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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

and

Chair of the United Nations Development Group

to the

35th Meeting of the International Monetary and Financial

Committee

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Global Growth Prospects

The first year of implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on Financing for Development coincided with a challenging year for the global economy.

The United Nations Department of Economic and Social Affairs (UN-DESA) in its latest *World Economic Situation and Prospects* report¹ estimates that the world economy expanded by only 2.2 per cent in 2016, the slowest rate of growth since the global financial crisis of 2008-2009.

This reflected weak investment, trade, and productivity growth as well as heightened policy uncertainty. Low commodity prices since mid-2014 exacerbated economic difficulties in many commodity-exporting countries. Economic prospects in several regions were impacted by conflict and geopolitical tensions.

Economic prospects, however, are improving, and a global economic recovery is now expected over the next two years, with the world economy projected to grow by 2.7 per cent in 2017 and 2.9 per cent in 2018 (based on market exchange rates).²

Developing countries are expected to continue to drive global growth, accounting for around sixty per cent of the growth in 2016-2018. The world's most dynamic regions are East and South Asia, which benefit from robust domestic demand and supportive macroeconomic policies. Following two years of contraction, the Commonwealth of Independent States (CIS) and Latin America and the Caribbean regions are projected to register positive growth this year.

¹ United Nations, 2017. "World Economic Situation and Prospects 2017", available at https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/2017wesp_full_en.pdf

² United Nations, 2017. "World Economic Situation and Prospects 2017", p.3.

GDP growth in Africa (1.7 per cent) was below the rate of population growth in 2016, which led to an overall decline in GDP per capita. Following this growth deceleration, the continent's economy is expected to recover at a modest pace. At the same time, there is a marked divergence in the growth prospects between different sub-regions and national economies. Whereas the expected upward trend in global commodity prices for the next two years will help ease fiscal and external pressures for the commodity exporters in Africa, a strong growth rebound appears unlikely in these countries as commodity prices are projected to remain well below pre-2014 levels. Conflict and drought are also severely impacting prospects in parts of the continent.

Aggregate growth in the Least Developed Countries (LDCs) is projected to remain well below the Sustainable Development Goal target of at least seven per cent GDP growth in LDCs. UN-DESA's analysis cautions that under the current growth trajectory, and assuming no changes in levels of income inequality, around 35 per cent of the population in LDCs may remain in extreme poverty in 2030.³

Downside Risks and Uncertainties

The projected recovery in global economic growth remains subject to significant uncertainties and downside risks associated with changes in the international policy environment; continued unconventional monetary policy in some major developed economies; the significant increase of corporate debt in emerging economies and of government debt in many developing countries; volatile financial flows; and heightened geopolitical tensions.

In the absence of concerted policy efforts to reinvigorate investment and productivity growth, these risks could threaten global growth, given the close links between demand, investment, trade, and productivity.

International Finance and Trade

³ United Nations, 2017. "World Economic Situation and Prospects 2017", p.26.

International capital flows continue to be volatile. For many years, developing countries as a whole have experienced negative net resource transfers. In both 2015 and 2016, net resource transfers from developing countries to developed countries are estimated to register around US\$500 billion.

As the Addis Ababa Action Agenda underscores, financial incentives need to be better aligned with long-term sustainable development objectives, including through continued refining of regulations and regulatory frameworks at all levels. Ensuring financial system safety and soundness, as well as the availability of credit, is critical, especially for long-term investments for sustainable development.

Last year's global trade growth slowed to its weakest pace since the global financial crisis, expanding by only 1.9 per cent. This was one of the lowest rates of growth in the past thirty years. This deceleration was both a contributing factor to and a symptom of the global economic slowdown. In recent months, however, world trade growth has recovered, largely driven by stronger demand from East Asia and the United States.

It is critical for governments to work together to resist inward-looking approaches and protectionist tendencies, and to ensure that the benefits of international trade are shared more widely and equitably across and within countries. International institutions should work with governments to address any adverse distributional impacts of international trade and trade agreements, and to promote world trade growth which supports the implementation of the 2030 Agenda and inclusive and sustainable growth.

Employment Outlook

As indicated by the International Labour Organization (ILO)⁴, the economic outlook still raises concerns about the ability of the global economy to

⁴ ILO, 2017a. "World Employment and Social Outlook: Trends 2017", available at http://www.ilo.org/global/research/global-reports/weso/2017/WCMS_541211/lang--en/index.htm

generate a sufficient number of jobs, improve the quality of employment for those with a job, and ensure that the gains of growth are widely shared.

ILO estimates that more than 201 million people will be unemployed in 2017. While the global unemployment rate is expected to hold steady in 2018, the pace of labour force growth is expected to surpass job creation, resulting in an additional 2.7 million unemployed people. Globally in 2014, 73.3 million youth were unemployed. Even amongst those working, 169 million youth were living in poverty.⁵

As several emerging economies experienced deep recession in 2016, the impact on their labour markets and associated labour markets is expected to continue in 2017. Indeed, the increase in unemployment levels and rates in 2017 will be mostly driven by deteriorating labour market conditions in emerging economies. In contrast, in developed countries, unemployment is expected to decrease in 2017.

Whereas the overall working poverty rate in developing countries is expected to decrease from 29.4 per cent in 2016 to 28.7 per cent in 2017, the progress in reducing this rate is slowing.

Moreover, almost four in five workers in developing countries are in vulnerable forms of employment and have little or no access to social protection, low and volatile income, and high levels of job insecurity. In 2017, 1.4 billion people worldwide (42 per cent of total employment) are expected to face vulnerable employment conditions. Southern Asia and sub-Saharan Africa are the regions most affected by vulnerable employment.

