Remarks by Secretary of the Treasury Janet L. Yellen at Press Conference in Paris, France

June 22, 2023

I'm glad to be here in Paris. Let me begin by expressing my thanks to President Macron, Finance Minister Le Maire, and the French delegation for hosting this Summit.

We meet at a moment of tremendous promise and challenge. In recent decades, developing countries have seen broad economic progress. But over the past few years, that progress has stagnated. Since 2020, the world has endured a series of shocks. We've seen a once-in-a-century pandemic and the largest land war in Europe since World War II – occurring against the backdrop of increasingly frequent and severe climate disasters.

These recent shocks have led to millions of lives lost and livelihoods eroded. Further, they threaten to deepen economic divergence between advanced and developing economies. Advanced economies have generally had fiscal space and resources to support their economies and protect their people from the economic impacts of these shocks. In contrast, low-income countries are under significantly greater fiscal strain. They are projected to sustain the largest output loss of all economies in the medium term. This situation means that more people are at risk of being thrown into poverty. And health and educational outcomes may further stall or reverse.

At this critical moment, President Biden has directed his Administration to deliver on a comprehensive approach to support our developing country partners. This approach recognizes that economic development is not only transformative for the lower-income countries that are growing. Global development is in the national interest of all countries – including the United States. In the modern world, prosperity at home depends on prosperity abroad. Our development work helps mitigate risks to our own economic outlooks. And it helps drive our own economic growth by expanding global demand for our products and services. Simply put, our fates are interlinked.

The United States' approach to development is one of equal partnership. We are invested in the success of all developing countries at this Summit. We are committed to listening to the diverse needs and concerns of all nations. And we are here for the long haul. That's why we make sure that economic assistance is effective, accountable, and sustainable – and reaches the communities it is intended to help.

Importantly, the U.S. is deploying a wide-ranging set of tools to assist our partners. Our strategy mobilizes a broad suite of support – from supporting macroeconomic stability to mobilizing development financing to providing technical assistance. We are also working tirelessly to create a more resilient and thriving global economy, which benefits all countries.

Ahead of the Summit, I'd like to share three priorities that the United States is focused on: (1) evolving the multilateral development banks and expanding quality development financing, (2) promoting macroeconomic stability and debt sustainability, and (3) mobilizing public and private capital toward major challenges. We know change won't come overnight. But our steady work will continue to improve the lives of people around the world. We hope that this Summit can serve as a key moment to spur more progress.

I. MDB EVOLUTION AND DEVELOPMENT FINANCING

First, we look forward to working with a growing number of partners to increase the effectiveness of development finance. In an interconnected world, the poorest and most vulnerable are often disproportionately harmed by global challenges – like climate change, pandemics, and fragility and conflict. Any 21st century development strategy requires us to address these challenges with the scale and urgency they require.

That's why the United States has led a coalition of shareholders to evolve and invigorate the multilateral development banks. Our aim is to better combat these transboundary challenges in service of our poverty reduction and development goals. We have already achieved significant change in the eight months since I called for the evolution of these banks. We have made initial updates to the mission and operating model of the World Bank. And we have made preliminary reforms to the World Bank's balance sheet – which will unlock as much as $50 billion in lending capacity over the next decade. As part of our agenda, the MDBs as a system could unlock $200 billion in new lending capacity over the same timeframe – through balance sheet measures that are either already under implementation or being deliberated. This financing can be used to reduce poverty, combat climate change, and advance other priorities. That is a big achievement in and of itself.

In addition to our existing commitments, the United States is exploring ways to deliver new concessional World Bank financing. We strongly believe that our evolution initiative must benefit all borrowing countries. This new financing would incentivize action on global challenges and enhance support for low-income countries. This includes contributions for crisis support in IDA recipient countries. We invite other World Bank shareholders to join us in this effort in the lead-up to the September G20 Leaders' Summit.

Over the next two days, I also look forward to mobilizing additional support for the evolution initiative. As a next step, we would like the World Bank to develop a framework and principles for the targeted use of concessional resources – so that financing to address global challenges is deployed to where it has the highest impact. We believe the Bank should also develop a mechanism to allocate additional resources to countries seeking financing to tackle global challenges. We would also like to see the World Bank offer borrowers the option to add climate-resilient debt clauses to their loan agreements. These clauses will help ease pressures on countries if a natural disaster strikes. And lastly, we must make sure that the development banks and specialized trust funds work together as a system. This is particularly important in optimizing the many funds that constitute our climate finance architecture.

