Italian G20 Presidency

Fourth G20 Finance Ministers and Central Bank Governors meeting

Communiqué
13 October 2021

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In the last months, the global recovery has continued at a solid pace, underpinned by the roll out of vaccines and continued policy support. However, the recovery of economic activity remains highly divergent across and within countries and exposed to downside risks, in particular the possible spread of new variants of COVID-19 and uneven vaccination paces. We reaffirm our resolve to use all available tools for as long as required to address the adverse consequences of COVID-19, in particular on those most impacted, such as women, youth and informal and low-skilled workers, and on inequalities. We will continue to sustain the recovery, avoiding any premature withdrawal of support measures, while preserving financial stability and long-term fiscal sustainability, and safeguarding against downside risks and negative spillovers. Central banks are monitoring current price dynamics closely. They will act as needed to meet their mandates, including price stability, while looking through inflation pressures where they are transitory and remaining committed to clear communication of policy stances. We reaffirm our commitment to advancing the forward-looking agenda set in the *G20 Action Plan* to steer the global economy toward strong, sustainable, balanced and inclusive growth, as updated in April 2021, and welcome the *Fourth Progress Report* (Annex I). We confirm our April 2021 commitments on exchange rates. We reaffirm the important role of open and fair rules-based trade in restoring growth and job creation and our commitment to fight protectionism, and encourage concerted efforts to reform the World Trade Organization.

We remain determined to bring the pandemic under control everywhere as soon as possible, and welcome efforts towards pandemic prevention, preparedness and response (PPR), including commitments made in the Declaration of G20 Health Ministers. We thank the Multilateral Leaders Task Force for its efforts and encourage it to work to accelerate access to and on-the-ground delivery of COVID-19 tools. We will strive to help address the bottlenecks and shortages of COVID-19 tools in low- and middle-income countries over the coming months, reaffirming our commitment to ensuring a safe, equitable and affordable access to vaccines, therapeutics and diagnostics. We recognise the role of COVID-19 immunisation as a global public good. We reaffirm our support to all collaborative efforts, most notably including the Access to COVID-19 Tools Accelerator (ACT-A) and its COVAX Facility, and underline the need to address the financing gaps of all ACT-A pillars. We look forward to discussing concrete proposals at the Joint G20 Finance and Health Ministers' meeting on 29 October to strengthen future pandemic PPR and improve international governance, financing and coordination between global health and finance policy makers. This can include exploring the development of coordination arrangements between Finance and Health Ministries that recognise the crucial leadership role of the World Health Organization in the international health work.

After the historic agreement reached in July on the key components of the two pillars on the reallocation of profits of multinational enterprises and an effective global minimum tax, we endorse the final political agreement as set out in the *Statement on a two-pillar solution to address the tax challenges arising from the digitalisation of the economy* and in the *Detailed Implementation Plan*, released by the *OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)* on 8

October. This agreement will establish a more stable and fairer international tax system. We call on the *OECD/G20 Inclusive Framework on BEPS* to swiftly develop the model rules and multilateral instruments as indicated in and according to the timetable provided in the *Detailed Implementation Plan*, with a view to ensure that the new rules will come into effect at global level in 2023. We welcome the Organisation for Economic Co-operation and Development (OECD) report on *Tax and Fiscal Policies after the COVID-19 Crisis*. We note the OECD report on *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* identifying developing countries' progress made through their participation in the *OECD/G20 Inclusive Framework on BEPS* and possible areas where domestic resource mobilisation efforts could be further supported. We look forward to further discussing, on a regular basis, the initiatives undertaken to follow up the recommendations included in the report.

