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**IMFC Statement by Achim Steiner**
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**to the**

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A dynamic and inclusive global economy is central to achieving the Sustainable Development Goals (SDGs). It is critical to address not only short-term risks - financial stress and volatility, high debt levels, escalating trade disputes and geopolitical tensions - but also longer-term sustainable development challenges, including tackling inequalities and climate change.

We still have a global financial and economic system that is not responding to the needs for the scale and type of finance that is required for sustainable development. Decisive policy action is needed to mobilize sufficient finance, including climate finance, and to align incentives with the imperative of advancing sustainable development, including by enabling a shift towards longer-term investment horizons.

In order to give visibility to these challenges and the collective action required to address them, the United Nations will seize the opportunity of a series of high-level events in September, including the SDG Summit, the High-Level Dialogue on Finance as well as the Climate Action Summit and looks forward to collaborating with the IMF.

**Global Economic Growth Prospects**

According to the *United Nations World Economic Situation and Prospects 2019*, global economic growth is expected to remain steady at 3 percent in 2019 and 2020, after expanding at 3.1 percent in 2018.

Whereas economic growth accelerated in more than half the world's economies in 2017-18, it has been uneven across regions and countries. Economic activity continues to expand rapidly in most parts of East and South Asia, while in Africa, Latin America and the Caribbean, and Western Asia (home to half of the people living in extreme poverty) per capita GDP growth is on average significantly below 1.5 percent. While a modest recovery is projected in 2019, per capita incomes are still likely to remain stagnant or grow only marginally, impeding efforts to advance sustainable development. In particular, in the majority of least developed countries (LDCs), per capita GDP growth is significantly below levels needed to eradicate extreme poverty.

There are also increasing signs that global growth may have peaked. Since the beginning of 2018, the growth in global industrial production and merchandise trade volumes has been slowing. Growth forecasts have been revised downward, due in part to the negative effects of trade uncertainty and weakening financial market sentiment. At the same time policy uncertainty persists on multiple fronts, downside risks to growth forecasts remain high, and surveys show an overall weakening in business and consumer confidence.

**Increased Risks and Vulnerabilities**

Increasing downside risks and vulnerabilities threaten the sustainability of economic growth and the achievement of the SDGs.

Public debt has risen in many countries. Some middle-income countries are experiencing debt levels last seen during the debt crises of the 1980s. 40 percent of LDCs and other low-income countries are either in or at high risk of debt distress. Debt vulnerabilities in developing countries exist not only because of higher levels of debt, but also increased risks from a shift in debt composition, including variable interest rates and greater reliance on commercial debt. A more prominent role of non-traditional creditors and market-based financing also presents new challenges for debt crisis resolution.

The rise in public debt has been accompanied by an increase in corporate debt, particularly in middle-income countries. Further increases in global interest rates could create concerns for financial stability and in many cases for public debt sustainability as private liabilities often become public during crises. While debt levels in the majority of developing countries remain sustainable, the rise in the number of countries in or at high-risk of debt distress demands the attention of global policy makers.

Developing countries as a group have become more exposed to global finance. While this has provided much-needed access to finance, it has also left them more vulnerable and susceptible to contagion. The protracted period of abundant global liquidity and low interest rates in the aftermath of the 2008 crisis has fueled a potential build-up of financial fragilities across both the developed and developing economies. Despite the financial market corrections seen in 2018 and early 2019, high-risk behaviour remains a concern in global financial markets.

Heightened trade tensions also pose a significant risk to the global growth outlook through several channels, including a slowdown in investment, higher consumer prices and a decline in business confidence.

As fiscal and monetary policy space has narrowed considerably across the world, any crisis or external shock could have severe and long-lasting implications for growth and socioeconomic conditions. Countries with large macroeconomic imbalances and high levels of external debt are particularly vulnerable.

