



Italian G20 Presidency

Fourth G20 Finance Ministers and Central Bank Governors meeting

**Annex I: Fourth Progress Report
on the G20 Action Plan**

October 2021



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The G20 Finance Ministers and Central Bank Governors (FMCBGs) endorsed on 15 April 2020 the *G20 Action Plan*, which sets out the key principles guiding the G20 response and its commitments to specific actions to drive forward international economic cooperation as we navigate this crisis and look ahead to a robust, sustained and inclusive global economic recovery. In the spirit of keeping it a living document, G20 FMCBGs also committed to regularly review, track implementation, update and report on the *G20 Action Plan*, as a reference tool to guide our response.

In light of the evolving nature of the crisis, in April 2021 the *G20 Action Plan* has been updated to include a set of commitments to continue supporting our policy response to the pandemic and steer international economic coordination toward a strong, sustainable, balanced and inclusive recovery, while preparing for the post-COVID-19 world.

This report outlines the progress made on the *G20 Action Plan* since its April 2021 update.

Pillar I: Health as a Global Common

G20 members have continued to support collective efforts to ensure that the health response to SARS-CoV-2 and its variants would be effective, fast and equitable. As of 30 September 2021, G20 members have committed USD 14.5 billion to the Access to COVID-19 Tools Accelerator (ACT-A), USD 5.9 billion of which during the last semester, and have pledged to share 1.2 billion vaccine doses through ACT-A's COVAX Facility. The Gavi COVAX Advance Market Commitment (AMC) has reached its 2021 pledging target during the COVAX AMC Summit, co-hosted on 2 June by the Government of Japan and Gavi. As of 6 of August, COVAX AMC has assured USD 9.8 billion from donors, plus USD 0.8 billion for vaccine delivery and logistics. As of 30 September, despite donors' efforts, ACT-A's funding gap for 2021 is still USD 16.2 billion, concerning mainly testing, treatments, health systems and medical supplies. As of 7 October 2021, the COVAX Facility has delivered more than 339 million doses to 144 countries and territories, 262 million of which to the AMC-eligible countries, lagging behind its original target of 2 billion doses delivered worldwide by end 2021, mainly due to supply chain issues and global manufacturing delays. To overcome these constraints, G20 members are providing vaccines to developing countries, making donations of excess doses, and promoting the production and supply of medical countermeasures, including through voluntary licensing of technology and know-how to low- and middle-income countries for local production, in accordance with World Trade Organization (WTO) rules and in close cooperation with industry.



The G20 FMCBGs have acknowledged the formation of the Multilateral Leaders Task Force (MLT) on COVID-19 Vaccines, Therapeutics and Diagnostics for Developing Countries established by the head of the International Monetary Fund (IMF), the World Bank (WB), the World Health Organization (WHO) and the WTO. The MLT aims to accelerate access to COVID-19 vaccines, therapeutics and diagnostics by leveraging multilateral finance and trade solutions and addressing operational bottlenecks to the delivery and administration of vaccines to populations, particularly for Low- and Middle-Income Countries. The vaccination target proposed by the MLT is at least 40 percent of the population in every country by the end of 2021, and at least 70 percent in every country by mid-2022. The World Bank Group (WBG) has deployed a range of financing instrument to support countries short-term response while strengthening longer-term preparedness. As of 8 October 2021, the WBG's Global Health Response has approved USD 9.2 billion of financing for vaccines and other medical supplies and services. In particular, the International Bank for Reconstruction and Development and International Development Association (IDA) set aside a USD 20 billion envelope for the purchase and deployment of vaccines and other tools and have also strengthened the partnership with COVAX and the African Union's COVID-19 Africa Vaccine Acquisition Task Team. As of September, operations in 61 countries (39 IDA Countries) have approved financing of USD 5.8 billion to enable the purchase of 398 million vaccine doses. Furthermore, the International Finance Corporation (IFC)'s USD 4 billion Global Health Platform has reached USD 1.2 billion commitments to support manufacturing and healthcare services in response to the pandemic. On preparedness, the WBG has established in July the new Health Emergency Preparedness and Response Umbrella Program, to support eligible countries and territories to improve their capacities to prepare for, prevent, respond and mitigate the impact of epidemics on people. To help address critical health and social spending needs due to the pandemic, as part of its broader financial assistance to vulnerable countries (see Pillar III), the IMF provided USD 32.8 billion in emergency financing to 81 countries. The IMF also helped the broader membership navigate the various stages of the pandemic with advice, sharing of best practices through the policy tracker, and tailored surveillance and capacity development.

