



## **International Monetary and Financial Committee**

**Thirtieth Meeting  
October 11, 2014**

**Statement by Ms. 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**

**International Monetary and Financial Committee**

**30<sup>th</sup> Meeting**

**Washington D.C., October 11<sup>th</sup> 2014**

**Two weeks ago, at the UN Secretary-General's Climate Change Summit and the opening of the UN General Assembly, leaders from governments, civil society, and business alike spoke of the opportunity to make history on tackling climate change, eradicating poverty, and making development sustainable.**

**Just before the High Level Week at the UN, hundreds of thousands of people marched in 150 countries around the world to draw attention to climate change issues. More than five million people have participated in UN-led consultations on the shape and priorities of the post-2015 global development agenda. This indicates significant public interest in shaping a fairer and more sustainable world.**

**Over the next year, the world's nations will have a number of opportunities to address the major sustainable development challenges our world faces.**

**Next July in Addis Ababa, the Third International Conference on Financing for Development will be held. Member States there can elaborate a comprehensive framework to fund a bold, achievable post-2015 sustainable development agenda.**

**Next September at the UN General Assembly, it is hoped that world leaders will adopt the post-2015 agenda, with Sustainable Development Goals (SDGs) and targets.**

**Then in December 2015, governments at COP21 in Paris can decide to adopt and finance a meaningful new climate agreement.**

**The UN counts on the full engagement of the Bretton Woods organizations in supporting Member States to realize the opportunities all these meetings offer to shape the future of development.**

**An inclusive, sustainable, and growing global economy will be needed to accelerate MDG progress and to achieve the SDGs. This year the global economy as a whole has continued to expand at a moderate pace, reflecting varied growth rates among countries. The UN World Economic Situation and Prospects 2014 Report anticipates that the global economy will grow by 2.8 per cent in 2014 and by 3.2 per cent in 2015. Downside risks, however, have grown along with heightened geopolitical tensions, uncertainty over the next steps in monetary policy in the most advanced economies, the threat of volatility in financial markets, and deflation in some advanced economies.**

### ***Divergence among advanced economies***

**At the beginning of 2014, all major developed economies in North America, Europe, and Asia were for the first time since 2011 on an upward growth trajectory. The hope was that this would put in motion a virtuous cycle reinforcing recovery. In 2014, however, growth rates among major developed economies diverged.**

**Faster economic growth is expected in the US, following a decline in the first quarter of 2014. Stronger private consumption and greater business investment are expected to generate jobs and stimulate economic growth<sup>1</sup>. GDP is expected to grow by three per cent in 2015.**

**In contrast, the economic situation in some parts of Europe remains difficult, particularly in the Eurozone. Economic activity stalled in the second quarter of 2014, after a slow expansion in the first quarter. The slowdown was led by a few large economies where GDP contracted. While the ECB recently launched a new round of monetary stimuli, the outlook is of concern.**

**In Japan, momentum generated by fiscal stimuli and monetary easing introduced since 2013 appears to have tailed off. The adverse impact on demand of the increase in the sales tax has not yet been offset, with a consequential impact on growth.**

#### ***Developing countries driving the recovery***

**With projected growth rates of 4.7 per cent and 5.1 per cent for 2014 and 2015 respectively, developing countries as a whole will continue to contribute a large proportion of global growth. Their growth trajectory, however, is two percentage points lower than what they achieved in the years preceding the global financial crisis.**

**In most emerging economies, growth is expected to increase moderately in the second half of 2014 and into 2015, reflecting stronger demand from advanced economies. The East and South Asia region remains the world's fastest-growing region, although the pace of expansion has slowed in recent years. Better policies, more stable macroeconomic conditions, and good harvests in several South Asian countries are expected to help accelerate global growth. Slower growth in China, Indonesia, and Thailand would likely be offset by stronger growth in some of the region's other export-oriented economies.**

**South Asia is home to very large numbers of people living in extreme poverty on under \$1.25 per day. Efforts to rebalance growth and tackle poverty in this region need to be strengthened.**