**Opportunities for Financing Sustainable Development**

Mobilizing sufficient financing remains a major challenge in implementing the 2030 Agenda for Sustainable Development. Investments that are critical to achieving the SDGs remain underfunded. While interest in sustainable financing is growing, the shift towards long-term investment horizons and sustainability is not happening at the required scale or speed.

The 2019 Financing for Sustainable Development Report, produced by the UN Secretariat in collaboration with the IMF, World Bank Group, World Trade Organization, UNCTAD, UNDP and over 50 other agencies of the United Nations system and partner international organizations (the Inter-agency Task Force on Financing for Development), recognizes the scale and urgency of the challenge.

Despite growing risks, we see opportunity for revisiting national and global approaches to sustainable finance. Five key messages emerge from our joint analysis:

First, the multilateral system is under strain in a rapidly changing global environment. This is forcing the global community to revisit existing multilateral arrangements. As we address the challenges, we open the door to making multilateral institutions fit for purpose for sustainable development. For example:

- the crisis of the multilateral trading system is also an opportunity to revamp and make it fit for purpose for sustainable development;
- challenges in sovereign debt restructuring, in part due to new instruments and non-traditional creditors, have sensitized the international community to gaps in the existing architecture;
- increasing vulnerabilities have underscored the importance of strengthening the global financial safety net;
- the digitalisation of the economy has fuelled the debate about the design of the international tax system that could help address inequities;
- growing market concentration, including in the digital economy, has underscored the need to better monitor this trend and manage its socio-economic implications.

Second, and in response, rather than retreating from multilateralism, the international community must strengthen collective action to address global challenges.

Third, global approaches need to be complemented by national actions. Member States can operationalize integrated national financing frameworks to support national development strategies. These frameworks should respond to the realities of a changing global landscape (for example digitalization and falling wage share).

Fourth, achieving sustainable development and combatting climate change requires a long-term perspective. Yet, both public and private incentives are short-term oriented.

Fifth, we must harness the potential of financial innovations to strengthen development finance. However, as such innovations do not eliminate financial and sustainability risks, policymakers and regulators need to strike a balance between managing emerging risks and enabling experimentation and innovation. This is why policy and regulation is a key focus area for the work of the UN Secretary-General's Task Force on Digital Financing. The Task Force, which brings together policymakers, regulators, entrepreneurs and other experts, is exploring how to harness the power of new financial technologies for the achievement of the SDGs.

**Importance of Tackling Inequalities**

Despite the enormous potential of globalization and technological progress, far too many people have not shared the gains and are being left behind. Income inequality has increased in about half of the countries around the world over the last three decades. Wealth is also becoming more concentrated. Meanwhile global growth in real wages is only 1.8 per cent, the lowest since 2008.

Inequalities are prevalent in access to quality education, health, and technologies as well as vulnerability to shocks, among other areas. We also see persistent gender disparities across the world. Inequality limits people's choices and opportunities and engenders political and social tensions and global inefficiencies. This year UNDP's flagship Human Development Report will focus on the critical issue of inequality in human development.

The imperative of reducing inequalities is enshrined in the 2030 Agenda and its central pledge of leaving no one behind. Achieving the SDGs for all requires a systems approach to sustainable development, and coalitions of actors that co-create and jointly apply integrated solutions. Tackling inequality requires partnership – governments, the private sector, and civil society working together. National policies will need to address the falling wage share and growing vulnerabilities. These policies include designing the right labour market reforms as well as investments in human capital and social protection systems. While many policies can be implemented at the national level (e.g., fiscal policies or regulatory frameworks), others require international efforts, such as in tax cooperation and monitoring trends in market concentration.

In our pledge to leave no one behind, SDG 16 highlights the importance of strengthening institutions and governance. With the IMF's new Framework for Enhanced Engagement on Governance, we see stronger synergies for partnerships at the global, regional and country levels. The four elements of the IMF's Framework[1] link strongly with the UN system's work in the fight against corruption. Fighting corruption requires concrete actions through a concerted effort of all sections of society. In this regard, the UN system would like to highlight the importance of further strengthening of collaboration with the IMF to accelerate the anti-corruption agenda globally.

