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IMFC Statement by Helen Clark
Administrator of the United Nations Development Programme
Chair of the United Nations Development Group
United Nations

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Helen Clark

Administrator of the United Nations Development Programme

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Chair of the United Nations Development Group

to the

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This year the international community must move rapidly on implementation of the four major development-related agreements reached in 2015: the 2030 Agenda for Sustainable Development, including the seventeen Sustainable Development Goals (SDGs); the Sendai Framework for Disaster Risk Reduction 2015-2030; the Addis Ababa Action Agenda of the Third International Conference on Financing for Development; and the new global climate change agreement reached at COP21 in Paris.

As we pursue implementation of these critical commitments, the global economy faces major challenges and downside risks. Additional risks also emanate from various other types of shocks and sources of vulnerability, such as disasters, conflicts, and pandemics, some of which result in complex humanitarian crises. As the international community faces these challenging times, it is critical to redouble our commitment to the implementation of the global agreements to ensure that we leave no one behind and meet the aspirations of the SDGs.

Global growth prospects

Against a backdrop of lacklustre growth of 2.4 per cent in 2015, the world economy is expected to grow by 2.7 per cent in 2016, according to the latest update by the United Nations *World Economic Situation and Prospects*. After a tumultuous start in the first two months of 2016, financial markets worldwide have stabilized lately. Nevertheless, headwinds and uncertainties are still looming, with heightened risks slated toward the downside.

Developing countries and economies in transition are facing serious challenges. Growth in these economies has slowed not only to its weakest pace since the global financial crisis, but also to a level lower than the trend registered during the two decades before the crisis. This reflects low commodity prices, large capital outflows, rising debt (mainly in the business sector), increased financial volatility, and country-specific domestic factors. Slowdown in some countries' growth and deep recessions in others have generated spillovers to other countries and regions.

While the economies of the United States and the Euro area continue to recover at a sluggish pace, Japan's economy fluctuates around zero growth.

International trade and finance

The volume of world trade grew by just 2.7 per cent in 2015, the lowest rate since the 2007/2008 global financial crisis, largely reflecting a further weakening in demand from developing countries and economies in transition. At the same time, net capital outflows from emerging markets reached an estimated $700 billion, a far more severe retrenchment than that experienced during the 2007/2008 crisis.

Oil prices plunged to $30 per barrel in early 2016, along with sharp declines in the prices of other primary commodities. Despite some price recovery more recently, the outlook remains uncertain as global demand for commodities is not expected to strengthen significantly. As a result, the budgets and balance of payments in most oil and other commodities exporting countries will continue to be under pressure.

Inflation and employment outlook

The risks of deflation remain high in many developed economies, as well as in some East Asian developing economies. By contrast, many other developing countries are experiencing intensified inflationary pressures, despite the low commodity prices, mainly due to sharp currency depreciations, and to surging food prices as crops have been damaged by drought related to El Niño.

Weak global growth continues to depress labour markets in many economies. According to the International Labour Organization (ILO), the number of unemployed people reached 197 million in 2015, which was more than 27 million higher than pre-crisis levels. Youth unemployment rates are particularly high worldwide. Poor job quality also remains a pressing issue, with 1.5 billion people in vulnerable employment (or over 46 per cent of total employment) working in jobs which usually lack decent working conditions and adequate voice and social security.

Downside risks

Despite some improvement in global financial markets more recently, downside risks to the global economy remain elevated. Key areas of concern include deepening financial vulnerabilities in certain developing countries, partly associated with capital outflows; spillover effects of the slowdown in China; debt crises, driven by collapse in commodity prices and/or other factors; and escalating geopolitical tensions. These risks are closely interconnected, even mutually reinforcing, and could potentially lead to weaker growth for the global economy than the already subdued rate currently projected.

As well, slow productivity growth and the feeble investment trend worldwide are posing structural and longer-term risks for the global economy. In developed countries, productivity growth is estimated to have slowed by about one percentage point, compared with the trend prior to the global financial crisis, while in developing countries it has slowed by about two percentage points. Weak investment has a negative impact, not only on aggregate demand and short-term growth, but also on aggregate supply and the long-term potential growth of the global economy. The current growth pattern in the Least Developed Countries group is not meeting the target of “at least 7 per cent GDP growth” envisaged in the Istanbul Programme of Action for the LDCs for the Decade 2011-2020 and in SDG-8.

Key policy challenges

To address the challenges faced by the global economy, policymakers need to mobilize the full range of economic policy instruments available, including monetary, fiscal, and structural measures to promote financial stability, strengthen demand, and boost productivity.

In the short run, monetary policies should be used to mitigate adverse effects from the widening divergence in monetary policy stances among developed economies. The goal would be to reduce risks in global financial markets and contain negative spillovers to developing countries. Meanwhile, the high dependency on monetary policy could be reduced by adopting more pro-active fiscal policies in those countries where fiscal space is available.

Rapid implementation of the Addis Ababa Action Agenda is relevant to mobilizing more financial resources for sustainable development. Global policy efforts should focus on strengthening development co-operation, meeting ODA commitments, aligning private investment with sustainable development objectives, facilitating public-private partnerships where appropriate, and enhancing domestic resource mobilization and international tax co-operation.

