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United States**

October 2024 International Monetary and Financial Committee Statement

This year's Annual Meetings come as we celebrate the 80th anniversary of the Bretton Woods institutions and continue to reflect on the role of the International Monetary Fund (IMF). The IMF has achieved much since its creation 80 years ago and has adapted to changes in the international monetary system to address the needs of its members. From its original 30 members and 12-member Executive Board, the IMF has grown to 191 members, and we are about to welcome the 25th Executive Director, increasing the representation of sub-Saharan Africa. We have also seen the IMF respond to and learn from key events—from the international debt crisis of the 1980s, the fall of the communist bloc, the Asian financial crisis in the 1990s, and the Heavily Indebted Poor Countries Initiative for debt relief, to the global financial crisis and Eurozone crisis. More recently, the IMF responded quickly and effectively to address two massive global shocks—COVID-19 and Russia's war against Ukraine—through a scale up of emergency financing, thoughtful program design for individual member countries, and targeted improvements to IMF policy advice and surveillance. The global economy has proven stronger and more resilient than expected, in no small part due to the strong engagement and financial support of International Financial Institutions (IFIs) like the IMF.

Over the past four years, the United States has worked tirelessly to enable the IMF to adapt to the changing landscape so that it remains a strong, quota-based, and adequately resourced institution at the center of the global financial safety net. We were at the forefront of efforts to make the IMF a more quota-based institution in the recent 16th General Review of Quotas (GRQ) agreement, and I am resolved to secure Congressional approval for U.S. participation in the 16th GRQ. I am also pleased to see the successful conclusion of recent policy reviews of IMF charges and surcharges and reforms to the Poverty Reduction and Growth Trust (PRGT), which the United States is further supporting after securing bipartisan authorization for a \$21 billion loan.

I am also proud of other recent achievements at the IMF to strengthen the lending toolkit, such as the creation of the Resilience and Sustainability Trust (RST), reforms to the IMF's precautionary facilities to allow for the permanent use of flexible credit lines for members with strong macroeconomic fundamentals and policies, and updates to the IMF's policy framework for lending to countries with official arrears. Together with other shareholders, we have also pressed for continued improvements in policy advice and surveillance, including by strengthening IMF engagement with Fragile and Conflict-Affected States and by modernizing the IMF's framework regarding the use of capital flow management and macroprudential measures.

Still, the work of the IMF and its members remains unfinished. We all continue to face complex global challenges, with the intensifying conflict in the Middle East and Russia's illegal war against Ukraine, which has disrupted the global economy, creating a persistent source of uncertainty and risk to the global economic outlook. The IMF and its members must remain heavily engaged in regions impacted by these wars and conflicts. The United States stands by Ukraine as it continues to defend itself against Russia's immoral and unprovoked war. Together with other G7 members, we have stepped up our support for Ukraine and will continue to use all available tools to support Ukraine in its brave fight. We commend Ukraine's efforts under its IMF program to stabilize its economy despite continued authoritarian aggression and welcome

the conclusion of the fifth review. The United States is also deeply engaged in efforts to minimize the economic consequences from the conflict in the Middle East, including by increasing humanitarian aid to Gaza and Lebanon, promoting economic stability in the West Bank, and countering Iran's destabilizing proxies like the Houthis. We continue to call for de-escalation.

For low- and middle-income countries in particular, external factors have put substantial pressure on preexisting financing challenges, at a time when critical investments in development and climate resilience are needed. Over time, increased liquidity stress could even put these countries' overall debt sustainability at risk. I believe that a more robust response is needed, and the IMF must play a critical role in this effort. For those countries implementing strong macroeconomic reforms and undertaking investments in sustainable development that support medium-term growth, the international community must ensure that there is sufficient bilateral, multilateral, and private sector financing to provide a bridge during times of liquidity stress. We have termed this a "Pathway to Sustainable Growth."

