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Statement by Helen Clark
United Nations



Statement by

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to the

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Greater policy efforts to strengthen global economic recovery

The world continues its uneven ride towards economic recovery. There are some positive signs, but macroeconomic policy co-ordination remains a challenge, and collective action is still needed to avert the risk of financial contagion from Europe to the rest of the world. While greater policy efforts are pursued to ignite economic growth, it is important to ensure that the growth is inclusive and equitable, including by focusing on job creation.

High public debt remains a major issue in many developed economies, and their unemployment rates remain stubbornly high. The phasing of fiscal consolidation and a comprehensive approach to balance growth and fiscal sustainability need careful consideration.

As fiscal space left to stimulate economic activity diminished, monetary policy became the primary short term measure to boost domestic demand. Prospects for slower global growth and decreasing inflationary pressures create room for new rounds of monetary easing in some developed and developing economies. Bolder reforms, however, are needed to address economies' long-term structural problems.

Developing economies continue to lead the global recovery but their growth shows signs of moderate deceleration. The financial deleveraging required to bring down high debt levels in developed economies could have negative spill-over effects on the real economy in all regions. It will be important to assess those effects and assist developing economies to cope with the impacts of financial deleveraging.

Commodity prices continue to be volatile, and that has been exacerbated by soaring oil prices following the latest developments in the Middle East. The volatility poses significant challenges to the welfare of the most vulnerable in some developing countries, as well as to long-term investment decisions and macroeconomic policies overall. Both short-

term emergency support and long-term risk management mechanisms are needed to cope with the consequences of fluctuating commodity prices and to strengthen developing countries' resilience to shocks. Meanwhile, continuing fuel subsidy reforms are important to reduce heavy burdens on government finances and remove existing disincentives to producing and consuming energy more efficiently. Steps to do so, however, need to include mitigation measures for the poor.

As the global economy became more interconnected, the size and volatility of international capital flows increased significantly, with developing countries being particularly vulnerable to the associated macroeconomic risks. The IMF's consideration of how capital account regulation and foreign exchange intervention can be helpful in managing short-term capital flows is therefore to be commended. We encourage further discussion on various policy options for developing countries to cope with financial volatility, reduce the economic disruption from sudden swings, and decrease the perceived need for excessive reserve accumulation.

Such responses should be part of the broader reform agenda of the international monetary system. It remains a concern that the present global reserve system depends on a few major reserve currencies, and, hence, on the national monetary policies associated with them. A more diverse allocation of international reserve assets could reduce the system's exposure to risks stemming from crisis in any single economy, and facilitate trade and investment.

It is encouraging to see the progress made among some developing economies in extending credit in local currencies to boost South-South trade and economic co-operation. Multilateral development banks could consider expanding their bond issues and lending in the currencies of developing countries to deepen the internationalization of developing countries' currencies.

The global financial crisis of 2008 and the recent sovereign debt distress in Europe have underscored the need for an effective global financial safety net. To that end, it is important for the resources available to the IMF to be increased. As one option, that could be achieved by issuing Special Drawing Rights (SDRs). Considerations should be given to including currencies of major emerging market economies in the SDR basket, in recognition of their increased importance in the world economy. Closer co-operation with regional and sub-regional mechanisms could also play an important role in strengthening the global financial safety net.

The challenging transitions in a number of Arab States require support from the Bretton Woods Institutions and the United Nations. There are no uniform prescriptions – each transition has its own dynamic. But some important lessons have been learned from the circumstances which sparked the uprisings. More emphasis needs to be placed on economic inclusion through work and livelihood opportunities which enable all to participate and benefit. Economic inclusion also broadens opportunities in other areas such as access to education and health care, which in turn contribute to greater stability and more sustainable growth in the future.

Financing for sustainable development

The upcoming United Nations Conference on Sustainable Development to be held in June in Rio de Janeiro (Rio+20) can define pathways for achieving a sustainable future, in which basic benchmarks like those in the Millennium Development Goals (MDGs) are achieved, and there are more jobs, more clean energy, greater equity, and decent living standards for all.

High quality, catalytic, and predictable Official Development Assistance (ODA) can help build that better future. It is important that the international community delivers on its ODA commitments.

ODA, however, is only a small part of the development equation. The financing needs for development are vast, and will need to be met through a mix of public and private finance, and through other means such as carbon market mechanisms.

Strengthening effective mobilization of domestic resources will be vital, along with policies aimed at promoting steady private international capital flows and international trade. A mix of information, regulatory, and economic instruments will be needed to leverage private investments, by reducing risks and bringing forward returns.

Climate finance will play an important role for developing countries pursuing sustainable development. The UN is committed to supporting developing countries to access that finance and stands ready to contribute to on-going policy dialogue on the streamlining of international climate financing mechanisms.

Innovative sources of financing for development can also help to bridge the gap between the funding which is available and that which is needed to achieve the MDGs, not least in times of fiscal pressures created by the financial and economic crisis. A range of innovative finance mechanisms have the potential to generate significant, sustainable, and additional resource flows for development, but to date that potential has not been widely tapped.

Measures also need to be taken to tackle illicit financial flows which constitute a major source of domestic resource leakage. They drain foreign exchange reserves, reduce the volume of tax collection, affect investment inflows, and worsen poverty in some of the poorest developing countries. The United Nations system stands ready to strengthen its collaboration with the Bretton Woods Institutions to support developing countries to tackle illicit financial flows.

Financial inclusion underpins the achievement of a number of development goals. Promoting inclusive finance for development is important, not only for the people who lack access to financial services, but also for the soundness and stability of the global financial system, and ultimately for the robustness of the global economy. The United Nations is working closely with the Bretton Woods Institutions to build partnerships and support national efforts for financial inclusion. An important initiative is underway within the G20 to supplement the provision of cash transfers with banking services through private-public partnerships.

As the largest emerging economies are considering establishing their own development bank, new forms of international co-operation for global rebalancing and financing for development are attracting increased attention as a complement to already existing models.

These evolving forms of international co-operation are good opportunities through which to channel excessive savings and accumulated foreign exchange reserves from surplus countries to other developing countries which are short of financial resources for development. Such financial flows could be invested to nurture green growth and sustainable development. That in turn would contribute to reducing global imbalances and promoting a strong, balanced, and sustainable global economy in the long run. It is important that the experience and resources of the full multilateral development system are drawn upon as these new forms of international co-operation for global rebalancing and financing for development evolve.

Global economic governance reform to address global challenges

Global challenges call for effective multilateral approaches and solutions.

The United Nations is committed to playing its part by strengthening the effectiveness and efficiency of its own systems, and by working with other partners to further global economic governance reform.

By bringing together large advanced and emerging economies, G20 leaders formulated a co-ordinated response to the global economic crisis in 2009, and decided to advance governance and quota reform at the IMF. The commitment of the G20 to a comprehensive review of the quota formula by January 2013, and to the completion of the 15th quota review to implement a further quota adjustment by January 2014, is encouraging. More could be done, however, to strengthen the governance structures of the Bretton Woods institutions through an inclusive approach and commitment for further reform.

The G20's co-ordinated policies have impacts beyond its membership. That makes its networking and interaction with the formal multilateral system – of which the UN is at the centre - vital. The UN looks forward to continuing to work with the Bretton Woods Institutions and the G20 to find common solutions to global economic challenges.