Persistent gender disparities remain in labour markets. In some regions, the unemployment rate of women is more than double that of men. In sub-Saharan Africa, UNDP estimates that gender gaps in the labor market cost on average

⁵ ILO, 2017b. “Youth Employment Brochure”, available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_547338.pdf

US\$95 billion per year in GDP losses between 2010 and 2014.⁶ According to the latest *Human Development Report*⁷, in around one hundred countries women are denied access to some jobs because of their gender, and in eighteen countries, women need their husband's approval to work.

Key Policy Challenges

The Addis Ababa Action Agenda provides a broad framework for domestic actions and international co-operation to increase investments which promote sustainable development. Its rapid implementation can stimulate global growth and advance the world toward achieving the SDGs, creating a virtuous cycle.

Instead of the over-reliance on monetary policy which can be observed in many countries, there is a need for more balanced policy approaches, including a more effective use of fiscal policy in boosting global growth and promoting sustainable development, complemented by structural and investment policies which address poverty, inequality, and climate change.

It is essential for countries not only to be cautious about the above-mentioned downside risks to the world economy, but also to focus on promoting long-term inclusive growth and sustainable development.

The 2017 report of the Inter-agency Task Force on Financing for Development highlights that national actions and international co-operation can help change the trajectory of the global economy and support countries to achieve the SDGs. Countries are acting on policy commitments they made across the Addis Agenda, and have begun to bring them together in coherent implementation frameworks. Integrated national financing frameworks which

⁶ UNDP, 2016. "Africa Human Development Report 2016: Accelerating Gender Equality and Women's Empowerment in Africa", available at <http://www.undp.org/content/undp/en/home/librarypage/hdr/2016-africa-human-development-report.html>

⁷ UNDP, 2017. "Human Development Report 2016: Human Development for Everyone", available at <http://hdr.undp.org/en/content/download-and-read-latest-human-development-report-2016-human-development-everyone>

take into consideration all financing sources and policies can provide vehicles for ensuring that financing is coherent with broader overall sustainable development strategies. The task is complex, but the international system is responding with tools and initiatives.

The Importance of “Leaving No One Behind”

Economic growth alone does not eradicate extreme poverty and achieve other sustainable development objectives. Addressing those objectives directly is critical for realizing the aspirations of the 2030 Agenda for Sustainable Development to “*leave no one behind*” and “*reach those furthest behind first*”.

Whereas the Human Development Index on average registered substantial progress across all regions from 1990 to 2015, averages do mask disparities. One-third of the world’s population continues to live in low levels of human development. Hundreds of millions of those people live in countries which are classified as having medium, high, or very high human development. This demonstrates the importance of pursuing a universal sustainable development agenda.

In almost all countries, certain groups are more disadvantaged than others, including women and girls, rural populations, persons with disabilities, ethnic minorities, indigenous peoples, migrants and refugees, older people, and LGBTI communities. Those who have been systematically excluded often face deep and persistent barriers which are embedded in laws and for local norms, and which result in unequal access to economic resources and political participation and representation.

Structural changes in economies have also left communities, regions, and whole nations behind. Globalization and technological change have not resulted in a balanced distribution of the gains of progress. This is true within many developed and developing countries.

Achieving the SDGs will therefore require a firm focus on promoting inclusive growth. Strategies to address inequalities can include proactive labour market policies, stronger social protection systems, and equitable access to natural and productive resources. Not only do social protection floors have a successful track record of reducing poverty in countries across all regions, but also they expand “production possibility frontiers” by enlarging the numbers of those who are healthy and educated.

A range of shocks, including conflicts, weather-related and other disasters, economic crises, and epidemics, can reverse hard won development gains. Such shocks generally hit vulnerable and marginalized groups the hardest. By building resilience into development pathways, including through social protection and effective risk management, countries can mitigate against shocks and development setbacks.

It is also critical to address the root causes of conflict and fragility, and not just the symptoms. As the 2030 Agenda makes clear: “*there can be no sustainable development without peace and no peace without sustainable development*”. It is essential to ensure that development progress is broadly shared so that the foundations for peaceful, just and inclusive societies are built and sustained.

Collaboration between the International Monetary Fund and the United Nations

The International Monetary Fund is a key contributor to the Financing for Development (FfD) process, and collaboration between the IMF and the UN has been growing in this area.

The second *ECOSOC Forum on Financing for Development* follow-up (FfD Forum) will be held from 22 to 25 May 2017 at the United Nations Headquarters in New York. Building on last year’s inaugural Forum, this year’s one is expected to provide impetus for implementing FfD outcomes and delivering on means of implementation of the 2030 Agenda.

The ministerial segment of the Forum will include the Special High-level Meeting of the Economic and Social Council with the Bretton Woods institutions, the WTO, and UNCTAD. This is an important opportunity for the heads of international trade and financial institutions and their intergovernmental bodies to interact with their UN counterparts on issues of common interest in the follow-up to the FfD outcomes. The participation of finance ministers will ensure that the FfD follow-up process contributes to sharing lessons learned from experience at the national and regional levels.

The UN Secretariat has also worked closely with the IMF, the World Bank, UNDP, UNCTAD, the WTO, and fifty more UN and other agencies to produce the 2017 report of the Inter-Agency Task Force on Financing for Development (IATF). The report provides a first assessment of progress in implementing the FfD outcomes, and will serve as the major substantive input to the FfD Forum.

The United Nations appreciates the continuing collaboration with the IMF and other IATF members in this important workstream, and welcomes new institutional discussions to strengthen co-operation and leverage our comparative advantages further in pursuit of implementation of the 2030 Agenda and the SDGs.