115TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
115–298

WORLD BANK ACCOUNTABILITY ACT OF 2017

SEPTEMBER 7, 2017.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 3326]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 3326) to increase accountability, combat corruption, and strengthen management effectiveness at the World Bank, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "World Bank Accountability Act of 2017".

SEC. 2. WITHHOLDING OF FUNDS UNTIL CERTAIN CONDITIONS ARE MET.

(a) INSTITUTIONAL REFORMS.—

(1) IN GENERAL.—With respect to each of fiscal years 2018 through 2023, in addition to any amounts withheld from disbursement under subsection (b), 15 percent of the amounts provided in appropriations Acts for the International Development Association for the fiscal year—

(A) shall be withheld from disbursement until the conditions of paragraph (2) or (3) are satisfied; and

(B)(i) shall be disbursed after the conditions of paragraph (2) are satisfied; and

(ii) may be disbursed after the conditions of paragraph (3) are satisfied

(2) INITIAL CONDITIONS.—The conditions of this paragraph are satisfied with respect to the amounts provided in appropriations Acts for a fiscal year if, in the fiscal year, the Secretary of the Treasury reports to the appropriate congressional committees that the International Bank for Reconstruction and Development—

(A) is implementing institutional incentives, including through formal staff evaluation criteria, that prioritize poverty reduction, development outcomes, and capable project management over the volume of the Bank's lending and grantmaking;

(B) is taking steps to address the management failures described in Inspection Panel Investigation Report 106710–UG, and to prevent their recurrence in countries that are eligible for World Bank support; and

(C) is taking measures to strengthen its management of trust funds, with the goal of increasing the accountability of the trust funds for poverty reduction and development outcomes.

(3) SUBSEQUENT CONDITIONS.—The conditions of this paragraph are satisfied if the Secretary of the Treasury reports to the appropriate congressional committees, in each of the 3 fiscal years most recently preceding the fiscal year in which the report is made, that the International Bank for Reconstruction and Development has instituted the measures described in paragraph (2) of this subsection and the measures described in subsection (b)(2).

(b) GOVERNANCE AND ANTICORRUPTION REFORMS.—

(1) IN GENERAL.—With respect to each of fiscal years 2018 through 2023, in addition to any amounts withheld from disbursement under subsection (a), 15 percent of the amounts provided in appropriations Acts for the International Development Association for the fiscal year—

(A) shall be withheld from disbursement until the conditions of paragraph (2) or (3) are satisfied; and

(B)(i) shall be disbursed after the conditions of paragraph (2) are satisfied; and

(ii) may be disbursed after the conditions of paragraph (3) are satisfied

(2) INITIAL CONDITIONS.—The conditions of this paragraph are satisfied with respect to the amounts provided in appropriations Acts for a fiscal year if, in the fiscal year, the Secretary of the Treasury reports to the appropriate congressional committees that the International Bank for Reconstruction and Development—

(A) is emphasizing in appropriate operational policies, directives, and country strategies its support for secure property rights, due process of law, and economic freedom as essential conditions for sustained poverty reduction in World Bank borrowing countries;

(B)(i) in the preceding fiscal year, has not approved any loans or grants assistance by the Bank to a country designated by the United States as a state sponsor of terrorism; and

(ii) is strengthening the ability of Bank-funded projects to undermine violent extremism;

(C) is taking steps to conduct forensic audits of projects receiving assistance from the Bank, increase the number of the forensic audits, and strengthen the capacity of the Bank's Integrity Vice Presidency, and that not less than 50 percent of the forensic audits initiated by the Bank in each fiscal year are of projects randomly selected from among International Development Association borrowing countries; and

(D) is taking measures to detect and minimize corruption in all World Bank projects involving development policy lending.

(3) SUBSEQUENT CONDITIONS.—The conditions of this paragraph are satisfied if the Secretary of the Treasury reports to the appropriate congressional committees, in each of the 3 fiscal years most recently preceding the fiscal year in which the report is made that the International Bank for Reconstruction and Development has instituted the measures described in paragraph (2) of this subsection and the measures described in subsection (a)(2).

