

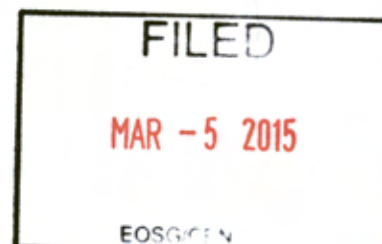
**Note to the Secretary-General  
(through the Deputy Secretary-General)**

G20 Mission Report, Finance Ministers and Central Bank Governors Meeting

1. The first Finance Ministers and Central Bank Governors Meeting of the Turkish Presidency took place on 9 and 10 February 2015. It resulted in a Communiqué reiterating the G20 Leaders commitment to achieve strong, sustainable and balanced growth, and to create jobs and foster inclusiveness.
2. Global economic growth remains subdued and uneven. The economy of the United States shows signs of strength, while the Eurozone and Japan continue to struggle against deflation and recession. The impact of the decline in oil prices has been positive for oil importers, who should profit by reducing energy subsidies, while oil exporters are experiencing difficulties. Oil prices have also generated financial markets volatility. To handle downside risks, effective macroeconomic coordination will be critical.
3. G20 members' growth strategies will be accompanied by investment initiatives, especially in infrastructure, with the support of the Global Infrastructure Hub created during Australia's presidency and multilateral development banks. The Turkish Sherpa has called for new initiatives on inclusive business development, with the participation of the United Nations Development Programme and Sustainable Energy for All (SE4All) with a focus on Africa, in which the SE4All SRSG is involved. The climate finance working group will also resume activities.
4. The United Nations made a statement calling on G20 members to support the Financing for Development process. As a result, the Communiqué stated the G20 support to "achieving a successful outcome of the Third International Conference on Financing for Development, to be held in July 2015 in Addis Ababa, Ethiopia, towards the implementation of the post-2015 development agenda".
5. The post-2015 sustainable development agenda will be further discussed in the next Sherpa Meeting in March 26-27. The World Bank Group and the International Monetary Fund delegations expressed their strong support to the agenda.



Paul Akiwumi  
2 March 2015



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DSG, CdC  
AJM, SPH

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G20: Mission Report  
First Finance Ministers and Central Bank Governors Meeting  
Istanbul, 9-10 February, 2015<sup>1</sup>

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EXECUTIVE OFFICE  
OF THE SECRETARY-GENERAL

1. The Finance Ministers and Central Bank Governor's (FM/CB) had a constructive discussion and endorsed the G20 Communiqué that commits to implement the Leaders' mandate adopted at the Brisbane Summit. The Turkish Presidency highlighted its plans to structure Ministerial meetings to reinforce the G20 agenda on energy, trade and labor.

2. **Global Economy.** The IMF has once again revised the global growth forecast downwards by ¼ of a per cent to 3.5 per cent for 2015. Not only is the global growth performance subdued but it also remains uneven. The good news is the pickup in US growth and payroll data; meanwhile the drop in unemployment reflects slack in its labor market conditions. Fed Reserve resolved to manage the expectations for the interest rate hike cycle with continued effective communication. Depending on core inflation data, there will be a move to exit, in a sequential manner, the zero interest rate policy. The Eurozone remain the 'softest patch,' in particular Greece, with inflation remaining well below 2 per cent partially; the ECB's new asset purchase program of €60 billion to avert deflationary risks was widely seen as welcome sign. Recognizing Japan was currently in technical recession, there is expectation that its growth is likely to be boosted from continued policy stimulus; the postponement of the VAT hike; and the depreciation of the Yen. Latin American growth faltered too. Rebalancing in China has slowed down growth. India, with its new dynamism, is set for higher growth outcomes.

3. **Impact of Oil Price Decline.** Impacting the short-term global scenario is the sharp decline in supply-induced and efficiency-driven oil prices (55 per cent against the September 2014 level). This, is, however, perceived as a once off 'shot in the arm' for the global economy, given considerable uncertainty regarding future trends in oil prices. The fall in international oil prices, as anticipated, has had divergent impacts. Spillover has been a relief for oil importers – but it was underscored that they need to safeguard the fiscal and external account space, and avail themselves of the opportunity to wipe out energy subsidies. To the extent that the decline in oil prices has been passed on, consumers have benefited from income and cost channels. Oil exporters are facing economic difficulties, particularly those with smaller foreign exchange reserve buffers and less diversified economies.

