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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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**Statement by**

**Helen Clark**

**Administrator of the United Nations Development Programme**

**and**

**Chair of the United Nations Development Group**

**to the**

**34th Meeting of the International Monetary and Financial Committee**

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As countries move forward on implementation of the important global agendas adopted last year - *the 2030 Agenda for Sustainable Development*, *the Addis Ababa Action Agenda on Financing for Development*, *the Paris Agreement on Climate Change,* and *the Sendai Framework for Disaster Risk Reduction* - the world economy continues to face slow growth and significant headwinds.

*Global Growth Prospects*

The United Nations Department of Economic and Social Affairs estimates[1] that the world economy will grow by only 2.4 per cent in 2016, similar to the growth rate in 2015. This significant downward revision to the December 2015 forecast – or 0.5 percentage points - is due to substantial downward adjustments in the growth rates of countries in Africa, the Commonwealth of Independent States (CIS), and Latin America and the Caribbean. Global economic growth prospects for 2017 are below the trends recorded prior to the global financial crisis of 2008-2009.

Persistent weakness in aggregate demand in developed economies remains a drag on global growth. At the same time, developing and emerging economies have been impacted by a series of adverse shocks, including falls in commodity prices, the impact of El Niño on agricultural output, and localized surges in food prices. Recessions in some large emerging economies have proved longer and deeper than anticipated, and have caused regional spillovers. In 2016, economic growth in developing countries is unlikely to exceed the 3.8 per cent rate of 2015, which was the weakest pace recorded since the global financial crisis of 2008-2009.

Overall, the economies of the Least Developed Countries (LDCs) are projected to grow by 4.8 per cent in 2016 and 5.5 per cent in 2017. These rates are well below the Sustainable Development Goal target of *"at least 7 per cent GDP growth"* in LDCs.

[1] United Nations, 2016, "World Economic Situation and Prospects 2016: Update as of mid-2016".

Projections for African economies indicate a further slowdown in 2016, with aggregate GDP expected to grow only by 2.8 per cent. GDP per capita growth for the continent is expected to average only 0.4 per cent in 2015-2017. The aggregate GDP levels of the countries of the CIS and of the Latin America and the Caribbean region are expected to shrink this year as well.

*Downside Risks and Uncertainties*

Downside risks to the global economy remain elevated against the backdrop of weak demand, low investment, low commodity prices, and financial market turbulence. A larger-than-expected slowdown in China could have widespread spillover effects through trade, financial and commodity markets, while a further deterioration in commodity prices could trigger debt crises in some commodity-dependent economies. Increased divergence in global interest rates may intensify capital flow volatility and exchange-rate pressures in developing economies.

In addition to economic risks, risks related to geopolitical tensions continue to weigh heavily on a number of economies. Several countries are experiencing prolonged violent conflicts, causing widespread death and destruction. The Office of the UN High Commissioner for Refugees (UNHCR) estimates that by the end of 2015 more than 65 million people were forcibly displaced from their homes – the highest number since the end of the Second World War.[2] In addition to devastating humanitarian crises, conflict zones and neighboring regions have suffered heavy economic losses. Widespread destruction of capital and infrastructure and an extended moratorium on new investment can keep these economies well below pre-conflict production potential for many years, even once a lasting solution is in sight. Trade flows in conflict-affected areas suffer from the higher costs of transportation and insurance, while a general loss of confidence continues to discourage both domestic and foreign investment and tourism flows.

[2] UNHCR, 2016, "Global Trends: Forced Displacement in 2015".

*International Finance and Trade*

Net capital outflows from developing countries surpassed $615 billion in 2015, reflecting large withdrawals of portfolio investment. This poses significant risk to financial stability in developing economies as they try to reinvigorate growth and investment. Estimates for 2016 do not foresee a reversal in this trend.

