

EMBARGOED FOR DELIVERY

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Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today.

I want to begin by acknowledging the bipartisan passage of the omnibus appropriations bill in December, which is already contributing to our economic growth and rebuilding our leadership internationally. This agreement demonstrates that we have the capacity to find common ground on difficult issues and lays a foundation for addressing some of our long-term challenges.

Over the past seven years under the President's leadership, we have seen a sustained economic recovery and an unprecedented decline in the federal budget deficit. But more work remains to make sure we are upholding the basic American belief that everyone who works hard gets a fair shot at success. In recognition of this, the FY 2017 President's Budget puts forward the building blocks of a social compact for the 21st century and creates the conditions for sustained economic growth. The budget also makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our future.

I would also like to thank Congress for passing the International Monetary Fund (IMF) quota and governance reforms last December. The IMF has promoted stability, jobs, and growth for the past 70 years. The reforms we put in place reinforce the central leadership role of the United

States in the global economic system. Passage of IMF reforms is strengthening our hand in global economic fora such as the G-20 at a time of rising economic uncertainty. Moreover, we are now better positioned to further our international policy objectives, such as multilateral support for Ukraine, through IMF engagement.

Last year was a landmark year for international development, which, in addition to IMF quota reform, saw the adoption of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development, and culminated with the successful adoption of the Paris Agreement on climate change. Our budget request affirms the U.S. commitment to the international financial architecture and to maintaining our global leadership.

The international financial institutions (IFIs)—the IMF and multilateral development banks (MDBs), including related multilateral trust funds—are a critical part of the President’s approach to bolstering national security and driving long term prosperity. Our investments in these institutions promote our strategic interests and international stability. They help unlock the next generation of export markets for America’s businesses and workers, while fostering private sector development and entrepreneurship. Additionally, these investments are some of the most cost-effective ways to reinforce economic growth at home and respond to critical challenges abroad, like financial instability, poverty, environmental degradation, and food insecurity.

International Monetary Fund (IMF)

The IMF remains the foremost international institution for promoting global financial stability. Through its three main activities—surveillance, technical assistance, and lending—the IMF

promotes economic stability and helps prevent and resolve financial crises when they occur, thereby promoting growth, enhancing U.S. national security, and alleviating poverty in its member countries. At a time of increased economic uncertainty, the IMF is actively working with countries vulnerable to low oil prices, financial market volatility, and other external shocks to provide policy advice and financing, when appropriate.

Examples of how the IMF advances U.S. interests are numerous. The IMF was a first responder providing significant financial support to Ukraine, helping a key U.S. ally sustain momentum on economic reform in the face of Russian aggression and make progress in addressing endemic corruption. IMF engagement in the Middle East has helped reduce economic vulnerabilities in key U.S. allies, such as Jordan and Tunisia, and is providing advice to help Iraq address the large fiscal gap resulting from the oil price shock and the fight against ISIL. The IMF also supports the Sustainable Development Goals through capacity building and financing for low-income countries, actively encourages transparency and accountability in all of its member countries, and works with the G-20 to encourage policies that foster strong, sustainable, and balanced global growth.

The IMF is an important partner for the United States and the Financial Action Task Force (FATF) in the fight against illicit finance. Since 2000 the IMF has recognized that combatting money laundering and terrorist finance is essential to the integrity and stability of the financial sector, based on the FATF's standards. Since that time, the IMF has integrated AML/CFT measures into its lending conditionality, economic surveillance and capacity building activities.

The United States plays a key role in shaping IMF policy and institutional issues through its role as the IMF's largest shareholder. Over the past year, the United States supported creation of an IMF debt relief facility for low-income countries hit by public health disasters such as the Ebola virus, and encouraged an active capacity-building role for the IMF in helping developing countries mobilize domestic resources and use them effectively for development. The United States welcomed reforms to the IMF's policy on public debt limits in IMF-supported programs so that limits would be more comprehensive and tailored to country risks. At the direction of Congress, the United States championed reforms to the Exceptional Access Lending Framework to tighten requirements on debt sustainability.

Multilateral Development Banks (MDBs)

Our investments in MDBs, including the World Bank and the regional development banks, promote national security, economic growth, and poverty reduction. The MDBs finance investments in developing and emerging economies, including in infrastructure, health, education, governance, and business climate reform.