4. **Downside risks.** The global economy faces a number of existing and some new downside risks. Most importantly, global demand drivers remain subdued, requiring continued accommodative monetary stances. Effective macroeconomic policy coordination remains critical as the Yen depreciation (largely driven by the Japanese monetary stance) and US appreciation (driven by interest rate expectations), along with the oil price phenomena, have consequences. US position was that appreciation of the dollar is a drag on its exports, and as such its ability to serve as sole driver of global demand would eventually hit its limits, and not without consequences for US structural imbalances. Given the magnitude of oil price shocks, signs of financial market volatility are quite visible. The Bank for International Settlements shared evidence that the lowering of oil prices has generated balance sheet stresses on highly leveraged oil-producing companies, which are now scaling back or deferring oil investments. gyrations are also felt in the currency and equity markets, as well as in other commodity markets.

<sup>1</sup> I attended both Deputies and FM/CB meetings (representing UNDP Administrator). UN Team included DESA and UNDP colleagues too.

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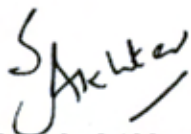


5. **Growth Framework.** Consistent with the '3I's' – the key objectives of the Turkish Presidency – the G20 resolved to focus on "Inclusion, Implementation and Investment." G20 members reiterated their intention to review "...[S]trategies to ensure they remain appropriate in light of changing circumstances." The Growth Framework Working Group, with the support of the IMF and OECD, will be monitoring progress in this area. To be realistic it was agreed that the focus will be on a core set of structural reforms, which have significant impact on growth, while remaining measures are to be assessed on a self-compliance basis, but subject to peer review.

6. **Investment Initiative.** Members agreed on early adoption of country specific investment strategies to promote the business environment and financial intermediation. Calls were made on MDBs to enhance their role in infrastructure development. Australia reassured on the swift operationalization of the knowledge sharing and policy advice from the Global Infrastructure Hub and announced its commitment to allocate \$30 million for this Hub, and plans to form a Board of a select group of G20 members. Recognizing the significance of investment in infrastructure I called on members for their support to the agenda of the financing for development which is critical for uplifting the aggregate global demand and ensuring inclusive and sustainable development. See below my intervention in the investment session on the topic.

7. Role of inclusive growth was recognized to be critical. This is, however, being pursued exclusively in the Sherpa track. In my discussions with Turkey, I emphasized the need for a greater interface between the Ministers' and Sherpa's tracks. On the Sherpa side, there is broad-based support for the post-2015 sustainable development agenda, and the Turkish Sherpa has called for work on two new initiatives: Inclusive Business Development (a partnership with UNDP/WB/OECD) and Sustainable Energy for All with focus on Africa (Kandeh Yumkellah, SRSG/CEO of SE4All). Task forces for these initiatives have been formed and work is being initiated.

8. **In conclusion,** the G20 FM/CB core agenda is thus far being kept quite tight and is supportive of stronger accountability for country growth strategies, while maintaining vigilance over the downside risks. Lurking fears remain of growth being disrupted by a range of vulnerabilities and downside risks. The debt overhang of highly-leveraged oil producing companies and the structural rigidities facing oil exporters do not allow much room for maneuverability. Lifting global demand will be key in the process, and all steps to fast-track the development agenda are critical – effective sequencing of two elements is critical as both will reinforce each other. The Managing Director of the IMF and the Head of the World Bank delegation offered strong support for the post-2015 sustainable development agenda, which will be further pursued under the Sherpa track. In the interim, galvanizing G20 support for the financing for development agenda (through extensive sideline efforts with members and the MDBs) has paid high dividends and raised awareness for the FMs/CBs proactive engagement for financing for development the final Communique. With this, and the endeavors of the last few weeks to initiate work on Inclusive Business Development and SE4All, along with a revival of the climate finance working group, there is support emerging for the sustainable development agenda. Managing the dialogue with G20 Finance Ministers and Central Bank Governors effectively is critical in coming months.



**Shamshad Akhtar**

Monday, February 16, 2015

cc: Helen Clark, Wu Hongbo, Susana Malcorra, G20 Team Members

## **UN Statement Financing for Development**

In charting the road ahead for post-2015 development, 2015 will witness the adoption of the sustainable development goals (SDGs) – as successors to the Millennium Development Goals (MDGs), as well as new arrangements and agreements on climate change action. These two tracks will both require a dynamic supportive framework for financing development.

