

U.S. Senate Committee on Foreign Relations
Senator Richard G. Lugar
Opening Statement for
Nominations Hearing
July 17, 2008

Today, the Committee will have discussions with nominees for positions at the African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and Overseas Private Investment Corporation. The United States has strong national security and humanitarian interests in alleviating poverty, promoting development around the world. The efforts of these organizations are important to this mission, and each of our nominees will play a key role in formulating policies that will impact U.S. standing in their respective organizations.

During the past 5 years, our Committee has held six hearings on the operations of the multilateral development banks. Those hearings contributed to the Committee's understanding of both the value of the banks' efforts and problems with their operation.

In 2005, building on this initiative, I introduced Senate bill 1129, the Development Bank Reform and Authorization Act. Most of the provisions of this bill were enacted into law in November 2005. With passage of this legislation, Congress made a strong statement that recognized the critical role of MDBs in achieving development goals around the world, but also that the operations of these banks must be transparent and free of corruption. The United States Government must work to ensure that this money is spent efficiently, both because of our responsibility to American taxpayers and because inefficiency and corruption undermine the basic humanitarian and foreign policy objectives of our participation in MDB financing.

I continue to work toward reauthorization of the Overseas Private Investment Corporation (OPIC) provides project financing, investment insurance, and other services for U.S. businesses in over 150 developing countries and emerging economies. OPIC's authorization expired April 1st and cannot enter into new commitments. This is deeply concerning given OPIC's dedication to U.S. foreign policy goals including economic development in countries recovering from conflict. OPIC has not drawn on appropriated funds in recent years because it has recorded a positive net income for every year of operation, with reserves now totaling more than \$5 billion.

OPIC is proactively incorporating the Extractive Industry Transparency Initiative (EITI) into its project selection and design - an excellent example of how U.S. agencies should be integrating the initiative. EITI, endorsed repeatedly by the United States at the G-8, is one tool to ensure that earnings from oil and gas revenues are tracked. History shows oil and natural gas reserves can be a bane, not a blessing, for poor countries, leading to corruption, wasteful spending, military adventurism and instability. Because the resource curse threatens our own security and economic interests, I asked the Committee's minority staff to assess the efforts so far in lifting it. Looking at more than 20 countries around the world, staff found that while awareness of the potential dangers from sudden oil wealth has grown, progress has been spotty. I would be interested in hearing from the nominees about how the respective development banks, to which they are nominated to serve, are currently integrating EITI into their operations.

I congratulate all of the nominees, and I thank the Chairman for the opportunity to make this statement.

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