

# U.S. DEPARTMENT OF THE TREASURY

## Testimony of Secretary of the Treasury Janet L. Yellen before the Financial Services Committee, U.S. House

April 5, 2022

### *As Prepared for Delivery*

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for giving me the opportunity to speak to you today. I am here today in my capacity as Chair of the National Advisory Council on International Monetary and Financial Policies (NAC) to discuss Treasury's oversight of the International Financial Institutions (IFIs) and our role in promoting inclusive and sustainable growth, global monetary and financial stability, and development.

The last two years have clearly emphasized that these institutions are essential complements to U.S. foreign policy. The IFIs have provided unprecedented financing in response to COVID-19, and they will play vital roles in responding to food and energy shocks, addressing a growing refugee crisis in Europe, and rebuilding an independent Ukraine.

U.S. leadership and involvement with the IFIs represents a key pillar of sustaining the global order and international financial architecture. As a leading founder of these institutions, the United States helped establish an international economic system that has supported historic growth and prosperity during the second half of the twentieth century. The International Monetary Fund (IMF), the World Bank Group, and the regional development banks are critical to addressing the challenges we face today, including a durable and inclusive recovery from COVID-19, reducing poverty, preparing for future pandemics, mitigating and adapting to climate change, strengthening food security, bolstering debt sustainability and transparency, fostering opportunities for private sector job creation, countering corruption and promoting rule of law, and investing in quality infrastructure. The IFIs also offer our international partners assistance that supports private sector-led, sustainable growth over the long-term and adheres to high standards, good governance, and transparency. Stronger, more stable growth abroad means a stronger economy here at home. As other economies prosper, demand for U.S. exports of goods a



service increase, creating jobs. Treasury is committed to working with Congress, IFI management, and likeminded shareholders to enhance the IFIs' responsiveness to U.S. priorities.

Over the last two years, the IFIs have led the way in helping low-income and developing countries fight the COVID-19 pandemic. Since the beginning of the crisis, the IMF has approved nearly \$175 billion in emergency lending, concessional financing, debt service relief, and precautionary support to fund pandemic response and economic recovery efforts. The multilateral development banks (MDBs) approved nearly \$130 billion over the same period to address the health, economic, and social impacts of the pandemic. Of course, our fight against COVID-19 is not over. Treasury has asked the World Bank to continue working closely with COVAX and international partners to improve vaccine readiness and support increased vaccine delivery in developing countries. As long as this pandemic is raging anywhere in the world, the American people will still be vulnerable to new variants.

The importance of the IFIs is even more paramount given Russia's brutal and unprovoked invasion of Ukraine. Russia's actions, including the atrocities committed against innocent Ukrainians in Bucha, are reprehensible, represent an unacceptable affront to the rules-based global order, and will have enormous economic repercussions for the world.

Treasury is committed to holding Russia accountable for its actions so it cannot benefit from the international financial system. President Biden has rallied over 30 countries, representing well over half the world's economy, to impose swift, severe sanctions and export controls on Russia. Treasury is also working collectively with our partners to block Russia from accessing benefits from IFIs. Both the World Bank and the European Bank for Reconstruction and Development (EBRD) had ceased approving new financing for Russia since the unlawful annexation of Crimea in 2014. Since the invasion, these institutions have announced further measures to prevent Russia's and Belarus' access to financial and non-financial assistance.

At the same time, the IFIs are stepping in to provide critical budget financing to help respond to the economic costs of war. Since the start of the war, the IMF has provided \$1.4 billion in rapid financing for Ukraine. The World Bank has provided Ukraine \$490 million in rapid financing as part of a \$3 billion package of support planned in the coming months. The EBRD approved an initial €2 billion resilience package for Ukraine and neighboring countries covering the areas of energy security, nuclear safety, municipal services, trade finance, and support for small and medium sized enterprises and refugees. Rapid IMF and World Bank



assistance has allowed Ukraine fiscal space to pay salaries for civilians, soldiers, doctors, and nurses, while also meeting its external debt obligations. These are admirable acts of credibility by a government under siege. IFI support is helping keep businesses and banks open in Ukraine and neighboring countries. IFIs are dedicating technical and surveillance expertise to provide critical insights on the depths of the economic crisis caused by Russia's reckless actions. The IMF, World Bank, and EBRD will be critical partners in rebuilding Ukraine, alongside bilateral donors, and they also will provide vital support to neighboring countries welcoming refugees.

