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IMFC Statement by Janet Yellen
Secretary of the Treasury
United States

Secretary Yellen Joint IMFC/DC Statement
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As we come together virtually this week, the challenges we face are historic. Most immediately is the continuing COVID-19 pandemic, which has inflicted tragic loss of life and an economic crisis. The crisis has exacerbated the trend of rising income inequality, raising concerns about a divergent path within and across countries. We also face the existential threat of climate change. We can only resolve these problems through strong international cooperation. The Biden-Harris administration is committed to working with our partners, including the International Monetary Fund (IMF) and World Bank Group (WBG), to help the world emerge from this crisis, and set the stage for more inclusive, resilient, and sustainable growth going forward.

The first order of importance is putting an end to the health crisis, which is a prerequisite to a robust economic recovery. Accordingly, the United States is making substantial progress in vaccinating our own population. And importantly we will work with partners to find global solutions to vaccinating the rest of the world. The United States has committed $4 billion to COVAX to help finance vaccine access globally, and I urge others to increase their support for this initiative. The United States will continue to work with partners to increase vaccine supplies, explore sharing excess vaccines, and make sure financing does not become an obstacle for global vaccination. The WBG will continue to be integral in securing access to vaccines for low-income and developing countries. I urge the WBG to use its leadership and convening roles to support timely access, particularly for the poorest countries, including through collaboration with COVAX, and to work toward ensuring robust, equitable, and transparent vaccination deployment. I also urge the WBG and shareholder governments to help overcome challenges to increase vaccine manufacturing capacity.

Beyond the tragic human toll, COVID-19 has also created an economic crisis. The global economic outlook has improved significantly from a year ago with substantial fiscal and monetary support from major economies. But, the job is not yet done given high uncertainty and the risk of permanent scarring. I urge major economies to not just avoid removing support too early, but to strive to provide significant amounts of new fiscal support to secure a robust recovery. To that end, the United States is implementing the $1.9 trillion American Rescue Plan (ARP), which provides support to families, small businesses, and local communities. The ARP's passage has contributed to significant upward revisions in U.S. and global growth forecasts. The United States could reach full employment as soon as next year. Going forward, President Biden has outlined another fiscal package to "build back better" by focusing on infrastructure across many areas that are partly aimed to make progress on issues like climate change and inequality.

With limited policy options and longstanding structural challenges, many developing countries have not been able to support their economies through the crisis. Without significant action, we could face a permanent divergence in the global economy. The IMF and WBG have provided much-needed emergency support to stem the immediate crisis impacts. They must continue to work closely to finance and support members' policy efforts, so their actions complement each other and underpin the international response. As we move past the initial emergency phase, I urge countries to work with the IMF and WBG to develop macroeconomic and structural reform agendas, and to seek full-fledged IMF programs where necessary. To provide support alongside these efforts, the United States supports enhancing concessional lending at the IMF and WBG, alongside G20 debt relief initiatives, and pursuing an SDR allocation.

I applaud the IMF's stepped-up deployment of resources that have created space for countries in need to fight the twin health and economic crises. For low-income countries, the Poverty Reduction and Growth Trust (PRGT) has provided substantial financing to support crisis responses, with lending last year surpassing that of the previous 10 years combined. However, low-income countries face rising needs in the coming years. I welcome efforts to ensure that PRGT lending facilities can support low-income countries' needs over the medium term, and that IMF members agree on a robust financing strategy in support of the PRGT. As countries get past the initial crisis phase, the IMF's robust surveillance work will be as important as ever to help countries plan for the recovery and monitor financial stability risks.

The IMF can also play a major role in providing support through an SDR allocation that will give a much-needed boost to global reserves. The United States supports pursuing a $650 billion SDR allocation given the global reserve need and to help provide space to fight the health and economic crises. It will be critical that any such allocation comes alongside efforts to enhance transparency and accountability around SDRs, which will give the public insight into how authorities use SDRs and help to ensure SDRs are used to restore economic stability. IMF members should also work to explore ways for major economies to reallocate SDRs to amplify support for low-income countries, for example by lending SDRs to the PRGT.