We will continue to explore and address the implications of major economic, social, environmental, technological and demographic challenges including through our recovery strategies. Drawing on the *G20 Menu of Policy Options - Digital Transformation and Productivity Recovery*, we will continue discussing policies to sustain productivity growth, and to help ensure that the benefits are evenly shared within and across countries and sectors. Small and medium-sized enterprises (SMEs) are important engines of innovation, growth, job creation and social cohesion and we look forward to the revision of the *G20/OECD high level principles on SME financing* in 2022. We recognise the importance of good corporate governance frameworks and well-functioning capital markets to support the recovery, and look forward to the review of the *G20/OECD Principles of Corporate Governance*.

We agree to coordinate our efforts to tackle global challenges such as climate change and environmental protection, and to promote transitions towards greener, more prosperous and inclusive economies and societies. Tackling biodiversity loss remains an urgent priority. Following up on our July 2021 engagement on climate action, we call on different G20 work streams to act in synergy, within their respective mandates and while avoiding duplication, to inform our discussions on the most appropriate policy mix to move towards low-greenhouse gas emission economies, taking into account national circumstances. We agree on the importance of conducting, through the Framework Working Group, a more systematic analysis of macroeconomic risks stemming from climate change and of the costs and benefits of different transitions, including by drawing on well-established methodologies. We look forward to further analysis on macroeconomic and distributional impacts of risk prevention strategies and mitigation and adaptation policies. Sharing policies implemented by G20 members can also help inform our discussions. We take note of the outcome document of the first *G20 Infrastructure Investors Dialogue* on financing sustainable infrastructure for the recovery and we look forward to further collaboration between public and private investors to mobilise private capital. To support clean energy transitions, our policy mix should include a wide range of fiscal, market and regulatory mechanisms, including, if appropriate, the use of carbon pricing mechanisms and incentives, while providing targeted support for the poorest and the most vulnerable. We take note of the final *IMF/OECD Report on Tax Policy and Climate Change*. We recognise that our G20 Finance Track policy dialogue on the macroeconomic and fiscal impact of climate change policies could benefit from further technical work. We acknowledge the importance of climate finance, technology transfer and investment in innovative technologies that promote decarbonisation and circular economy. We encourage International Financial Institutions, including Multilateral Development Banks (MDBs), to step up their efforts to pursue alignment with the Paris Agreement within ambitious timeframes and finance sustainable recovery and transition strategies, Nationally Determined Contributions and long term low greenhouse gas emission development strategies in emerging markets and developing economies and to set out plans to mobilise private finance, in line with their mandates and internal approval procedures, while continuing to support the achievement of the United Nations 2030 Agenda.

Sustainable finance is crucial for promoting orderly and just transitions towards greener and more sustainable economies and inclusive societies, in line with the 2030 Agenda for Sustainable Development and the Paris Agreement. We endorse the *G20 Sustainable Finance Roadmap* and the *Synthesis Report* prepared by the Sustainable Finance Working Group (SFWG). The Roadmap, initially focused on climate, is a multi-year action-oriented document that is voluntary and flexible in nature. With the support of International Organisations (IOs) and partners, it will inform the broader G20 agenda on climate and sustainability, future work plans of the SFWG and other relevant international work streams. It is complemented by the Financial Stability Board (FSB) *Roadmap for addressing climate-related financial risks*, and is designed to accommodate the evolving sustainable finance landscape and the G20 priorities going forward, taking into account national circumstances. We recognise the importance of gradually expanding the *G20 Sustainable Finance Roadmap*'s coverage to include additional issues, such as biodiversity and nature as well as social matters, based on mutual agreement by G20 members in the coming years. In the spirit of encouraging responsible innovation, we welcome the successful completion of the 2021 G20 TechSprint, a joint initiative with the Bank for International Settlements (BIS) Innovation Hub, which focused on operational issues related to green and sustainable finance.

