

Testimony of

Janet L. Yellen

Secretary

U.S. Department of the Treasury

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Chairwoman Lee, Ranking Member Rogers, and members of the Subcommittee, it's a pleasure to join you today.

When I took office, one of my greatest concerns was a K-shaped recovery from the pandemic; a recovery where high-income households rebounded quickly – or even emerged better-off – while low- and middle-income families suffered for a very long time. We can be confident now that's not going to happen, thanks in part to your support of the fiscal stimulus in the American Rescue Plan.

The same, though, cannot be said of the global economy. Low-income nations haven't had the fiscal space to implement sweeping relief, as we did with the American Rescue Plan. Even their ability to access vaccines is limited. There are still roughly two dozen countries – all of them low-income – where more than 99% of the population is unvaccinated.

In some ways, the economic divergence we feared here in the United States is happening on the world stage. By the end of the year, COVID-19 might push as many as 150 million people back into living on less than \$2 a day.

America is better off in a wealthier, vaccinated world than a poorer, unvaccinated one. That's undeniable. It will be much more difficult, for instance, to address global security threats like climate change if a good portion of the globe cannot make the effort necessary to green their economies because they're still dealing with the lingering effects of the pandemic.

The United States must lead in addressing this global divergence. The Treasury Department is prepared to be part of this leadership. We just need the resources.

By now, I am sure you have seen the Administration's budget proposal. I would call your attention to four areas.

The first is funding for international financial institutions (or IFIs) like the World Bank and the African Development Bank. During the pandemic, they have provided more than \$200 billion to help developing countries stay afloat and fight the virus, including for vaccines. But they require more support, in part because the United States has not always fully contributed what it has committed. We have over \$2.7 billion in unmet commitments to IFIs, and this will grow unless Congress appropriates funding to meet our current-year commitments and pay down our unmet balance.

The second involves low-income-country debt. The pandemic has wreaked havoc on the finances of these nations, and if they are going to rebuild, many will need to address their debt vulnerabilities. The United States led in creating the G20 Debt Service Suspension Initiative (or DSSI) and the Common Framework for Debt Treatments for precisely this reason, but now we need to fund both. Without new funding, the United States could be forced to delay the multilateral debt process under the Common Framework and charge much higher interest rates on DSSI debt service suspensions.

Third, our budget includes funding for the IMF's Poverty Reduction and Growth Trust – and authorization to lend Special Drawing Rights to it or another appropriate fund. This would be America's first direct contribution to the Trust, and it will also help establish a trust fund that would support the recovery of low- and middle-income countries, as well as broader economic reforms that would improve the lives of their people. We're working with the IMF and other international partners on this.

Fourth, on the other side of the pandemic, we have to help low-income nations grapple with the reality of climate change – because that’s the only way we’ll reach net-zero emissions, as a global community. Treasury’s request includes roughly \$1 billion for this purpose. The money is to make sure that developing countries can adapt to the changing climate. But it’s also to ensure that as these nations continue to grow and develop, they do so sustainably. Among other things, the funding would go towards expanding clean energy production and conserving rainforests, which reduces emissions.

The speed and strength of the world’s recovery depend on the leadership of the United States in general – and, I believe, on the United States Treasury in particular. I look forward to working with you to ensure that we can indeed lead in the years to come.

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