



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 21, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters:

I appreciate the opportunity to have a dialogue with you on the International Finance Corporation (IFC) capital increase. Your commitment to building a more effective, more transparent, and more accountable IFC is critically important in the context of the urgent need for a coordinated global response—using all available tools—to address the impacts of the COVID-19 crisis on developing countries. The IFC will play a central role in mitigating the economic damage caused by the virus, and, as a first step, it has announced an \$8 billion COVID-19 response package. With your leadership, we have negotiated a new package of reform commitments with IFC Management that will strengthen the institution and ensure that it uses its resources in ways that benefit the individuals most in need during this crisis.

I have attached a letter from World Bank Group President David Malpass, which includes the reform commitments that he has made to me on behalf of IFC Management. In support of those and other additional reforms, I am committing to the actions outlined below. I hope that these responses provide the assurances you need to move forward on authorization for me to cast the U.S. vote in favor of the IFC capital increase resolutions.

World Bank Group Accountability Functions

The multilateral development bank independent accountability functions have always been a priority for the United States and your Committee's focus on them helps to bolster our position at the Board with other shareholders and Management. The IFC/Multilateral Investment Guarantee Agency (MIGA) accountability system, including the Compliance Adviser/Ombudsman (CAO) function, is currently undergoing an independent Board-mandated external review. The Board may receive the findings of the external review as early as May.

I strongly believe that broad public and stakeholder outreach should accompany the external review in order for it be credible in the eyes of communities and other stakeholders that have worked with CAO since its establishment. The Board will also benefit from this outreach.

Therefore, I will direct the U.S. Executive Director to work with other Board members to advocate for a transparent process. This process will include substantial consultation to allow for feedback from communities and civil society, including in-person opportunities for feedback and dialogue on the external report's findings and recommendations. We expect that the recommendations may include ideas to strengthen the provision of remedies to individuals or communities. The United States will carefully consider all findings and recommendations of the external review as well as any additional input from external stakeholders. The Board will ultimately determine how to direct Management to implement changes to the accountability function. I commit to making my staff available to give you updates on the process.

World Bank Inspection Panel

The Inspection Panel plays an important role in supporting strong accountability at the World Bank. The United States strongly supports a well-resourced Inspection Panel that is independent from Management and has the necessary tools to carry out its functions. The United States has advocated for improvements in the Inspection Panel's capacity and worked with other Board members to craft reforms that improve accountability. These reforms, which were approved on March 5, include the ability for the Inspection Panel to monitor the implementation of Management's Action Plan. These reforms will be all the more important as the World Bank seeks to do more work in fragile states that have low capacity. They were very challenging to negotiate, and Treasury will remain engaged—including by advocating for ongoing, outside input of civil society and other stakeholders—as they are operationalized.

Treasury shares your concern that unmet commitments to the multilateral development banks damage U.S. credibility and influence in these institutions. The authorization and appropriation of requested funding are vital to avoid unmet commitments. I commit to discuss unmet commitments with OMB during budget formulation, work with Congress to achieve timely payments for our current commitments to generate maximum encashment credits, and calibrate future pledges to avoid new unmet commitments. Although there is no associated funding commitment, authorization for the IFC capital increase will demonstrate our focus on meeting both U.S. financial and policy commitments.

Sincerely,

A handwritten signature in black ink that reads "Steven T. Mnuchin". The signature is written in a cursive, slightly slanted style.

Steven T. Mnuchin

Enclosure