

April 10, 2008

Secretary Henry Paulson
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Paulson,

As you know, the World Bank recently returned to work in Iran, and Bank activities there appear to violate U.S. law. For example, the World Bank's Multilateral Investment Guarantee Agency (MIGA) is using U.S. funds to provide financial guarantees to secure foreign investments in Iran's petroleum sector. Executive Order 12957, which has been in effect since 1995, specifically prohibits financial guarantees to Iran's petroleum sector.

According to statements recently made by officials at the Treasury Department, the World Bank refuses to divulge to its own governing body, the World Bank Group Board of Executive Directors, basic information on Bank activities in terror-sponsoring countries like Iran. While the Bank allegedly provides assurances to the Department of Treasury that no U.S. law is being violated by the Bank, we have no ability to verify the assurances. The Bank's refusal to be accountable and transparent to its own governing board makes it difficult to trust its unverifiable assurances.

Like the World Bank, several United Nations funds and programs operate inside Iran including the largest U.N. program, the U.N. Development Program (UNDP). At a recent hearing in the Senate Permanent Subcommittee on Investigations, we discovered that the UNDP lacks management and fiscal controls. This produced several disastrous results in the Democratic People's Republic of Korea (DPRK) as documented by Senate investigators. The DPRK, like Iran, is a state sponsor of terrorism, and the regime took advantage of UNDP negligence to divert U.S. funds to the financier of ballistic missile and other weapons sales. We also discovered that the regime, in order to avoid U.S. sanctions, used U.N. bank accounts to launder untold millions of DPRK cash to locations all over the world.

Like the World Bank, the UNDP refuses to share budget and spending information to its Executive Board, so we are unable to discover whether the UNDP is being used by other terrorist regimes to fund weapons programs, launder illicit cash, or any other misuses of funds and resources. Since the U.S. taxpayer provides at least 25% of the entire U.N. system funding, we

have a responsibility to ensure the U.N. does not continue permitting rogue regimes to abuse our support of U.N. funds and programs.

In order to assist my oversight, please send me the following:

- (1) Copies of reports and information the World Bank provided members of its Board of Executive Directors for each World Bank activity in Iran.
- (2) Copies of each assurance the World Bank made, saying the Bank is not violating U.S. law or international sanctions in Iran.
- (3) Copies of each application the Department of Treasury received for activities in Iran involving any U.N. program or entity that is authorized to use the U.N. logo. This should include interagency comments and supplement material that accompanied each application that was approved, rejected, or returned without action.
- (4) A report on each known instant when a U.N. entity or the World Bank engaged in activities in Iran without seeking a license from the Department of Treasury as required by U.S. law. Please include a list of punitive measures requires for each violation.
- (5) A report on measures the World Bank is taking to comply with the Federal Funding Accountability and Transparency Act. Starting in 2009, the World Bank and every other recipient of U.S. taxpayer money are required to provide fiscal year 2008 information on how U.S. funds are used by subgrantees and subcontractors, and the information is required to be included in the online database at USAspending.gov.

Thank you for your help. If you have questions regarding my request, please feel free to contact me or my staff, Trey Hicks, at 202.224.2254.

Sincerely,



Senator Tom Coburn
Ranking Member
Senate Subcommittee on Federal Financial Management,
Government Information, Federal Services, and
International Security