International Monetary and Financial Committee (IMFC) Statement by Secretary of the Treasury Janet L. Yellen

April 16, 2024

As we gather in Washington, D.C. this spring, I look forward to reflecting on the policies that have supported global economic resilience, while remaining attentive to risks to the global economic outlook. The global economy has proven to be stronger and more resilient than expected, though some countries still face substantial challenges. Growth outcomes have exceeded expectations for many, inflation has come down, and employment and incomes have grown at a steady pace. The U.S. economy has played a critical role in supporting global growth, increasing the prospects for a soft landing globally. The Biden-Harris Administration is implementing policies that have led to historic investments in infrastructure, clean energy, and manufacturing, and supported robust real economic growth. U.S. labor markets remain strong with real wage growth. Inflation is moving gradually closer to the Federal Reserve's target. And looking forward, the Biden-Harris Administration remains committed to supporting sustainable economic growth over the longer term.

Risks to the global economic outlook may be more balanced than in recent years, but the outlook remains uncertain. Debt vulnerabilities and distress, climate change, risks of future pandemics, and fragility and conflict present challenges, particularly for developing countries. Moreover, Russia's brutal war against Ukraine continues to present a significant source of global economic uncertainty and risk. I commend the steadfast bravery of the Ukrainian people as they fight to preserve their freedom, sovereignty, and territorial integrity. I also commend Ukraine's efforts to stabilize its economy and implement challenging reforms despite this war and welcome Ukraine's strong performance under its International Monetary Fund (IMF) program. The Biden-Harris Administration remains fully committed to supporting Ukraine in this fight.

The humanitarian crisis in Gaza is a tragedy, and we will continue to work with partners to end the conflict and alleviate the suffering of the Palestinian people. I recognize the efforts of the international community that have provided direct assistance to the people of Gaza. The United States is also committed to increasing humanitarian assistance deliveries to Palestinians in Gaza, getting aid to where it is most needed. I also commend the IMF's continued support of economies in the region, including through ongoing programs in Egypt and Jordan, as spillovers from the conflict present an economic shock to the region. We will also work with partners to continue disrupting the Iranian regime's malign and destabilizing activity, from the recent unprecedented attack on Israel by Iran and its proxies to Houthi threats to global shipping in the Red Sea and Gulf of Aden.

Given the complex global challenges that we face, we must all do our part to strengthen the global economy and embrace multilateralism, which will lead to better outcomes for all members. International financial institutions (IFIs) have already helped to steer the global economy through a challenging period, and the United States remains committed to making sure they have the resources necessary to fulfill their missions.

The IMF has an important role to play in supporting countries' efforts to maintain and, when needed, restore economic stability. Looking forward, the IMF must prioritize helping countries correct underlying macroeconomic imbalances and support medium-term growth through sound policy and structural reforms. It must embrace its important and unique role in the international monetary system. For surveillance, I will look to the IMF to uphold rigorous standards in data quality and transparency, and place a greater focus on external sector issues, including calling out exchange rate misalignment and highlighting the harm that can be caused when policies promoting excess capacity in one country spill over to others throughout the global economy.

For lending, I call on the IMF to bolster its track record—countries should be able to complete IMF programs and subsequently exit support. This requires tailored IMF policy advice on adjustments to support stronger medium-term growth prospects and economic resilience, including necessary external adjustment and high-quality fiscal policy reforms, alongside a greater emphasis on social protection in coordination with the World Bank. The membership should also continue to improve on IMF lending policies and conditionality, including as part of the Review of Program Design and Conditionality, so that the IMF can deliver credible and impactful IMF programs. We also remain open to a review of surcharges alongside the upcoming review of access limits.

For capacity building, IMF work in this area remains critical in helping country authorities, especially in low-income countries (LICs), navigate difficult policy tradeoffs as they aim to strengthen their economic institutions and facilitate stronger economic growth and resilience.

The United States stands ready to strengthen the IMF to meet these objectives. First, we are taking concrete steps to make sure that the IMF has the resources it needs to deliver on its core mandate. Last December, the IMF membership approved a landmark 50 percent increase in quotas under the 16th General Review of Quotas (GRQ). I worked closely across the membership to help secure this increase, and I am resolved to get this done this year. The membership must prioritize completing the 16th GRQ before embarking on the next quota review.

Second, the United States is delivering on its commitment to strengthen the Poverty Reduction and Growth Trust (PRGT), so that the IMF can continue to lend to LICs at concessional rates now and into the future. Last month, President Biden signed into law a bipartisan bill authorizing the United States to lend up to $21 billion to the PRGT, demonstrating U.S. support for the IMF and our commitment to being a reliable partner for LICs. We look forward to operationalizing this loan as soon as possible. We also know that more is needed to bolster the PRGT's subsidy resources, so I will continue to press for reforms to put the PRGT on a sustainable footing over the longer term to meet LIC needs. As precautionary balances approach the agreed target this year, we should consider using General Resources Account net income as another source of funding for the PRGT subsidy account, in addition to other policy reforms under discussion.

