

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

November 19, 2014

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

I write to urge you to turn your attention before Congress adjourns to the Administration's requests for authorizations for U.S. participation in the replenishments of three concessional windows at the multilateral development banks (MDBs) -- namely, the World Bank's International Development Association (IDA-17), the Asian Development Fund (AsDF-11), and the African Development Fund (AfDF-13).

As you know, these concessional facilities provide grants and low-cost development financing to the world's poorest countries. They support projects that combat hunger and poverty while promoting private-sector growth and global stability. Well-designed multilateral aid programs help create more equitable societies and more stable democracies. It is also crucial to U.S. interests that developing nations continue to grow. Exports have been the most rapidly growing share of our economy, and exports to developing countries have been an important part of that.

America is also fighting a war on terrorism, and while the forces that give rise to terrorism are complex, poverty and despair provide a fertile feeding ground. Moreover, U.S. contributions to the development banks also provide tremendous value for the money. Every dollar we commit is leveraged many times over by contributions from other donor nations, as well as from the internal resources of the institutions themselves.

Today, we have another very important, and potentially far-reaching, reason why the U.S. should promptly meet its commitments to the MDBs. The last few years have unfortunately seen a weakening of the commitment to multilateralism by the United States, which has led to widespread doubt about U.S. leadership on global economic governance.

In response, a number of developing countries, led by China, have begun to act independently, with initiatives viewed as the first serious, coordinated effort to reshape the global financial architecture and challenge western dominance in the world economy.

Last month, China announced an agreement with 21 other developing countries to create a multilateral development bank called the Asian Infrastructure Investment Bank (AIIB), which will focus on financing infrastructure development projects in the Asia-Pacific region. A clear rival to the Asian Development Bank, the AIIB will be led by China, its largest shareholder, and headquartered in Beijing.

Separately, in July, the so-called BRICS nations (Brazil, Russia, India, China and South Africa) announced plans to launch an international development bank of their own, which they hope will rival the strength and influence of the World Bank. The "New Development Bank," as it is called, will be headquartered in Shanghai and focus on infrastructure investment throughout the developing world.

Development experts agree that global infrastructure needs in developing countries is tremendous, and there are many who welcome the contribution that the new development banks can make in helping to build sustainable economic infrastructure both in Asia and elsewhere. But these new institutions also reflect frustration by the world's major emerging economies with the slow pace of governance reforms at the Bretton Woods institutions, especially the IMF. In fact, the now-stalled agreement to realign the quota shares at the IMF, negotiated by the Bush Administration, was a critical effort to preserve its legitimacy and keep emerging economies firmly anchored in the multilateral system that the U.S. helped design.

U.S. inaction in meeting its commitments to the MDBs, as well as its refusal to ratify IMF governance reforms, is what led, in large part, to the creation of these new institutions that will increasingly pose a challenge to the global financial order

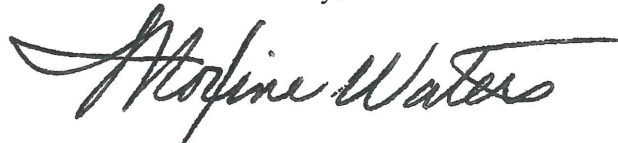
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created by western powers after World War II. We should be mindful that a world in which countries such as China and Russia are acting outside of the established international financial institutions, or other global bodies, is one that could drift beyond our control. Moreover, it remains to be seen what values these new rising powers will articulate and promote in their vision of a new global economy.

I believe this makes U.S. leadership at the multilateral development institutions today more important than ever. They are directed at some of the most central challenges faced by the U.S. -- strategic, economic, political and moral -- and, in many ways, they are often our most effective means for responding to those challenges.

I strongly urge you to take prompt action to affirm U.S. support for, and U.S. leadership at, these institutions, which have served both U.S. interests and the global public good for so many years.

Sincerely,

A handwritten signature in black ink that reads "Maxine Waters". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

MAXINE WATERS
Ranking Member