(c) APPROPRIATE CONGRESSIONAL COMMITTEES DEFINED.—In this section, the term "appropriate congressional committees" means the Committees on Financial Services and on Appropriations of the House of Representatives and the Committees on Foreign Relations and on Appropriations of the Senate.

SEC. 3. REPORTS TO CONGRESS.

The Chairman of the National Advisory Council on International Monetary and Financial Policies shall include in the report required by section 1701 of the International Financial Institutions Act for each of fiscal years 2018 through 2023 a detailed description of the actions undertaken by the International Bank for Reconstruction and Development in the fiscal year covered by the report to institute the measures described in subsections (a)(2) and (b)(2) of section 2 of this Act.

SEC. 4. OPPOSITION TO WORLD BANK ASSISTANCE FOR GOVERNMENT THAT FAILS TO IMPLEMENT OR ENFORCE MEASURES REQUIRED UNDER AN APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION.

The Bretton Woods Agreements Act (22 U.S.C. 286 et seq.) is amended by adding at the end the following:

"SEC. 73. OPPOSITION TO ASSISTANCE FOR GOVERNMENT THAT FAILS TO IMPLEMENT OR ENFORCE MEASURES REQUIRED UNDER AN APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION.

"The Secretary of the Treasury should instruct the United States Executive Director at the International Bank for Reconstruction and Development to use the voice and vote of the United States to oppose the provision of assistance to the government of a borrowing country of the International Development Association if the President of the United States determines that the government has knowingly failed to implement or enforce sanctions required under an applicable United Nations Security Council resolution (as defined in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (Public Law 114–122; 22 U.S.C. 9202)) that is in effect.".

SEC. 5. EIGHTEENTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION; REDUCTION FROM IDA-17 AUTHORIZED LEVEL.

The International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end the following:

"SEC. 30. EIGHTEENTH REPLENISHMENT.

"(a) CONTRIBUTION AUTHORITY.—The United States Governor of the International Development Association may contribute on behalf of the United States $3,291,030,000 to the eighteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

"(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,291,030,000 for payment by the Secretary of the Treasury.".

PURPOSE AND SUMMARY

On July 20, 2017, Representative Andy Barr introduced H.R. 3326, the "World Bank Accountability Act of 2017". This legislation would withhold a portion of future appropriations for the World Bank's International Development Association (IDA) until the Secretary of the Treasury reports that the World Bank has undertaken reforms to fight corruption, strengthen management accountability, and undermine violent extremism. The legislation would also authorize the Trump Administration's request for a reduced IDA funding level.

BACKGROUND AND NEED FOR LEGISLATION

The goal of H.R. 3326 is to incentivize critical reforms at the World Bank ("Bank"), with a particular focus on increasing the Bank's accountability for results.

In 2017, Congress is scheduled to consider the 18th replenishment of the Bank's International Development Association. IDA is the Bank's concessional lending window for the world's poorest countries: unlike the Bank's non-concessional window, which benefits middle-income nations, IDA's resource levels are generally authorized every three years and funded through annual appropriations. The 18th replenishment—known as IDA–18 encompasses Fiscal Year 2018 through Fiscal Year 2020.

Prior to leaving office, President Barack Obama pledged $3.871 billion for IDA–18, the same funding level as IDA–17 before it. Under the Trump Administration's Fiscal Year 2018 Budget, however, IDA–18 was cut by $580 million, which represents 15 percent reduction from Obama Administration-era levels.

Seventy-seven countries, the majority of which are in sub-Saharan Africa, are currently eligible for IDA assistance based on a per capita income of less than $1,215. In its oversight of the World Bank, the Committee on Financial Services has found that the Bank falls short in its anti-poverty mission. The reasons behind this failure include:

• *Institutional incentives that prioritize generating high loan volume rather than delivering results and managing projects capably.* According to the Bank's Independent Evaluation Group, staff incentives have long been geared toward approval of new lending, which can undermine attention to development outcomes and learning from project experience. Such incentives reflect a "pressure to lend" that has been documented since at least 1992, in a Bank management review now commonly known as the "Wapenhans Report."