As the Addis Ababa Action Agenda stresses, stable and long-term financing is critical for advancing sustainable development. To this end, 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 is crucial for this effort, since stability is necessary for investment. At the same time, it is important to ensure availability of credit in areas critical for sustainable development, especially for longer-term investments.

Global trade is projected to recover slightly from the estimated 2.4 per cent growth in 2015 (the lowest rate since the global financial crisis of 2008-2009) to 3.1 per cent in 2016. Trade growth in developing East Asia is set to experience modest improvement in 2016. While many African countries have embarked on a gradual process of economic diversification, with investment increasingly directed towards the manufacturing sector, the continent remains highly commodity-dependent. Given low global commodity prices, export income in many African countries dropped sharply in 2015 and may fall further this year.

At the global level, the potential benefits of international trade have not been fully realized. A universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory, and equitable multilateral trading system is central to harvest this untapped potential. Now in its fifteenth year, the Doha Round of trade negotiations has made limited progress, with many countries focusing their attention on concluding mega-regional trade agreements. The

Addis Ababa Action Agenda calls for redoubled efforts to conclude the Doha round promptly.

*Employment Outlook*

Unemployment remains a major challenge in many parts of the world. In 2015, global unemployment figures reached 197.1 million, which was more than 27 million higher than pre-crisis levels. This figure is expected to rise over the next two years. The deterioration in labour markets is particularly pronounced in those developing countries which have suffered revenue losses from low commodity prices.

Globally youth unemployment is on the rise and is expected to reach 13.1 per cent in 2016 (from 12.9 in 2015).[3] After falling by some three million between 2012 and 2015, the number of unemployed youth globally is expected to rise by half a million in 2016 and to remain at this level in 2017.[4] Gender gaps also persist in the labour market, with women being fifteen per cent more likely to be unemployed than men globally. The most striking gender gaps are in Western Asia and Northern Africa where the unemployment rate of women is more than twice that of men.[5]

Poor job quality is a particular challenge in some countries and regions. For instance, more than two thirds of workers in South Asia and sub-Saharan Africa face vulnerable employment conditions, with little or no access to social protection, high levels of job insecurity, and low and volatile income. Around 156 million youth in emerging and developing countries live in extreme or moderate poverty despite being employed.[6]

*Key Policy Challenges*

[3] ILO, 2016, "World Employment and Social Outlook 2016: Trends for Youth".
[4] ILO, 2016, "World Employment and Social Outlook 2016: Trends for Youth".
[5] The United Nations, 2016, "The Sustainable Development Goals Report 2016".
[6] ILO, 2016, "World Employment and Social Outlook 2016: Trends for Youth".

On the monetary policy side, greater policy co-ordination among countries is important to mitigate the negative spillover effects of diverging interest rates and to contain financial market volatility. The dependence on monetary policy also needs to be reduced, and greater focus needs to be given to the role of fiscal policy in boosting global growth and promoting sustainable development.

If weak investment trends continue to persist worldwide, it is unlikely that productivity growth will accelerate in the near term. This can have negative implications for making progress on the Sustainable Development Goals (SDGs). In order to stimulate investment, growth and job creation, there is a need for more balanced macroeconomic policies, including a more supportive role for fiscal policy and structural reforms where possible. For countries which have sufficient fiscal space and low borrowing costs, it could be advisable to increase expenditure, especially in areas which can lift growth, such as infrastructure and research and development. Those countries which have limited fiscal space could also explore options such as a partial reallocation of public expenditures from consumption to investment.

*The importance of "Leaving No One Behind"*

In the 2030 Agenda for Sustainable Development world leaders called for *"leaving no one behind"* and *"reaching those furthest behind first"*. Despite the significant gains of recent decades in lifting incomes and enhancing access to education, health, and other services, many people have been left behind because of where they live and who they are. For instance, according to the World Bank's latest estimates, 766 million people still remained in extreme poverty in 2013.[7] That number becomes even larger if we look beyond income to multi-dimensional poverty measures.

