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IMFC Statement by Achim Steiner
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Ten years after the onset of the global economic and financial crisis, the world economy has promising short-term growth prospects. However, we also see intensification of risks that could derail this trajectory, including trade tensions; tightening global financial conditions and volatile capital flows; and an increase in geopolitical tensions.

These sources of heightened volatility are compounded by other vulnerabilities that have accumulated over time such as record high global debt levels; gaps in essential public services, social protection and infrastructure; as well as challenges arising from climate change. This combination of volatility and vulnerabilities is a major threat to the "leave no-one behind" agenda and causing investors to postpone or cancel sustainable investment projects. These trends are both driven by and leading to an increasing discontent with the multilateral system.

Global Growth Prospects

The global economy strengthened over the course of 2017, but global financial conditions are tightening and risks to the economic outlook have continued to build. The UN projects steady global growth of at least 3 per cent per annum for the next few years.[1] While the headline figures for the world economy are largely favourable, uncertainties cloud the outlook:

- ***Global trade tensions*** continue to escalate. While the direct impact on global trade flows thus far remains limited, world trade growth has started to moderate, easing to about 4 per cent in 2018 after expanding by more than 5 per cent in 2017. A prolonged escalation has the potential to severely impact business and consumer confidence, asset prices and investment behaviour.

- ***Financial vulnerabilities*** have been rising in many developing countries, in the wake of increased financial volatility or sudden capital withdrawal, constituting a further downside risk to investment prospects. Market volatility hit a number of emerging market currencies in the first half of 2018. The currency depreciations raised the domestic prices of imported goods and commodities, as well as increased the burden of external debt service. There remain risks of contagion across borders and potential spillovers from existing trends in market movements.

- The undercurrent of ***geopolitical tensions*** could also disrupt economic activity.

Taken together, these risks all have the potential to reverse recent economic improvements, leaving the poor and vulnerable behind.

Headline global figures mask significant regional disparities. While growth rates in many developed economies are above their long-run potential, many commodity-exporting economies continue to be hampered by the legacy of higher debt and macroeconomic imbalances revealed during the commodity price collapse of 2014-2015. Many countries in Africa, Western Asia and Latin America and the Caribbean are expected to see only modest growth in coming years, and stagnant per capita income,

[1] Based on at-market exchange rates.

posing an enormous challenge to eradicating poverty, increasing social inclusion and creating decent jobs for all. While some of the larger least developed countries (LDCs) are growing at an average annual rate of 7 per cent or more, many small island developing States (SIDS) and conflict-affected countries remain well below this target set in the 2030 Agenda for Sustainable Development.

Achieving the SDGs will require financial stability and sustainability. International cooperation is essential to enact reforms to the international monetary system and the global financial safety net. The international monetary and financial system should aim to reduce volatility and contain systemic risks through effective financial regulation and supervision, while incentivising longer-term sustainable investments. Reform efforts should therefore aim to lengthen the time-horizons of investors and foster the alignment of the financial system with the SDGs.

This also underlines the importance of multilateralism and the need for a reformed, reinvigorated and strengthened multilateral system. International cooperation can help deliver peace, defend human rights and drive economic and social progress for women and men everywhere. In the face of massive, existential threats to people and planet -- but equally at a time of compelling opportunities for shared prosperity -- there is no way forward but collective action for the common good.

Addressing Debt Vulnerabilities

Global debt has reached a record US$247 trillion, or 318 per cent of world gross product. In emerging economies, growing leverage was largely driven by a surge in corporate debt, often contracted in dollars in international capital markets. The debt sustainability of the poorest countries as a group has deteriorated markedly. Thirty low-income and least developed countries are now considered at high risk of or in debt distress, and debt-to-GDP ratios exceed 70 per cent in a third of all SIDS.

Debt vulnerabilities are increasing at a time when governments are faced with large financing needs to implement the 2030 Agenda. Debt crises can set back development efforts, and hit the poorest, who are least able to deal with shocks, the hardest, risking a derailing of efforts to leave no one behind.

Policy action is needed to retain fiscal space for SDG investments and to prevent and resolve debt crises that would undermine realization of the 2030 Agenda. Well-designed public sector investments that boost the productive capacity of an economy can result in higher growth rates, which would improve debt ratios. It would also lead to higher income for the government through greater tax collection, which can help offset the associated debt service in the future. Debt sustainability assessments (DSAs) that incorporate these growth-enhancing effects would more accurately reflect the long-term borrowing capacity of a country, though managing debt burdens in the short term remains a challenge.