We are taking a staged implementation approach to this initiative. So, we expect additional reforms to be implemented on a rolling basis. I am already working to sustain momentum for this initiative with the new World Bank President, Ajay Banga. He is the right leader for this moment.

II. MACROECONOMIC STABILITY AND DEBT

Second, we are working with our partners to strengthen macroeconomic stability. While there is no one formula for development, we know that no country can develop without a strong macroeconomic foundation.

The IMF plays an important role in this effort. It provides countries with sound policy advice on macroeconomic reforms that should accompany greater financing. Recent innovations like the Resilience and Sustainability Trust and Food Shock Window demonstrate the IMF's agility – and its effort to make sure that the Fund can meet countries' needs while bringing its crucial macroeconomic policy support. I see great urgency in bringing the IMF's concessional window, the Poverty Reduction and Growth Trust, to a more financially sustainable footing. This is critical to make sure lower-income countries have adequate resources at the Fund.

A key pillar of economic stability is debt sustainability. During my trip to Zambia earlier this year, I discussed how the weight of default and a stalled debt restructuring process can bring suffering to ordinary families and hold back the private investment that is needed to jump start the economy. Let me be clear: delaying debt treatment hurts both creditors and debtors. It simply worsens the economic fundamentals and increases the amount of debt relief that borrowers will eventually need.

The international community must come together to support countries that are currently in crisis. This has been a top priority for me. I have pushed on this issue both in public and in private. At this Summit, the United States will continue to push for the full and speedy participation of all bilateral creditors in debt negotiations. I am encouraged by progress on Zambia and hope debt treatment can move forward soon. Other urgent pending cases must also move forward quickly. For example, I believe that all creditors for Ghana and Sri Lanka need to provide timely debt treatment in line with their financing assurances.

More broadly, we will also redouble our commitment to improve the multilateral debt restructuring process. This includes our work through the Global Sovereign Debt Roundtable. Many creditors and debtors have been calling for more clarity on the Common Framework – and the debt restructuring process more generally. I believe that the publication of a guide for borrowers would be a productive first step. It would help address concerns about vagueness and uncertainty around the process.

III. TARGETED FINANCING FOR KEY CHALLENGES AND PRIVATE CAPITAL MOBILIZATION

Third, we are targeting additional financing to specific challenges with the greatest need and impact. We have made significant progress across areas like public health, food security, climate change, and infrastructure. And we intend to do more. For example, the United States has contributed almost half a billion dollars to the Pandemic Fund to strengthen our global health architecture. And since last year, we have committed nearly $13.5 billion in humanitarian and development assistance to address the global food security crisis – along with other initiatives like our strategic partnership with the African Union on food security.

Given the massive scale of our challenges, mobilizing private capital is integral to fully delivering solutions. That’s why we have leveraged the power of the private sector in a wide range of areas. Take climate. Last year, we launched a landmark Just Energy Transition Partnership between Indonesia and a group co-led by the United States. This Partnership will mobilize a historic initial $20 billion in financing to support ambitious new targets in Indonesia’s transition. Half of that $20 billion is coming from private sources. We are also negotiating the terms of a second concessional loan of more than $500 million to the Clean Technology Fund. This program mobilizes an average of over $3 in private co-finance for every dollar invested.

On infrastructure, the G7 is channeling $600 billion into high-quality investments over the next few years as part of the Partnership for Global Infrastructure and Investment. The United States has pledged to mobilize $200 billion towards PGII. And we have achieved $30 billion of that commitment to date. A priority of our effort is to support project preparation. This helps expand the pipeline of bankable projects and lays the groundwork for private sector investment. To do just that, President Biden has requested $40 million in his Fiscal Year 2024 budget to expand the work of the Global Infrastructure Facility.

We are particularly focused on identifying concrete ways to further scale private capital participation in emerging markets. There is significant opportunity to address information asymmetry through greater data sharing about viable investments. The multilateral development banks also need to build on their trusted relationships with governments to help them establish policy and regulatory frameworks that attract private investment. We also need to refine and increase the use of specific instruments like guarantees that can help de-risk projects.

I've repeatedly called on the MDBs to massively increase their private capital mobilization rates. I am pleased that President Banga is making this a first priority in his leadership of the World Bank. And I know this approach is at the heart of President Goldfajn's plan for IDB Invest 2.0.

As you can see, we have a productive couple of days ahead of us. With that, I'm happy to take your questions.