The assistance and technical know-how of the MDBs has nurtured the economic reforms, infrastructure, and social investments that have driven the growth of some of our most strategic trade partners. They also play an important role in building sustainable and transparent economic growth in emerging and developing countries. Additionally, the MDBs are vital partners in containing national security threats, especially at a time when we are asking the MDBs to do more to address the root causes of refugee and other forced displacement crises, to better integrate refugees into host countries, to support pandemic responses, and to invest in

sustainable infrastructure that contributes to global growth and creates jobs. As an example, the Inter-American Development Bank (IDB) has taken a leading role in helping El Salvador, Guatemala, and Honduras implement reforms to spur economic growth, which will help address the root causes of the flow of vulnerable migrants to our border.

In addition to meeting our current commitments, it is urgent that Congress address our prior unmet commitments, which are approaching \$1.6 billion. Doing so with respect to the World Bank is particularly urgent, as failure to meet our unmet capital commitments to the Bank will result in a loss of U.S. shareholding, which would not only impact our voting power, bringing us closer to losing our veto, but also damage our credibility and weaken our ability to shape policy priorities. The World Bank provides critical support for strategic U.S. priorities such as responding to the Syrian refugee crisis, delivering financing to Ukraine, and financing infrastructure in the poorest countries in Africa and Asia.

The international community, including the FATF, G-7, and the G-20, is continuing its focus on addressing the serious threat posed by illicit actors misusing legal structures, like shell companies, to hide their identity and help perpetrate a range of financial crimes. The United States Government plays a leadership role in each of these fora as we have long recognized the importance of addressing this vulnerability. Much of this work is focused on countries requiring the disclosure of the beneficial owner, the individual or individuals who ultimately owns or controls a legal entity when it is formed. One key component of these efforts is to make beneficial ownership information more readily available to law enforcement agencies to investigate financial crimes such as money laundering and high-level corruption. The MDBs

have made great strides in recent years to enhance transparency through the collection of information on the beneficial owners of legal entities to safeguard their funds and minimize the potential that these funds are diverted from their intended purpose.

Treasury supports the goals of recent legislation, the *Consolidated and Further Continuing Appropriations Act, 2015*, that requires that MDBs collect and verify the beneficial ownership information of legal entities that receive appropriated funds. We commend the World Bank for the recent steps it has taken to collect this information not just for private sector investments, but for all procurement funded in World Bank projects and to publish it online.

Addressing Complex Global Challenges

When it comes to global challenges such as protecting the environment, food insecurity, and gender imbalances, the world continues to rely on multilateral institutions and strong U.S. leadership within them to help developing countries make concrete investments. U.S. support for specialized multilateral funds leverages resources from other donor countries and the private sector, significantly multiplying the impact of American taxpayer dollars.

In particular, the Global Environmental Facility (GEF) helps countries protect the environment—including preserving the ozone layer, protecting fisheries, combating wildlife trafficking, and reducing mercury pollution that can contaminate our food supply. The Green Climate Fund (GCF) is designed to be a key element of the collective global effort to build climate resilience and reduce carbon pollution by enabling developing countries to invest in those goals and transition to a more sustainable development path through national planning.

The budget request includes funding for a targeted number of other important programs, including the Central America and Caribbean Catastrophe Risk Insurance Program, the World Bank Global Infrastructure Facility (GIF), the Global Agriculture and Food Security Program (GAFSP), and the International Fund for Agricultural Development (IFAD).

Successful development also depends on good governance and a well-functioning state. For over 25 years, Treasury's Office of Technical Assistance (OTA) has provided advice and training to government officials in developing and transitional countries so they can build effective public financial institutions. OTA helps countries improve government operations across several areas, including planning and executing budgets, managing debt, collecting revenue, developing sound banking systems, and combating corruption. OTA is particularly helpful with our foreign policy, security and economic priorities in Ukraine, Central America, Africa, Asia, and other regions.

Conclusion

U.S. leadership in the IFIs enables us to influence how and where resources are deployed—often on a scale that we cannot achieve through our bilateral programs alone. They allow us to promote U.S. national security, and global economic growth and poverty reduction. No other institutions so effectively leverage our limited resources in service of our national and global interests. However, bipartisan support is required to ensure that our influence in the IMF and MDBs remains as strong today as it has been over the past several decades. Treasury looks forward to continuing the dialogue with Congress on the important role of the IFIs in the global

economy, especially as we implement the IMF reform legislation and negotiate replenishments of several of the MDB windows that serve the world's poorest countries.

I look forward to working with you on these critical issues and welcome your questions.

Thank you.