The global community needs to ensure a financial safety net for countries with debt challenges in the short- and medium-term. There is scope to improve arrangements for resolving sovereign insolvency crises. As the official creditor landscape has changed, there is a need to adapt official creditor coordination mechanisms to reflect the rise of lenders outside the Paris Club. Various soft law approaches developed by the UN have put forward principles and guidelines for interactions between debtors and private creditors. With political agreement, these types of guidelines could become accepted standards and guide courts.

It is critical that as debt distress is addressed and ultimately resolved, including through restructurings or temporary debt service relief, it is done in ways that do not jeopardise social progress and achievement of the SDGs. Adjustments should enable the government to maintain its level of essential and SDG-related expenditures, including for investments that improve human capital outcomes.

Over the long-run, the use of innovative debt instruments, such as state-contingent debt, as part of a prudent debt management strategy, could help countries to better cope with shocks in the future.

Tackling Inequalities

There are also longer-standing challenges, in particular **inequality,** which, in all its forms and dimensions, between and within countries, limits people's choices and opportunities and impairs the quality and sustainability of growth.

Since 1990 average Human Development Index (HDI) levels have increased significantly (22 per cent globally and 51 per cent in LDCs) reflecting that on average people are living longer, are more educated and have greater income. However, massive discrepancies remain across the world in terms of people's well-being. For instance, on average, a child born today in a country with low human development can expect to live just over 60 years, while a child born in a country with very high human development can expect to live to almost 80.

According to the 2018 global **Multidimensional Poverty Index** (MPI)[2] of UNDP and the Oxford Poverty and Human Development Initiative (OPHI), around 1.3 billion people live in multidimensional poverty. The data also show that an additional 879 million people are at risk of falling into multidimensional poverty, which could happen quickly if they suffer setbacks from conflict, sickness, unemployment, disasters and other shocks. Indeed, even though developing countries have been building social protection systems and investing in public services, these are often still very fragile. Economic and other types of shocks can easily set back progress.

Tackling inequalities often requires politically challenging policy changes. However, these are imperative to not only improve the quality of growth and increase its longer-term potential, but also to address the social tensions that inequality engenders.

[2] The MPI looks beyond income to understand how people experience poverty in multiple and simultaneous ways. It identifies how people are being left behind across three key dimensions: health, education and living standards, lacking such things as clean water, sanitation, adequate nutrition or primary education. Those who are deprived in at least of a third of the MPI's components are defined as multidimensionally poor.

There are many levers for governments to tackle inequality but combining effective social expenditures with progressive tax systems is essential. Fair taxation systems that enhance the revenue base of governments are important. Fiscal systems that shift the burden of taxation from labour to capital can also contribute positively to employment and reducing inequality.

Investments in health, education and social protection must be adequately and sustainably funded, which points to the importance of domestic revenue mobilisation and the need for more effective international collaboration on tax matters.

Investing in Sustainable and Resilient Infrastructure

Supporting long-term investment in sustainable and resilient infrastructure is critical to reach the SDGs. Not only can infrastructure investment stimulate economic growth, but can also have positive co-benefits, such as greater access to water and sanitation, energy, and health.

Strengthening institutions and governance to build a more transparent and dynamic business environment can help attract investment into infrastructure. Countries also need to develop pipelines of investible and bankable projects, with support and capacity development from the international community as needed.

There is increasing interest in the potential role of institutional investors in financing sustainable infrastructure. Aligning the incentives of institutional investors with sustainable development would also contribute to the global public good of a stable international financial system. In source countries, governments can explore ways to incentivize institutional investors to take a long-term approach, such as by reviewing regulatory frameworks and encouraging longer-term horizons in indices and credit analysis, including in ratings. Destination countries can adopt capital account management techniques, including macro-prudential regulations that have proven effective in shifting the maturity profile of investment.

The Role of the United Nations in Financing for Sustainable Development and the SDGs

Last month the UN Secretary-General launched his strategy for Financing the 2030 Agenda for Sustainable Development, laying out actions the UN will take to accelerate financing the SDGs. The strategy leverages the convening power of the UN to bring together the relevant actors to accelerate mobilization of finance for the 2030 Agenda. It builds on the Addis Ababa Action Agenda – as the global framework for financing sustainable development with concrete policy actions for the 2030 Agenda, as well as the Paris Agreement on Climate Action. It draws on the work of the Inter-Agency Task Force on Financing for Development, as well as on-going work within the UN on financing.

Deep changes, both across the business and financial sectors and in public policies, are needed to mobilize finance at the scale and speed necessary.

- First, we must align global economic policies and financial systems with the 2030 Agenda.

- Second, we need to create and/or strengthen sustainable financing and investment strategies at the regional and country levels.
- Finally, we must seize the potential of financial innovations, new technologies and digitalization to provide inclusive and more equitable access to finance.