Recognising universal, secure, affordable, advanced and well-functioning digital infrastructure as an important driver for the economic recovery, we endorse the *G20 Guidelines for Financing and Fostering High-Quality Broadband Connectivity for a Digital World,* developed with the support of the OECD. We welcome the non-binding and voluntary Global Infrastructure Hub (GI Hub) *Compendium of Innovative Funding and Financing Measures for Green and Circular Infrastructure* and the *Roadmap for Enabling Circular Economy Potential in Infrastructure*. Building on previous efforts, we will continue, in a flexible manner, the dialogue between public and private investors to mobilise private capital. We take note of the discussions held at the *G20 High Level Conference on Local Infrastructure Investment* organised on 27 September 2021 in Genoa to promote knowledge sharing between local authorities and national governments. We underline the importance of inclusive infrastructure and take note of the contributions from OECD and other IOs in this regard. We welcome advancing the work on the *G20 Principles for Quality Infrastructure Investment* (QII), and take note of the work on possible QII indicators prepared by the International Finance Corporation, and look forward to further discussion in this area at the next Infrastructure Working Group meeting. We reiterate the need to better inform infrastructure investment decisions, including through the *G20 Roadmap for Infrastructure as an Asset Class* and the ongoing work of related initiatives by IOs on access to data, such as the Infrastructure Data Initiative. We agree to extend the GI Hub mandate until the end of 2024.

We renew our commitment to supporting vulnerable countries affected by the COVID-19 pandemic. We welcome the new general Special Drawing Rights (SDR) allocation implemented by the International Monetary Fund (IMF) on 23 August 2021, which has made available the equivalent of USD 650 billion in additional reserves globally. We also welcome the measures to enhance transparency and accountability in the reporting and use of SDRs. We appreciate the recent progress by the IMF towards providing actionable options for members with strong external positions to voluntarily channel a share of their allocated SDRs, in accordance with national laws and regulations, to help vulnerable countries. We are working on the implementation of the significant scaling up of the Poverty Reduction and Growth Trust's lending capacity and call for further loan and subsidy contributions from countries able to do so. We call on the IMF to establish a new Resilience and Sustainability Trust (RST) – in line with its mandate – to provide affordable long-term financing to help low-income countries, small developing states, and vulnerable middle-income countries to reduce risks to prospective balance of payment stability, including those stemming from pandemics and climate change. The new RST should preserve the reserve asset characteristics of the SDRs channelled through the Trust. We call upon the IMF and World Bank (WB) to collaborate closely to develop and implement financing under the RST. We also remain open to consider viable options to voluntarily channel SDRs to MDBs. We call for additional IMF members to consider signing voluntary SDR trading arrangements to enhance market capacity. We thank the IMF for its update on the surcharge policy and look forward to further discussion of it at the IMF Executive Board in the context of the precautionary balances interim review.

We welcome the progress achieved under the G20 Debt Service Suspension Initiative (DSSI), which is also agreed by the Paris Club. All official bilateral creditors should implement this initiative fully and in a transparent manner. We welcome MDBs disbursement of USD 55.8 billion on to DSSI-eligible countries over the period between April 2020 and September 2021, equivalent to USD 40.9 billion in net transfers, as part of their USD 230 billion commitment to support emerging and low-income countries in response to the COVID-19 pandemic. We welcome the IMF disbursements of USD 24 billion (USD 20.5 billion in net transfers) to DSSI-eligible countries from April 2020 through September 2021 through its various facilities, including the Catastrophe Containment and Relief Trust (CCRT). We support the IMF to secure additional donor contributions to the CCRT to provide debt service relief for COVID-19 and future shocks.