In addition to working to control and combat the current pandemic, the G20 also focused on a medium and long-term perspective in order to enhance resilience against future shocks. "The Rome Declaration", adopted on 21 May at the Global Health Summit, co-hosted by Italy and the European Commission, contains a set of sixteen principles on pandemic preparedness and response. Leaders committed to address the need for enhanced, streamlined, sustainable and predictable mechanisms to finance long-term pandemic preparedness, prevention, detection and response, as well as to improve surge capacity to rapidly mobilising private and public funds and resources in a coordinated, transparent and collaborative manner and with robust accountability and oversight.

The *G20 High Level Independent Panel on financing the global commons for pandemic preparedness and response*, established in January 2021, presented its official report "*A Global Deal for Our Pandemic Age*" at the third G20 FMCBG meeting in Venice on 9 July. A Finance & Health Informal Group, composed of experts from Finance and Health Ministries, has been established with the aim to follow-up with concrete actions at the Joint G20 Meeting of Finance and Health Ministers in October, emphasizing policy coherence and coordination with and



among Multilateral Organizations, retaining the central role of the WHO in the international health work, and building on the respective strengths of International Organizations (IOs) and International Financial Institutions (IFIs). The Informal Group is reviewing the Panel recommendations, along with those of other similar exercises, taking also into consideration priority areas identified by the Ministries of Health.

In their September declaration, G20 Health Ministers have reaffirmed their commitment to achieving the health-related Sustainable Development Goals (SDGs) targets, in particular to advancing health for all through Universal Health Coverage, including financial risk protection, access to quality essential health services, and access to safe, effective, quality and affordable essential medicines and vaccines for all, and to improving the quality of care, including patient safety through the achievement of a people-centered, gender-responsive and more resilient value-based health system. They agreed to promoting full implementation of, monitoring of, and compliance with the International Health Regulations 2005, which together will improve resilience and global health outcomes. They also reaffirmed their commitment to global solidarity, equity and a multilateral approach, contribute to joint efforts to better prevent, detect and respond to global health emergencies, and reinforce the global health architecture and governance. They called for collaborative multi-sectoral action to increase surveillance, strengthen prevention, preparedness and response in a One-Health approach with political commitment for long-term investment. They reaffirmed high-level commitment to build capacities for national, regional and global interoperable early warning information and surveillance of anti-microbial resistance (AMR) and antimicrobial use to support the implementation of infection prevention and control measures, including through water, sanitation and hygiene, as well as the prudent use of antimicrobials in humans, animals and plants through multilateral initiatives such as the Multi-Partner Trust Fund on AMR.

Pillar II – Supporting and Shaping the Recovery

The global economic recovery has continued since the last update of the *G20 Action Plan* in April 2021, mainly due to the roll-out of vaccines and continued policy support, but the recent data indicate some softening of momentum over the last months. However, the pace of recovery continues to be divergent across countries, sectors, and groups (e.g. youth, women, informal workers), sectors and countries and remains exposed to downside risks, mainly the spread of new COVID-19 variants, uneven vaccine distribution, different paces of vaccination and supply-side bottlenecks. In addition, certain groups have been more significantly affected by the pandemic, with an associated increase in inequality within and between countries, which risks becoming a long-lasting legacy of the pandemic. In this context, G20 members have remained committed to sustaining the recovery through international cooperation: maintaining support where necessary; while remaining consistent with long-term fiscal sustainability; with central bank mandates including on price stability and on preserving financial stability; and safeguarding against downside risks and negative spillovers.

Global economic growth this year is expected to be 6.0 percent, in line with the IMF's July 2021 forecast. Stronger near-term growth in some commodity exporters is offset by lower growth



in some advanced economies. Growth will moderate slightly to 4.9 percent in 2022, in line with the July estimates. A few advanced and emerging economies are still gaining momentum, but in many other countries, growth is hampered by low access to vaccines and constrained policy response, especially in some low-income countries. As a result, near-term divergences are now projected to last into the medium term: economic output in advanced economies is projected to return to pre-pandemic trends by 2022. But most emerging and developing countries will take many more years to recover. The possible spread of new COVID-19 variants have increased uncertainties. If not addressed, divergences in the recovery path are at risk of remaining entrenched. As noted by the IMF, policies should be tailored to the local pandemic and economic conditions. The Organisation for Economic Co-operation and Development (OECD) also notes that these circumstances require impacted countries to maintain short-term support to firms and households in affected sectors; other countries need to carefully monitor the situation to progressively adapting policy measures to support the recovery and any necessary reallocation, address structural challenges and protect vulnerable groups. In this respect, greater G20 coordination to reduce barriers to faster vaccinations and ensure timely and equitable access to vaccines is key to a more sustained, balanced, and inclusive global recovery.

