

Statement by

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Secretary

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before the

Committee on Financial Services

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Chairman McHenry and Ranking Member Waters: thank you for your invitation to testify before this Committee today in my capacity as Chair of the National Advisory Council on International Monetary and Financial Policies. I am looking forward to discussing Treasury's oversight of the international financial institutions (IFIs).

The past few years have demonstrated the importance of these institutions as part of our broader economic and foreign policy toolkit. Since 2020, global shocks such as the pandemic and Russia's illegal war against Ukraine have had significant impacts on American families and businesses. In the face of these shocks, the international financial institutions advance U.S. national interests by fostering a more resilient global economy. They enable us to mobilize swift responses to mitigate global risks to the U.S. economic outlook. And they help drive U.S. economic growth by expanding global demand for American products and services. That's why there has always been a robust bipartisan consensus around strengthening America's leadership at these global institutions.

Over the past year, these institutions have continued to make smart and cost-effective investments to meet urgent needs. They leverage our dollars to mobilize additional funding from our partners and the private sector. For example, the IMF approved a landmark \$15 billion economic program for Ukraine earlier this year. This program – combined with direct budget support provided by the United States and our partners – will help meet Ukraine's immediate financing needs. It will also underpin its government's good governance and anti-corruption reform efforts. The World Bank and other multilateral development banks have also provided essential support to Ukraine. That includes facilitating the responsible and accountable disbursement of funds to help stabilize its economy.

Our leadership at these institutions is one of our core ways of engaging with emerging markets and developing countries. The IFIs provide real resources to tackle the challenges the world faces – from weathering economic storms to spurring long-term economic development. In 2022 alone, the development banks provided over \$150 billion in funding to developing countries.

These institutions reflect American values. Assistance from the IFIs comes with strong requirements for governance, accountability, and debt sustainability. It serves as an important counterweight to nontransparent, unsustainable lending from others like China. As an example, the multilateral development banks are a leading source of financing to close the infrastructure gap in developing countries. These infrastructure projects adhere to robust technical and other standards that are aimed at achieving sustainable and inclusive growth in our partner communities.

The United States is not a passive shareholder. We actively shape the priorities of these institutions – as a leading shareholder in nearly all of them. A major project over the past few months has been to evolve the World Bank to better deliver against global challenges as part of its poverty reduction and development mission. We've already introduced reforms that will stretch the World Bank's balance sheet to unlock as much as \$50 billion in additional lending capacity over the next decade. And we've made preliminary updates to its mission and operations. I look forward to working with the new World Bank President, Ajay Banga, to build further momentum for our evolution initiative.

Looking ahead, the Biden Administration seeks to bolster U.S. leadership in these institutions. To that end, we request authorization to renew our participation in the IMF's New Arrangements to Borrow, a critical backstop to IMF resources. We also seek authorization to lend to two key IMF trust funds: the Poverty Reduction and Growth Trust, and the Resilience and Sustainability Trust. These actions will help the IMF address economic crises, with a particular emphasis on supporting vulnerable developing countries amid heightened risks. We would also like to boost our involvement in IDB Invest and the African Development Fund. These investments will bolster our engagement in these regions at a time of geopolitical competition.

I want to end by discussing the debt limit. I am relieved that, with the President's leadership, Congress took action to address the debt limit in time. But while we were able to avoid default, the United States once again came dangerously close to the line. This cannot be normalized as the way we do business in Washington. Waiting until the last minute hurts our global leadership and credibility on the world stage. We are a nation that keeps our word and pays our bills. We should never give anyone any reason to think otherwise.

Thank you.