



## **International Monetary and Financial Committee**

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**IMFC Statement by Achim Steiner  
Administrator of the United Nations Development Programme  
United Nations**



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**Achim Steiner**

**Administrator of the United Nations Development Programme**

**to the**

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As the impacts of last decade's series of economic crises and negative shocks<sup>1</sup> subside, the world economy has strengthened, offering greater scope to reorient policy towards longer-term issues that can accelerate progress towards the Sustainable Development Goals (SDGs). It is critical to ensure that the gains from stronger macroeconomic growth are widely shared, enabling reduction in inequalities, eradicating poverty and creating decent jobs for all.

### *Global growth prospects*

The United Nations estimates that last year the world economy expanded by over 3 per cent<sup>2</sup>, the highest rate since 2011. This acceleration can be attributed to the firmer growth in developed economies, the end of recessions in several large developing economies, and stability in financial market conditions. World trade growth accelerated in 2017, reflecting widespread revival of demand. In many parts of the world, conditions for investment have improved, which is essential to drive the rebound in investment needed to deliver rapid progress towards the SDGs. Global economic growth is expected to remain steady in 2018 and 2019.

Many developing countries, however, are not taking part in the global cyclical upturn. On a per capita basis, numerous countries and regions experienced only very modest or stagnating growth in recent years, posing an enormous challenge to poverty eradication. Aggregate growth in the least developed countries (LDCs) is expected to rise modestly from 4.7 per cent in 2017, to exceed 5 per cent in 2018, still well below the SDG target of 7 per cent.

Whereas short-term prospects for the world economy have strengthened, medium-term risks have risen. This includes elevated levels of trade policy uncertainty; increased uncertainty regarding the pace of monetary policy adjustment in advanced economies; high and increasing levels of debt; elevated and rising valuations across a number of financial assets; and an undercurrent of geopolitical tensions with the potential to trigger regional or global consequences.

Trade tensions among some of the world's largest economies have been building. While the situation remains in flux amid ongoing negotiations, it appears that support for the multilateral trading system has declined. A move away from multilateralism towards a more fragmented international trade landscape could reverse recent improvements in the global economy, and prevent a stronger and more sustained revival of global growth, particularly given the deep linkages between trade, investment and productivity growth. Countries should focus on upholding and revitalizing multilateral trade cooperation.

The design and implementation of macroeconomic and financial policies should create incentives that lead to resource allocations consistent with the SDGs. Declining private investment in infrastructure, along with a renewed increase in global carbon emissions in 2017, are stark reminders of our inability so far to sufficiently align investment with long-term sustainable development.

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<sup>1</sup>The global financial crisis of 2008-2009, the European sovereign debt crisis of 2010-2012 and the global commodity price realignments of 2014-2016.

<sup>2</sup>Based on at-market exchange rates.

If left unaddressed, structural impediments will undermine sustainable development prospects. The current cyclical upturn in the global economy provides an opportunity to focus policymaking on addressing longstanding concerns, such as promoting low-carbon economic growth, fostering greater economic diversification, and reducing inequalities.

### *The importance of leaving no one behind*

It is also clear that the gains from stronger economic growth are not shared evenly within countries. For example, although average wage growth is accelerating in developed economies, in several countries there is evidence that these gains have accrued primarily to those at the higher end of the wage distribution.

The gap between the world's richest and poorest people has been widening such that between 1980 and 2016, the top 1 per cent richest individuals saw twice as much growth in their incomes as the bottom 50 per cent.<sup>3</sup>

While recognizing the tremendous potential of new technologies for advancing sustainable development, it is also true that technological developments can drive a shift in income from workers to owners of capital and, within the labour force, to high-skilled workers - thereby contributing to growing inequalities and, in turn, hampering economic growth. Sharing technological dividends broadly and fairly is therefore a critical issue, both within countries and on a global scale. In particular, stronger efforts are needed to close the digital divide between developed and developing countries.

The unequal distribution of costs and benefits of globalization and technological advances is not only reflected in the divergence in incomes and wealth but also in access to health and education, women's empowerment, and environmental sustainability, among others. Growing inequalities in wealth, income and opportunities have been eroding trust and driving alienation of peoples in developed and developing countries alike. This, in turn, has at times led to inward-looking policies.

Ensuring that no one is left behind in these transitions is a major challenge which requires collective action, new policies and effective governance at all levels. Progressive tax and social protection systems are needed as well as designing strong and predictable incentives to make investments that harness new technologies for sustainability and employment.