Following last year's exceptional monetary support measures, central banks in most advanced economies have kept policy interest rates constant, against the expectation of the increase of inflation rates in recent months to be largely temporary, whereas some emerging market economies have tightened monetary policy as inflation pressures have increased. In most cases, rising inflation reflects the reopening of economies, pandemic-related supply-demand mismatches and higher commodity prices. 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. The IMF and the Financial Stability Board (FSB) note that economic uncertainties and risks to global financial stability remain elevated. Although financial vulnerabilities may gradually build up and incentive structures could be distorted if official sector support measures remain in place for too long, premature withdrawal before the macroeconomic outlook has stabilised could entail significant risks to financial stability. This trade-off poses a significant challenge for policy-makers and reinforces the case for a continued commitment to clear communication and effective international cooperation to maintain global financial stability. The FSB noted that authorities may consider following a flexible, state-contingent approach that would enable adjusting and withdrawing support according to the needs of the recovery.

As of August 2021, the IMF notes that G20 economies have announced around USD 15 trillion in fiscal support measures, the largest part of which is targeted towards helping businesses, households, and workers. The size and composition of fiscal support has differed across countries, due to differences in fiscal space and the impact of the health crisis, as well as other factors, such as the size of welfare systems, social protection systems, and other automatic fiscal stabilisers. In recent months, some members have begun to augment emergency measures towards more targeted medium term support measures and productivity-enhancing structural reforms that incorporate substantial measures to support long-term economic transformation



in many countries. More countries' support measures now include policies to assist labour reskilling and reallocation, and help small businesses to access credit, as well as strengthen social safety nets and enhance investments for minimizing economic scarring and sustaining inclusive growth as the recovery unfolds. Several members, including those with constrained fiscal space, have also now indicated measures to raise revenue and consolidate spending in the medium term¹.

G20 members have deployed substantial measures aimed at addressing unemployment which continues to be above the pre-pandemic level in many economies. Measures are being put in place to support the most vulnerable and broaden financial support coverage, for women, youth and informal and low-skilled workers. Many countries have also taken measures to boost the flow of credit and liquidity to firms, especially to small and medium-sized enterprises (SMEs). Job retention schemes are now being better targeted to support firms, workers, and sectors in need. In the meantime, to face the possible slowdown of job reallocation and productivity growth connected with the measures taken to accommodate the impact of the pandemic, some G20 economies have intervened to boost the creation of jobs during the recovery and to enhance training programs and other active labour market policies to better handle the rapid increase in unemployment and inactivity and facilitate reallocation among sectors. Several G20 countries have improved education and skill programs for young people to help avoid long-term scarring effects.

To support inclusive growth, many G20 countries have adopted measures to support women who have been disproportionately affected by the crisis by improving women's access to social protection, helping them cope with additional care needs, and introducing measures targeting specific sectors in which women are more represented such as encouraging teleworking arrangements.

The COVID-19 shock has accelerated the digital transformation, allowing some households, firms, and societies to better cope with the pandemic. G20 countries have put in place various measures to boost digitalization – to ensure widespread connectivity and increase economic resilience. However, greater attention is needed for ensuring an enabling, inclusive, open, fair and non-discriminatory digital environment that is in compliance with domestic legal frameworks notably concerning users' privacy and digital security. Moreover, as more people and firms “go digital”, G20 economies face the challenge to ensure that all workers can adjust to the changing work environment and are equipped with the skills necessary to benefit from and succeed in the digital economy. Furthermore, despite its broad-based benefits, digital divides persist and - if not properly addressed - they risk becoming a driver of precariousness and inequality. This makes the provision of the right incentives for investment in human capital formation and other intangibles assets in all countries even more important. To inform policy requirements arising from digitalization, the G20 FMCBG endorsed the *G20 Menu of Policy Options - Digital Transformation and Productivity Recovery* in July 2021, which provides a set of

¹ The IMF now expects average fiscal deficit for all G20 to be around 9.7 percent of Gross Domestic Product (GDP) in 2021. The IMF expects that public debt to GDP ratios in the medium term will remain at historically high levels for most advanced economies and will continue to rise for many emerging economies.



actual policies to foster productivity through digitalization in different country contexts². The Menu also identifies areas where multilateral cooperation would have the most value added.

