

**Testimony of Secretary Lew before the House Committee on Appropriations Subcommittee
on State, Foreign Operations, and Related Programs on the Fiscal Year 2017 Treasury
International Programs Budget Request**

3/15/2016

Chairwoman Granger, Ranking Member Lowey, and Members of the subcommittee, thank you for the opportunity to discuss the President's Fiscal Year 2017 Budget Request for the Department of the Treasury's International Programs.

I want to begin by acknowledging the bipartisan passage of the omnibus spending 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 and demonstrate our commitment to maintaining that position. Moreover, our commitment to the IMF as demonstrated by the passage of quota reform legislation better enables us to further our international policy objectives, such as multilateral support for Ukraine, through IMF engagement.

Treasury's FY 2017 request builds on the 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 request affirms the U.S. commitment to the international financial architecture and to maintaining our global leadership.

The international financial institutions—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.

That is why our FY 2017 request of \$2.3 billion is so important. 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. Contributions from other donors and internal resources further leverage our investments. For example, the World Bank's International Development Association (IDA) provides a cost-effective means to support the world's poorest countries; every \$1 contribution from the United States leverages almost \$13 in contributions from other donors and the World Bank's internal resources.

Multilateral Development Banks (MDBs) Promote National Security, Economic Growth, and Poverty Reduction

In FY 2017 we are requesting \$1.8 billion to fulfill our commitments to the MDBs. Our investments in 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 MDBs' assistance and technical know-how has nurtured the economic reforms, infrastructure, and social investments that have driven the growth of some of our most strategic trade partners, and 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 unmet commitments to the Bank this year will result in a loss of U.S. shareholding, which would not only impact our veto power, 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 Asia.

Addressing Complex Global Challenges

When it comes to global challenges such as 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)—for which we are requesting \$147 million—helps countries safely dispose of dangerous chemicals that can damage human health and contaminate global food and water supplies. By protecting the environment—including preserving the ozone layer, protecting fisheries, combating wildlife trafficking, and reducing

mercury pollution that can contaminate our food supply—the GEF delivers benefits to the United States and global community.

This year we are also requesting \$250 million toward the U.S. pledge to the Green Climate Fund (GCF). The State Department has requested \$500 million this year, for a total FY 2017 request of \$750 million. As you know, this is part of a \$3 billion pledge the President made to the GCF, not to exceed 30 percent of total signed contribution agreements. The 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 FY 2017 request includes \$12.5 million for an expansion of the Central America and Caribbean Catastrophe Risk Insurance Program through an existing multi-country risk pooling facility. This request will support the provision of affordable insurance against natural disasters in the region, which is highly vulnerable to natural disasters that – when combined with other factors—can result in security challenges for the region and for the United States, including the displacement of people and mass migrations.

The United States is a leader in the fight against global hunger and poverty through two key multilateral programs - the Global Agriculture and Food Security Program (GAFSP) and the International Fund for Agricultural Development (IFAD). GAFSP funding has proven to be effective and has already reached about 2.15 million beneficiaries and has rehabilitated over 19,200 hectares of land with improved irrigation and drainage infrastructure. Treasury's FY 2017 request includes \$23 million for GAFSP. IFAD is a leader in helping to increase the productivity of smallholder farmers, improving nutritional outcomes, and expanding access to rural employment and marketing opportunities, and it is important to note that women represent 50 percent of project beneficiaries. For FY 2017, we are requesting \$30 million for the second of three installments for IFAD's 10th replenishment.

Treasury's FY 2017 request also includes \$20 million to join the World Bank Global Infrastructure Facility (GIF) as a Funding Partner. The GIF will catalyze private capital for public infrastructure projects by addressing constraints arising from countries' legal and regulatory regimes, project design and implementation, and project financing structures.

Successful development also depends on good governance and a well-functioning state. For the last 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. Our request reflects the strong and increasing demand for OTA assistance and supports U.S. foreign policy, security and economic priorities in Central America, Africa, Asia, Ukraine, and other regions. Treasury is seeking \$33.5 million for OTA—an increase of \$10 million over the FY 2016 enacted level. The request supports my commitment at the 2015 Financing for Development conference to double OTA's assistance and significantly increase U.S. Government support for Domestic Resource Mobilization by 2020, helping countries to better raise and manage their own financial resources. This significant and

critical investment will enable OTA to respond more quickly to the growing demand for financial technical assistance in support of U.S. foreign policy, economic development, and national security priorities.

Conclusion

U.S. leadership in international financial institutions enables us to influence how and where resources are deployed—often on a scale that we cannot achieve through our bilateral programs alone. However, bipartisan support is required to ensure that our influence remains as strong today as it has been over the past several decades.

Meeting our commitments to the MDBs is a cornerstone of U.S. credibility and leadership. The partnership we have with the MDBs has endured across parties because these institutions have continually provided a significant return for the United States. 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.

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

Thank you.