### *Financing for sustainable development*

The Addis Ababa Action Agenda provides a broad framework for financing sustainable development. Launched last week, a product of collaboration between close to 60 partners, including the World Bank and the IMF, the 2018 report of the Inter-agency Task Force on Financing for Development (IATF) - *Financing for Development: Progress and Prospects 2018*<sup>4</sup>

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<sup>3</sup> World Inequality Lab, 2018. "World Inequality Report 2018." available at <http://wir2018.wid.world/>

<sup>4</sup> [https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report\\_IATF\\_2018.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF_2018.pdf)

- concludes that there has been progress across all the action areas of the Addis Agenda<sup>5</sup>. At the same time, it also identifies a number of risks that may undermine progress to date and underscores the critical importance of both national and multilateral response to reduce those risks. In this context, a number of policy recommendations is offered, which if implemented, would put the world on a sustained and more sustainable growth and development path.

Of particular importance for finance ministers, the IATF report recommends that policy makers address the broader effects of their national tax systems, as well as pursue enhanced international tax cooperation. Tax structures affect society and the economy in many ways. Efforts to strengthen progressivity of fiscal systems, as called for in the Addis Agenda, help tackle inequalities. Taxes also set incentives for private investment, environmental sustainability, improving health outcomes, and affect many other concerns central to the achievement of the SDGs. To address the broad effects of the tax system, whole-of-government approaches to tax policy and administration are needed. Preparing medium-term strategies for tax system reform can help sharpen political will, improve the societal ownership of reforms, and drive the capacity building needed to deliver them.

The global conference of the Platform for Collaboration on Tax, held in February at UN Headquarters, emphasised the key role of taxation in financing the SDGs. The Platform partners issued a statement presenting 14 actions the Platform will take to advance the tax agenda, such as helping developing countries access knowledge, experience and good practices in tax administration and reporting on the spill-overs and opportunities from changes in the international tax environment on and for developing countries.<sup>6</sup> Notwithstanding pressures on multilateralism, this conference showed that there is momentum on the international tax cooperation agenda and on tax capacity development.

One of the major challenges identified by the IATF is increasing debt levels, which raise the spectre of a renewed cycle of debt crises and economic disruption in developing countries. Debt-service indicators among developing countries have deteriorated in a widespread manner, with 35 per cent of low-income countries now being classified as either being at high risk of debt distress or already in debt distress.<sup>7</sup> Many middle-income countries also face high debt levels. Overall, developing country debt payments increased by 60 per cent between 2014 and 2017, reaching the highest level since 2004.<sup>8</sup>

Countries face pressing demands for additional public investments to achieve the SDGs at a time when constraints on further debt financing are likely to become more binding. Effective public investments in infrastructure and productive capacity can have a positive impact on fiscal space and debt sustainability.

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<sup>5</sup> Domestic public resources; domestic and international private business and finance; international development cooperation; international trade; debt sustainability; systemic issues; and science, technology, innovation and capacity building.

<sup>6</sup> [http://www.un.org/esa/ffd/wp-content/uploads/2018/02/platform-for-collaboration-on-tax-2018\\_conference-statement.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2018/02/platform-for-collaboration-on-tax-2018_conference-statement.pdf)

<sup>7</sup> [https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report\\_IATF\\_2018.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF_2018.pdf)

<sup>8</sup> <https://jubilee.org.uk/press-release/developing-country-debt-payments-increase-by-60-in-three-years>

To lessen the financial stress on countries affected by shocks, the international community should work toward realizing the potential of state-contingent debt instruments and other innovative mechanisms. More broadly, a systematic approach to risk management is needed, challenging longstanding assumptions such as providing concessional financing based on income alone, when countries at all levels of income face new sets of interrelated vulnerabilities.

Efforts to improve national policies must also be complemented by efforts to build a more enabling global environment for advancing sustainable development. In particular, greater focus is needed on prevention, risk reduction and crisis response to address financial and economic vulnerabilities and disasters. Indeed, despite preventative measures, the world regularly experiences economic shocks and disasters that set back development progress. The international monetary and financial system should aim to reduce volatility and contain systemic risks while boosting investment, implying continued vigilance on financial regulation. Efforts to lengthen the time-horizons of investors and align the financial system with the SDGs should help achieve our joint goals, while reducing volatility. Ultimately, sustainability and stability are mutually reinforcing.

#### *United Nations collaboration with the International Monetary Fund*

The UN's collaboration with the International Monetary Fund continues to strengthen, in particular when it comes to the Financing for Development (FfD) process. The UN appreciates the continuing partnership with the IMF in this important work, including in the Inter Agency Task Force on FfD. As UN Member States come to an agreement on reforms to the United Nations Development System, including the role of United Nations country teams, we look forward to stronger engagement with the IMF and non-United Nations partners on the ground.

The third ECOSOC Forum on Financing for Development will take place from 23 to 26 April 2018 at the United Nations Headquarters in New York. The ministerial segment will include the Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the WTO, and UNCTAD. This is a critical opportunity to promote greater cooperation, coherence and consistency in the international system.