Recovery measures are also increasingly targeting the long-term goal of supporting a sustainable and resilient recovery. The latest update of the OECD Green Recovery database in September 2021 – covering the majority of G20 economies – shows increasing attention to green investments in country recovery plans, compared to April 2021.

Overall world trade is expected to strongly rebound in the last part of 2021. The United Nations Conference on Trade and Development expects the annual growth rate of global trade in goods and services in volume to be around 9.5 percent in the current year, marking a strong recovery after the 5.6 percent drop caused by worldwide lockdowns in 2020. Trade in goods is showing greater resilience than trade in services, though large disparities exist within these two broad categories, as travel has been acutely impacted by COVID-19 while other commercial services, have remained resilient mainly due to online activities and digital trade. The recent uptick in international trade may be short-lived, as it partly reflects an inventory restocking cycle in early 2021 after very low inventory-to-sales ratios were registered in many developed economies. This was primarily driven by the pandemic-induced shift in consumption habits – notably the relative increase in demand for goods – that is expected to shift back as demand patterns normalize in high-contact, less trade intensive sectors. This dynamic might boost trade in services if the rollout of vaccines improves worldwide and new vaccine-resistant variants do not arise and spread. In this context, risks remain tilted to the downside.

According to the FSB, thus far the global financial system has weathered the pandemic, thanks to greater resilience supported by G20 reforms, the swift, determined and bold international policy response and progress in vaccinations accelerating the recovery. The strong international standards the G20 put in place post-2008 global financial crisis, and the flexibility built into those, supported an effective policy response during the initial phase of COVID-19 and was bolstered by cross-border cooperation, coordination and information sharing. However, the March 2020 market turmoil highlighted vulnerabilities from non-bank financial intermediation (NBFIs). Also, vulnerabilities from private and public sector debt and search for yield continue to rise. The FSB has an ambitious workplan to analyse and address these vulnerabilities and it has committed to monitor and report to the G20 on policy measures to enhance NBFIs, sustain credit supply to the real economy, support financial intermediation, and preserve financial stability in the recovery phase.

In the last few months, G20 countries discussed how to take forward the call from FMCBGs to strengthen G20's global risk monitoring, considering potential international spillovers. Members agreed that it was important to continue discussing international spillover effects, economic and financial risks of pandemics, drug-resistant infectious diseases, non-communicable diseases, environmental and other high-impact tail risks more systematically taking into account national circumstances. FMCBGs also recognised that a more comprehensive assessment of environmental and climate-related macro-economic risks can help develop innovative and cooperative solutions toward strong sustainable, balanced, and

² Discussions benefitted from the insights of IMF's paper on [Boosting Productivity in the Aftermath of COVID-19](#).



inclusive growth. In October, FMCBGs mandated the G20 Framework Working Group (FWG) to systematically analyse macroeconomic risks stemming from climate change and of the costs and benefits of different transitions, including by drawing on well-established methodologies. These monitoring activities should also be complemented by the analysis of macroeconomic and distributional impacts of risk prevention strategies and mitigation and adaptation policies. They also recognised that sharing policies implemented by G20 members can help inform their discussions.

The pandemic has had a disruptive effect on many infrastructure networks and social facilities. In 2021 the Infrastructure Working Group (IWG) has continued making important efforts to promote quality infrastructure investments to support the recovery phase and set the ground for a more sustainable and inclusive growth. In particular, the IWG has focused its agenda on four main pillars: (i) resilience and maintenance; (ii) digital infrastructure; (iii) sustainable infrastructure; and (iv) inclusive infrastructure. At the end of 2020, the IWG tasked the Global Infrastructure Hub (GI Hub) to develop the *InfraTracker*, a digital tool aimed at identifying infrastructure-related recovery interventions and collecting data and insights that can support G20 policy-makers in making more informed decisions on how to include infrastructure as a post-COVID-19 stimulus. Since the start of the pandemic in February 2020, approximately USD 3.2 trillion of infrastructure as stimulus (equivalent to around 3.2 percent of G20 members' Gross Domestic Product) has been announced. Many G20 economies have maintained or committed to additional fiscal stimulus that extends into 2022, with *transport, social* and *communications* infrastructure attracting over 50 percent of the total investment by G20 governments. According to the *InfraTracker*, *low-carbon transition, affordability and access to services* and *digitalisation* were the top three transformative outcomes sought by the G20 with over 65 percent of the stimulus directed towards them. The GI Hub has also produced two accompanying Compendia to help governments understand options for funding and financing infrastructure based on experiences other crises, and how investment in infrastructure can be deployed to achieve transformative outcomes.

