

**The Annual Testimony of the Secretary of the Treasury
on the State of the International Financial System
United States House Committee on Financial Services
Secretary Janet L. Yellen Testimony
July 9, 2024**

Chairman McHenry, Ranking Member Waters, and Members of the Committee: Thank you for the invitation to testify in my capacity as Chair of the National Advisory Council on International Monetary and Financial Policies.

The United States built the international financial institutions 80 years ago with our allies and partners. Today, U.S. leadership at them is essential to our national and economic security.

We work through the multilateral development banks to fight poverty and drive sustainable and inclusive growth, strengthening developing and emerging markets that are key trade and investment partners for the United States and addressing global challenges such as climate change, pandemics, and conflict and fragility that threaten to undermine global economic growth. The International Monetary Fund provides crucial support to countries to help resolve debt problems, minimize negative spillovers to the global economy, strengthen governance, and restore growth.

These institutions' strong balance sheets make U.S. contributions to them safe and highly cost-effective. They crowd in support from other partners, and the United States works as the largest or near largest shareholder in all of them to make sure they use their funds well.

These institutions are also the only realistic option for the United States to offer high-quality and transparent development financing at the scale needed to be a U.S.-led value proposition that competes with China's. We must show leadership and contribute strong financial support as it has only become more important to provide credible alternatives to lending options that can be opaque and coercive, potentially undermining borrower countries' sovereignty and long-term economic sustainability.

Over the past year, we continued to push for evolution at the MDBs so that they are efficient, effective, and can better help countries address global challenges. Congress enabled a \$250 million contribution to the World Bank's IDA Crisis Response Window, demonstrating U.S. commitment to providing a critical lifeline for the world's poorest and most vulnerable countries. We made the largest pledge to the replenishment of the International Fund for Agriculture and Development, a strong partner in increasing food security. We also helped lead successful negotiations around capital increases and important reforms for IDB Invest, the private sector arm of the Inter-American Development Bank and a key partner in Latin America and the Caribbean, and for the European Bank for Reconstruction and Development to enhance its lending capacity, including for continued support of Ukraine.

We now ask that Congress authorize our participation in these capital increases and in the African Development Bank's callable capital increase so that it can continue to lend at current levels to countries that would otherwise be forced to look elsewhere. The President's Budget also requests \$1 billion that would enable up to \$36 billion in new lending capacity at the World Bank, as we continue to press international partners to join us in efforts that could expand lending headroom by \$100 billion.

At the IMF, I thank Congress for authorizing lending \$21 billion to the Poverty Reduction and Growth Trust, making us the largest contributor and further showcasing our strong commitment to supporting low-income countries. We also led successful negotiations on the 16th general quota review so that the IMF is adequately resourced to continue to play its crucial role at the center of the global financial safety net and to preserve our quota share and veto, solidifying U.S. influence at this vital institution. We request authorization to increase the U.S. quota to cement this significant achievement.

Let me now take your questions.