• *Lending to corrupt regimes that abuse their citizens and trample on economic freedom for the poor.* Researchers such as Nobel Economics Laureate Angus Deaton, New York University's William Easterly, James Robinson of the University of Chicago, and MIT's Daron Acemoglu have found that foreign aid makes little positive difference when recipient governments are contemptuous of citizens and their rights. Appearing before the Financial Services Committee, Sasha Chavkin of the International Consortium of Investigative Journalists testified that such governments have not been shunned by Bank:

> "We found instead that the Bank repeatedly funded governments that not only failed to adequately resettle communities, but in some cases were accused of human rights abuses such as rape, murder and violent evictions associated with bank projects. We found in several cases that the World Bank continued to bankroll these borrowers even after evidence of these abuses came to light."

• *Insufficient attention paid to auditing Bank initiatives for corruption.* According to research by Professor Jean Ensminger of Caltech, the World Bank has neglected the risk that systemic corruption can pose to its projects' effectiveness. As Ensminger noted in testimony before the Committee:

> "The problem in many World Bank projects is not limited to a few rogue contractors and project staffers. In systemically corrupt countries like Kenya, it is common for World Bank projects to be captured by the government ministry cartels from which the project staff is seconded."

She continued:

> "Understandably, World Bank operations want to see projects through to completion. Corruption investigations can shut down projects and derail careers. They are also inconvenient for senior management in the Bank who are balancing delicate relationships with their country clients."

In light of these problems, H.R. 3326 withholds a share of future IDA appropriations unless the Bank implements reforms to address shortcomings. The legislation would also enact the Trump Administration's proposed 15 percent reduction to IDA–18 funding commitments. In addition, the legislation would require the Bank to strengthen its efforts to undermine violent extremism, and it would help prevent the Bank from approving any assistance to a country designated as a state sponsor of terrorism.

As reported by the Committee on Financial Services, this legislation would further advance U.S. foreign policy goals by encouraging the Treasury Department, when evaluating World Bank loans, to consider borrowing governments' compliance with sanctions on the North Korean regime. The Committee on Financial Services has examined troubling cases of developing countries' deficient enforcement of such sanctions, and many of these countries are eligible for World Bank support.

Hearings

On March 22, 2017, the Monetary Policy and Trade Subcommittee held a hearing on matters relating to H.R. 3326 entitled, "Examining Results and Accountability at the World Bank."

Committee Consideration

The Committee on Financial Services met in open session on July 25, 2017, and ordered H.R. 3326 to be reported favorably to the House as amended by a recorded vote of 60 yeas to 0 nays (Record vote no. FC–71), a quorum being present. Before the motion to report was offered, the Committee adopted an amendment in the nature of a substitute offered by Mr. Barr by voice vote.

Committee Votes

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. The sole recorded vote was on a motion by Chairman Hensarling to report the bill favorably to the House as amended. The motion was agreed to by a recorded vote of 60 yeas to 0 nays (Record vote no. FC–70), a quorum being present.

