Italian G20 Presidency

Second G20 Finance Ministers and Central Bank Governors meeting

Communiqué

7 April 2021

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After the sharp contraction in 2020, the global outlook has improved mainly due to the roll out of vaccination campaigns and continued policy support. However, the recovery appears uneven across and within countries, fragile and subject to elevated downside risks, including the spread of new variants of the COVID-19 virus and different paces of vaccination. We will address the problem of economic scarring, especially on those most impacted, including women, youth, informal and low-skilled workers. We commit to remaining vigilant and avoiding any premature withdrawal of support measures. We reaffirm our resolve to use all available policy tools for as long as required to protect people's lives, jobs and incomes, to support the global economic recovery, fight rising inequalities, and enhance the resilience of the financial system, while safeguarding against downside risks and negative spillovers and preserving long-term fiscal sustainability.

Overcoming the pandemic is a precondition for a stable and lasting recovery. We remain committed to strengthening health systems and facilitating equitable and swift access to safe, effective and affordable COVID-19 vaccines, therapeutics and diagnostics and we encourage efforts to rapidly step up their production and distribution. In this regard, we recognize the role of COVID-19 immunization as a global public good and reiterate our support to all collaborative efforts, especially to the four pillars of the Access to COVID-19 Tools Accelerator (ACT-A) and its COVAX Facility. We emphasize the need to enhance cooperation and policy coherence with and among multilateral organizations, especially with the World Health Organization. We look forward to the recommendations of the *G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response* in July.

Strong fundamentals and sound policies are essential to the stability of the international monetary system. We remain committed that our exchange rates reflect underlying economic fundamentals and note that exchange rate flexibility can facilitate the adjustment of our economies. We will continue to consult closely on foreign exchange market developments. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations and will not target our exchange rates for competitive purposes.

We acknowledge the important role of open and fair rules-based trade in restoring growth and job-creation. We recall our commitment to fight protectionism and we encourage concerted efforts to reform the World Trade Organization.

The *G20 Action Plan*, endorsed on 15 April 2020 and updated last October, sets out the key principles guiding our response, taking into account country-specific conditions. We welcome the *Third Progress Report* (Annex 1), which takes stock of the significant progress made against our commitments so far. Recent health and economic developments and persisting downside risks call for strong policy actions, enhanced multilateral coordination and continued support to the most vulnerable. We therefore endorse the second update of the *G20 Action Plan* (Annex 2) setting a forward-looking agenda to tackle current and future global challenges. In line with the Riyadh Leaders' Declaration of November 2020, we reiterate our commitment to keeping the *G20 Action Plan* a living document and to regularly review, update, track implementation of, and report on it.

We concur on the need to harness the opportunities stemming from technological innovation to boost the recovery and ensure broad-based prosperity. We look forward to the *G20 Menu of Policy Options* on productivity-enhancing digital transformation, which will provide good practices for harnessing the opportunities offered by digitalization while ensuring that these opportunities are shared within and across countries. We welcome ongoing efforts for strengthening global risk monitoring and look forward to integrating it more systematically into future policy discussions where appropriate. We will continue to closely coordinate our efforts to enhance resilience against future shocks, including pandemics, natural disasters, climate and environmental risks. We also recognize that improving data availability and provision, including on environmental issues, and harnessing the wealth of data produced by digitalization, while ensuring compliance with legal frameworks on data protection and privacy, will be critical to better inform our decisions. We therefore ask the International Monetary Fund (IMF), in close cooperation with the Inter-Agency Group on Economic and Financial Statistics (IAG) and the Financial Stability Board (FSB), to prepare a concept note on a possible new Data Gaps Initiative.

Tackling climate change and promoting environmental protection are increasingly urgent for our economies and societies. Shaping the recovery provides a unique opportunity to develop forward-looking strategies investing in innovative technologies and promoting just transitions toward more sustainable economies and societies, with particular attention to the most affected segments of the population and in line with the Paris Agreement. We look forward to discussing how to better coordinate and deliver such strategies to achieve our shared agenda. We encourage international organizations to monitor recovery strategies and provide further analysis on the impact of climate change and de-carbonization measures on growth and employment, in line with their respective mandates.