It is imperative to strengthen public policies, regulatory frameworks and finance at the national, regional and global levels. Policies and regulatory frameworks need to be coherent with each other and with the 2030 Agenda. They should foster the mobilization of adequate and predictable financing for sustainable development.

The Strategy also frames the UN's collaboration on financial matters with key partners, including the International Monetary Fund (IMF), the World Bank Group (WBG), the Organization for Economic Cooperation and Development (OECD), regional development banks and other development finance institutions.

The Urgency of Climate Action

As the UN Secretary-General has said "climate change is running faster than us and we are running out of time" as confirmed by the findings of the new report of the Intergovernmental Panel on Climate Change (IPCC).[3] According to the IPCC, global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. Limiting global warming to 1.5°C would avoid some of the more dangerous scenarios of climate change. For example, by 2100, global sea level rise would be 10 cm lower with global warming of 1.5°C compared with 2°C, which would expose 10 million fever people to sea level rise. It would also expose several hundred million fewer people to risk and poverty by 2050 compared with 2°C. Every bit of extra warming makes a difference. Limiting global warming to 1.5°C requires urgent, ambitious and collective climate action in all areas.

Climate action provides an unprecedented opportunity to unlock massive economic and social benefits that can help us achieve the SDGs. Recent studies[4] have found that low-carbon growth could deliver at least US$26 trillion in economic benefits by 2030 and create over 65 million new jobs. Climate action and socio-economic progress are mutually supportive.

We need strong political will and leadership to push for urgent and ambitious action now. As articulated by the UN Secretary-General, key priorities will include urgent shift to renewable energy by phasing out fossil fuels and expanding carbon price market - while also curbing existing and future energy demand through energy efficiency solutions.

[3] Intergovernmental Panel on Climate Change, 2018. "Global Warming of 1.5°C".

[4] The Global Commission on the Economy and Climate, 2018. The New Climate Economy Report: "Unlocking the Inclusive Growth Story of the 21st Century: Accelerating Climate Action in Urgent Times".

Renewable energy is becoming increasingly available and affordable, with the market share growing from 16.7 per cent in 2010 to 17.5 per cent in 2015 and is expected to reach 21 per cent by 2030.[5] According to IRENA, the global energy transition could contribute up to US$10 trillion every year by 2050 and boost the world GDP.[6]

We need to significantly boost public and private investment, including innovative financing mechanisms, for climate action. This includes ensuring developed countries honor their financial pledges under the Paris Agreement, including the $100 billion per year by 2020 pledge. This also means rigorous and transparent tracking of global public and private finance flows to ensure accuracy.

Financing adaptation and resilience is also critical. While the world takes steps to reduce carbon emissions, for many of the most vulnerable and most exposed, this may be too little, too late. A strong focus on adaptation and risk reduction is necessary to ensure we can sustain and advance national development priorities and achieve the 2030 Agenda.

We are hopeful that we can achieve the ambitious goals set out under the Paris Agreement, as the motto for the 2019 climate summit states – it is "A Race We Can Win". We should build on the progress being made. For example, the International Development Finance Club (IDFC) has recently reported that in 2017 its members committed USD$196 billion in climate finance and USD$24 billion to other environmental objectives.[7] The IDFC also reported that despite doubling from 2016, adaptation to climate change still represents 4 per cent of its total green finance.

United Nations Collaboration with the International Monetary Fund

The UN System's collaboration with the IMF continues to strengthen. In September, Managing Director Lagarde spoke at the Secretary-General's high-level meeting on financing the SDGs. The UN Deputy Secretary-General also attended a public dialogue with the IMF hosted by the Managing Director. The IMF's work on estimates of financing needs for some SDGs is a useful and important contribution to efforts to implement the 2030 Agenda, and the UN looks forward to further engaging with this work.

The UN Secretariat has worked closely with the IMF, along with the World Bank, WTO, UNDP, UNCTAD, and more than 50 UN and other agencies, to produce the 2018 Financing for Sustainable Development Report (FSDR) of the Inter-Agency Task Force on Financing for Development (IATF). We also collaborate with the IMF, World Bank and OECD in the Platform for Collaboration on Tax. The UN appreciates continuing collaboration with the IMF in these important areas, and looks forward to expanding it even further.

[5] "Tracking SDG7: The Energy Progress Report 2018" prepared by the International Energy Agency (IEA), the International Renewable Energy Agency (IRENA), the United Nations Statistics Division (UNSD), the World Bank, and the World Health Organization (WHO).

[6] International Energy Agency and International Renewable Energy Agency, 2017. "Perspectives for the energy transition: Investment needs for a low-carbon energy system".

[7] International Development Finance Club, 2018. "Green Finance Mapping Report 2018".