

Pay to Play Leadership: Why Investment in the Multilateral Development Banks Is Critical to U.S. National Security

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The Obama administration has made a request to Congress for an extraordinary contribution to a number of the multilateral development banks (MDBs). It is critical that Congress act on this request so that the United States can maintain its overwhelming influence in these institutions, ensure that we have strong multilateral funding partners for the many challenges we face, and in so doing, invest in our own national security. This request for the so-called General Capital Increase comes at a time of very serious fiscal austerity. Maintaining our de facto control over the MDBs through this contribution is a critical investment in U.S. national security because these institutions provide money and advice that, in fundamental ways, support our allies, as well as U.S. foreign, economic, and national security policy objectives, in places such as Afghanistan, Libya, Iraq, Haiti, Colombia, Tunisia, and Southern Sudan. A strong set of MDBs under U.S. leadership will be critical instruments for achieving victory in the Long War.

In order to maintain our current level of leadership and influence in the MDBs, the United States will need to continue to retain its ownership stake. We are going to have to “pay to play.” If not, other countries will fill the void and step in to take these institutions in directions we may not like.

The MDBs are far from perfect. In zones of conflict, they need to improve their flexibility, and they need to be willing to develop specialized cadres who can be deployed in some of the world’s worst contexts. Additionally, these institutions can be very slow to act. The MDBs need to change, but we minimize the chances that they will improve the right way if we do not have a prominent seat at the table.

Q1: What are the consequences if the United States does not fully participate in the General Capital Increase?

A1: If we do not authorize the recapitalization and replenishment of the MDBs, a number of very bad consequences will likely occur. At the World Bank, we risk losing our unique veto power. At the African Development bank, we risk decreasing our shareholding by two-thirds, which would jeopardize our only seat on the Board of Directors.

If the United States does not authorize recapitalization of the Inter-American Development Bank (IDB), all other donors would cut back, sending an incredibly negative signal to Latin America and creating a far less effective IDB. Recovery and reconstruction efforts in Haiti would be severely impacted with the real potential to destabilize a very fragile democracy, with significant national security implications for the United States.

In addition, because of our financial contributions in the past, we have enjoyed a preponderant role in these institutions by maintaining critical leadership posts—the World Bank presidency and other pivotal vice presidential posts at these institutions. By not participating fully in the General Capital Increase, we would strengthen those who would like to see the United States lose these critical personnel posts.

Q2: How do the MDBs support U.S. interests, including national security interests?

A2: The MDBs export an American operating system of globalization. They export performance standards and

practices perfected or used in the United States. The MDBs offer developing countries economic and policy advice that is within a range of policy options acceptable to U.S. policymakers.

During the 2008 and 2009 financial crisis, the MDBs were asked by their shareholders, including the United States, to “fire all their bullets” as part of the crisis response. As a result, the MDBs softened the effects of the crisis. The MDB’s increased their lending to fill in the gap. It was the MDBs that covered for the United States and other developed nations when we were understandably focused on stabilizing our own economies.

Bilateral U.S. foreign assistance is going to come under significant strain. It is likely that the United States will stop providing traditional foreign assistance bilaterally to a large number of middle-income and lower-middle-income countries, as we focus spending on the most pressing development and national security needs. Well-financed MDBs under U.S. leadership need to be part of a graduated strategy filling in the gaps for the United States in middle-income countries.

Q3: What are the specific national security contributions of the MDBs?

A3: First, in situations where there is a conflict, such as Libya or Afghanistan, the United States needs to build up and support local institutions as quickly as possible and do so in a way where we share the burden with other donors. One of the most effective ways is through the MDBs.

Second, in situations where we are supporting newly formed governments, policymakers need expert advice to manage public money, set up health systems, ensure that children get to school, regulate banking systems, and set up the rules of the game for basic services like electricity and water. The MDBs often house the best technical experts in the world on a wide range of issues for ensuring that a government actually functions. In many country contexts where we are fighting insurgents, we need our host country partners to demonstrate to their people that they can provide these public goods and services. The delivery of basic services is a critical part of victory in places like Iraq and Afghanistan, and the MDBs play a crucial role in that.

Third, these institutions help us equip societies with mindsets that counter competing ideologies—when the MDBs fund programs such as girls education, provide training for entrepreneurs, help develop modern infrastructure, and provide access to telecommunications and information technology.

Fourth, we will need to have development partners that are ready for a number of contingencies in the near- to mid-term future. In the next five years, there may be significant changes in the governments of countries hostile to U.S. interests, and we are going to want strong, flexible multilateral instruments under strong U.S. leadership to be ready for such contingencies.

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