We acknowledge that mobilizing sustainable finance is essential for global growth and stability and for promoting the transitions towards greener, more resilient and inclusive societies and economies. We ask the FSB to work on evaluating the availability of data and data gaps on climate-related financial stability risks, and on ways to improve climate-related financial disclosures, and to report on these subjects in July. We agree on the importance of promoting globally consistent, comparable high-quality standards of disclosure for sustainability reporting, building on the recommendations of the FSB's Task Force on Climate-related Financial Disclosures. We welcome growing private sector participation. We also take note of growing public sector participation and transparency in these areas. We welcome the re-establishment of the Sustainable Finance Study Group, which we are upgrading to a working group, and we look forward to its work, for 2021, on developing, in a collaborative manner, an initial evidence-based and climate-focused G20 sustainable finance roadmap, improving sustainability reporting, identifying sustainable investments, and aligning International Financial Institutions' efforts with the Paris Agreement. We also look forward to continuing the discussion on these issues at the Venice Conference on Climate, which will be held on 11 July.

We recognize the critical role of quality infrastructure investments in the recovery phase. Promoting resilient, sustainable and inclusive infrastructure will be key to stimulating economic growth and development. We welcome the creation of the *InfraTracker* by the Global Infrastructure Hub (GIH), which can help to better inform our policy decisions and shape our stimulus packages. We will explore infrastructure potential in creating jobs for supporting a robust and sustainable recovery. We take note of the *IMF Note on Environmentally Sustainable Investment for the Recovery*. In line with the *G20 Roadmap to Infrastructure as an Asset Class* and building on the *G20/OECD Report on the Collaboration with Institutional Investors and Asset Managers on Infrastructure*, we will continue, in a flexible manner, the dialogue between public and private investors to mobilize private capital. We will continue to explore innovative financial instruments to bridge the infrastructure financing gap. We agree to develop a *G20 Policy Agenda* on infrastructure resilience and maintenance. We will work to improve financing of digital infrastructure and extend coverage of underserved areas, including through fostering investments for high-quality broadband connectivity. We will encourage knowledge sharing with the representatives from local authorities to facilitate enhanced coordination with national governments to achieve more inclusive societies. We welcome advancing the work related to the *G20 Principles for Quality Infrastructure Investment* (QII). In this regard, we welcome the *GIH QII Survey Report.* We recall our previous agreement on exploring possible indicators on QII and look forward to the outcome of the Infrastructure Working Group work in this area. We reiterate the need to better inform infrastructure investment decisions, including through the ongoing work of related initiatives by international organizations on access to data, such as the Infrastructure Data Initiative.

We will further step up our support to vulnerable countries as they address the challenges associated with the COVID-19 pandemic. We call on the IMF to make a comprehensive proposal for a new Special Drawing Rights (SDR) general allocation of USD 650 billion to meet the long-term global need to supplement reserve assets. A new allocation would enhance global liquidity and will help the global recovery, building on the last assessment made by the IMF in 2016. We also invite the IMF to present proposals to enhance transparency and accountability in the use of the SDRs while preserving the reserve asset characteristic of the SDRs. In parallel, we ask the IMF to explore options for members to channel SDRs on a voluntary basis to the benefit of vulnerable countries, without delaying the process for a new allocation.

