continue to support and encourage the World Bank's efforts to increase energy access in Africa and Asia.

#### WORLD BANK DOING BUSINESS REPORT

*Question.* The "Doing Business" report has long been lauded as signature World Bank initiative that promotes reform efforts around the world to improve the ease of doing business. However, it has aroused some controversy and last year an external panel appointed by President Kim reviewed the report and suggested reforms.

- ◆ What were the main reforms the panel recommended and how would this affect the integrity of the report? What has World Bank leadership decided as far as implementation of the recommendations? If confirmed, would you have the opportunity to influence internal decisions on this issue, and what is Treasury's position on the results of the review?

*Answer.* I understand the United States Government vigorously supports the "Doing Business" report, including its aggregate country rankings. I believe that the report is a valuable knowledge product of the World Bank Group that helps incentivize changes to improve business climates in the Bank's member countries. Dr. Kim has announced that he will focus on improving methodology and increasing data to strengthen the "Doing Business" report. If confirmed, I will work actively with senior World Bank management and other Board members to protect and enhance the "Doing Business" report.

#### WORLD BANK—EMERGING MARKET LENDING

*Question.* What reasons are there for the World Bank to continue to lend to dynamic emerging market economies such as China, which have substantial resources of their own and often have their own active assistance programs?

*Answer.* While the World Bank's grant resources are appropriately reserved for the poorest countries, I believe there is an ongoing role for the World Bank in middle-income countries, where the majority of the world's poor live today. For example, World Bank programs deliver the highest quality procurement standards, as well as strong environmental and social safeguards. Moreover, World Bank lending to middle-income countries supports domestic consumption within these economies, which generates export markets for U.S. firms and contributes to broader global rebalancing efforts.

To clarify a previous statement that I made about World Bank lending to China, the World Bank provides a range of lending to China, mainly for projects supporting green growth and stronger social inclusion. But consistent with congressional legislation, it is U.S. policy to oppose World Bank projects for China, except those that are specifically aimed at meeting basic human needs, such as clean water, basic education, and health services to poor populations.



## WORLD BANK—PROCUREMENT OPPORTUNITIES FOR U.S. COMPANIES

*Question.* There are billions of dollars in procurement opportunities from World Bank lending.

- ◆ To what extent are U.S. firms bidding on, and winning, these contracts? What hurdles do U.S. firms face on bidding for contracts? If confirmed, what actions would you take to ensure American companies are fully informed of opportunities and can compete on a level playing field for such contracts?

*Answer.* My understanding is that in the World Bank's fiscal year 2013, U.S. firms won 134 prime contracts with a total value of almost \$100 million. The World Bank is currently reviewing and revising its procurement policy, and the U.S. Government has committed to ensuring that the World Bank maintains procurement policies that uphold a level playing field for all businesses. As a way to level the playing field between American firms and international firms, if confirmed, I will continue to push for greater use of nonprice factors, such as quality or after sales service, in the awarding of contracts, rather than only the lowest cost options.

## WORLD BANK/IFC WATER PROJECTS

*Question.* Access to clean and affordable drinking water is a major challenge in much of the world, and water-borne illnesses are a major source of death and lost productivity in the developing world. The World Bank has been a global leader in this area, particularly its private finance arm, the International Finance Corporation, and this has great potential to alleviate global poverty. However, I have heard concerns that IFC has prioritized financial outcomes over access.

- ◆ I fully understand the complexity of water issues, and realize the private sector has a crucial role to play. However, will you commit to me now that, if confirmed, you will explore this issue during your first year, in coordination with my office?

*Answer.* I understand that this is an issue on which the U.S. Executive Director's Office has been engaged with civil society organizations, IFC and World Bank staff in recent months. My understanding is that when the IFC provides support to private water companies, it sets out explicit development objectives for these investments, including expanding access and improving quality. If confirmed, I will continue to engage on this issue and would be pleased to update your office as the work progresses.

## WORLD BANK—CHANGES TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

*Question.* According to some estimates, the number of countries eligible to borrow from the World Bank's concessional facility, the International Development Association, or "IDA, will decline from the current 81 countries to as low as 30 within the next 10–15 years, and with most of those in sub-Saharan Africa.

- ◆ Can you explain this expected development, and could this fundamentally change how the World Bank operates? What would this mean for the new objective of eliminating extreme poverty by 2030?

*Answer.* I understand that the U.S. Government places a very high importance on IDA, given its global reach and focus on the poorest, which aligns with administration priorities. Current demand for IDA resources remains high for countries that are too poor to attract sufficient capital to support their urgent development needs. And, to achieve the World Bank's goal of eliminating extreme poverty by 2030, IDA support is critical for the hardest-to-reach places, like fragile and conflict-affected states, where progress has been slower.

