International Monetary and Financial Committee

Thirty-First Meeting
April 18, 2015

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

On behalf of the 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

31st Meeting of the International Monetary and Financial Committee

Washington D.C.

18 April 2015

2015 is a once in a generation opportunity to put the world on a track towards eradicating extreme poverty and achieving inclusive and sustainable development.

At the end of the year, the Millennium Development Goals (MDGs) will have run their course. In September, world leaders are due to gather at the Special Summit on Sustainable Development at the UN in New York to agree on the successor global agenda.

The shape and ambition of other global agreements sought this year will reinforce the new global development agenda. This includes the agreement reached last month in Sendai, Japan at the UN Third World Conference on Disaster Risk Reduction, and the global agreements expected from the Third International Financing for Development Conference in Addis Ababa in July and the UN Climate Change Conference (COP21) in Paris in December.

These important international processes are taking place at a time when global economic growth remains subdued and uneven; and when the problems being caused by a volatile climate with more extreme weather events and by high levels of inequalities and exclusion are become increasingly evident.

Facing Fragile Global Growth

According to the *UN 2015 Report on the World Economic Situation* and Prospects, total world gross product grew at an estimated 2.6 per cent in 2014, only marginally better than the 2.5 per cent achieved in 2013.

The economic headwinds which have subdued global growth continue to persist. Over the next two years, the aforementioned UN Report suggests that there will be only moderate improvement in the global economy, with annual world gross product growth projected to reach 3.1 per cent in 2015.

Growth in most economies continues to be slower than before the global economic and financial crisis. That reflects not only the persistent legacy of debt and unemployment left by the financial crisis, but also a number of setbacks and bottlenecks hampering recovery. The relative exclusion of women, youth, and other groups from the work force and the continuation of wage discrimination for example, constrain prospects for short and long-run growth in countries around the world.

In regions and countries with low economic growth, high unemployment is an underlying weakness, with the impact on youth a particular concern. In developing economies, official unemployment rates have remained relatively stable since 2013, but employment growth has slowed, and rates of informality and vulnerable employment remain persistently high, particularly in Africa and South Asia.

Developing countries' prospects for growth in the near term have diverged considerably. Asia remains a bright spot. East and South Asia in particular, are expected to see robust growth in 2014/15, despite the gradual slowdown of the Chinese economy. Growth in Africa is also projected to pick up as private consumption and investment gain strength. On the other hand, several large emerging economies, including in Latin America and the Commonwealth of Independent States, have seen growth decelerate sharply and face the prospect of further slowdowns or prolonged weak growth. A broad-based downturn in emerging economies would dampen growth in smaller developing countries and could derail recovery in developed countries.

The falling returns from a number of primary commodities over the last two years and the sharp decline in oil prices over the last few months is a trend expected to continue through 2015. The decline of oil and other primary commodity prices has triggered a significant redistribution of income from net commodity exporters to net importers. Some oil-exporting developing countries have come under tremendous budgetary pressure and as they try to mitigate balance of payment challenges.

On the other hand, falling commodity prices support global growth by increasing private consumption. As well, the drop in oil prices is allowing many countries to loosen their monetary policies.

Conflict, violence, and disasters and their spillover impacts on other countries all present on-going risks to the global economy. The Ebola outbreak has been a vivid demonstration of how a shock can impact on growth and development.

Meeting Policy Challenges

Going forward, we see significant uncertainties associated with the diverging monetary policy paths among major economies. The pace at which interest rates are normalized is one such factor. A faster-than-expected adjustment could drive up risk premia, leading to an increase in volatility and significant repercussions for global financial markets. This could have substantial international spillover effects. The countries most at risk from spillover effects are those which have large external financing needs, and/or have experienced rapid increases in privately held debt in recent years, and/or have borrowed in foreign currency. Effective communication among central banks is very important in limiting the risk of damaging spillover effects.

All countries face large demands for public finance for infrastructure, including for sustainable infrastructure and services. Countries striving to achieve the Sustainable Development Goals to be agreed in September will see this demand increase. Achieving sustainable development will require mobilizing both public and private financing. Therefore it is important that developing countries strengthen their ability to manage external debts and mitigate the risks which accompany borrowing in foreign currencies. Expanding local-currency bonds and relying more on countercyclical lending instruments are options to mitigate these risks.

The consequences of slow and even stagnant growth in some emerging economies would extend well beyond macroeconomics. Many have made major strides in reducing poverty and improving the lives of people. Much of social and economic progress was made through policies targeting both job creation and social protection. Cash transfer systems, employment programmes, and investments in health and education boosted human capital to support future growth and development.

In the event of the economic slowdown many now face, these existing social protection systems will act as stabilizers, protecting standards of living and consumption. Growing needs and less fiscal space, however, will test existing job creation and social protection systems, initiating a dynamic which could increase economic inequality. As policymakers in some emerging economies confront macroeconomic challenges in a context of slow growth, they should consider this potential and pay careful attention to the impact of policy choices on human development.

To address the range of risks facing the global economy, international policy co-ordination must be stepped up. The G20's role is very important, and that is reinforced by the Turkish G20 Presidency's focus on inclusive growth. To achieve global sustainable development goals, macroeconomic policies will need to be better aligned to support robust and balanced growth, create productive jobs, and maintain economic and financial stability over the long term. International co-operation to defuse geopolitical tensions, address crises such as the Ebola outbreak, reduce the risk of natural disasters, and fight climate change are also essential.