We welcome the progress achieved by the Debt Service Suspension Initiative (DSSI) in facilitating higher pandemic-related spending. All official bilateral creditors should implement this initiative fully and in a transparent manner. In light of the persistence of significant liquidity needs related to COVID-19, we agreed to its final extension by 6 months through end-December 2021, which is also agreed by the Paris Club. We reiterate our call on the private sector, when requested by eligible countries, to take part in the DSSI on comparable terms. This final extension will allow beneficiary countries to mobilize more resources to face the challenges of the crisis and, where appropriate, to move to a more structural approach to address debt vulnerabilities including through an Upper Credit Tranche quality IMF-supported program. Within this context, we welcome the ongoing efforts to implement the *Common Framework for Debt Treatments beyond the DSSI* to address debt vulnerabilities on a case-by-case basis and look forward to the coming first meeting of the first creditor committee. In each case, we are committed to implementing the *Common Framework* in a coordinated manner, including through sharing necessary information among participating official bilateral creditors. The joint creditors' negotiation shall be held in an open and transparent manner and before finalization of the key parameters, due consideration shall be given to the specific concerns, if any, of all participant creditors and the debtor country. In this regard, we note that the need for debt treatment, and the restructuring envelope that is required, will be based on an IMF/World Bank Group (WBG) Debt Sustainability Analysis and the participating official creditors' collective assessment. We ask the IMF/World Bank (WB) to support the implementation of the *Common Framework*, in line with their respective mandates. We stress the importance for private creditors and other official bilateral creditors of providing debt treatments under the *Common Framework* on terms at least as favorable, in line with the comparability of treatment principle. We reiterate the importance of joint efforts by all actors, including private creditors, to continue working towards enhancing debt transparency. We recall the forthcoming work of the Multilateral Development Banks (MDBs), as stated in the *Common Framework*, in light of debt vulnerabilities. We look forward to progress by the IMF and WBG on their proposal of a process to strengthen the quality and consistency of debt data and improve debt disclosure. We welcome the launch of a second voluntary self-assessment of the implementation of the *G20 Operational Guidelines for Sustainable Financing*. We look forward to further updates on the implementation of the *Institute of International Finance Voluntary Principles for Debt Transparency*.

We welcome MDBs commitments of USD 75 billion to DSSI-eligible countries over the period between April 2020 – December 2020, as part of their USD 230 billion commitment to support emerging and low-income countries in response to the COVID-19 pandemic. We also welcome USD 12.4 billion in financing provided to low-income countries by the IMF since the start of the pandemic and mobilization of about USD 24 billion in new loan resources for the *Poverty Reduction and Growth Trust* (PRGT). We welcome the contributions provided to date to the *Catastrophe Containment and Relief Trust* (CCRT) and call on more contributions so that debt service relief can be provided until April 2022.

Going forward, the IMF estimates that low-income countries would need to deploy around USD 200 billion up to 2025 to step up response to the pandemic and build external buffers and an additional USD 250 billion in investment spending to accelerate their income convergence with advanced economies. We will deploy all tools to help countries close this financing gap. In recognition of the critical role of the International Development Association (IDA), we welcome advancing IDA-20 by one year. An ambitious and successful IDA replenishment by December 2021, underpinned by a strong policy framework, will support a green, resilient and inclusive recovery in IDA countries as they address both the immediate and longer-term impacts of the pandemic. We call on IDA to explore how to further use its own balance sheet to unlock additional resources for IDA countries in a sustainable manner while maintaining its AAA rating. We call on the WBG to scale up its efforts to mobilize private financing. We also call on the IMF to enhance its concessional lending capacity and to explore, together with its members, additional options to mobilize resources to support vulnerable countries, including through the PRGT and the CCRT. We also call on the IMF to explore additional tools for all vulnerable countries. We encourage MDBs to make the best use of available resources to serve their clients, including by implementing the *G20 Action Plan on Balance Sheet Optimisation*. We also encourage further progress on exploring potential new measures to maximize their development impact, according to their respective mandates and while protecting their credit ratings. We reaffirm the importance of enhancing coordination among development partners at multilateral, regional and country level. We look forward to further updates by MDBs on progress in implementing country-owned pilot platforms.

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 center. We look forward to the forthcoming review of the IMF's Institutional View on the liberalization and management of capital flows. We welcome the preservation of the overall IMF lending capacity recently accomplished through the doubling of the New Arrangements to Borrow and a new round of Bilateral Borrowing Agreements. 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 December 15, 2023.

We will continue our cooperation for a globally fair, sustainable, and modern international tax system. We remain committed to reaching a global and consensus-based solution building on the solid basis of the Reports on the Blueprints for Pillar 1 and Pillar 2, by mid-2021. We acknowledge the progress made to date and urge the *G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS)* to address the remaining outstanding issues with a view to achieving an agreement by the set deadline. We acknowledge the progress made on implementing the internationally agreed tax transparency standards and support the Organization for Economic Cooperation and Development's (OECD) ongoing work to explore proposals for automatic exchange of information to crypto-assets. We look forward to a constructive discussion at the High Level Tax Symposium on Tax Policy and Climate Change in July. We take note of the OECD updated report on *Tax and Fiscal Policy in Response to the COVID-19 Crisis*. We reaffirm our engagement to support developing countries in strengthening the capacity to build sustainable tax revenue bases and ask the OECD to prepare a report on progress made through their participation at the *G20/OECD Inclusive Framework on BEPS* and identify possible areas where domestic resource mobilization efforts could be further supported.

