



## **International Monetary and Financial Committee**

Twenty-Seventh Meeting  
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Statement by Helen Clark, Administrator of the United Nations Development  
Programme and Chair of the United Nations Development Group  
On behalf of 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**

**International Monetary and Financial Committee**

**27<sup>th</sup> Meeting**

**Washington D.C., April 20, 2013**

## *Bolstering Global Economic Recovery and Guarding against Complacency*

Some five years after the global financial and economic crisis began, the world economy is gradually recovering. Economic prospects, however, are uncertain and igniting growth and job creation remains a challenge. There is no room for complacency.

Many developed countries continue to experience sovereign debt problems, banking fragility, and pressures for fiscal tightening – all of which impede recovery. The Eurozone fell into a mild recession in 2012, with some projections indicating that it may not be able to emerge from recession until 2014. A possible worsening of the Eurozone crisis continues to be the biggest threat to global growth. Uncertainty about the impact of sequestration in the U.S. could lead to a larger negative impact on its economy.

Developing economies managed to recover rapidly in the aftermath of the global financial crisis, but are experiencing challenges in sustaining their growth rates. Some face significant structural challenges in their domestic economies. Many are affected by spillovers from the economic weakness in developed countries, through slower trade flows and heightened volatility in capital flows and commodity prices. Efforts are needed to strengthen the capacity of developing economies to cope with negative spillover effects from the problems of developed economies.

Although still vulnerable, global financial market conditions have gradually improved. A set of co-ordinated measures were taken by European leaders, and financing costs for governments in the Eurozone have noticeably decreased. As well, the possibility of the U.S. economy sliding into recession due to fiscal contraction has been averted for the time being. Nonetheless, high public debt remains a concern in many developed economies, and the Cyprus crisis has also renewed concerns about continuing banking sector fragility in the Eurozone.

The United Nations continues to call for more forceful and concerted policy action at both national and international levels to mitigate the risks threatening global economic recovery. Policy priorities need to focus on strengthening growth and promoting job creation at the national level. International policy co-ordination

needs to be enhanced to mitigate negative policy spillovers, and amplify positive policy synergies across countries.

In particular, fiscal policies in both developed and developing countries need to be supportive of economic recovery and job creation, and to enable the necessary structural changes which can ensure medium- and long-term fiscal sustainability. Expansionary monetary policy measures rolled out to revive domestic economies need to be carefully assessed, and phased back in a timely manner to avoid possible inflation spikes and new asset bubbles. Competitive currency depreciation and trade protectionism should be avoided.

Some progress has been made on global financial and regulatory reform, but more action is needed. Until now, regulatory reform has focused on promoting global financial stability. Less attention has been given to achieving other objectives, such as fostering competition, consumer protection, promoting financial inclusion, and ensuring that the financial sector is supportive of macroeconomic stability and long-term sustainable growth. Finding the appropriate balance is imperative for the financial system to be able to support the economy, and help promote sustainable growth, facilitate trade, and create decent work.

### *Inclusiveness and sustainability - critical for job creation*

Despite the gradual recovery of the global economy, the jobs crisis remains a key challenge for many countries. The recovery in economic growth has not yet brought a comparable recovery in employment.

This is reflected in a rise in long-term unemployment in many developed economies, and a declining global labor force participation rate. For many of those who still have jobs, employment has become more precarious. This is reflected in the rise in involuntary part-time employment and temporary employment.

The lack of decent work is one of the most pressing problems identified by participants in the global consultations on the post-2015 development agenda which have been facilitated by the United Nations Development Group (UNDG). In the “Global Conversation Begins” report, which contains preliminary results

from these consultations, people express concerns not only about the number of jobs created, but also about the quality of jobs.

The share of working-poor, near-poor, and vulnerable workers remains relatively high in the developing world, leaving large numbers of workers with little job security and social protection, and vulnerable to increases in food and energy prices.

The message is clear. Economic growth alone is not enough. Growth needs to be sustainable and inclusive to improve jobs and income opportunities, and to enable all to participate and benefit.

A shift in macroeconomic policy will be necessary to promote stronger growth and job creation, moving from excessive fiscal tightening and unco-ordinated attempts to promote competitiveness, to co-ordinated stimulus for global demand and employment creation. This would need to be complemented by robust and prompt financial market regulatory reform, to restore the banking sector to its proper function of supporting investment and providing credit.

Macroeconomic policies can also make important contributions to harnessing structural change and thus to promoting the long-term expansion of opportunities for decent work. Investments in critical infrastructure and sustainable agriculture, energy generation, and economic diversification have strong and immediate employment effects, while improving long-run growth prospects. A coherent set of trade, investment, financial, industrial, education, and social policies have to complement these investments to facilitate structural change.

