



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 SEVENTH MEETING
WASHINGTON, DC – APRIL 12, 2023

DC/S/2023-0029
April 12, 2023

Statement by
Janet Yellen
Secretary of the Treasury
United States



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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107th Meeting of the Development Committee

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Notwithstanding a difficult global economic environment, our collective efforts in addressing today's challenges provide me with a sense of optimism. More than a year since the invasion, Russia's war against Ukraine remains the biggest impediment to global economic growth, and we continue to grapple with the aftermath of the COVID-19 pandemic, worsening impacts of climate change, and the consequences of fragility, conflict, and violence. These challenges inflict the highest relative cost on low- and middle-income countries, which are already burdened by heightened debt vulnerabilities. In such trying times, we rely on the IMF and World Bank to help countries respond to shocks through sound policy advice, technical assistance, and financing. This is why the multilateral development bank (MDB) evolution agenda is one of my top priorities. Change at the MDBs, starting with the World Bank, is needed to equip these institutions to respond to the increasing frequency, scope, and complexity of global challenges with sufficient speed and scale.

Collaboration between the World Bank and IMF on Ukraine demonstrates the critical role these institutions play in anchoring the international community's response to shocks. The World Bank Group has provided a platform through which the international community, including the United States, has mobilized donor financial support of over \$20 billion in emergency financing for the public and private sector in Ukraine. And, we welcome the IMF moving forward with a \$15.6 billion program to bolster economic and financial stability and strengthen structural reforms, including on economic governance and anti-corruption. The United States stands by the people and the government of Ukraine as they bravely defend their country against Russia's unjust, unlawful, and immoral war. We are committed to continuing to provide bilateral and multilateral economic support to Ukraine to keep its government running, and, eventually, to help it rebuild. We call on the international community to stay resolute in its support for Ukraine, and to increase and accelerate assistance to the country.

In the United States, our economy remains sound. In response to recent stresses at a few American depository institutions, the United States took actions to stabilize the U.S. financial system and protect depositors. The U.S. banking system is far more resilient and has a stronger foundation than before the Global Financial Crisis, and we will continue to take steps so that our financial system remains strong. We are working with international counterparts, including the IMF and the Financial Stability Board, to monitor disruptions to global financial stability and will work with partners as warranted to prevent spillovers to the global financial system.

Heightened uncertainty in the global economic environment underscores the importance of IMF macroeconomic and financial sector surveillance, policy advice, and capacity building—activities at the heart of the IMF’s core mandate. We will look to the IMF to provide timely economic advice, as countries calibrate difficult policy choices and tradeoffs, and as they contend with elevated inflation, tighter financial conditions, and fiscal pressures. It is also critical that the Fund execute on its core mandate with regard to assessing external imbalances and exchange rate practices.

No issue better illustrates the central role played by the IMF in responding to global challenges than addressing debt vulnerabilities in low-income and middle-income countries. Heightened debt vulnerabilities reinforce the urgent necessity of all bilateral creditors in taking tangible actions to support debt sustainability. To do so, we must complete the long overdue sovereign debt restructuring for Zambia and quickly provide financing assurances to Ghana. I welcome the provision of financing assurances for Sri Lanka that allowed the IMF program to move forward, and I urge all creditors to now complete the process of debt restructuring by the first review. I remain concerned that the Common Framework is taking too long to provide debt relief to low-income countries, and that we lack a robust process for international coordination of debt relief for middle-income countries.

I call on the IMF, with appropriate support from the World Bank, to advance ongoing work to enhance debt transparency, develop guidelines on the use of collateralized debt, assist countries in improving debt management, promote more timely information-sharing of debt sustainability analyses, and develop process improvements to the Common Framework and debt restructuring for low- and middle-income countries. I encourage the World Bank to continue to support countries in debt distress or with high risk of debt distress through its Sustainable Development Finance Policy. I look forward to the meeting of the Global Sovereign Debt Roundtable this week to make progress on these issues. The long established and respected principle of preferred creditor status is critical to the MDBs’ ability to provide counter-cyclical support to countries, in highly concessional or grant terms, during times of crisis. All shareholders must respect this principle.

Recent shocks to the global economy have necessitated a number of important reforms to the IMF’s toolkit, including policies to temporarily raise access limits and enable the IMF to support countries facing exceptionally high uncertainty. Support for low-income countries in the context of these shocks will be critically important, and I therefore welcome continued efforts to increase resources for the IMF’s Poverty Reduction and Growth Trust (PRGT). 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 am encouraged by the operationalization of the RST and support continued collaboration with the World Bank on the careful design of macro-critical reforms supported by the RST. I also welcome the recent review of the IMF’s enhanced governance framework and support measures to strengthen IMF engagement on governance and anti-corruption measures, particularly with regard to the Fund’s emergency financing. I view the upcoming review on precautionary lending instruments as an important step toward better supporting members facing actual or potential balance of payments difficulties, and an opportunity to better incorporate political risk and governance considerations.

With regard to IMF resources, I continue to believe that overall resources remain adequate. At the same time, the IMF needs to follow through on its commitment to a new quota formula that is both fair and simple and primarily reflects the economic size of its member countries. The IMF should remain a quota-based institution so that it has a consistent, predictable level of resources, which facilitates its role at the center of the global financial safety net.