Present	Representative	Yeas	Nays
	Mr. HENSARLING, *Chairman*	✓	
	Mr. McHENRY	✓	
	Mr. KING	✓	
	Mr. ROYCE	✓	
	Mr. LUCAS	✓	
	Mr. PEARCE	✓	
	Mr. POSEY	✓	
	Mr. LUETKEMEYER	✓	
	Mr. HUIZENGA	✓	
	Mr. DUFFY	✓	
	Mr. STIVERS	✓	
	Mr. HULTGREN	✓	
	Mr. ROSS	✓	
	Mr. PITTENGER	✓	
	Mrs. WAGNER	✓	
	Mr. BARR	✓	
	Mr. ROTHFUS	✓	
	Mr. MESSER	✓	
	Mr. TIPTON	✓	
	Mr. WILLIAMS	✓	
	Mr. POLIQUIN	✓	
	Mrs. LOVE	✓	
	Mr. HILL	✓	
	Mr. EMMER	✓	
	Mr. ZELDIN	✓	
	Mr. TROTT	✓	
	Mr. LOUDERMILK	✓	
	Mr. MOONEY	✓	
	Mr. MacARTHUR	✓	
	Mr. DAVIDSON	✓	
	Mr. BUDD	✓	
	Mr. KUSTOFF	✓	
	Ms. TENNEY	✓	
	Mr. HOLLINGSWORTH	✓	
	Ms. WATERS, *Ranking Member*	✓	
	Mrs. MALONEY	✓	
	Ms. VELÁZQUEZ	✓	
	Mr. SHERMAN	✓	
	Mr. MEEKS	✓	
	Mr. CAPUANO	✓	
	Mr. CLAY	✓	
	Mr. LYNCH	✓	
	Mr. SCOTT	✓	
	Mr. GREEN	✓	
	Mr. CLEAVER	✓	
	Ms. MOORE	✓	
	Mr. ELLISON	✓	
	Mr. PERLMUTTER	✓	
	Mr. HIMES	✓	
	Mr. FOSTER	✓	
	Mr. KILDEE	✓	
	Mr. DELANEY	✓	
	Ms. SINEMA	✓	
	Mrs. BEATTY	✓	
	Mr. HECK	✓	
	Mr. VARGAS	✓	
	Mr. GOTTHEIMER	✓	
	Mr. GONZALEZ	✓	
	Mr. CRIST	✓	
	Mr. KIHUEN	✓	

Committee on Financial Services

115th Congress

DATE: 7/25/17

Measure HR 3326

Amendment No. MTA

Offered by:

Agreed To	Yes	No	Wdrn
	✓		

Voice Vote	Yeas	Nays	Prsnt
	60	0	

Record vote no.	FC- 71

As Amended

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 3326 will protect taxpayer dollars by making IDA appropriations contingent on implementing accountability measures at the Bank.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 21, 2017.

Hon. JEB HENSARLING,
Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3326, the World Bank Accountability Act of 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte.

Sincerely,

KEITH HALL, *Director.*

Enclosure.

H.R. 3326—World Bank Accountability Act of 2017

H.R. 3326 would authorize the appropriation of almost $3.3 billion for the United States' share of the eighteenth general replenishment of the resources of the International Development Association (IDA; a part of the World Bank). That replenishment agreement covers the three-year period ending in June 2020.

Based on information from the Department of the Treasury, CBO expects that the U.S. commitment would be funded with annual appropriations over the 2018–2020 period. The President has requested $1,097 million for the first tranche in 2018, and CBO estimates that the remainder would be provided in two additional tranches of $1,097 million each in 2019 and 2020. In total, CBO estimates that implementing H.R. 3326 would cost about $3.3 billion over the 2018–2022 period, assuming appropriation of the specified amounts.

Enacting H.R. 3326 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 3326 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

	By fiscal year, in millions of dollars—						
	2017	2018	2019	2020	2021	2022	2017–2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	1,097	1,097	1,097	0	0	3,291
Estimates Outlays	0	1,097	1,097	1,097	0	0	3,291

Other provisions of the bill would require the Secretary of the Treasury to withhold amounts from IDA pending certain institutional reforms, to report to the Congress on the implementation of those reforms, and to oppose any assistance from the World Bank to governments that refuse to implement or enforce sanctions required under certain U.N. resolutions. CBO estimates that implementing those requirements would cost less than $500,000 over the 2018–2022 period; such spending would be subject to the availability of appropriated funds.

H.R. 3326 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

Earmark Identification

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

Duplication of Federal Programs

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

Disclosure of Directed Rulemaking

Pursuant to section 3(i) of H. Res. 5, (115th Congress), the following statement is made concerning directed rulemakings: The Committee estimates that the bill requires no directed rulemakings within the meaning of such section.

Section-by-Section Analysis of the Legislation

Sec. 1: Short title

The Act may be cited as the "World Bank Accountability Act of 2017."

