

**Prepared Testimony of Maria Otero**  
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**International Organizations and Global Corporate Social Impact**  
**“United States Standing in International Organizations”**

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Members of the Subcommittee:

I am honored to present this testimony on the importance of international organizations and the U.S. role in them.

I am a former Under Secretary of State for Civilian Security, Democracy, and Human Rights, in which capacity I oversaw U.S. foreign relations on issues ranging from democracy and human rights to citizen security, including humanitarian and refugee assistance, organized crime, trafficking in persons, violent extremism and countries in conflict, serving from 2009 until February 2013. It was my privilege to be the first Latina Under Secretary in the State Department’s history, and at the time I left the Department, I was its highest-ranking Hispanic official. Before joining State, I was President and CEO of ACCION International, a pioneer organization in the field of development, specifically in microfinance. I have worked for USAID in its Women in Development office, and I have served on various boards, including the U.S. Institute of Peace (Vice Chair) and the Inter-American Foundation (Chair)—both Senate-confirmed presidential appointments—the Calvert Foundation, Oxfam America, Bread for the World, and BRAC in Bangladesh. I am a member of the Council on Foreign Relations.

The subject of this hearing is the standing of the US in international organizations and the corresponding question of our country’s level of engagement with them. Let me first take a step back and assert the importance of international engagement broadly. As a nation, we engage with the rest of the world—in particular, we promote international development in the form of peace, prosperity, health, and well-being—not only because it aligns with our highest values, but also because it aligns with our national interest. Simply put, when our neighbors enjoy the fruits of peace and prosperity, we are more likely to do so, too. And as we have been reminded all too forcefully over the past year, in the ultra-connected small world of the 21<sup>st</sup> century, that neighborhood can be as nearby as our southern border or as far away as Wuhan, China, the forests of west Africa, or wherever the next “spillover” event may occur.

America must always be strong, militarily and otherwise. But the idea of “Fortress America” withdrawn in isolation behind its land borders is outdated and untenable in the era of global travel, digital technology, international trade and commerce, multinational supply chains, transnational crime organizations, virulent pandemics, and planetary climate change. To protect America’s prosperity, security, and health—and yes, to promote our values around the

world, which is its own form of national security—we must pursue mutually beneficial partnerships with nations - and one way is through multilateral institutions.

The leading edge of America’s engagement overseas has always been its bilateral, state-to-state diplomacy and development assistance, the latter implemented through agencies such as USAID, the Millennium Challenge Corporation (MCC), and the U.S. Development Finance Corporation. These agencies implement programs to support the development objectives of our bilateral partners, and in doing so seek to win their appreciation and trust as we cooperate toward mutually beneficial aims. Our agencies also design their own development strategies, giving priority to health, food security, climate change, humanitarian aid and promotion of our democratic values. We work in areas of conflict, violent extremism and natural disasters. We use a range of tools – grants, contracts, loans, debt financing, equity investment, guarantees and others- to deploy our resources. We channel our bilateral assistance through each country’s public, private and civil society sectors, and we use development contractors, non-profit organizations and public-private partnerships to deliver our targeted assistance.

Our engagement in international development spans a continuum that begins with bilateral assistance and proceeds to our engagement in multilateral organizations. Multilateral organizations are varied and wide ranging in their objectives and structures and while they share much in common, I would suggest three categories to organize my testimony:

- 1) Multilateral organizations that focus on development, in which members hold a governance position, and in which the voting power is commensurate with the capital subscribed by each member. Regional banks such as the Inter-American Development Bank (IDB), the Asian Development Bank (ABD) and the World Bank are examples.
- 2) Multilateral organizations that focus on the most vulnerable, exposed populations such as refugees, populations in conflict areas, persons trafficked, human rights defenders, women and children. Many United Nations organizations fall into this category. The U.S. makes an important contribution to this important work.
- 3) Multilateral organizations in which we participate as members, help set the agenda, vote on issues presented, and make a monetary contribution. Examples are the Human Rights Council (HRC), the Organization of American States (OAS) and the Inter-American Commission on Human Rights (IACHR).