Specifically, the IMF must work closely with other IFIs to mobilize the international community to meet countries' financing needs. As a first step, the United States warmly welcomes the concerted effort by the IMF and World Bank to implement their "three-pillar approach" to help countries facing temporary liquidity challenges, but who otherwise have sustainable debt, through domestic reforms and revenue mobilization, enhanced concessional financing, and efforts to lower debt servicing costs. To be clear, this is different from the Common Framework and is not meant to replace or undermine it. For the IMF, this starts with tailored policy advice and well-designed programs. As part of this work, the IMF should ensure that IMF programs protect critical social, climate, and development investments. The goal is to have well-designed programs that do not result in temporary fiscal adjustments that could lead to permanent harm due to cuts to high-quality investments that are necessary to raise medium-term growth. In particular, for countries facing a liquidity problem, where debt and fiscal policy is sustainable, temporary financing problems should not derail crucial investments.

At the same time, this approach requires coordinated action and increased financing by all actors—IFIs, official bilateral donors and creditors, and the private sector. Countries and country teams must have confidence that necessary financing is available when designing programs. Collectively, official bilateral donors should provide net positive financing flows during IMF programs, and it will be important for the IMF to emphasize when financing assurances are needed from bilateral creditors to smooth over temporary liquidity challenges even when debt is sustainable. The IMF must also emphasize the importance of high-quality financing that is transparent, on-budget, and timely. Creditors should be able to choose between providing grants, new liquid budget support, or net present value-neutral reprofiling.

External support should reinforce a country-led process to achieve development objectives. Governments must be willing to undertake ambitious structural reforms and domestic revenue mobilization to address any underlying macroeconomic imbalances. The United States welcomes determined efforts by low- and middle-income countries to take on ambitious macroeconomic reforms, and we look to the IFIs to help countries achieve those goals. The launch of the joint IMF-World Bank Domestic Resource Mobilization Initiative represents a

crucial step toward helping countries implement fiscal reforms. At the IMF, well-designed programs, alongside robust capacity development, can guide and support countries' domestic agendas. The IMF offers invaluable advice as countries confront difficult policy tradeoffs, such as strengthening their fiscal positions to support debt sustainability, while still achieving progress on sustainable development goals and climate adaptation. Upcoming reviews on key policy issues, including on the Debt Sustainability Framework for Low-income Countries and program design and conditionality, will be an important opportunity for the IMF to consider these issues.

Separately, for countries who face unsustainable debt burdens and need debt restructurings, the IMF needs to continue to be a strong voice to strengthen the Common Framework. At the G20, the United States has led efforts to improve the Common Framework so creditors can more expeditiously deliver debt treatment to countries in crisis. While we have made much progress, more needs to be done. The IMF must continue to help improve the debt restructuring process – to make it swifter and more transparent – by helping to build consensus across different stakeholders on difficult and technical debt issues in the Global Sovereign Debt Roundtable as co-chair with the World Bank. The United States will continue to push for stronger creditor coordination in debt restructurings of middle-income countries outside of the Common Framework to make the process more efficient. The IMF should continue to push all member countries to enhance debt transparency, which is a critical input into debt restructurings and a necessity to mitigate a debt crisis.

The United States will continue to call on the IMF to be more consistent, thorough, and transparent in program reports. This includes more consistent and transparent coverage of bilateral financing assurances and whether these commitments are ultimately satisfied. I appreciate the recent improvements made to the IMF's financing assurances policy and suggest expanding this reform to all programs, not just cases where there are debt restructurings. The IMF should also be clearer in its reporting and treatment of bilateral currency swap lines, which should only be included in reserve assets if they are readily usable by the authorities.

