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## U.S. House Targets World Bank Funds

By SUDEEP REDDY

An effort by House Republican lawmakers to scale back U.S. funding for the World Bank and other development banks is raising doubts about U.S. influence at the international financial institutions.

A House appropriations subcommittee last week moved to slash funding for the institutions as part of a broader Republican effort to rein in foreign aid.

The budget wrangling comes as the Obama administration is seeking funding increases as it relies on the international institutions to address a host of trouble spots around the world, including Europe's fiscal crisis and the famine in the Horn of Africa. With direct U.S. aid limited, the international institutions—in which the U.S. is a top shareholder—have become a significant channel for influencing international policy.

"With the U.S. budget situation as it is, you're going to see more and more such actions," said Arvind Subramanian, a senior fellow at the Peterson Institute for International Economics and former IMF official. If the cuts survive the budget process, he said, they "would severely undermine U.S. leadership and U.S. ability to influence international matters."

House Republicans also are seeking to withdraw a credit line that Congress extended to the International Monetary Fund in 2009 to respond to the global financial crisis, a move that seemed more symbolic given recent Senate resistance to such a move.

The U.S. helped launch the World Bank and the IMF after World War II and later became a founder of the regional development banks, including the Inter-American Development Bank, the African Development Bank and the Asian Development Bank. Using capital provided by the shareholder nations, the banks make loans to developing economies and use some of the proceeds to provide aid to the world's poorest nations.

The U.S. is the only nation with its own board seat at all the multilateral development banks, giving it outside influence to shape their policies. At the World Bank, for instance, the U.S. maintains veto power over governance changes and the institution's president has always been an American.

The White House is seeking to boost the combined annual funding for a pool of aid money, part of which goes to development bank programs for the poorest nations, to \$3.7 billion from \$2.3 billion, while Republicans want to reduce it by almost a third to \$1.6 billion.

The Obama administration also has pledged to provide the development banks with access to about \$60 billion in new capital, which would be their first capital increases in a decade. Congress would need to appropriate about \$400 million a year to fund the capital increases.

The House subcommittee move to scale back the annual funding was part of broader cuts that Subcommittee

Chairwoman Kay Granger (R., Texas) said reflects "new realities" of the budget. It has also left the capital increases out of the budget plans.

Rep. John Campbell (R., Calif.), who sits on the committee that must authorize the capital increases, said he supports keeping the U.S.'s leading position at the development banks. But he questioned whether they should be the conduit for providing aid to the poorest countries and he suggested offsetting cuts should be made elsewhere in the budget. "If we're going to put some money in, maybe we ought to take it out of somewhere else," he said.

U.S. officials say the funding cuts would risk the nation's standing. In the case of the African Development Bank, U.S. shares could be purchased by other shareholders such as China if the U.S. doesn't come up with the funds.

Lael Brainard, the U.S. Treasury under secretary for international affairs, said in an interview a failure to adequately fund the institutions will mean "our long-term national-security prospects will be hampered in fragile countries." The U.S. stake in the development banks is also seen as a way to influence their policies so they reflect U.S. environmental, social and business concerns.

"We should not take for granted that our views, our systems and our values will prevail," Ms. Brainard said. "There are a lot of very fast-growing economies out there that have different views about the relationship between the state and markets."

African Development Bank President Donald Kaberuka said the funding is critical to providing new markets for the U.S. and other advanced nations, an argument that has won over many lawmakers. "What the world needs today is growth," he said. "Imagine if the one billion people on the continent of Africa joined the momentum of growth."

The full House appropriations committee is slated to approve the cuts in September. The cuts would still be subject to approval by the Senate, which is less likely to back the move.

The possible cuts are drawing attention as emerging nations seek greater global economic influence. Nancy Birdsall, president of the nonprofit Center for Global Development, said the budget debate "adds to the general sense that the U.S. is in a corner like a beleaguered old man, and that we need the new energy that comes from China, India and Brazil. I don't see why the U.S. has to be in that position."

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