Let me focus this testimony on the first category. These multilateral organizations complement and expand our bilateral work. While their efforts are necessarily wide-ranging, let us start with their support for economic growth. Economic development assistance is foundational because in overseas countries, as at home, prosperity is the bedrock on which all other strengths depend. And crucially, prosperity on the international stage is not a zero-sum game. We invest in programs that enable foreign countries to grow their economies and invest in the well-being of their people. And these programs *work*. As Brookings economist Steve Radelet summarizes in a comprehensive review of the literature on this topic, [“recent research concludes that aid supports growth.”](#) Put simply, more prosperous, more stable, better-run societies are less likely to fray and either export their problems outward or create significant challenges for us as we are witnessing at the southern border today.

Our engagement and full funding of multilateral organizations enables us to reap from the comparative advantages they provide:

### Support to the Private Sector

Multilateral organizations focus on supporting and working with each country's private sector. They help build more competitive industries, promote businesses innovation and improve financial and productive capacity. Growing the private sector creates jobs and fortifies the free market economy in these countries. Because small and medium enterprises predominate in many countries in Latin America, Asia and Africa, these multilateral organizations have developed tools and financial instruments to support their growth. Their successful work in developing microfinance lending and financial inclusion attests to their capacity.

Multilaterals have structured themselves to facilitate their outreach to the private sector. For example, the World Bank's International Finance Corporation (IFC) and the IDB's financial arm, IDBInvest, make equity investments, and provide loans and guarantees to businesses, many of which are not able to access capital from the international markets. They also provide technical assistance to strengthen an industry - energy, agriculture, transport, technology and others - and to expand their respective export capacity. In 2020, the IFC invested \$22 billion in the private sector around the world, in spite of the challenges presented by COVID-19. IDBInvest manages over \$12 billion in assets in over 340 projects comprised of investments and loans. Additionally, the IDB's third arm, IDBLab, also known as the Multilateral Investment Fund (MIF), focuses on supporting pilot business models and helping scale up new industries. Because the regional multilaterals organizations know their regions thoroughly, they are able to customize financial solutions.

Growing the private sector in developing countries is an objective firmly in line with our interests. Our solid engagement in development multilateral organizations opens doors for our own interaction with growing industries and enhances improved relationships with U.S. companies. Our absence or lukewarm involvement in multilateral organizations only attracts other countries to fill the space. China in particular has moved aggressively to become a major source of long-term capital. Through its Belt and Road Initiative (BRI), its flagship foreign infrastructure and investment program, and its investment in sectors ranging from transport, energy and mobility, China seeks to increase its political and economic influence, grow trade and align industries in developing countries to its priorities. China cheers when the U.S. pulls back.

In an America where more than 1 in 5 jobs are tied to international trade, and 1 in 3 manufacturing jobs are tied to U.S. exports these arguments hit home. Most of the world's fastest-rising economies are in the developing world. PwC's latest [World in 2050](#) report projects Vietnam, Nigeria, and the Philippines as the fastest rising economies—all partners in U.S. assistance programs and supported by multilateral organizations.

### Leverage Resources

Our engagement with multilateral organizations allows us to take advantage of the resources made available by all their members. Because our contribution to these organizations is considerable, often the largest, our voting power is strong, and allows us to help direct these resources in a way that supports our own priorities and objectives. This effort complements strongly our own bilateral support and cuts across all development activities.

Additionally, multilateral institutions leverage resources from the global capital markets, especially for debt financing, which increases their influence and ability to punch above their weight. Of the \$22 billion mentioned above that was invested by the World Bank's IFC in 2020, over \$10 billion were mobilized from other investors. This practice, implemented by all multilateral organizations, is of growing importance in their ability to leverage funds, and can only be enhanced by the active and strong membership of the U.S.

### Address Social Inequality

Among the most urgent challenges the world must tackle is the growing inequality within societies, especially in developing countries. COVID-19 has exacerbated the level of extreme poverty globally, as you have heard repeatedly in this subcommittee. Social protests and turbulence in many countries have at their core the demand for jobs, equal opportunity, improved wages and investment in human capital. Multilateral organizations focus their programs to promote inclusive and sustainable economic growth, to address the needs of women and other vulnerable populations, to promote financial and digital inclusion among the poorer sectors, and to put in place various modalities for provision of social services.