**Political instability and lower oil exports from the Arab States region are also affecting prospects for the global economy. Geopolitical tensions and on-going conflicts threaten to set back the region's economic and social prospects further.**

**Africa is expected to see solid growth of 4.2 per cent in 2014 and just over five per cent in 2015. Economic growth in Latin America and the Caribbean is expected to continue at a subdued pace this year. Growth in Mexico and Central America is projected to strengthen, benefiting from economic pick-up in the United States. Growth in South America overall is expected to decelerate.**

### *World trade still weak*

**Six years after the onset of the global financial crisis, international trade remains subdued. Some gradual improvement is expected over the course of 2014 as import demand in major developed countries continues to increase gradually. Real exports are forecast to grow by 4.1 per cent in 2014, but given insufficient global demand, international trade alone is unlikely to kick-start greater global growth.**

**Export growth is expected to rise just over five per cent in 2015. Exports from Sub-Saharan Africa and West Asia continue to grow at relatively high rates, benefiting from generally high commodity prices. Despite an overall declining trend since 2011, commodity prices in the first half of 2014 remained, on average, close to fifty per cent higher than prices received in the five years preceding the global financial crisis.**

**The rapid expansion of global value chains has opened up export opportunities for a number of developing countries, encouraging others to find ways to take advantage of them. An inclusive multilateral trade system which instills confidence and reduces transaction costs remains a long sought after global public good. The UN supports the intense efforts under way within the World Trade Organization to implement the outcomes of the Bali Ministerial Conference held in December 2013 and new efforts to complete the Doha Round.**

### *Capital flows remain volatile*

**The global economy continues to experience volatile capital flows. Net portfolio inflows to developing countries fell to \$116 billion in 2013, from \$165 billion in 2012.**

**The US Federal Reserve has been reducing the pace of its monthly asset purchases, in keeping with its move towards policy normalization. Conversely, facing a risk of deflation, the European Central Bank has taken significant action in recent months to ease its monetary policy, including through interest rate cuts and plans for long term refinancing operations and asset purchases. The ECB has also committed to use, if necessary, additional unconventional instruments within its mandate to address risks of a prolonged period of low inflation. The Bank of Japan's balance sheet is expanding significantly and is expected to do so for some time. Meanwhile, some emerging market economies are experiencing higher inflation and current account deficits.**

**All players in this diverse economic landscape would benefit from greater global economic co-ordination. Further episodes of volatility can be anticipated as financial markets speculate over the timing and magnitude of anticipated shifts in monetary policy. Given the cross-border spillover effects of monetary policy decisions, better international co-ordination of monetary policy and better management of global liquidity are needed to reduce global risks. Global mechanisms to deal with the risks associated with rapid and sometimes illicit cross-border financial flows will need to be a central component of a revitalized global partnership for sustainable development.**

### *The need for enhanced policy co-ordination*

**Macroeconomic policies in advanced economies should aim to step up economic recovery. Emerging economies and developing countries' macroeconomic policies should continue preparing for a new environment characterized by tighter external financial conditions. The need for more effective international policy co-ordination has become clear. Stimulating global demand and output growth should remain an overarching priority for enhanced policy co-ordination at the global level.**

**Likewise the UN welcomes on-going international discussions on improving sovereign debt restructuring. The UN General Assembly recently adopted a Resolution titled “Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes”. The UN’s Third International Conference on Small Island Developing States (SIDS) drew attention to the problem of severe public indebtedness affecting a number of small island economies. The UN encourages the international community to consider measures which would support affected SIDS to return to debt sustainability.**

**Progress continues to be made on international co-operation in tax matters. Steps have been taken towards developing a widely applicable system of automatic exchange of tax information between countries. The UN, the IMF, and the World Bank continue to have a vital role in advancing developing country interests in these and other areas, working co-operatively with the OECD, regional organizations, and other stakeholders. In all areas of international tax co-operation, it will be**