We commit to maintaining a comprehensive and united effort to respond to the COVID-19 crisis and ensuring that the financial sector continues to provide support to the economy, while preserving financial stability. We reiterate our commitment to the FSB's principles agreed in April 2020 underpinning the national and international responses to COVID-19. Most of the support measures will remain in place for as long as economic and health circumstances require, recognizing that there are potential risks arising from withdrawing them too early. We welcome the FSB report discussing the benefits of a flexible state-contingent approach when considering whether to extend, amend, or end support measures, in a gradual and targeted way, to minimize long-term financial stability risks. We call on the FSB to continue to support international coordination on COVID-19 response measures in relation to financial stability, including through information sharing and through monitoring consistency with the agreed international standards.

We welcome the FSB evaluation report on the effectiveness of too-big-to-fail (TBTF) reforms for systemically important banks. We take note of the key findings that effective TBTF reforms bring net benefits to the society and we will work to address the gaps in reforms identified in the evaluation. We commit to taking stock of the lessons learned from the pandemic from a financial stability perspective. Building upon the FSB "*Holistic Review*" of the March 2020 market turmoil, we will work to strengthen the resilience of the non-bank financial intermediation (NBFI) sector with a systemic perspective and look forward to the FSB presenting a consultation report on policy proposals to enhance money market fund resilience in July, a final report in October and an update on the broader workplan for NBFIs. We commit to a timely and effective implementation of the *G20 Roadmap to enhance cross-border payments,* endorsed at the G20 Riyadh 2020 Summit, also to facilitate the flow of remittances. We look forward to the FSB progress report on how regulatory, supervisory and oversight frameworks address so-called "global stablecoins", and to a broad discussion on the cross-border use of central bank digital currencies and wider implications for the international monetary system. 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 look forward to the FSB report on harmonization of cyber incident reporting in the financial sector. We also look forward to a progress report on transition away from LIBOR. We welcome the additional clarity provided by the announcements of cessation dates for LIBOR benchmarks and reiterate the importance of orderly transition before end-2021.

We reaffirm our support for the Financial Action Task Force (FATF), as the global standard-setting body for preventing and combating money laundering (ML), terrorist financing (TF) and proliferation financing (PF). We look forward to the outcomes of the FATF's current works on opportunities and challenges of digital transformation in tackling financial crime. We acknowledge the relevance of the second 12-month review on the global implementation of the FATF standards on virtual assets and virtual assets service providers, recognising that so-called stable coins are covered by the FATF standards. We welcome ongoing work especially by the FATF on the links between environmental protection and the prevention of corruption and illicit finance associated with the illegal exploitation of natural resources, recognising the impact of environmental crime on climate and bio-diversity. We confirm our commitment to tackling all sources, techniques and channels of ML/TF/PF, deserving a particular attention to COVID-19-connected financial crimes. We commit to further strengthening the FATF's Global Network of regional bodies in order to reinforce the effective implementation of the FATF standards.

Building on the *G20 Financial Inclusion Action Plan* endorsed last year, we support the Global Partnership for Financial Inclusion's (GPFI) efforts to identify and address the gaps in financial inclusion that may have widened during the COVID-19 crisis, especially for the most vulnerable and underserved, as well as for micro, small and medium-sized enterprises. We also welcome the GPFI continued focus on remittances, including on reducing their transfer costs. We encourage the formulation of a menu of policy options informed by qualitatively robust, and to the fullest extent possible, granular data to help guide the appropriate response, depending on specific country needs, capabilities, and circumstances, including in the areas of digital financial literacy, consumer protection and financial business conduct, leveraging the opportunities offered by responsible digital financial services in enhancing financial inclusion, while safeguarding from risks.