Support of the G20 finance ministers at the Third International Conference on Financing for Development, in July 2015 in Addis Ababa, will be essential. This Conference will not be a “pledging session,” but there is need to recognize that the FMs/CBs have a crucial role in the effective implementation of the post-2015 sustainable development agenda. UN welcomes the G20 role in promoting strong, sustainable and balanced growth. Global and financial stability and sound and well balanced financial sectors supported by effective financial regulations are critical to support the much needed financing for the emerging financing needs of the sustainable development agenda to which your Government’s are committed.

Work is already well underway to agree on the broad contours of the framework for financing development. Representatives of Ministries of Finance; central banks; major institutional stakeholders (including the IMF and the World Bank); as well as private financiers and the corporate sector are all participating in shaping this financing framework.

In the debates thus far, there has been broad agreement to address the full remit of the Financing for Development agenda, including all financing sources and enabling environments. Without appropriate and timely availability of an adequate level and mix of finance (long and short term financing, equity, debt, institutional investments, FX/Local currency etc.), and leveraging mechanisms to attract risk capital progress on the development agenda will suffer.

Development, and sustainable development, is instrumental both for stimulating aggregate global demand, and to enhance growth potential and productivity. Inclusive growth and inclusive finance will help address deep rooted and rising inequalities particularly as evidence confirms it hampers growth. Ambition of robust growth can be realized through coordinated action to support sustainable development which in turn calls for action to direct finance for development.

The finance debates also recognize the need to broaden the global compact from ODA alone, to also focus on ways to:

- Effectively exploit and deploy domestic resources for development, both in terms of stronger tax and capital market funds; and
- Attract international private funders and institutional investors to finance development;
- The framework will also need to recognize the multiple issues which challenge the mobilization of private finance: such as an enabling domestic environment; inclusive finance; the need to leverage finance of long-term and higher-risk projects; as well as the need to think through climate finance dynamics.

Elements of UN-outcome document on finance will certainly cover these aspects and include: innovative financing; structuring international cooperation to meet the technology requirements; and to address illicit flows; tax avoidance and evasion; as well as reducing the cost of remittances and debt management.





**Fw: G20 Finance Ministers and Central Bank Governors Meeting mission report from Ms. Shamshad Akhtar**

SGCentral to: Jethro Lim

Sent by: Jill Annitto

20/02/2015 09:05 AM

----- Forwarded by Jill Annitto/NY/UNO on 20/02/2015 09:05 AM -----

From: Michele Von Rautenkranz/BKK/UNO@ESCAP  
To: SGCentral/NY/UNO@UNHQ,  
Cc: Jill Annitto/NY/UNO@UNHQ, Margaret King/NY/UNO@UNHQ, Pornthip Boonyasiriluck/BKK/UNO@ESCAP  
Date: 19/02/2015 10:58 PM  
Subject: G20 Finance Ministers and Central Bank Governors Meeting mission report from Ms. Shamshad Akhtar

To Whom It May Concern,

Ms. Shamshad Akhtar would like to bring to the Secretary-General's attention the attached mission report for the first G20 Finance Ministers and Central Bank Governors Meeting, which she recently attended as Head of Delegation and Sherpa in Istanbul, 9-10 February 2015.

This report has also been shared with the Deputy Secretary General, the Chef de Cabinet and colleagues in DESA and UNDP.



G20. Akhtar. Mission Report. FMCB. Feb 2015.pdf

Best regards,

**Michele von Rautenkranz (Ms.)**

**Special Assistant to the Executive Secretary**

United Nations Economic and Social Commission for Asia and the Pacific

Tel: +66 2288 1954, Fax: +66 2288 1051, Email: rautenkranz@un.org

www.unescap.org



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<b>Subject</b> G20 Mission Report, Finance Ministers and Central Bank Governors Meeting	<b>Date:</b> <u>Flavio A. 2015</u>	<b>Date:</b> <u>4/3/15</u>
<b>Seen in ODSG by:</b> <u>PVF2</u>	<b>Comment (if applicable):</b>	
<b>Date:</b> 3 Marvh 2015		
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