Imperative of "leaving no one behind"

While short-term economic risks must be addressed, it is important not to lose sight of longer-term challenges which call for action.

The universal 2030 Agenda for Sustainable Development aspires to leave no one behind, and to end poverty in all its forms. Reducing inequalities and reaching the last-mile of exclusion will require proactive policies and investments across education, health, skills training, availability of credit, and in all the other services which broaden opportunity.

Hence, even during these times when many countries are facing economic challenges, it is critical to prevent cuts in social spending and to design and/or reinforce programmes which aim at strengthening the resilience of the most vulnerable communities. UN Member States committed to a "new social compact" in the Addis Ababa Action Agenda. Providing fiscally sustainable and nationally appropriate social protection systems, including social protection floors, must remain a key priority.

Persistent unemployment, job insecurity, and stagnant real wages require serious global efforts to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" – in line with SDG 8. Especially critical is the need to create decent jobs and opportunities for the world's largest ever generation of young people. Given this priority, the UN system launched a Global Initiative on Decent Jobs for Youth during the recent 2016 ECOSOC Youth Forum.

Gender inequality also remains a major challenge. For instance, as stressed in UNDP's *Human Development Report 2015: Work for Human Development,* women continue to be disproportionately represented in the informal work sector. Within the formal labor market, they are concentrated in lower waged jobs. We need to address the tangible and intangible barriers faced by so many women around the world, and keep gender equality and women's empowerment at the center of development efforts.

In order to achieve the 2030 Agenda and eradicate poverty, investing in sustainable and resilient infrastructure is also important. Such investments will not only help boost economic growth, increase demand, and create jobs in the short-term, but also lay the foundation for long-term growth.

In this context, the United Nations welcomes today's launch of the new Global Infrastructure Forum, which is one of the deliverables of the Addis Ababa Action Agenda. This forum, led by the multilateral development banks, can play an important role in bringing all actors together to align new infrastructure investments with the SDGs, and to ensure availability of financing and capacity support. The United Nations has been working with the multilateral development banks to ensure a successful Forum.

Building resilience to shocks and crises

Economic and financial risks are exacerbated by various shocks and sources of vulnerability, including conflicts, disasters, and disease outbreaks which threaten or even reverse progress on sustainable development.

The challenges of fragility and conflict are becoming increasingly complex, and are spilling over to neighboring countries and far beyond. Around 1.4 billion people now live in fragile contexts, and that number is projected to grow to 1.9 billion by 2030. According to UNHCR, by the end of 2014, there were around sixty million people forcibly displaced from their communities, the highest number ever recorded.

Climate change is increasing the frequency, intensity, and timing of extreme climate events globally. This will only make matters worse for countries which are already facing impacts from cyclical climate variability like El Niño / La Niña. The 2015-2016 El Niño - an example of climate variability linked with extreme climatic events such as floods, droughts, forest fires, cyclonic storms and epidemics - has been one of the strongest since 1950, and is impacting on the lives of many millions of people in Africa, Asia, the Pacific, and Central and South America. In Ethiopia alone, 10.2 million more people have become food insecure.

The tragedy of the Ebola virus disease outbreak in West Africa, which killed over 11,000 people including over 500 health-care workers, and decimated communities, exposed the vulnerability of the international community to pandemic threats. In addition to loss of human life and suffering, the outbreak had severe socio-economic impacts with spillover effects beyond the epicentre countries.

In this context, the World Bank and WHO proposal to develop a Pandemic Emergency Fund is welcome, as are other initiatives for health emergency financing. As we saw with Ebola, public health emergencies can set back development seriously. The international system must be able to respond quickly and coherently.

The world currently faces a significant number of complex and protracted crises. Despite the growth in humanitarian funding, its supply will not meet the growing demand. It is critical to shrink the demand.

The underlying causes which drive the need for humanitarian responses must be addressed. Investments in building peaceful and inclusive societies and disaster risk reduction must increase significantly, especially in fragile contexts. Coherence across development, humanitarian, and peacebuilding initiatives must be strengthened. These issues will be high on the agenda of the first-ever World Humanitarian Summit (WHS) which the United Nations Secretary-General will convene in Istanbul on 23-24 May 2016.

Collaboration between the United Nations and the IMF

The United Nations congratulates Ms. Christine Lagarde on her second term as IMF Managing Director. We are committed to strengthening our collaboration with the IMF to support the implementation of key global agreements related to sustainable development.

A key area of co-operation is the financing for development (FfD) agenda. As one of the major institutional stakeholders of the FfD process, the IMF is also a member of the Interagency Task Force on Financing for Development (IATF) which will report annually on progress in implementing the FfD outcomes and the means of implementation of the 2030 Agenda. The deliberations of the inaugural ECOSOC Forum on Financing for Development follow-up, which will take place next week (18-20 April 2016) at the United Nations in New York, will be informed by the recently launched IATF report.

The UN welcomes the IMF's 2010 quota and governance reforms which came into effect in January 2016. This is an important step in strengthening the representation and voice for developing countries in global economic governance, as was also called for by UN Member States in the 2030 Agenda for Sustainable Development. The implementation of these reforms will be critical for bolstering the credibility, legitimacy, and effectiveness of the IMF, and, in turn, the coherence and stability of the global financial system.

The UN looks forward to continued and enhanced collaboration with the IMF.