The unprecedented nature of COVID-19 has dramatically increased demand for WBG financing, particularly among the poorest countries. The United States supports the accelerated negotiation of the 20th International Development Association (IDA) replenishment to meet this demand. Additional resources will help sustain grant and concessional finance to the most vulnerable countries to support a durable recovery and consolidate development gains. Even as we move forward with that effort, it is important to stay focused on making full use of IDA's available resources and targeting them where they are needed most. I also welcome opportunities to expand and strengthen important policy work in the negotiations, particularly in areas such as climate, inclusion, resilience, and debt management and transparency.

Judicious management of WBG finances remains a focus, particularly during this era of high demands and stretched balance sheets. The International Bank for Reconstruction and Development (IBRD) has met this demand head-on, stretching its financing capacity by using tools created from the reforms that came as part of the 2018 Capital Package. The robust response from the IBRD and the International Financial Corporation to the pandemic highlights the continued value of the 2018 Capital Package and need to follow through on reforms to enhance efficiency and program resources as impactfully as possible. This includes continued progress in allocating resources towards poorer countries and focusing activities and limited resources on addressing constraints to graduation in wealthier countries with strong access to other financing sources. I urge the WBG and shareholders to focus on continued implementation of this package of reforms and to conclude the 2020 IBRD and IFC shareholding reviews.

COVID-19 has further exposed debt vulnerabilities among low-income countries as fiscal needs rose while revenues plummeted amid the economic collapse. The Debt Service Suspension

Initiative (DSSI) has provided liquidity relief to help in the fight. But that relief is only temporary, and many countries may need deeper debt treatment. Therefore, the United States supports a final DSSI extension and strongly urges countries to quickly move beyond it to what we view as a critical tool for support to low-income countries, the G20 Common Framework.

Going forward, the Common Framework provides a venue for countries to address prolonged liquidity problems and debt sustainability. Common Framework treatment requires beneficiary countries to finalize a full-fledged IMF program—to guide credible policy reforms—and enables fair burden-sharing from all official bilateral and private creditors through the comparability of treatment principle. We strongly urge all creditors to fully and transparently implement the Common Framework to avoid unnecessary delays that can prolong debt overhangs and exacerbate growth shocks. We welcome strong coordination and support from the IMF and WBG, while adhering to their respective mandates, to help this creditor-led process succeed.

Even with a full-time focus on the crisis response, we must not delay in addressing two of the greatest threats to our economies and societies—climate change and inequality.

The United States is fully committed to working with international partners to tackle climate change. President Biden has rejoined the Paris Agreement and has released a detailed plan to address the issue, including aligning financial flows with the Paris Agreement in coordination with international partners, investing in sustainable infrastructure, and creating green jobs. We also believe major economies should support developing countries to pursue economic growth in a green and sustainable way. And the IMF and WBG have key roles to play.

I ask the WBG to lead on transformative climate investments, develop tools to catalyze co-financing, and help countries manage risks and reduce emissions. This includes assistance for developing countries to increase the ambition of their adaptation and climate resilience plans in line with Paris Agreement goals. We also expect the WBG to partner with the Green Climate Fund and the Climate Investment Funds, which are important tools to meet these goals. I welcome the WBG's recent announcement that it will increase its climate co-financing target to 35 percent and that 50 percent of this will focus on adaptation. We also encourage the WBG to continue to set an aggressive agenda on climate and the green recovery, using its updated Climate Change Action Plan to further enhance climate action support.

We strongly support the IMF expanding its climate work within its mandate, including through macroeconomic surveillance, financial sector analysis, capacity development, and data provision. The IMF has a critical role in analyzing the macroeconomic and financial sector implications of climate change adaptation and global greenhouse gas emission mitigation efforts by countries.

Finally, this crisis has exacerbated inequality both within and across countries. The Biden-Harris Administration is committed to make our economy more inclusive and address long-standing income and racial inequities. I am concerned that an uneven recovery will result in a divergent growth path across countries. I welcome work underway at the IMF and WBG to tackle inequality to support inclusion and expect both institutions to be crucial partners in this fight across the globe.