## WORLD BANK REFORM—MEASURING PERFORMANCE AND GLOBAL PUBLIC GOODS

*Question.* Many critics of the World Bank argue that its main weakness has been to judge performance by how much it lends rather than by what it and borrowing countries achieve . . . essentially a quantity over quality criticism.

- ◆ Do President Kim's reforms address this common concern with the World Bank?

*Answer.* Yes, I understand that Dr. Kim's reforms will restructure the World Bank around "global practices," which are thematic areas, such as water, energy, health, and education. I believe that restructuring the World Bank in this way will strengthen its expertise on these issues, improve the flow of knowledge across the different countries in which the World Bank works and improve the quality of the World Bank's lending. The effort to shift the World Bank's culture to a stronger focus on results will take sustained attention over time. If confirmed, I will continue



to support Dr. Kim's reforms that aim to accelerate this cultural change and, more generally, work to elevate the use of evidence and the measurement of results.

*Question.* Given the huge size of private investment in emerging and developing economies, some critics also contend that the Bank should devote fewer resources on country programs and instead use its global reach to focus efforts and serve as a catalyst for addressing global challenges, such as those related to the environment, health, agricultural productivity, and good governance.

- ◆ The World Bank already engages in regional and global initiatives, but are you aware whether the ongoing reorganization will accelerate this shift? If confirmed, do you anticipate supporting more regional World Bank programming?

*Answer.* The World Bank can convene a broader set of stakeholders than bilateral agencies. This is especially important for providing global public goods or when dealing with global challenges like climate change or food security, which are too vast and complex for any one country—or even group of countries—to effectively manage on their own. If confirmed, I will continue to encourage the World Bank to work on regional projects and to address global challenges that are not contained within country boundaries.

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RESPONSES OF MILEYDI GUILARTE TO QUESTIONS  
SUBMITTED BY SENATOR ROBERT MENENDEZ

IDB PRIVATE SECTOR CONSOLIDATION

*Question.* The IDB is reviewing options for consolidating multiple existing private sector divisions, following a 2012 independent evaluation that was critical of the inefficiencies of the current structure.

- ◆ Is the administration supportive of the private sector restructuring initiative? Do you expect greater efficiency and efficacy from a consolidated private sector division? What concerns does the administration have, and what can we expect as far as consultations with Congress? If confirmed, what involvement with this issue would you expect to have?

*Answer.* I understand that the United States welcomes the initiative to improve the efficiency and development impact of the IDB's private sector operations, and that during the recent IDB annual meeting, the Board of Governors passed a resolution to continue work on developing a proposal for the so-called "merge-out" restructuring of the IDB's private sector windows.

It is also my understanding that the United States has advocated for an in-depth review of the proposed restructuring, including an analysis of the assumptions and implications of the potential business and capitalization models. This process will be ongoing throughout 2014 and 2015. If confirmed, I would aim to ensure that the process is comprehensive and that the potential implications for the IDB's financial outlook and development effectiveness and soundness are fully understood and considered. If confirmed, I will work with Congress to keep you updated on both the process and new developments.

IDB—ENERGY IN THE CARIBBEAN

*Question.* The Caribbean has been in an energy crisis for quite some time. Electricity rates are high and there is a great dependence on Venezuela's subsidized oil. The political and economic catastrophe in Venezuela could very well end that subsidized oil program and further exacerbate hardship throughout the Caribbean.

- ◆ Are you familiar with IDB energy initiatives related to the Caribbean? What policies guide the USED's office on this issue and, if confirmed, what actions would you be in a position to take to help the IDB address this issue?

*Answer.* I understand that the IDB is very active on this issue. For instance, the IDB hosted the Caribbean Energy Ministers Conference in December 2013. During this conference, the USED's office helped to facilitate a meeting between U.S. Energy Secretary Moniz and President Moreno, which led to an enhanced working relationship between the IDB energy sector staff and USG agencies. I understand that the IDB is funding energy studies that explore the feasibility of conversion to natural gas as a fuel source in the Caribbean, as well as the role for renewables and energy efficiency. I believe that collaboration with U.S. Government agencies has been integral to these studies. If confirmed, I will continue to support this important cooperation.

In addition, I understand that the participation of the USED's office in IDB energy initiatives related to the Caribbean is in line with the administration's en-

ergy objectives in the region, and is guided by the President's Climate Action Plan, which seeks multipronged energy solutions. If confirmed, I will continue to pursue U.S. policy goals at the IDB on these important issues.

