DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND SIXTH MEETING
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Statement by

Janet Yellen
Secretary of the Treasury

United States

U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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106th Meeting of the Development Committee

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The United States remains resolute in its condemnation of Russia's illegal war against Ukraine, which violates international norms and the core tenets of the United Nations Charter. We urge Russia to immediately end this needless war. We stand with the Ukrainian people and their government against Russia's aggression and fraudulent attempts to annex parts of Ukraine. We continue to provide critical military and economic support to Ukraine in cooperation with bilateral and multilateral partners. This economic support includes debt service suspension from Ukraine's Group of Creditors through 2023, alongside financing from international financial institutions (IFIs) and direct bilateral aid. While the Ukrainian people pay the highest price, Russia's actions also place immense pressure on a global economy still recovering from the scarring effects of the COVID-19 pandemic and on people well beyond Europe's shores. The IMF and World Bank play unique roles in helping countries around the world respond to these shocks while collaborating to provide unprecedented financing.

The global economy was already dealing with supply and demand imbalances and elevated inflation prior to this war. The spillovers from Russia's war against Ukraine have increased food, fertilizer, and energy prices; further elevating inflation and increasing food insecurity in many countries. A price cap on Russian oil exports will help support stable energy prices and a steady flow of oil to energy markets in the short term.

The challenges facing us are difficult and diverse. For many of us inflation is the key challenge, while some face both rising inflation and weakening growth, and others are buffeted by tighter financing conditions and rising debt. Our appropriately different policies at this time are also contributing to currency movements that can cause spillovers and struggles in other countries. While our policies may differ, we must all aim at our shared goal of strong, sustainable, balanced, and inclusive growth.

It is critical that IFIs provide tailored policy advice and targeted financing and technical support, alongside capacity development, to support low-income countries facing spillovers from Russia's war, the COVID-19 pandemic, and other shocks. To this end, I welcome continued efforts to further finance the IMF's Poverty Reduction and Growth Trust (PRGT). The United States recently contributed $70 million to the PRGT's subsidy reserve account, and the Biden Administration continues to work with our Congress to lend up to $21 billion to the PRGT and the Resilience and Sustainability Trust (RST). I strongly support the IMF's work to operationalize the RST by the end of this year, including the health window, and urge continued collaboration with the World Bank on the careful design of its conditions.

We are seeing a sharp rise in risks of debt distress among developing and emerging market economies. I urge the IMF and World Bank to strengthen their collaboration on debt-related efforts, including promoting transparency and best practices around complex types of borrowing such as collateralized debt. I am concerned by the slow progress in resolving the first cases under the Common Framework. All creditors need to commit to improving the process, starting by concluding debt treatments for Chad and Zambia by the end of this year. We should also consider expanding the Common Framework to include middle-income countries. The long established and respected principle of preferred creditor status is critical to the IFIs' strong and steady support for low-income countries, especially during crises. All shareholders must respect this principle. I also encourage the World Bank to continue making progress on the implementation of the Sustainable Development Financing Policy to incentivize International Development Association-eligible countries to move toward transparent and sustainable financing.

As other challenges push health issues from the forefront, we should not forget that public health crises will remain an ongoing threat. In this regard, I urge the World Bank Group (WBG) to continue their efforts, alongside the private sector, to scale up multilateral support for the production, acquisition, and delivery of vaccines in Africa. I also welcome the launch of the Pandemic Prevention, Preparedness, and Response Financial Intermediary Fund (FIF) at the World Bank, with the partnership of the World Health Organization and broad support of the G20. The United States looks forward to the FIF's first call for proposals to finance investments in developing countries that strengthen prevention, preparedness, and response capabilities for COVID-19 and future pandemics. The establishment of the FIF is a good example of the intensive collaboration between finance and health authorities that the G20 initiated through the Joint Finance-Health Task Force.

We must also work together to address other global challenges. We need collective action to address food insecurity by increasing the supply of food worldwide and committing to its free movement across the globe. I welcome the steps the IFIs have taken to alleviate the suffering of the poorest and most vulnerable, including the IMF Executive Board's recent approval of a new emergency food shock window, which will be available immediately to help countries address food security challenges. I also welcome the World Bank's $30 billion program to address immediate needs, as well as longer-term challenges, including by helping countries invest in sustainable agricultural and water conservation practices. To enhance resilience to future shocks, we need to work now to help communities build long-term resilience in the face of climate change.