Shaping development policies to address inequalities and social exclusion is critical to realizing the ambitions of the 2030 Agenda. This could take the form of pro-poor fiscal policies; social protection programmes with social

[7] World Bank. 2016. *Poverty and Shared Prosperity 2016: Taking on Inequality*. Washington, DC: World Bank.

safety nets for those most vulnerable; universal access to quality basic services; and equitable access to natural and productive resources. Broadening participation in public and political life is also important, and so is improving access of disadvantaged groups to better livelihoods. Making policies risk-informed and building resilience is also critical, to ensure that families, communities, and countries can better withstand and bounce back from adverse events and shocks.

Special attention must be given to countries where development challenges have been exacerbated by crises related to disasters caused by natural hazards, disease outbreaks, violent conflict, civil unrest, or other factors. Half of the world's extremely poor people live in fragile and conflict-affected settings, and this proportion is expected to rise as poverty declines in more stable settings.

Addressing the specific vulnerabilities and opportunities associated with large movements of people is essential. As stressed at *the UN Summit for Refugees and Migrants* on 19 September in New York, it is critical to improve the delivery of humanitarian and development assistance to countries most affected by large movements of people, including through innovative multilateral financial solutions, with the goal of closing all funding gaps.

In this regard, the United Nations welcomes new financing instruments such as the World Bank's Global Concessional Financing Facility (developed in partnership with the UN), which aims at addressing refugee crises in middle-income countries, by helping them to secure the needed development financing and bridge the gap between humanitarian and development assistance.

*Global Economic Governance*

The 2030 Agenda, the Addis Ababa Action Agenda, and the Paris Agreement on climate change provide guidance for global efforts to eradicate poverty and achieve sustainable development. International financial institutions, multilateral development banks, and major country groupings are considering the alignment of their work streams with these United Nations-led agendas and their follow-up processes. The G20 Action Plan on the 2030 Agenda, endorsed at the Hangzhou Summit in September 2016, is a case in point. It is also encouraging that throughout 2016, a growing number of countries have ratified the Paris Agreement, signaling that it is likely to come into force years ahead of schedule.

The Addis Ababa Action Agenda recommits Member States to *"broadening and strengthening the voice and participation of developing countries in international economic decision-making and norm-setting and global economic governance"*[8]. Countries also reiterated their commitment to further governance reform in both the IMF and the World Bank to reflect changes in the global economy. While reforms are not proceeding according to the originally agreed schedule, the UN looks forward to the completion of the 15th general review of quotas at the IMF as committed in the Addis Ababa Action Agenda.

*Collaboration between the International Monetary Fund and the United Nations*

The collaboration between the IMF and the UN has been growing over the past years, especially in the area of financing for development.

A recent example of this includes the joint platform for collaboration on tax matters, on which the IMF, OECD, UN, and World Bank Group are partners. The goal is to develop a common approach, deliver joint outputs, and respond to requests for a global dialogue on tax matters, including in the area of capacity building and technical assistance.

Since the last meeting of the International Monetary and Financial Committee, the IMF has participated in and provided input for two major UN meetings: the inaugural ECOSOC Forum on Financing for Development Follow-up (the

[8] Paragraph 106 of the outcome document of the Third International Conference on Financing for Development: Addis Ababa Action Agenda.

FfD Forum) in April 2016, and the High-Level Political Forum on Sustainable Development (HLPF) in July 2016.

As one of the major institutional stakeholders of the FFD process – through the Inter-agency Task Force on Financing for Development – the IMF worked closely with the UN Secretariat, the World Bank, UNDP, UNCTAD, the WTO and fifty UN and other agencies, to produce a report on how to monitor the commitments and action items contained in the Addis Ababa Action Agenda and the means of implementation for the SDGs. Preparations are already under way for the 2017 report. The United Nations continues to appreciate the contributions of the IMF, the World Bank, and other Task Force members to this joint effort.