

Committee on Financial Services

2129 Rayburn House Office Building

Washington, D.C. 20515

November 27, 2023

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen:

I am writing to request that you work with the International Monetary Fund (IMF) to more effectively combat corruption by leveraging the governance tools in its lending programs. Corruption undermines economic stability and sustainable development, particularly in heavily indebted nations with challenging governance environments. As an illustration, of the countries that have undergone multiple debt restructurings since 2000, all but one country was at the bottom of the World Bank's Worldwide Governance Indicators. Those same countries also scored poorly on Transparency International's Corruption Perceptions Index. Countries with only one successful debt restructuring fared better on both governance indicators.

For loans to lift people out of poverty and transform economic conditions, anti-corruption standards in line with the *IMF's 2018 Governance Framework* must be integrated into IMF programs in ways that are enforceable. Open, transparent, and accountable governance has proven to be just as vital to a successful IMF program as other economic reforms.

For example, earlier this year the IMF approved a \$2.9 billion loan to Sri Lanka in response to its ongoing economic crisis, and the first tranche of \$330 million has been released to the country. However, corruption, cronyism, and mismanagement of funds played a significant contributing role to the country's current economic woes. The IMF itself recently published a governance report on Sri Lanka noting the "...systematic and severe governance weaknesses and corruption vulnerabilities across state functions..." have had negative macroeconomic impacts. The report goes on to recommend a series of immediate and short-term measures the country can take to strengthen governance and help put the country on stronger financial footing.

The recognition of the need for governance reforms in Sri Lanka is a positive step, but this fight against corruption should become a central aspect of all of the IMF's program reviews and economic remediation efforts. By making anti-corruption efforts an integral component of economic remediation, the IMF can improve its outcomes while contributing significantly to global efforts to combat corruption.

The IMF's anti-corruption efforts in Sri Lanka can serve as a model for current and future responses to program reviews, such as those in Ghana and other nations facing similar economic difficulties. Given the IMF's recent projections of challenging economic conditions ahead, other countries may request restructuring in the near future. Thus, emphasizing anti-corruption measures in IMF programs is both timely and necessary.

We urge the Department of the Treasury to advocate for the IMF to adopt a strong focus on anti-corruption efforts in individual countries to increase global and regional economic stability.

Thank you for your attention to this critical matter.

Sincerely,



MAXINE WATERS

Ranking Member

Committee on Financial Services

Cc: The Honorable Patrick McHenry, Chairman, Committee on Financial Services