Maintenance of infrastructure assets is a key element in increasing the resilience of infrastructure networks against various risks. Yet spending on maintenance has been inadequate – in both developed and emerging countries. At the July G20 FMCBG meeting, a *G20 Policy Agenda on Infrastructure Maintenance* was endorsed, accompanied by members' case studies and with the support of OECD and the WB. The *G20 Policy Agenda* offers a conceptual framework to re-think resilience in light of the ongoing COVID-19 crisis and compelling evidence of the negative implications of inadequate or deferred maintenance. The agenda contains a menu of voluntary and non-binding policy tools to improve planning, funding and implementation of maintenance, as well as to preserve infrastructure assets over their lifecycle.

Infrastructure, including digital infrastructure, will play a critical role in shaping the recovery. To this end, G20 members have been working on a set of non-binding and voluntary guidelines - the "*G20 Guidelines for Financing and Fostering High-Level Broadband Connectivity for a Digital World*", developed with the support of the OECD - whose aim is to foster financing and improve investment opportunities to extend and upgrade high-level connectivity.



The pandemic has highlighted concerns regarding the infrastructure investment gap and the need to mobilize private sources for infrastructure financing. In line with the *G20 Roadmap to Infrastructure as an Asset Class*, and building on the G20 Leaders Riyadh Summit Declaration, the collaboration with institutional investors and asset managers, initiated in 2020 with the *G20/OECD Report on the Collaboration with Institutional Investors and Assets Managers on Infrastructure*, has continued through the *2021 G20 Infrastructure Investors Dialogue*, held on June 3, 2021, with a focus on sustainable infrastructure investment for the recovery. The results of the event were collected in an *outcome document*, prepared by the Italian G20 Presidency together with the co-organisers of the event (the OECD and the D20-Long Term Investors Club) as a non-binding and voluntary input to continue the collaboration and the dialogue with the private sector. Works on sustainable infrastructure also included the GI Hub “*Compendium on Innovative Funding and Financing for Green and Circular Infrastructure*” and the GI Hub “*Roadmap for Enabling Circular Economy Potential in Infrastructure*”, which are both voluntary and non-binding and for reference purposes.

Infrastructure for social inclusion has a crucial role in the post COVID-19 era, as much infrastructure is provided by local authorities which, due to their proximity to communities, are better positioned to meet the needs of all citizens and to address inequalities. With support from the International Affairs Institute, a *High-level Conference on Local Infrastructure Investment* has been organized in Genoa, on 27 September 2021, to facilitate the dialogue with representatives of local authorities to share experiences and shape more effective relationships with national governments, development banks and private investors. In addition, specific sectors and groups were addressed by the IWG discussion on inclusive infrastructure, also with the support of the OECD.

Finally, the IWG has been working on the exploration of possible Quality Infrastructure Investment (QII) indicators, with the support of the IFC. In particular, the group has agreed to a Terms of Reference for the IFC work, outlining the first steps towards providing a common ground for information sharing and dialogue around possible QII indicators. These possible QII indicators are for reference and information purposes, as well as voluntary, non-binding, non-prescriptive and customizable, and are intended to help, as appropriate and considering country specificities, inform the decision-making on the design, building, operation and maintenance of infrastructure assets, address information shortfalls that may be reducing investment in infrastructure and support increased fund flows to infrastructure projects. The possible indicators will be presented in such a way to be adaptable to different country circumstances, sectors and approaches, in line with the voluntary and non-binding nature of the QII principles. The indicators will allow countries to take into account national circumstances, local laws and regulations.

