

September 21, 2011

Dear Congressional Leaders:

The Multilateral Development Banks (MDBs) are well known for being on the front lines in the fight against global poverty. Equally important is their vital role in strengthening U.S. national security by preventing threats and stabilizing fragile countries even after our forces have returned home.

We are writing to seek your support for sustained U.S. leadership and commitment to the MDBs as part of the Fiscal Year 2012 budget. This year's budget request includes general capital increases for the MDBs. The provision of additional capital is a rare step for the United States. The last increase occurred two decades ago for the World Bank and more than 10 years ago for the regional development banks.

Through these previous capital investments, the MDBs have been our partners in promoting security around the globe. In key frontline States vital to U.S. national security, such as Afghanistan, the combined contributions of the World Bank and the Asian Development Bank rank among the top four donors, after the United States. When disasters leave countries vulnerable, the MDBs are among the first to arrive; the World Bank and Inter-American Development Bank responded within 36 hours after an earthquake hit Haiti in 2010. Recognizing that the transition from conflict to peace is long, MDBs provide sustained assistance. Since the conflict in Bosnia ended in 1996, World Bank assistance had a significant impact on restoring basic infrastructure and creating conditions for economic growth and stability.

As U.S. Forces leave Iraq and Afghanistan, we need international institutions to provide front-line States with sufficient support for lasting economic development. In fact, one of the most important lessons of the wars in Iraq and Afghanistan is that military success is not sufficient to win peace. Broad-based economic development, institution-building, and provision of basic services to the people are essential for long-term success.

The World Bank and the Asian Development Bank are two of the largest donors in Afghanistan. Their investments are rebuilding nearly 2,000 miles of roads and rehabilitating irrigation systems serving more than 1.6 million acres of land, so that staple crops like wheat, maize, and barley, can compete against the lucrative lure of opium. This is the best way to help ensure that the villages freed from the Taliban by Coalition Forces remain free in the years ahead.

The success of emerging democracies in Egypt, Tunisia, and Libya will hinge on building strong and inclusive economies that improve people's lives, especially the lives of young people. Our investments in international institutions have helped to mobilize nearly \$20 billion to help Arab countries stabilize their economies, create jobs, and improve the rule of law. Indeed, having strong international institutions makes it less likely that military force will be needed in the first place, as local threats are addressed before they become global crises.

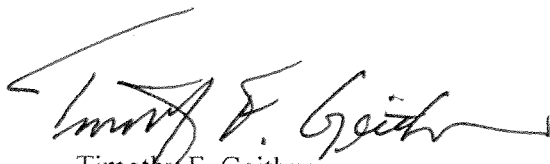
In addition, the MDBs are essential partners with the United States as we confront and contain emerging threats. Our strategic national security and defense assessments in recent years have identified a few of these potential threats, including population growth and urbanization that will contribute to increased water scarcity, rising demand for resources, and global food security. With their focus on economic growth and ensuring that the benefits of growth are shared across societies, the MDBs play an important role in mitigating the drivers of conflict. In 2010, the World Bank alone funded \$4.1 billion in water, sanitation, and flood protection projects; provided \$10.8 billion for public administration, law, and justice projects; and lent \$4.9 billion for education initiatives.

Without the MDBs, the United States likely would have to channel considerably more resources to safeguard our country against national security threats. Instead, the MDBs provide unrivalled financial leverage: each dollar invested by the United States today in these institutions provides \$28 in developmental aid. A one-time capital increase of \$420 million for the World Bank in 1988 enabled \$325 billion in development investments over two decades. This leverage allows the United States to retain its leadership in these vital institutions, and to continue to address the causes of instability through economic growth and opportunity.

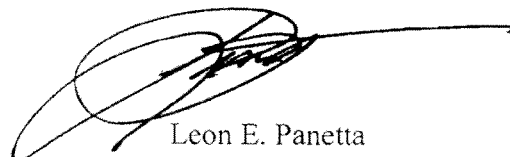
The consequences are great if we fail to act to provide capital increases. The United States could lose its veto over amendments to the World Bank's Articles of Agreement, which govern critical issues such as membership, leadership, and the Board of Executive Directors. The United States could lose its joint leadership position with Japan at the Asian Development Bank, and lose the U.S. board of directors chair at the African Development Bank, which would effectively cede more influence to China in both regions. Additionally, we would jeopardize \$200 million in annual Inter-American Development Bank grants to Haiti over the next 10 years. Finally, at the European Bank for Reconstruction and Development, the United States could cede its leadership position at the very time that this bank's democracy mandate is supporting the Arab Spring.

Although the United States faces immense challenges for the future, the imperative to leverage the power and resources of the MDBs is great. The MDBs play a vital role in promoting the security and prosperity of the United States. We hope that you will join us in supporting the MDBs for their ability to deter emerging threats, support our foreign and national security goals, and foster global economic growth.

Sincerely,



Timothy F. Geithner
Secretary of the Treasury



Leon E. Panetta
Secretary of Defense