#### IDB—SOCIAL DEVELOPMENT VERSUS ECONOMIC GROWTH

*Question.* Social development is one of the IDB's strategic policy goals. In particular efforts to reduce inequities in opportunity based on gender, ethnicity, race, disability, and social and economic circumstance are key priorities.

- ◆ How important is social development for economic development, compared, for example, with efforts to promote productivity, to enhance private sector growth, and to encourage economic and institutional reform? How will you balance these sometimes competing objectives if confirmed?

*Answer.* Economic growth and social development are inextricably linked, and I understand that both are central to the IDB's mission to support efforts by Latin American and Caribbean countries to reduce poverty and inequality through sustainable and inclusive growth. I understand that the IDB has put in place a development effectiveness framework to ensure that all IDB activities—whether for social development specifically, or for private sector growth and institutional reform—contribute to the overall goals of the institution, while complying with effective social and environmental safeguards.

I understand that last year 21 percent of approved IDB financing was allocated to social sector programs; 34 percent was allocated to infrastructure and the environment; 9 percent to regional integration and trade; and 36 percent to institutional support for development. If confirmed, I will work to ensure that the IDB project portfolio continues to support both the goals of social development and economic growth.

#### IDB—PROGRAMS IN HAITI

*Question.* The IDB is a major donor to Haiti and has pledged to provide \$2.2 billion in grant assistance to Haiti by 2020.

- ◆ Is IDB assistance to Haiti meeting its objectives, and is it doing so in an open and transparent manner? If confirmed, do you expect to have the opportunity to influence IDB programs in Haiti?

*Answer.* I understand that in 2010 the shareholders of the IDB, with strong leadership from the United States, agreed to forgive all of Haiti's outstanding debt to the IDB and to provide \$200 million in transfers each year to the Haiti Grant Facility over a 10-year period. The fourth transfer of \$200 million to the grant facility was approved at the recent IDB annual meeting. I understand that this funding will continue to provide critical resources to support the IDB's ongoing work in six priority sectors in Haiti: education reform, private sector development, energy, agriculture, transportation, and water and sanitation. My understanding is that IDB projects in Haiti are subject to the same approval processes and transparency protocols as any IDB project, including Board approval prior to project implementation.

From my experience at USAID, I know that the sustainable development of Haiti's economy is an important policy priority for the U.S. Government, given Haiti's proximity to the United States and our close economic and people-to-people ties. If confirmed, I will represent these interests by supporting the IDB's annual \$200 million transfer to the Haiti Grant Facility each year, and work with IDB staff to ensure that those resources are used effectively and in a coordinated manner in helping to meet Haiti's long-term development objectives.

#### IDB—MULTILATERAL INVESTMENT FUND

*Question.* The United States is in arrears to the Multilateral Investment Fund, and there are concerns that without additional financing, the MIF could be forced to cease operations as soon as 2015.

- ◆ What other sources of funding, besides the United States, can the MIF draw from? Are you aware how U.S. arrears to the MIF compare to the arrears of other countries? Would consolidation of the private sector functions potentially solve this problem?

*Answer.* I understand that the United States has been an active supporter of the MIF, and if confirmed, I will continue to strongly support the MIF's critical work and valuable contributions to development in Latin America. My understanding is that the United States is the only IDB shareholder in arrears to the MIF.

I understand that the MIF would be part of a new, consolidated entity, but that its precise relationship is unclear and the reform process itself may take some time

to conclude. For that reason, it is my understanding that at the recent IDB annual meeting, the Board of Governors asked IDB management to present formal proposals for interim MIF financing by June 2014, to ensure an appropriate level of operations until decisions are made on the private sector restructuring initiative.

IDB—PROCUREMENT OPPORTUNITIES FOR U.S. COMPANIES

*Question.* There are significant procurement opportunities related to IDB project lending, especially in the infrastructure sector.

- ◆ To what extent are U.S. firms bidding on, and winning, these contracts? What hurdles do U.S. firms face in competing for these contracts? If confirmed, what actions would you take to ensure American companies are fully informed of opportunities and can compete on a level playing field for such contracts?
- ◆ What can the USED's office do to encourage the IDB to adopt procurement policies that encourage the adoption of high-quality goods, services, and technology, as opposed to simply accepting a bid with a low initial cost, but poor durability and excessive maintenance requirements?

*Answer.* I understand that U.S. companies are actively bidding on—and winning—contracts related to IDB project lending. I understand that the percentage of U.S. firms that bid on and win consulting opportunities averages 75–80 percent, while the percentage for contractors is around 60–65 percent. Since 2011, U.S. companies have been awarded 240 consulting contracts for IDB-related projects, totaling \$32,982,266, as well as 53 contracts for goods and services related to IDB projects, totaling \$55,166,702.