By targeting sectors, activities, and regions where poor people work and live, countries can share the benefits from their national endowments more broadly. A focus on generating decent jobs in higher value-added sectors, is important. Modern services and manufacturing sectors can generate growth and employment creation.

At the same time, efforts to support agriculture in developing countries must be reinforced. The post-2015 consultations have given considerable attention to

agricultural policies as a way of ensuring food security and creating better livelihoods for the large numbers of poor people in the world's rural areas.

Investments in skills development of the workforce and in social protection create conditions for decent work and broader social development. Quality education, skills training, affordable housing, access to basic health care and social security, along with employment protection, are important foundations for a productive and more mobile workforce. Initiatives to empower and include women which tap their full potential will benefit not only women themselves, but whole economies.

In an age where planetary boundaries are at risk of being breached, it is imperative to shift development trajectories on to sustainable, low emission pathways. The recent announcement by the group of Least Developed Countries that they will accept binding emissions reductions is truly commendable. It is incumbent on all nations to play their part in emissions reduction.

As agreed at Rio+20, the world needs to move away from discourse based on trade-offs between growth, poverty reduction, and environmental protection and to focus on how initiatives in these areas can complement and reinforce each other. Investments in the renewable energy sector are a good example of this approach. They can generate employment, support the transition to a green economy, and power economies and societies. That is a triple-win approach.

### *Financing MDG acceleration and sustainable development beyond 2015*

One thousand days remain until the 31 December 2015 target date set for achieving most of the Millennium Development Goals (MDGs) targets. There has undoubtedly been progress, for example, on reducing extreme poverty, increasing access to improved water sources, increasing primary school enrolment, and reducing the incidence of HIV/AIDS, Malaria, and TB. Yet, there are also goals and targets where too little progress has been made – not least on reducing hunger and maternal mortality, and improving sanitation – where efforts need to be accelerated.

Financing is important for that acceleration to happen, and for implementation of any new global development agenda post-2015. The MDG experience has shown that both domestic resource mobilization and external financing, especially for the poorest countries, are critical for development progress to be made.

Investment in human and social capital needs to be prioritized to promote social inclusiveness and decent work for all. Domestic resource mobilization plays a critical role, not only for the provision of public services, but also in reinforcing the importance of responsive government. Development partners, including the UN and the BWIs, can play an important role in helping developing countries raise more domestic revenues, including through institutional and human capacity building.

Delivering on Official Development Assistance (ODA) commitments remains important. The declining trend of ODA from traditional donor countries is cause for serious concern. It comes at the same time as many poor countries are experiencing the spillover effects of the economic downturn in the developed countries. Those donors which have kept their commitments, despite tough fiscal constraints, are to be commended.

The financing needs for sustainable development do outstrip available public funds. Private finance is critical. If the international public funding which is available is used to mobilise private funds, for example through blending mechanisms, guarantees, and structured funds, their impact can be both catalytic and amplified.

Through fiscal policies and environmental standards, including product standards, governments can help create markets for green goods and services, and private funds will likely follow. Effective risk mitigation by governments, donors, and multilateral organizations may also need to be employed to attract private finance into ‘green economy’ activities.

The post-2015 framework could address how public and private financing can best be mobilized for investments in ending extreme poverty and supporting sustainable

development. To ensure complementarities across the different sources of finance, a better understanding of their inter-linkages is needed.

In the next couple of months, the UN System Task Team on the post-2015 UN Development Agenda will provide advice on financing for sustainable development, and guidance for more effective monitoring systems. Future global development goals need to be supported with clear financing pathways.

Both the multilateral and regional development banks can play a catalytic role in mobilizing resources for initiatives which promote sustainable development. In that regard we welcome the proposal to establish the BRICS' development bank, which aims to focus on finance for infrastructure and sustainable development in developing countries.

### *The importance of effective global governance*

Effective global governance is important for addressing current challenges, including the need for MDG acceleration through to the 2015 target date, and for the implementation of a post-2015 development framework.

In times of continuing global challenges, collective action and policy coherence are vital. Global governance arrangements need to be made more legitimate, accountable, and transparent, and should reflect the changing geopolitics of our world by giving greater voice to developing countries. As recognized by the United Nations Development Programme's 2013 Human Development Report (HDR), countries in the developing world are not only major trade and investment partners for other developing countries, but are also significant partners in development co-operation.

Full implementation of the 2010 IMF governance reform is needed. The comprehensive review of the current quota formula is a step in the right direction, but more efforts remain to be made towards final agreement, and continued work is needed to complete the fifteenth quota review by January 2014.



The United Nations is committed to strengthening the effectiveness of its own development system, and will continue working closely with the BWIs to find common solutions to urgent global challenges.