Climate change is a shared, existential challenge. Our individual actions have important spillovers around the world. The Inflation Reduction Act places the United States on track to reduce its greenhouse gas emissions by 40 percent by the end of the decade. I recognize that every country's transition pathway will vary, and I urge others to implement climate policies to accelerate a just energy transition, while increasing energy access. The United States is also partnering with a few emerging market countries committed to bringing significant levels of public and private finance to shift away from greenhouse gas-intensive energy sources toward renewables. It is important that the World Bank lead in the global energy transition by providing sound analysis to inform countries of climate-related macroeconomic risks and support countries as they look to mitigate and adapt to the effects of climate change.

To this end, the WBG should more effectively deploy its convening and financing role to advance climate goals and integrate adaptation and resilience across all its lines of effort, while also making progress to align its operations to the Paris Agreement. I welcome the progress the WBG has made with its Country Climate and Development Reports, which will help countries define and move their climate agendas forward, and applaud exceeding the 35% climate finance target. To meaningfully address the climate crisis, the private sector must play a key role in providing bold investments in high-quality sustainable infrastructure that supports an economic shift aligned with the goals of the Paris Agreement. I expect the WBG to lead in the design and delivery of solutions to mobilize private capital focused on high-quality sustainable infrastructure.

Many of the biggest challenges we face cross boundaries and disproportionately affect the poorest and most vulnerable populations. No one country can successfully tackle challenges like climate change, pandemics, or fragility and conflict in isolation, yet it is necessary to address them to improve the outlook and catalyze sustainable development in all development countries. However, our existing multilateral development finance architecture was not designed to address these types of cross-border challenges. It was designed for projects where the benefits chiefly accrued to the country that was borrowing for the project. Today, we must be able to invest in projects where the benefits are diffuse. When countries take action on these global challenges, the benefits spill over to the entire world. The global community has a responsibility to help fund action where the benefits are global. It cannot rely only on developing countries to borrow at usual rates to fund these activities.

For this reason, I call on the WBG to explore areas of reform to its vision, incentives, operational approach, and financial model to better respond to global challenges, while retaining its focus on the twin goals of poverty reduction and shared prosperity. I ask WBG Management to identify gaps in the WBG's current institutional and operational framework, and within the context of the international development finance architecture, deliver a roadmap by year-end for consideration by the World Bank Executive Board. The roadmap should include proposals to strengthen the WBG's role and capacity to address global challenges, including by mobilizing private capital and domestic resources; incentivize country demand and the effective use of WBG financing for global challenges; contribute to strengthening coordination and collaboration across the broader international financial architecture; and design pertinent financial reforms to make the most efficient use of the WBG's balance sheet and generate new resources. To this end, I strongly encourage WBG Management to draw from the G20 Independent Review of MDB Capital Adequacy Frameworks which will also help safeguard the WBG's long-term financial sustainability, robust credit ratings, and preferred creditor status.

Strong governance and accountability serve as the foundation of the World Bank and IMF. These institutions must continue to espouse the principles and standards they ask of their members. I encourage World Bank Management to continue its efforts to instill trust in its workforce and strengthen the Bank's reputation as a respectful, well-governed, inclusive, and effective workplace. I welcome the IMF's implementation of recommendations from its review of institutional safeguards and look forward to the review of the IMF's framework for addressing country governance issues in its surveillance and lending programs. Promoting diversity at the IMF and World Bank is critical to these institutions' effectiveness and sustainability. I welcome the recent approval of the Fund's gender strategy to bolster diversity and inclusion and call on Governors to take steps to promote gender diversity at the IMF and World Bank Executive Boards.

Finally, in the face of the overlapping challenges in front of us, I want to thank the staff at the IFIs, as well as my staff, for their tireless public service to push forward an agenda which will provide much needed support to those suffering globally and place the global economy on surer footing. Without their efforts, none of this would be possible.