Globally, spillovers from the crisis are heightening economic vulnerabilities in many countries that are already facing higher debt burdens and limited policy options as they recover from COVID-19. The IFIs will play a critical role in addressing key spillovers from the crisis:

- **Food security:** Together, Russia and Ukraine account for nearly a third of the world's wheat exports. Russia's invasion disrupted the flow of food for millions of people around the world and caused prices to spike. The IFIs and food security funds, such as the International Fund for Agricultural Development and the Global Agriculture and Food Security Program, are already doing essential work to address both the short-term and long-term effects on global food prices and supplies. The MDBs can provide fast-disbursing budget support, financing to support domestic food production, and social safety nets. Likewise, the IMF has existing emergency and medium-term facilities to provide financial support, including a concessional facility for the poorest countries. The MDBs' private sector windows also play a role in providing trade finance to smooth supply chain disruptions. Treasury will press MDBs to provide positive net flows to vulnerable countries and expand ways within their mandates to address impacts to food security, including long-term investments in agricultural productivity and agricultural infrastructure.
- **Energy security:** The invasion of Ukraine has also underscored the need for sustainable, affordable, clean, and secure energy for economic growth and security for the United States, as well as for governments that partner with the IFIs. We are witnessing the vulnerability that comes from relying on one fuel source or one trade partner, which is why it is imperative to diversify energy sources and suppliers. The MDBs' promotion of energy efficiency and capital investment in diverse energy sources—and away from suppliers such as Russia— toward solar, wind, and other non-fossil fuel-based energy



sources strengthens energy security and reduces short-term fossil fuel price risks, all while addressing the long-term threat of climate change. Public finance alone cannot meet this challenge, so Treasury is encouraging the MDBs to undertake reforms and adopt more ambitious targets for mobilizing private capital, particularly through their private sector windows. The IMF is also helping its members design economic policies to respond to energy shocks and transitions underway.

- **Debt sustainability:** Many low-income countries are facing growing debt burdens as the pandemic continues into a third year. The IFIs supported the G20's Debt Service Suspension Initiative from 2020 to 2021, which helped eligible countries free up resources to use toward pandemic relief. The IMF and World Bank are now supporting the Common Framework for Debt Treatments, which seeks to help low-income countries address their longer-term debt related vulnerabilities by providing technical analysis, policy advice, and financing to support the debt restructuring process. In addition, the IFIs are working to improve debt transparency for both debtor and creditor countries, which is critical for reducing debt vulnerabilities.

The recent record replenishment of the World Bank's concessional window—the International Development Association—will help deliver critical financing to the world's poorest and most vulnerable to address these impacts at a moment of urgent need.

Finally, the Biden Administration is seeking Congressional authorization to provide financing to bolster two critical IMF lending facilities that will support vulnerable countries through these exceptional global shocks. First, the Poverty Reduction and Growth Trust, the IMF's existing concessional facility, will provide emergency relief to the poorest countries. The PRGT has been stretched by the exceptional amount of COVID-19 financing provided and needs additional funding. Second, the new IMF Resilience and Sustainability Trust will provide targeted financing alongside IMF programs to support countries' effort to strengthen energy security and pandemic preparedness. I am happy to discuss these proposals in more detail, and I hope I can count on support from Congress.

Thank you for your time. I look forward to working with you to continue to advance U.S. international economic leadership abroad and create opportunities for Americans at home. I am happy to take your questions.

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