We welcome the recent progress on the *Common Framework for debt treatment beyond the DSSI*. We commit to step up our efforts to implementing it in a timely, orderly and coordinated manner. These enhancements would give more certainty to debtor countries and facilitate the IMF's and MDBs' quick provision of financial support. We also support early engagement of borrower countries and private creditors in the *Common Framework* process. We will continue to work towards addressing debt vulnerabilities. We note that Creditor Committees may discuss and find appropriate solutions on a case-by-case basis for those countries that have requested debt treatment. We reaffirm the importance for other official bilateral creditors and private creditors of providing debt treatments on terms at least as favourable, in line with the comparability of treatment principle, and urge in particular Chad's private creditors to act swiftly. We also welcome the establishment of the creditor committee for Ethiopia, and look forward to progress in the negotiations. We look forward to progress in the discussions between the IMF and Zambia. We recall the forthcoming work of the MDBs, as stated in the *Common Framework*, in light of debt vulnerabilities. We reiterate the importance of joint efforts by all actors, including private creditors, to continue working towards enhancing debt transparency. We look forward to progress by the IMF and World Bank Group on their proposal of a process to strengthen the quality and consistency of debt data and improve debt disclosure. We welcome the improvement in implementation of the *G20 Operational Guidelines for Sustainable Financing*, as highlighted by the results of the second voluntary self-assessment, and encourage continued progress, while respecting domestic processes. We look forward to the launch of the joint Institute of International Finance (IIF)/OECD Data Repository Portal and encourage all private sector lenders to adhere to this initiative, in line with the *IIF Voluntary Principles for Debt Transparency*. The G20 takes note of the IMF's ongoing work on ways to improve the architecture for sovereign debt restructurings involving private sector creditors.

We reaffirm the crucial role of the MDBs' long-term support towards achieving the Sustainable Development Goals (SDGs). Acknowledging the high financing needs of low income countries, we look forward to an ambitious IDA20 replenishment by December 2021, including through the sustainable use of International Development Association's balance sheet. We also look forward to the future African Development Fund-16 replenishment in 2022. We look forward to the Independent Review of MDBs' Capital Adequacy Frameworks. We welcome the progress made within the G20 Compact with Africa and reiterate our continued support to the initiative. We welcome the Finance in Common Coalition and recognise the important role of Public Development Banks towards the achievement of the SDGs and the Paris Agreement goals. We look forward to the *2021 Finance in Common Summit* on 19 and 20 October in Rome and ask the Coalition to report on its progress in 2022.

We reiterate our commitment to strengthening long-term financial resilience and supporting inclusive growth, including through promoting sustainable capital flows, developing local currency capital markets and maintaining a strong and effective Global Financial Safety Net with a strong, quota-based, and adequately resourced IMF at its centre. We look forward to the forthcoming review of the IMF's Institutional View on the liberalisation and management of capital flows, informed, among others, by the Integrated Policy Framework. We remain committed to revisiting the adequacy of IMF quotas and will continue the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by 15 December 2023.

We remain committed to a cooperative approach aimed at ensuring that the financial sector provides adequate support to the recovery while preserving financial stability. We look forward to the FSB final report on the lessons learnt from the COVID-19 pandemic from a financial stability perspective and the proposed next steps to address the issues it identifies. While the global financial system has been largely resilient, some areas of the regulatory framework, such as the functioning of capital and liquidity buffers and potential sources of pro-cyclicality, will be further evaluated; gaps remain which we are committed to addressing, including by completing the remaining elements of the G20 regulatory reforms agreed after the 2008 financial crisis. We are committed to strengthening the resilience of the non-bank financial intermediation (NBFI) sector with a systemic perspective, and reducing the need for extraordinary central bank interventions, by implementing the November 2020 FSB workplan and addressing vulnerabilities exposed by the March 2020 market turmoil with urgency. As a first step, we endorse the FSB final report on policy proposals to enhance money market fund (MMF) resilience. We will assess and address MMF vulnerabilities in our jurisdictions, using the framework and policy toolkit in the report, recognising the need to tailor measures to jurisdictions' specific circumstances, as well as taking account of cross-border considerations. We call on the FSB, working with the International Organization of Securities Commissions (IOSCO), to conduct, by the end of 2023, a stocktake of progress made by member jurisdictions in adopting reforms to enhance MMF resilience, followed-up, by 2026, with an assessment of the effectiveness of the measures adopted by jurisdictions in addressing financial stability risks. We look forward to the FSB progress report on NBFI, which will bring together findings across the NBFI work plan and identify areas where further policy action is needed to enhance NBFI resilience, including to improve NBFI risk monitoring and to mitigate liquidity risks in open-ended funds. Given the cross-border nature of NBFI, international cooperation and coordination is necessary. We also look forward to the FSB examining the interactions between USD cross-border funding and NBFI-related vulnerabilities in Emerging Market Economies' external financing. We welcome the FSB Report on Cyber Incident Reporting and will work to achieve greater convergence in this area.