Sec. 2: Withholding of funds until certain conditions are met

For each of fiscal years 2018 through 2023, 15 percent of appropriated funds for the World Bank's IDA shall be withheld until the Secretary of the Treasury reports to the appropriate Congressional committees that:

(1) The Bank is implementing institutional incentives that prioritize poverty reduction, development outcomes, and capable project management over the Bank's lending volume;

(2) The Bank is taking, or has completed, steps to address the management failures identified from the Uganda Transport Sector Development Project scandal, and is preventing those failures' recurrence in other countries eligible for Bank support; and

(3) The Bank is strengthening its management of trust funds, with the goal of increasing their accountability for poverty reduction and development outcomes.

An additional 15 percent of appropriations shall be withheld until the Secretary reports that:

(1) The Bank is emphasizing its support for secure property rights, due process of law, and economic freedom as essential to sustained poverty reduction in appropriate Bank policies, directives, and country strategies;

(2) The Bank has not approved any assistance in the previous fiscal year for a country designated by the U.S. as a state sponsor of terrorism, and is strengthening its projects' ability to undermine violent extremism;

(3) The Bank is taking steps to conduct randomized forensic project audits, increase the number of such audits, and strengthen the capacity of the relevant Bank division that oversees them; and

(4) The Bank is working to detect and minimize corruption in all projects involving development policy lending (also referred to as "budget support").

If Treasury cannot report that the Bank has met either, or both, of the above sets of reforms in a fiscal year, the applicable portion of appropriations are withheld, and cannot be disbursed unless the Bank later meets both sets of reforms successfully for three consecutive years. For reporting purposes, the appropriate Congressional committees are the House Committees on Financial Services and Appropriations, and the Senate Committees on Foreign Relations and Appropriations.

Sec. 3: Reports to Congress

The Treasury Secretary shall include in the FY18 through FY23 annual reports of the National Advisory Council on International Monetary and Financial Policies a detailed description of the World Bank's actions to implement the reforms described in Sec. 2.

Sec. 4: Eighteenth replenishment of the International Development Association; reduction from IDA–17 authorized level

In accordance with the Trump administration's FY18 budget request, this section limits U.S. contributions to IDA–18 to $3.29 billion, which represents a $580 million reduction (15 percent) from IDA–17.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

BRETTON WOODS AGREEMENTS ACT

* * * * * * *

SEC. 73. OPPOSITION TO ASSISTANCE FOR GOVERNMENT THAT FAILS TO IMPLEMENT OR ENFORCE MEASURES REQUIRED UNDER AN APPLICABLE UNITED NATIONS SECURITY COUNCIL RESOLUTION.

The Secretary of the Treasury should instruct the United States Executive Director at the International Bank for Reconstruction and Development to use the voice and vote of the United States to oppose the provision of assistance to the government of a borrowing country of the International Development Association if the President of the United States determines that the government has knowingly failed to implement or enforce sanctions required under an applicable United Nations Security Council resolution (as defined in section 3 of the North Korea Sanctions and Policy Enhancement Act of 2016 (Public Law 114–122; 22 U.S.C. 9202)) that is in effect.

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

* * * * * * *

SEC. 30. EIGHTEENTH REPLENISHMENT.

(a) CONTRIBUTION AUTHORITY.—The United States Governor of the International Development Association may contribute on behalf of the United States $3,291,030,000 to the eighteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,291,030,000 for payment by the Secretary of the Treasury.

ADDITIONAL VIEWS

H.R. 3326, the World Bank Accountability Act of 2017, authorizes U.S. participation in the eighteenth replenishment of the International Development Association or IDA. IDA is the window of the World Bank that provides grants and highly concessional loans to the world's 77 poorest countries, which are home to more than 450 million people living in extreme poverty.

We fully support the bill's authorization of a U.S. contribution of $3.29 billion to multilateral development efforts for these poor countries. IDA is the largest source of development finance in the world's poorest countries, and it operates effectively across a range of sectors, including basic health, primary education, clean water and sanitation, and infrastructure.

We also support this legislation because we view it as an important marker of U.S. international engagement from this Committee, which has not in recent years demonstrated a great deal of interest in global economic cooperation.