The IMF should also remain diligent in surveillance. Surveillance is a core tool of the IMF and is indispensable for members to reveal systemic risks and vulnerabilities, and to provide a full understanding of the economic and financial developments and policies of IMF members. The United States calls on the IMF to provide more in-depth coverage of external sector issues, including structural drivers of global imbalances, as part of its regular surveillance and its flagship reports. This includes surveillance in key economies like China, where the IMF should study the role of state-owned banks in managing the exchange rate, the gap between the People's Bank of China's balance sheet and reserve transactions in balance of payments data, differences between customs and balance of payments trade data, and the scale of industrial policy. Since its founding, surveillance of external imbalances has been a core IMF responsibility, and it must remain one.

The IMF must also continue adapting to growing global challenges that threaten growth and external stability, such as the risks posed by climate change and pandemics. Climate disasters have become more frequent and more intense, making climate adaptation and transition an increasingly important part of the broader macroeconomic framework. This underscores the role the IMF has to play in integrating climate risks into its surveillance, capacity development, and

lending functions, including through the RST, with support from the World Bank. I welcome steps the IMF has taken to apply its expertise to strengthen global external resilience to climate shocks in line with its core mandate. As with climate disasters, pandemics can leave behind deep economic scars and an uneven recovery. To this end, the United States welcomes the IMF's efforts to leverage the pandemic preparedness expertise of the World Bank and World Health Organization, including the recently finalized broad principles for coordination on pandemic preparedness, and we look forward to seeing the integration of pandemic preparedness reforms in future RST-supported programs as soon as possible.

Governance and anti-corruption also remain macro-critical issues core to the IMF's work. The United States applauds countries that are taking action to address governance and corruption challenges, and we will continue to press for the IMF to take concrete steps to strengthen engagement on governance in programs, surveillance, capacity development, and diagnostics, where macro-critical and related to the IMF's core expertise. The use of third-party implementation, coupled with capacity development, can be an important tool in program design for those countries that face weak institutional capacity, and we encourage the IMF to develop a formal policy on how third-party implementation should be used and when it is most effective. The IMF's governance diagnostic tool can also play a critical role in strengthening countries' governance capabilities, and we urge the IMF to leverage this tool in its policy advice and program design.

On lending and financing, the United States welcomes recent reviews of the PRGT and the IMF's charges and surcharges policies. The United States strongly supported a PRGT reform package that allows for a larger annual lending envelope, alongside other policy reforms to secure the financial self-sustainability of the PRGT. Much more work remains, and I call on the entire membership to come together to secure the necessary assurances to effect a distribution of resources in the General Resources Account to the PRGT to help put the PRGT on a sustainable footing. The United States also supported a right-sized reform package to alleviate the elevated financial burden of charges and surcharges while reaffirming the overarching policy incentives and objectives to safeguard the IMF's balance sheet and support the revolving nature of IMF lending. It is worth underscoring that a strong IMF balance sheet is necessary to ensure its ability to lend in a crisis.

As the IMF continues to adapt and change in an ever more interconnected world, it is increasingly vital for the IMF to clearly and effectively communicate its policies and decisions to a broad audience. This is not only important for enhancing the traction of IMF policy advice, but also for communicating with the public and civil society about the role and function of the IMF and the objectives of its policy toolkit.

Meanwhile, as shareholders, we must do our part to strengthen the IMF. We are committed to implementing the 16th GRQ to maintain the IMF as a quota-based institution, and we remain focused on the importance of working toward a new quota formula. At the Board, the United States warmly welcomes the creation of a 25th chair to provide a third chair for sub-Saharan Africa; this is an important step toward strengthening the voice of emerging markets and developing countries at the IMF Executive Board. We also continue to strongly urge members to

take concrete steps toward meeting gender diversity targets for Executive Directors and Alternates.

The United States remains committed to making sure the IMF has the resources and tools it needs to fulfill its mission. No other institution can do the work of the IMF, and as shareholders, we must preserve, strengthen, and adapt the IMF so it can continue to deliver for its membership in the face of an increasingly complex and dynamic global economy. I thank IMF staff and management for their hard work to deliver on the IMF's mandate, and for their close engagement with the United States and other shareholders as they endeavor to meet the complex challenges of today, and in the years to come.