If confirmed, I will work to ensure that the USED's office, in collaboration with the U.S. Commercial Liaison Office to the IDB, makes every effort to assist U.S. companies in preparing bids for international procurement opportunities with the IDB and in clearing any hurdles that might arise during the procurement bidding process. My understanding is that the USED's office advises U.S. companies on how to be successful in their bids by providing helpful guidelines (such as information about IDB procurement rules, networking opportunities, and process suggestions), and by assisting companies with obtaining procurement related documents (all of which are available on the IDB Web site).

It is also my understanding that the USED's office participates in Board- and Committee-level discussions pertaining to reforms of the IDB's procurement policies. If confirmed, I will continue to encourage robust procurement policies that conform to international best practices and provide a level playing field for U.S. firms.

ECONOMIC STATECRAFT

*Question.* I have long been interested in finding ways to leverage U.S. agencies such as Ex-Im Bank, OPIC, and TDA to promote economic integration in the Western Hemisphere, specifically by tackling Latin America's infrastructure deficiency.

- ◆ In your opinion, how can the U.S. Government and private sector work with the IDB to address this issue and create new economic opportunities here in the United States and throughout the hemisphere?

*Answer.* If confirmed, I will work to support the ongoing efforts made by the U.S. Government and the private sector to work in cooperation with the IDB in promoting economic integration and addressing infrastructure deficiencies in Latin America. As just one example, I understand that the U.S. Government is actively exploring ways to work with the IDB and other partners in the region to improve trade and logistics infrastructure through Central America and its linkages to North and South America. With regard to private sector coordination, I understand that the Americas Business Dialogue (ABD) is a private sector driven initiative facilitated by the IDB intended to foster a high-level and open dialogue among the region's most important business leaders, and is being supported by the State Department and the U.S. Chamber of Commerce. If confirmed, I will continue to support these types of efforts and seek out new opportunities to address this issue.

CUBA'S STATUS IN THE IDB

*Question.* Cuba signed the 1959 IDB Charter as an "original member" but never formalized its membership. Any move to include Cuba in the IDB would receive intense and bipartisan interest from both Congress and the administration. The United States has the ability as the largest shareholder to withhold the quorum needed to proceed with a vote by the IDB Board of Governors to include Cuba as a member.

- ◆ Given ongoing congressional interest will you assure us that you will consult closely with Congress on any and all developments concerning Cuba's membership in the IDB?

Answer. It is my understanding that, at present, there are no discussions regarding potential membership for Cuba in the IDB. If confirmed, I would consult closely with Congress on any developments concerning Cuba's potential membership in the IDB, were that to occur.

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RESPONSE OF MATTHEW T. MCGUIRE TO QUESTION  
SUBMITTED BY SENATOR EDWARD J. MARKEY

*Question.* The World Bank is currently reviewing its safeguard policies, which identify and minimize harm caused by bank projects to vulnerable people and the environment. Women, girls, and minority communities compose more than half of the world's population, but face discrimination, human rights abuses, and frequent exclusion from positive benefits of economic development. Recent World Bank studies have affirmed the real economic costs of discrimination to economic development. In recent months, the consequences of this exclusion on women, girls, and LGBT communities have become particularly evident, in part because of unfortunate new laws and practices in some countries that seek to discriminate and exclude, rather than support these groups.

The World Bank has never adopted a mandatory safeguard policy to mitigate risks associated with its investments to these vulnerable groups. As a result, the Bank risks excluding these individuals—often some of the poorest and most marginalized—from benefiting from or contributing to its projects and programs, and, in so doing, it may even reinforce or create new inequalities in the countries in which it works. This is bad for our investments and it is not what we stand for as a country. I was pleased to see that the Obama administration recently released a policy paper expressing support for adding additional safeguards to World Bank projects, particularly safeguards on gender, sexual orientation, and gender identity.

- ◆ As the Executive Director of the International Bank for Reconstruction and Development, how will you seek to ensure that World Bank projects do not exclude marginalized groups? Would you support an effort by the World Bank to update its safeguard policies so that they address the impacts of World Bank projects on women, girls, and LGBT minorities?

Answer. Exclusion of vulnerable and marginalized groups, including women, girls, and LGBT persons, is unacceptable. If confirmed, I will work with other Board members to build support for World Bank policies, including safeguard policies, that seek to ensure that Bank projects and other Bank activities do not directly or indirectly contribute to exclusion of these groups and that help enable the Bank to fulfill its goal of inclusive economic growth.