Under Italy’s G20 Presidency, the Global Partnership for Financial Inclusion (GPFi) took stock of countries’ strategies aimed to address challenges to, and opportunities for, financial inclusion stemming from the COVID-19 crisis and the ensuing hastened digitalization of the whole finance ecosystem. Furthering on the foundational policy frameworks and guidance undertaken by previous G20 Presidencies, the focus has been on the most vulnerable and underserved segments of the society, including women, youth, the elderly, migrants, forcibly



displaced persons, people living in remote rural areas and micro, small and medium-sized enterprises (MSMEs).

With this aim, and in line with the actual deliverables contained in the *G20 2020 Financial Inclusion Action Plan* for the current year, the implementing partners of the GPF – namely, OECD, the WB, the IFC-SME Finance Forum and the International Fund for Agricultural Development (IFAD) – compiled six reports. Each offers for policy-makers’ consideration a promising set of country-level policy responses and innovative approaches to mitigate the negative impact of the pandemic on financial inclusion and to build more conducive, resilient, and inclusive ecosystems for MSME and consumer digital finance in the post COVID-19 era.

Informed by this extensive work, the GPF has developed the *Menu of Policy Options for Digital Financial Literacy and Financial Consumers and MSMEs Protection: Enhancing Digital Financial Inclusion beyond the COVID-19 Crisis*. The Menu aims to provide a guide and inspiration for governments in their efforts to lay the ground for new financial inclusion strategies in the post-pandemic world, emphasizing on the contribution that digitalization and technological innovation can provide in this regard. While recognizing that the access to beneficial and affordable financial products and services critically hinges on several enabling factors,³ the *Menu* sheds light on two critical areas: digital financial education and financial protection for both individuals and MSMEs. The *Policy Options* are grouped into three pillars, which aims at: (i) addressing the impact of the crisis and thinking ahead; (ii) leveraging digitalization for a leap forward in financial inclusion; and (iii) addressing new and exacerbated risks and vulnerabilities. Examples of policy options to address these three challenges are presented based on a selection of country-level good practices worldwide. In October, the GPF and Italy’s G20 Presidency hosted the High-Level Symposium “*Coping with New (and Old) Vulnerabilities in the Post-Pandemic World*”, intended to encourage the discussion on the priorities for the current year. The Symposium saw the involvement of G20 members, participating non-G20 countries, implementing and affiliated partners, as well as representatives of the private sector and academia.

Recognizing the importance of remittances being an essential part of the *G20 Roadmap on cross-border payments*, the GPF continued to have a leading role in the facilitation of the flow of remittances and in supporting country-led actions to reduce average remittance transfer costs as mandated by G20 Leaders. In June, the GPF organized the Workshop “*Remittances in times of crisis and beyond*”, which provided a thorough perspective – from receiving and sending countries, from service providers as well as from IOs – on the challenges that are still present in the market and need to be tackled. As part of the leading role in the National Remittance Plans (NRPs) process, the GPF has also: (i) released the *2021 Update to Leaders on Progress Towards the G20 Remittance Target*, which includes each jurisdiction’s achievements in the implementation of their existing NRPs with a particular focus on the analysis of the impact of COVID-19 on remittances flows; and (ii) worked on the *Biennial Update* of the NRPs, based on the new template prepared by the WB and IFAD, which would be released by the end of the year. Finally, the GPF supported the accomplishment of a stand-alone report, jointly produced

³ Among which reliable digital infrastructures and smooth connectivity, as recognized in the *G20 Menu of Policy Options - Digital Transformation and Productivity Recovery* endorsed by G20 FMCBGs in July 2021.



by IFAD and the WB, aimed at shedding light on the impact that the COVID-19 pandemic had on the remittances market amid an unprecedented switch to digital channels. Relying on a broad set of country-level experiences, the report distills the main lessons learned on ensuring continued resilience of remittance flows against the occurrence of future adverse shocks. The need for cooperation and coordination between public and private sectors appears to be essential in this regard. Moreover, since many migrants in sending countries have reduced their assets to support families back home, it appears to be paramount to capitalize on remittances in terms of their capacity to reinforce the link between saving, investment and insurance, also with the support of appropriate digital financial education policies.

Pillar III: Supporting Vulnerable Economies

Since April 2020, the G20 has led international efforts to support to countries in need, with a progressive adaptation of its strategy to the evolving stages of the crisis.

The IMF provided USD 118 billion in financial assistance to 87 countries since March 2020. In addition, the Fund extended USD 857 million in debt service relief through the Catastrophe Containment and Recovery Trust to 31 among its poorest members over the same period.