**critically important to ensure that developing countries, and in particular least developed countries, are able to participate in and benefit from such changes. Measures are needed to strengthen the capacity of developing countries to mobilise domestic resources and spend them effectively to advance sustainable development.**

***More and better jobs***

**Global unemployment levels remain a cause for concern as the on-going effects of the global economic crisis continue to depress labour markets in many countries and regions. Given the only modest economic recovery, employment prospects remain limited and the employment intensity of growth has also been lowered in many countries. Youth unemployment is still a serious problem in developed and developing countries alike. Youth are more likely to have part-time, insecure, and low-paying jobs – or no work at all. Large numbers of young people in developing regions live in poverty despite being in regular employment.**

**Deterioration in the quality of jobs is also worrying. In some advanced countries, real wages have stagnated or even fallen. Wage growth has lagged significantly behind increases in labour productivity in most G20 countries. Wage and income inequality has continued to widen within a number of advanced economies, although such inequality has been reduced in some emerging economies<sup>2</sup>. On a positive note, working poverty has declined in a number of emerging economies, notably in**

**China, although informal employment remains a major obstacle to improving job quality, particularly in emerging and developing countries.**

**Stronger economic growth is necessary, but not sufficient in itself for stronger job creation. Recovery based on growing market demand for goods and services requires more employment and wage growth to eventuate. In the Eurozone, weak economic demand, stemming in part from high unemployment and stagnating wages, has constrained consumption and investment. In emerging economies, high levels of under-employment and informality undermine the goal of increasing consumption and productivity over the long-term.**

### ***Effective and representative global governance***

**To strengthen the international community's ability to tackle global challenges which are increasingly interconnected, stronger commitments to collective action and policy coherence are needed.**

**Effective global economic governance remains critical to accelerating progress to meet the MDGs, and will be important for implementing a new post-2015 sustainable development agenda. Many of the current institutions and principles for global economic governance were designed for an era which no longer exists. The increasing weight of emerging economies and developing countries needs to be reflected in the decision-making processes of the International Financial Institutions to give them more voice and representation.**

**In this context, implementation of the 2010 IMF governance and quota reform would be an important step towards bolstering the credibility, legitimacy, and effectiveness of the institution, and, in turn, the coherence and stability of the global financial system.**

***Moving towards sustainable development***

**High rates of growth alone will not be enough to sustain recovery. Measures are needed to improve the *quality* of growth. Deliberate action is needed to generate growth which disproportionately engages the poor and excluded - including women and young people - in productive activities, enabling them to raise their incomes and contribute to their nations' progress.**

**The UN commends the G20's efforts to adopt new measures to lift G20 GDP by at least two per cent over the coming five years. The UN encourages G20 countries to put a stronger focus on the quality of growth. In so doing, they could help to drive a more inclusive and sustainable approach to development, wholly consistent with global ambition for the post-2015 development agenda.**

**The UN has witnessed considerable international collaboration and good-will in the effort to define the shape of post-2015. The UN Open Working Group has now tabled proposals for Sustainable Development Goals which are ambitious in scope. The world's poorest and most vulnerable deserve our concerted efforts to realize the Millennium Development Goals, finish**

**their unfinished business, and tackle the challenges of climate change, other rapid environmental degradation, and growing inequalities.**

**The Report of the Inter-governmental Committee of Experts on Sustainable Development Financing** suggests how public, private, domestic, and international financial resources can work together to advance shared development objectives. It suggests a number of ways in which the world can improve financing for sustainable development and revitalize the global partnership for development, including in trade, taxation, financial market stability, debt, and development co-operation. The Report is an important input into the Third International Conference on Financing for Development next July.

**The IMF and the World Bank have important roles to play in the process of reaching agreement in these areas. The UN appreciates their active participation thus far, and values the continued active engagement of both in the preparations for the Financing for Development Conference and the post-2015 framework and agenda.**

**The UN remains committed to working closely with the Bretton Woods Institutions to find common solutions to urgent global challenges.**