

Remarks by Secretary Janet L. Yellen at the Pontifical Academy of Sciences and the Pontifical Academy of Social Sciences Event Dreaming of a Better Restart

May 14, 2021

The COVID-19 pandemic has had a devastating effect on human life and our economies. It has also exacerbated global inequality, potentially undoing years of gains in reducing poverty and international economic convergence. Low-income countries are in a particularly difficult situation. Not only are they facing rising poverty levels, but also increasing debt burdens, and little policy space.

Many low-income countries lack the resources to pay for vaccines, support households and businesses hurt by the economic crisis, and meet their debt payments. I am concerned about a persistent spike in global poverty and a long-lasting global divergence in prosperity.

The United States is committed to working with our international partners to tackle these challenges to foster a better future for all.

We have made some progress already including through stepped up support by the IMF and World Bank, a suspension of debt service payments for the poorest countries, and the development of a multilateral framework for debt treatments. But we must do more.

Our first priority must be ending the pandemic. The international community must work together so that no countries are left behind in receiving safe and effective COVID-19 vaccines, diagnostics, and therapeutics.

We need to address vaccine manufacturing shortages, secure purchases, and finance and facilitate distribution. The United States is working with our partners to increase vaccine supplies and explore options to share excess vaccines. We have committed \$4 billion to the COVAX Facility, which will play a central role in expanding vaccine access, and fully support the broader efforts of the ACT-Accelerator.

Intellectual property protections are important, but in service of ending this pandemic, President Biden supports waiving those protections for COVID-19 vaccines.

Since last March, the multilateral development banks have committed \$22 billion in financing to buy and deliver vaccines. The U.S. is urging the World Bank to use its leadership and convening role to support timely access to vaccines, particularly for the poorest countries.

We are working with Kristalina at the IMF on a new allocation of Special Drawing Rights (SDRs), which would make \$650 billion in liquidity available to IMF members to support the global recovery, including \$21 billion to the lowest-income members.

Countries can use their new SDRs to bolster foreign exchange reserves, purchase vaccines or undertake other critical spending to limit damage from the virus on lives and livelihoods.

Major economies like the United States are also currently exploring options for rechanneling a portion of our own SDRs to further boost this financing effort. Likewise, we supported early replenishment of the World Bank's International Development Association to enable its continued support for the poorest countries through concessional and grant finance.

We aim to limit economic scarring and give everyone a chance, not just to survive, but to flourish.

As you know, the United States has a long history of assistance to countries to address unsustainable debt for the poorest countries. In the early 2000s, the United States and other creditor nations forgave more than \$100 billion in debt from countries participating in the Heavily Indebted Poor Countries (HIPC).

Since then, the lending landscape has changed. The United States and many others shifted the balance of our assistance, both multilateral and bilateral, toward grants rather than loans. At the same time, many countries increased their borrowing from new creditor countries such as China, which has often applied nontransparent and difficult repayment terms. Private creditors also have become a growing share of credit to developing countries.

Let me assure you, that despite these changes, the United States continues to play a leadership role in helping low-income countries. Providing an avenue for debt relief to help the poorest remains a high priority for us.

In April of last year, the United States and our G20 partners established the Debt Service Suspension Initiative (DSSI). This initiative supports the world's poorest countries in responding to the COVID-19 pandemic.

The DSSI provided needed assistance during a difficult time but is only a short-term solution. The G20 agreement on the Common Framework is designed to help countries restore debt sustainability and return to a sustainable growth path.

The Common Framework is a landmark achievement that, for the first time, brings non-traditional creditors, namely China, into a multilateral framework for debt treatment. An IMF program and debt sustainability analysis will underpin Common Framework debt treatments, which would also involve private creditors.

Debt burdens are not limited to the poorest countries. Other low- and middle-income countries are facing rising debt. The United States supports expanding the Common Framework to these countries, but we will need to gain consensus in the G20 to move forward.

CORPORATE TAXATION

Let me close with a few words about two other global issues we are working to address.

The first is the race to the bottom on corporate tax rates. Our challenge is to make sure governments have stable tax systems that raise sufficient revenue to invest in essential public goods and respond to crises, and that all citizens fairly share the burden of financing government.

We are working with G20 nations to agree to a global minimum corporate tax rate that can stop the race to the bottom. Together we can use a global minimum tax to make sure the global economy thrives based on a more level playing field in the taxation of multinational corporations, and spurs innovation, growth, and prosperity.

CLIMATE

And finally, on climate—as Pope Francis recently noted at President Biden’s virtual climate summit, we can come out of this crisis either better or worse. We must collectively work to exit this crisis on a stronger footing, addressing worldwide inequalities and striving to be “stewards of nature.”

President Biden and I are committed to using the full power of the U.S. federal government to address climate change. At the recent White House Leaders Summit on Climate, President Biden announced a new target aimed at reducing U.S. greenhouse gas pollution by half (compared with 2005 levels) by 2030.

The cost of inaction is too great. We must fuel a clean energy revolution that creates good jobs, achieves justice, reduces emissions and pollution, and tackles the climate crisis at home and abroad.

The United States is committed to working with our international partners to tackle climate change and to support international efforts to mobilize investment to help low-income countries meet the climate challenge. Multilateral financial institutions will be at the center of developing urgently needed long-term solutions for low-income countries that are constrained by limited fiscal space and debt burdens as they recover from the pandemic.

Simply put, Treasury is focused on mobilizing finance for climate mitigation and climate adaptation and supporting the broader alignment of the financial system with net zero.

This moment requires unprecedented global cooperation, and a shared sense of urgency and commitment. We must work together.

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