Helping create equal and sustainable societies is not only the morally right thing to do, it is also the way in which inclusive societies offer opportunities for skills and jobs to the least advantaged who, lacking access to an improved life, seek it outside their countries. I note that migration to our border comes from the countries that are most fragile, violent and corrupt in the region. Multilaterals organizations work with governments and other partners to address these very complex and difficult issues. The World Bank's IDA, for example, through its interest free loans and grants reaches the poorest countries, mostly in Africa. It is worth noting that the first IDA bond, issued in 2017, raised funds from the capital markets to complement its traditional donor funding, thereby increasing resources for poorest countries and demonstrating IDA's leverage potential.

### Focus on Urgent Global Issues

Two particularly acute and pressing collective challenges stand out to me today: the coronavirus pandemic and global climate change.

Let's take just the former. The COVID-19 pandemic has been a catastrophe in so many ways. Looking at it solely from the economic perspective, Harvard experts estimate [the disease will cost our own nation \\$16 trillion](#), even if it is brought under control by the fall. But that is a very big "if." Because the stark reality is that until every country is safe, none of us is safe. To the

extent that we leave unvaccinated countries unprotected, we are leaving the door wide open for proliferation of coronavirus variants that may, if unchecked, undo much of the progress our vaccination programs make possible in richer nations.

Solving that problem will be made easier by a common understanding of the problem; global agreements on resource sharing motivated by enlightened self-interest, such as COVAX; and targeted technical assistance in places where health systems capacity, improved governance, and other attributes essential to the vaccination mission are lacking. The United States can be a big part of that global solution, as we have been in the past. But we cannot do it alone.

#### Additional Considerations

Multilateral assistance is not an alternative to bilateral programming, but an essential complement to it, enabling us to amplify our impact on issues of strategic importance to the United States, including long-term problems and more immediate transnational concerns such as pandemic preparedness and climate change. Since voting power in these institutions is often determined by member countries' level of financial buy-in - or in the case of multilateral development banks, by the amount of capital contributed - as presented in a report on MDBs by the Congressional Research Service, the United States has historically held considerable [sway over multilateral institutions' entire funding streams](#), enabling us to direct support to U.S. development priorities.

For example, Congress has enacted into law directives that ensure the U.S. Executive Directors at multilateral development banks oppose loans to countries whose governments violate internationally recognized human rights (such as Myanmar), or support international terrorism, or fail to cooperate in the suppression of illegal drug trafficking or trafficking in persons. Needless to say, we need to be at the table to exert this influence.

Chinese nationals now lead four of the 15 UN Specialized Agencies—far more than any other country. And in 2020, China campaigned for one of its nationals to lead the World Intellectual Property Organization (WIPO), thwarted only at the last minute [by U.S. and European diplomacy](#). China is directly [leveraging its Belt and Road Initiative](#) (BRI) investments - [estimated to reach \\$1.2 trillion by 2027](#) - to win support in multilateral institutions; it linked its BRI economic and development commitments for Uganda and Cameroon, for example, to their support of its WIPO candidate. If the United States plays a diminished role in these institutions, rival powers will continue to press the advantage to shift world order in their favor and undermine democratic norms and desired diplomatic outcomes.

That said, there are opportunities for improvement in the multilateral system. As the Honorable Bonnie Glick testified before this committee last week, understanding the comparative advantage of a given multilateral institution and steering it to focus on that “lane” is an important starting point. Improving their bureaucracy to make them nimbler and more efficient continues to be a challenge.

Both Congress and the Administration have roles to play. Congress can and has passed legislation to incentivize multilateral reform. The FY2010 Consolidated Appropriations Act, for example, [stipulated](#) that 10 percent of funds appropriated to the Asian Development Fund would be withheld until the Treasury Secretary verified that the Asian Development Bank advanced reforms aimed at combating corruption. Similar “payment by results” conditions are [applied by the United Kingdom](#) in its contributions to UN humanitarian agencies, so that Great Britain made as much as 30 percent of its core multilateral funding conditional on progress against reform commitments. And while it is commendable that the U.S. Treasury Department reports annually to Congress on multilateral activities, such as actions taken by recipient countries to strengthen governance, the Administration could go further to conduct reviews of multilateral institutions’ efficiency and effectiveness, with condition that it be evidence-based and uses peer reviewed research. Both the United Kingdom and Australia have conducted such multilateral aid reviews.

There is obviously much more to be said on the importance of international engagement, international development, and the role multilateral organizations can play in advancing U.S. priorities. I look forward to the Committee’s discussion of this topic. Let me close here by observing the particular virtue of multilateral organizations lies in giving us a forum to address problems that require collective action and collective resources.