In fact, over the past several years, the Obama Administration requested legislation to authorize U.S. participation in the IDA–17 replenishment as well as replenishment rounds for the concessionary windows of the African Development Bank and the Asian Development Bank—and the Committee never acted on these requests. Also, for five years the Committee refused to approve the 2010 IMF quota reform agreement that had been initiated by the Bush Administration as a critical effort to preserve the legitimacy of the IMF and keep emerging economies firmly anchored in the multilateral system that the U.S. helped design. U.S. inaction on the agreement not only put the world economy and financial system at risk, but it also undermined the U.S. reputation for leadership in the global economic system.

Therefore, we joined our Republican colleagues in favorably reporting H.R. 3326 out of Committee in an effort to reinforce the importance of U.S. leadership at the international financial institutions, which have long provided the foundation of a stable rules-based international order and have helped advance strategic U.S. interests in countries and regions at critical moments.

There are provisions in the bill, however, that we believe are misguided and counterproductive, and we strongly oppose them. Specifically, the bill calls for the withholding of up to 30% of the U.S. contribution to IDA in any year, over a six-year period, in which the Secretary of Treasury cannot certify to Congress that the Bank has adopted or is taking steps to implement two sets of reforms mandated in the bill.

Furthermore, if Treasury cannot report that the Bank has met either or both sets of reforms in a given fiscal year, not only would the applicable portion of U.S. funds be withheld, but the bill would then make it more difficult for the Bank to successfully meet both sets of reforms in subsequent years.

This notion that the United States can impose its will unilaterally on the World Bank reflects a fundamental misunderstanding about how multilateralism works. Achieving important U.S.-led reforms at the multilateral development banks has always depended on the ability of the U.S. to build consensus among other shareholders at the institutions, which, in turn, relies on U.S. leadership, influence, and a sense of goodwill.

U.S. policy goals at these institutions should be advanced on their merits, not based on a threat of withholding funds. We also object to the bill's approach to reform on moral grounds, since withholding U.S. contributions to IDA would punish millions of children and other vulnerable people in Africa, Latin America and Asia who live in absolute, unremitting, degrading poverty. It would undermine IDA's ability to help people experiencing famine and refugees in fragile and conflict-ridden states, who go without food, sanitation, or basic medical attention, often leading to death.

We would note that any funds the U.S. might withhold from the Bank would simply add to U.S. arrears to the Bank. The U.S. has approximately $1.12 billion in previous unmet commitments to IDA, and, according to Treasury, these arrears damage U.S. credibility and, in fact, undermine our ability to advance U.S. policy and reform objectives.

For many years, this Committee has worked in a bipartisan fashion to achieve a number of important reforms at the World Bank, including the creation of the Inspection Panel, an independent accountability mechanism that investigates claims by citizens of the Bank's failure to follow its own policies and procedures. We have also successfully achieved much more transparency and disclosure of information from the World Bank. We successfully pushed for debt relief for impoverished countries. And we have also pressed for less burdensome conditionality and more attention to the social dimension that must be present when decisions about development assistance are made.

We were able to successfully advance these policy goals through serious negotiations with the Department of Treasury as well as direct and sustained engagement with World Bank management itself.

In a recent annual report to Congress on U.S. participation in the international financial institutions, the Treasury Secretary stated that, "The United States needs to maintain its leadership position in the international financial institutions if they are to be effective vehicles for supporting U.S. interests and responsive to U.S. calls for reform."

We support this legislation because we support the authorization for the United States to participate in the IDA–18 replenishment. We also believe that international cooperation through U.S. leadership at the international financial institutions helps advance U.S. national security, economic interests and values.

But we strongly oppose the provisions in the bill that place conditions on U.S. contributions to IDA because we do not believe this is an effective approach to reform, and, more importantly, because it could lead to a situation in which the United States would undermine IDA's critical efforts to promote growth and reduce extreme poverty in the world.

MAXINE WATERS.
STEPHEN F. LYNCH.
ED PERLMUTTER.
NYDIA M. VELÁZQUEZ.
GWEN MOORE.
JUAN VARGAS.
CHARLIE CRIST.
DANIEL T. KILDEE.
CAROLYN B. MALONEY.
AL GREEN.
GREGORY W. MEEKS.
KEITH ELLISON.
DENNY HECK.