As global challenges threaten to reverse past development gains, the need for bold action to address them has only become clearer. In the last six months, we have made important progress in our efforts to evolve the World Bank Group to better address 21st century threats with a refreshed mission that reflects the need to build resilience in the face of global challenges to achieve our goals to end extreme poverty and build shared prosperity. I also welcome the efforts to incorporate global challenges into the Country Engagement Model and corporate scorecard. I strongly support efforts to responsibly stretch the Bank's balance sheet by lowering the equity to loan ratio and introducing a market hybrid capital pilot that would jointly generate up to \$50 billion over the next ten years, as well as starting a process to remove the Statutory Lending Limit.

We have come a long way since we started this journey six months ago. And we have more work still to do. We must build on this important momentum with the World Bank Group preparing an ambitious workplan following the Spring Meetings, taking a staged implementation approach in which reforms are adopted and implemented on a rolling basis through to the Annual Meetings in Marrakesh. I will leverage key forums like the G7 and the G20 and other key convenings to drive progress at the World Bank and regional development banks. We look forward to a strong, active role from Ajay Banga to lead the World Bank during this critical moment in its history and thank David Malpass for his service and leadership during the past four years.

As we look to the IMF and World Bank to better address these challenges, it is imperative that this work continue to support low-income countries. Low-income countries continue to face strains resulting from rising global food insecurity driven by climate change, conflict, and COVID-19-related economic disruptions that have been only exacerbated by Russia's illegal war against Ukraine. We welcome the IFIs scaling their efforts to address food security through the Action Plan to Address Food Insecurity, alongside the IMF's Food Shock Window, which complement the United States' own leading role in committing more than \$13 billion since the outbreak of Russia's war to address humanitarian and longer-term food security needs. The Global Agriculture and Food Security Program, an important part of this food security architecture, recently allocated \$220 million in agricultural investment grants for projects in Africa, the Middle East, Latin America, and Asia.

Protecting the resources that go to these countries, including through the International Development Association (IDA), is a critical priority for the United States. Judicious stewardship of its existing resources must be prioritized if IDA is to be well-equipped in its capacity to address current and future challenges. IDA Management and donors should explore further measures to responsibly add to IDA's capacity over the short and medium term, while recognizing the constraints on both IDA countries and donors.

Similarly, we must sustain our achievements to improve health security and response, especially the Pandemic Fund, which launched last year and issued its first call for proposals last month. We must continue the important work on finance-health collaboration in the G20 with the IFIs to be better prepared for future, cross-border health threats.

To enhance our resilience to shocks and smooth the economic transition to a net-zero global economy, we must build on our efforts to address climate change adaptation and mitigation. If we do not take strong action this decade to meet our climate goals, climate-vulnerable countries like those in the Caribbean and Pacific Islands, low-lying states, as well as a growing number of vulnerable middle-income countries, will

face existential risks, as will the global economy. This is why we must continue to mainstream climate science into economic policy. The United States is doing its part. We are committed to meeting our climate goals using tools such as the Inflation Reduction Act and Bipartisan Infrastructure Law. These measures are working to shift the U.S. economy along the energy transition and toward President Biden's goal to reduce emissions 50-52 percent by 2030. These laws, when paired with sustainable infrastructure investment in new climate-forward technologies, will promote equitable growth, the delivery of basic services, wellbeing, and resilience. Our investments in climate-forward technologies will also bring down global prices, which will have a positive impact for all countries to meet their global climate goals.

The IFIs are key partners in the effort by national governments to address climate change, and we look forward to the public release of the Joint MDB Approach on Paris Alignment. I welcome the World Bank Group's work on climate, particularly climate adaptation and resilience, highlighting that helping the most vulnerable prepare for, and recover from, natural disasters is a priority. I also welcome the World Bank's successful launch of the Country Climate and Development Reports, which provides an avenue for collaboration with the IMF's RST as well as other parts of the IFI system. Climate diagnostics such as these underscore the importance of consultation as the IFIs align financial flows with the goals of the Paris Agreement and close coordination between the IMF and World Bank on climate issues. We reaffirm the important role of the World Bank Group as a lead financier, convenor, and source of knowledge on climate change.

The Partnership for Global Infrastructure and Investment, including the Just Energy Transition Partnerships (JETPs), strive to increase investment in infrastructure sectors critical to equitable growth and support countries' clean energy and digital transitions. These targeted initiatives have the potential for significant impact in supporting countries to achieve their climate goals, shore up sustainable infrastructure stock, and boost productivity and economic growth. If we are to make transformative gains towards global climate goals, public sector investment must be paired with and help mobilize private sector investment. I call on the World Bank Group to step up its support for quality infrastructure and the energy transition, including by engaging actively in the JETPs.

For the IMF and World Bank to deliver on all these priorities, we call for maintaining focus on governance and accountability within these institutions. The IMF's implementation of its Institutional Safeguards Review will be critical to bolstering the Fund's dispute resolution processes and bolstering staff's voice. In addition, diversity and inclusion at the IMF and the World Bank remain vital to these institutions' effectiveness and sustainability. Diversity is equally as important for the Executive Boards, and I call for greater action on promoting diversity in representation on both Boards, including through greater use of targets to help address weak gender diversity at the IMF Executive Board.

I thank staff and management of both institutions for their tireless work at a time when expectations and needs are high.