Third, I warmly welcome progress toward the creation of a third Chair for sub-Saharan Africa at the IMF Executive Board. Emerging markets and developing countries have become an increasingly significant part of the global economy. This is why I view it as important that the IMF begin discussions on a new quota formula. This is a difficult conversation, but one that we must begin now, and I am confident that we can find an acceptable path forward for the entire membership.

While the macroeconomic outlook for LICs is gradually improving, these countries are still grappling with deep scarring from the pandemic, the spillover effects from Russia's war against Ukraine, significant financing needs, and heightened macroeconomic vulnerabilities, including from fragility and conflict, climate change, pandemics, and elevated debt risks. I applaud efforts by countries to address this complex set of policy challenges by advancing their domestic policy and reform agendas. The international community must do its part as well to support LICs, including the IMF, multilateral development banks (MDBs), official bilateral donors and creditors, and the private sector. Through stronger coordination and collaboration – particularly among IFIs – we can better leverage our respective strengths.

This includes addressing interlinked challenges on fragility, governance, capacity development, domestic resource mobilization, and social spending. The IMF cannot do it alone. On issues such as climate, digitalization, payments, and artificial intelligence, the IMF must leverage the expertise of others and focus on where it can add value.

IMF support for LICs should remain squarely focused on helping countries implement a stable macroeconomic environment that can help unlock other concessional assistance and enhance the effectiveness of development financing by the MDBs. For fragile and conflict-affected states (FCS), weak institutions, prolonged conflict, and pronounced vulnerabilities to external shocks threaten their ability to achieve durable macroeconomic growth and stability. I welcome the IMF's engagement with these countries, guided by the FCS Strategy, and emphasize the importance of helping country authorities strengthen governance, anti-corruption, and anti-money laundering and countering the financing of terrorism—macro-critical issues that impact inclusive and sustainable growth.

The costs posed by climate change and pandemics are also particularly acute in emerging markets and developing countries. Since the launch of the Resilience and Sustainability Trust (RST) in 2022, we have seen strong demand for RST-supported programs, and this year, we aim to work with the IMF to further strengthen the RST. This includes better leveraging the work of other institutions, especially the World Bank, in the design of RST-supported programs to reinforce conditions for deeper institutional reforms that strengthen overall external resilience, building on lessons learned from initial programs. I also urge the IMF to formalize principles of collaboration with the World Bank and World Health Organization to support moving forward with operationalizing the pandemic preparedness component of the RST.

LICs, as well as vulnerable middle-income countries, face growing financing challenges, driven simultaneously by increasing debt service repayments and by declining flows of new concessional financing. This means a further crowding out of existing limited fiscal space for important development-related spending, complicating their narrow policy path to achieving macroeconomic stability and growth. The international community must come together to help address these challenges in a cohesive manner by stepping up coordinated flows of concessional financing to borrower countries to support their domestic policy and reform agendas, including, where appropriate, as part of an IMF-supported program. All official bilateral and private creditors have a role to play. At the very least, we should all agree that countries that are taking the right steps on macroeconomic and structural reforms and making investments in development and climate resilience should not see net financing flow out of their countries.

Concurrently, IFIs must leverage their respective expertise and roles to support countries in addressing debt vulnerabilities. For the IMF, this means strengthening its surveillance of debt data reporting and disclosure by member countries and providing sound policy advice on mitigating risks to debt sustainability. For countries currently undergoing debt restructurings, we must support their efforts to conclude debt treatments with all creditors, so that they can stabilize their economies and restore debt sustainability as quickly as possible. I also urge all relevant stakeholders to resolve the major obstacles to timely debt restructurings based on lessons learned from ongoing restructuring cases, including by leveraging the Global Sovereign Debt Roundtable to build further consensus on these issues.

For all these policy priorities to happen, we must make concerted efforts to continue to strengthen the IMF as an institution. At its core, IMF staff remain the institution's most important asset. I welcome the steps taken toward making the IMF a more diverse, gender equal, open, and inclusive workplace. I recognize that the IMF still has a way to go to make the institution truly diverse and inclusive, and I call for continued ambition from management to realize that change. I also strongly support medium-term voluntary objectives on gender diversity for Executive and Alternate Directors. I urge all members to take concrete steps toward meeting these objectives.

I thank IMF staff and management for their continuous efforts to support countries in achieving their macroeconomic objectives. I also want to recognize the Managing Director for her leadership thus far. I look forward to working with her across these key priorities in her second term, so we can make sure that the IMF delivers for its membership.