



TECHNICAL GROUP MEETING

March 10-11, 2014

Luxor, Egypt

CLOSING REMARKS

On behalf of the Government of Egypt, I would like to officially call the meeting to a close and take the opportunity to thank all of you for participating in this important event.

We had three excellent sessions over the last two days on issues central to the aspirations and agenda of the Group at this juncture.

With regards to the global economy, we are facing a more uncertain environment, with an immediate challenge arising from the tapering of exceptional monetary policy by the US Federal Reserve and other major advanced economies, and a less favorable external environment in the medium term. As we heard from Mr Akyüz, the response of advanced economies following the crisis may have had an adverse impact on both the global economy in general and developing countries specifically. Though EMDCs played a countercyclical role in the crisis aftermath, many have been left in a more vulnerable position as a result of significant widening in their current account deficits and an erosion of their fiscal space.

Given that the full effects of monetary policy normalization are not yet being felt, it is likely that more uncertainty and turbulence lies ahead. It is therefore crucial for G-24 members to be prepared to respond to the immediate uncertainties as well as the less favorable external environment, with greater emphasis on their domestic economies as the engines of growth. Yet, as Mr Izuerita pointed out that there is no simple prescription for achieving this end, given the heterogeneity across EMDC economies. It is nevertheless clear that fiscal policy must not be driven by austerity alone, but rather by growth-maximization objectives. This involves a focus on employment, productivity and inclusion, as the G-24 has emphasized strongly in recent years. Coming together to share insights and to develop a collective position on the challenges and responses to global economic uncertainty, including tapering, will be a crucial task for the upcoming Ministerial and beyond.

The second session on financing for development was also very productive. This is a timely and relevant matter for our members, given its centrality in achieving our growth and development goals, as well as the process underway in the UN on the post-2015 development agenda. Discussions emphasized that it will be important to move from the narrow conception of development captured within the MDGs to a more broad, ambitious and coherent development agenda. It will also be crucial to assess the financing implications of this agenda and ensure that adequate, sustainable resources are available to achieve these aspirations. While ODA alone will not be sufficient, it still has a crucial role to play, especially in the poorest countries and most difficult circumstances, and to this end advanced economies should not neglect their commitments.

As Mr. Bhattacharya noted, it is clear that the financing environment of today is very different from that of a decade ago at Monterrey. He highlighted three key areas in which we should focus our attention. First, as Mr. Ahmad pointed out, it will be crucial strengthen public finance and the delivery of public goods, especially by addressing revenue challenges at different levels of government through effective instrument design in the context of better governance and accountability. Second, we must evaluate the prospects and challenges associated with private financing and find instruments and approaches to improve intermediation of risks and utilize a wider pool of resources. Finally, we must recognize the importance of infrastructure, where the financing needs are perhaps the most enormous, and where the challenges of public and private financing intersect. Development banks will undoubtedly have an important role to play and will need to strengthen their current level of engagement.

For the Group, it will be crucial to build on yesterday's discussions and establish how the perspective of Finance Ministers and Central Bank Governors can contribute to shaping the post-2015 development agenda, as well as to the discussions on financing, particularly vis-à-vis the systemic dimensions. Partnership with the wider community of developing countries, including with the G-77, will be important in this regard.

We heard this morning from Ms. Ramadan who highlighted the challenges facing the Egyptian economy and the government's policy responses. Following the popular uprising and related economic slowdown, fiscal spending pressures increased and international reserves declined. She described the ongoing government policies that aim to invigorate growth and employment, with attention to social justice concerns, and to bring debt levels back to a declining trend.

This brought us to today's broader discussion on debt and debt sustainability. It is clear this issue is a central concern for the Group, especially in the aftermath of the crisis. While Ms. Bala's presentation illustrated the improved debt situation in many EMDCs, there are still obvious fragilities that must be recognized and addressed, particularly in regions such as the Caribbean and to address potential

problems in the wider EMDC community. She described the various mechanisms to reduce debt, including fiscal adjustment, higher growth, innovative loan mechanisms, debt relief---and debt restructuring when the other mechanisms are not sufficient.

It will be important for the G-24 to engage in the range of discussions underway on this issue, including:

- On the debt sustainability framework and debt ceiling in the IMF
- On IDA non-concessional borrowing policies
- On debt restructuring; and
- In the G-20 on sustainable lending

Ms. Li outlined the wide range of work that UNCTAD is undertaking on debt and debt sustainability challenges for EMDCs. She raised some concerns regarding rising debt levels for some countries, including those that received debt relief under the HIPC initiative and whose debt -to-GDP levels are again very worrying. Ms. Li also shared her views on debt restructuring approaches and sovereign debt workouts, which will be helpful to the ongoing discussions in the IMF. Mr. Diallo discussed the implications of the proposed changes of the IMF's debt ceiling for low-income countries. He emphasized that there is a need for nuanced approaches across the board, recognizing the unique needs of low-income countries and allowing flexibility for more growth-oriented finance strategies rather than excessive intrusiveness. From Mr. Chodos' presentation, it is clear that the Supreme Court case of NML vs Argentina has systemic relevance for all EMDCs, because of what it implies for both sovereign immunity as well as for *pari pasu* clauses. In a way, the whole architecture will become undermined if there are incentives for this kind of predatory behavior.

Overall, the discussion this morning on debt will provide sound footing for further debate in the coming months, as the Group develops a clear position and engages with the wider community of stakeholders and institutions.

To conclude today, I should note that a summary of the last two days' proceedings will be circulated to all our members, together with the presentations provided by our speakers. We will also use the outcome of these discussions to prepare the issues note that will form the basis of discussion at the Ministerial next month.

On behalf of the Chair, it was a real privilege for Egypt to host this Technical Group Meeting. I think the quality of the discussions has been outstanding, and this will help to shape the Ministerial and ongoing work program. I would like to take the opportunity to thank all the speakers for their hard work and contributions, as well as each and every one of you for your active participation and for the efforts you have made to be here. I would also like to thank my own

Minister for having traveled to open the meeting and share his thoughts. In addition, many thanks go to the logistics team that helped prepare the meeting, both from the Ministry and from the G-24 Secretariat.

I hope you have all enjoyed your time in Luxor and I look forward to seeing many of you next month in Washington.