We reiterate our commitment to a timely and effective implementation of the *G20 Roadmap to enhance cross-border payments*. We welcome the progress reported against milestones set for 2021, and we endorse the ambitious but achievable quantitative global targets for addressing the challenges of cost, speed, transparency and access by 2027 set out in the FSB report. The success of this work depends on the commitment of public authorities and the private sector, working together in a coordinated manner. We also welcome the FSB Progress Report on Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements. We reiterate that no so-called "global stablecoins" should commence operation until all relevant legal, regulatory and oversight requirements are adequately addressed through appropriate design and by adhering to applicable standards. We encourage jurisdictions to progress in the implementation of the FSB High-Level Recommendations, and standard setting bodies to complete their assessment of whether to make any adjustments to standards or guidance in light of the FSB Recommendations, which will inform the review of the FSB Recommendations in 2023. In this regard, we welcome the Committee on Payments and Market Infrastructures (CPMI)-IOSCO consultative report setting out that, where a stablecoin arrangement performs a transfer function and is determined by authorities to be systemically important, the stablecoin arrangement as a whole would be expected to observe all the relevant Principles for Financial Market Infrastructures. We also welcome the second 12-month review on the global implementation of the Financial Action Task Force (FATF) standards on virtual assets and virtual assets service providers and look forward to the updated Guidance for a risk-based approach in the sector. In line with the findings of the review, we note the importance of jurisdictions implementing the revised FATF Standards on virtual assets. We encourage the CPMI, BIS Innovation Hub, IMF and WB to continue deepening the analysis on the potential role of central bank digital currencies in enhancing cross-border payments and their wider implications for the international monetary system.

We reaffirm our commitment to enhancing digital financial inclusion of vulnerable and underserved segments of society, including micro, small and medium-sized enterprises (MSMEs), carrying forward the work of the Global Partnership for Financial Inclusion (GPFI) and implementing the *G20 2020 Financial Inclusion Action Plan*. We therefore endorse the G20 Menu of Policy Options for digital financial literacy and financial consumer and MSME protection "*Enhancing digital financial inclusion beyond the COVID-19 crisis*", with the aim to provide a guide for policymakers in their efforts to lay the ground for new financial inclusion strategies in the post-pandemic world. We look forward to the review of the *G20/OECD High-Level Principles for Financial Consumer Protection* in 2022. We welcome the *2021 Update to Leaders on Progress Towards the G20 Remittance Target*. We support the GPFI in bringing forward the monitoring of National Remittances Plans, also gathering more granular data, and strongly encourage the continued facilitation of the flow of remittances and the reduction of average remittance transfer costs.

We reaffirm our full support for the FATF and recognise that effective implementation of Anti-Money Laundering/Countering the Financing of Terrorism and Proliferation (AML/CFT/CPF) measures is essential for building confidence in financial markets, ensuring a sustainable recovery and protecting the integrity of the international financial system. We stress the relevance of risk-based approach in the FATF recommendations with the aim to ensure legitimate cross-border payments and to promote financial inclusion. We confirm our support for strengthening of the FATF recommendations to improve beneficial ownership transparency and call on countries to fight money laundering from environmental crime, particularly by acting on findings of the FATF report. Finally, we reiterate the commitments made in Venice in July 2021 aimed at sustaining and strengthening the Global Network through additional contributions to FATF-style Regional Bodies.