The Post-2015 Sustainable Development Agenda

The new sustainable development goals expected to be adopted in September will be more ambitious than the MDGs were. In addition to addressing the eradication of poverty, hunger, and gender inequality, they will seek to advance peaceful and inclusive societies and tackle climate change and other forms of environmental degradation. The new agenda seeks to have all countries pursuing economic and social development within planetary boundaries.

Financing for Development in the Post-2015 Era

The Third International Conference on Financing for Development (FfD), to be held in Addis Ababa, Ethiopia in July, will build on the Monterrey Consensus and the Doha Declaration on Financing for Development.

It is expected to achieve three outcomes:

1) a cohesive and holistic financing framework for sustainable development;
2) concrete deliverables, particularly in crucial areas such as infrastructure, agriculture, social needs, and small and medium enterprises; and
3) a strong follow-up process to ensure that no country is left behind.

Although the range of issues at stake is much larger than in previous UN Conferences on Financing for Development, the potential resources and capabilities available to tackle them are also much greater. The Addis Ababa Accord will aim to ensure that the resources needed to achieve the post-2015 agenda are available, as are conducive domestic and international environments and adequate capacity support. Incentives and appropriate regulation will also be required for private resources to contribute to sustainable development.

An ambitious financing framework agreed in Addis will lay the ground for a successful Special Summit on Sustainable Development in September, and for a far-reaching agreement on climate change in Paris in December. Financing a transformative post-2015 agenda will require Official Development Assistance (ODA) and international public finance beyond ODA, but also resources vastly beyond those are required.

Private resources – from those of households to those of businesses - need to be channeled towards sustainable development objectives. Changes in incentives and appropriate regulation are needed to align private investment decisions – in both the productive economy and the financial sector – with shared objectives for sustainable development.

Changes in regulatory frameworks at national and international levels are needed to overcome misaligned incentives, reduce risk, and promote sustainable development. The progressive elimination of fossil fuel subsidies, for example, is an essential step in ensuring that prices move towards reflecting the true cost of emitting carbon. The current low price of oil provides a favorable context for taking this step.

Ensuring that women and other excluded groups can access financial services and participate in the labour market are examples of measures which help grow economies, create jobs, and advance human development. Co-ordinated reforms which tackle tax evasion and avoidance and aim to eliminate illicit financial flows will also enhance domestic resource mobilization. Agreement on these measures should be given priority in the financing for development discussions leading up to Addis.

How we think about financing development must change, to reflect the fact that economic volatility, natural disasters, and other external shocks are now commonplace. This is reflected in the high and growing financial costs of conflict, disasters, outbreaks of disease, and economic crises. Investments – public and private – which fail to account for these and other growing risks will ultimately be ineffective.

Governments will need to co-operate to build local resilience to disasters, and to establish the regulatory, investment, and legal regimes needed to reduce and manage risk effectively. This approach must be extended to the way sovereign debt distress and crises are handled, in order to spare countries, at all income levels the enduring and considerable human development set-backs which debt crises often trigger.

Increases in the use of collective action clauses in bond contracts are a good step forward, as are the proposals being discussed to include provisions in bond contracts designed to allow countries breathing space during hard times (such as the proposal to extend bond maturities when borrowers receive emergency liquidity assistance). Over the long-term, however, it is important that the international community consider more effective and predictable approaches to resolve sovereign debt crises, and to provide short-term support to affected countries, including to the Small Island Developing States – a number of which experience significant debt sustainability challenges.

A successful outcome in Addis is a prerequisite for achieving an ambitious post-2015 development agenda, and would be supportive of reaching a comprehensive agreement on climate change.

Addressing Climate Change

Climate change is a major threat to development. Poverty will not be eradicated and sustainable development will not be achieved as long as economic policies undermine the climate stability on which we all depend. The success of the post-2015 development agenda cannot be separated from the success of global efforts to tackle climate change.

Experiences in developing and developed countries alike demonstrate that it is possible to reduce poverty and lower carbon emissions and address other environmental and developmental priorities all at the same time. For that to happen, however, decisions cannot be made in silos. Policy makers must consider what it takes to achieve long-term objectives through policies which span sectors and disciplines. Global agreements are no exception. Coherence across the global agendas agreed this year is critical for promoting the kind of inclusive, low emissions, and climate-resilient policies which can achieve sustainable development.

The *Lima Call for Climate Action* agreed last December laid the foundation for a global deal in Paris this December. It is critical that countries make ambitious national commitments to address climate change, and that capitalization of the Green Climate Fund is accelerated. Strengthening the capacity of developing countries to access, leverage, and deploy climate finance is a top priority.

Achieving sustainable development would be assisted by a global governance architecture which reflects new realities and increases the voice and representation of developing countries in decision making processes. This could create an environment conducive to greater global co-operation. There is slow progress on implementation of the IMF Quota and Governance Reform. Concluding it would be a boost to the Fund, which is a vital multilateral institution, and support achieving coherence and stability in the global financial system.

The UN is committed to working closely with the Bretton Woods Institutions to help eradicate poverty in all its manifestations and to pursue sustainable and inclusive paths to development.