**The Urgency of Climate Action**

The urgency of climate action cannot be overemphasized. We have a rapidly shrinking window of time to accelerate action or we risk our planet into catastrophic consequences. We need to cut emissions in half by 2030 and reach zero-emissions by 2050, while significantly increasing adaptation and strengthening resilience to the already changing climate.

The Paris Agreement put the world on a pathway for ambitious collective action. Nationally Determined Contributions (NDCs) are an unprecedented opportunity to transform our

[1] Assessment of the nature and severity of governance vulnerabilities, including corruption; assessment of the macroeconomic implications of governance vulnerabilities; policy advice and capacity development support to fight corruption; and measures designed to prevent the private actors from offering bribes or concealing of corruption proceeds.

development pathways at an unparalleled scale and pace across all societies. It requires scaling up usage of a wide range of innovative technologies, massive shift in behavioral change and, importantly, in investment patterns across all sectors. Between now and 2050, achieving NDCs and financing the global transition to a low-carbon and climate resilient economy will require an investment of at least US$ 60 trillion. It is clear that public finance is not sufficient and must be used strategically to mobilise increased volumes of private finance.

The leadership of Finance Ministers is critical to guide fiscal policy decisions and investments into the right trajectory. This includes fostering an enabling environment to unlock much-needed private capital at scale and a people-centred approach to support just transition and equitable share from the proceeds of green growth climate action. It is encouraging to see increasing leadership on this, particularly for developing countries.

The role of Development Finance Institutions in support of this effort is also essential, especially in contributing to provide stable and predictable climate finance flows to developing countries. It is key to ensure that support to access, blend and catalyse finance – while also ensuring that the modalities selected to deliver this finance are in line with existing development effectiveness principles and do not divert funds away from the countries and societies most in need.

Going forward, we need to continue to place high priority on policy packages that support the implementation of ambitious NDCs, such as carbon pricing, reform of energy subsidies, mandatory disclosure of climate-related financial risks, accelerated investment in sustainable infrastructure, and supply chain transparency. These policy packages must consider poverty reduction, as well as gender equality and social inclusion, as key criteria.

At the United Nations, we are committed to work closely with the Bretton Woods Institutions to strengthen our support to Ministries of Finance to create enabling environment for investment, mainstream climate action across relevant national financial planning and integrate market-based instruments to sustainably scale up private sector investment.

We firmly support the new Coalition of Finance Ministers for Climate Action and the Helsinki Principles launched this week. This important initiative demonstrates a stronger commitment and leadership of Finance Ministers to address climate challenges, in particular in mobilizing a whole-of-government approach to raise ambitions and accelerate the implementations of the national climate targets defined in the NDCs.

To support efforts to implement the Paris Agreement and to increase ambition and climate action, the United Nations Secretary-General will bring world leaders from government, finance, business, and civil society to the Climate Action Summit on 23 September 2019. The Summit will be a critical opportunity to accelerate climate action and raise ambitions to meet the ultimate goal of the Paris Agreement to keep the global temperature below 1.5 degrees Celsius.

**United Nations Collaboration with the IMF**

The UN appreciates its continuing partnership with the IMF in supporting countries progress towards the SDGs and welcomes the IMF's recent work on SDG costing, increased focus on women's empowerment and strengthened engagement in fragile settings.

Our collaboration on financing for the SDGs includes our joint analytical work for the Financing for Sustainable Development Report of the Inter-Agency Task Force on Financing for Development (IATF). We also work closely with the IMF, World Bank and OECD in the Platform for Collaboration on Tax.

Looking ahead, the UN looks forward to enhanced engagement with the IMF to help drive sustainable development progress for countries and people around the world.