In March 2021, the IMF estimated that Low-Income Countries (LICs) would require an additional USD 200 billion between 2021 and 2025 to step up the response to COVID-19 and build minimum buffers. Accelerating convergence with advanced economies would require an additional USD 250 billion. A downside scenario of a slower global recovery could add a further USD 100 billion to these financing needs. The analysis also highlights that, because of debt sustainability concerns, LICs could cover only part of these needs through additional borrowing, while the remaining part would need to be financed through other sources.

The G20 FMCBGs have endorsed a broad package of initiatives in support to vulnerable low- and middle-income countries to continue responding to the challenges associated with the COVID-19 pandemic while also focusing on ways to address the medium-term financing needs of vulnerable countries and to ensure debt sustainability.

The new general allocation of Special Drawing Rights (SDRs), equivalent to USD 650 billion, was a historic achievement to help meet the long-term global need for reserve assets and came into effect on August 23, 2021. To significantly magnify the impact of the allocation, the G20 FMCBGs agreed in July 2021 to work on actionable options for voluntary channeling SDRs to the benefit of vulnerable countries. There has been support for two detailed options presented by the IMF: the scaling up of the Poverty Reduction and Growth Trust, which provides critical concessional financing to poorer countries; and the establishment of a new Resilience and Sustainability Trust (RST) - in line with its mandate - to help vulnerable low-income countries, small developing states, and middle-income countries reduce risks to prospective long-term balance of payments stability, including those stemming from pandemics and climate change. The G20 FMCBGs remain open to considering the feasibility of a third option, channeling SDRs to Multilateral Development Banks (MDBs), which requires further work.



The G20 FMCBGs have extended the *G20 Debt Service Suspension Initiative* (DSSI) for the poorest countries one last time, until December 31st, 2021 which was also agreed and implemented by the Paris Club. The IMF and WBG have implemented the fiscal monitoring framework set to ensure that the additional fiscal space created by the DSSI is used to mitigate the social, health or economic impacts of the crisis, and published an update in September 2021.

MDBs committed to support low-income countries and emerging market economies addressing the pandemic, through a USD 230 billion financial package. Over the period between April 2020 and September 2021, USD 55.8 billion have been disbursed by MDBs to the benefit of DSSI eligible countries.

To date, three eligible countries have requested a debt treatment under *the Common Framework for Debt Treatments beyond the DSSI* to their G20 and Paris Club creditors. Creditor Committees were formed for Chad and Ethiopia and discussions on the restructuring of the debt of the two countries have started. Official creditors expressed their support to Chad's envisaged IMF upper credit tranche program and committed to negotiate a restructuring of their claims in accordance with the *Common Framework*. They also encouraged MDBs to maximize their support for Chad to meet its long-term financial needs. The G20 FMCBGs urged Chad's private creditors to commit without delay to negotiate with Chad in order to enable the approval of the envisaged IMF program.

Building on these historical developments, the G20 FMCBGs discussed some preliminary lessons that could enhance the implementation of the *Common Framework* going forward, in a timely, orderly and coordinated manner, including through the early engagement of borrower countries and private creditors in the *Common Framework* process. Ministers and Governors took note of the efforts made by the WBG and IMF to support the implementation of the *Common Framework* and welcome their continued engagement. They recalled the forthcoming work of MDBs, as stated in the *Common Framework*, in light of debt vulnerabilities.

The G20 FMCBGs have also continued to work towards enhancing debt transparency, which is essential to ensure medium-term debt sustainability. The results of the second exercise of voluntary self-assessment of the implementation of the G20 Operational Guidelines for Sustainable Financing, presented by the IMF and the WBG in September 2021, implied improvements in the implementation of good practices in some areas. Meanwhile, Ministers and Governors called on private sector creditors to adhere to the forthcoming Institute for International Finance and OECD data repository on a voluntary basis.

Ministers and Governors took note of IMF's ongoing work on ways to improve the architecture of sovereign debt restructuring involving private sector creditors, while looking forward to further updates and refinements in the months ahead.

Building on the *G20 Principles for Effective Coordination between the IMF and MDBs in Case of Countries Requesting Financing while Facing Macroeconomic Vulnerabilities*, which have achieved their objectives, the G20 FMCBGs endorsed the *G20 Recommendations for the use of Policy-Based Lending*, with the aim to enhance the impact and coordination of MDB operations on the ground.



Following the workshop held in December 2020, MDBs presented the progress achieved in the implementation of country-owned pilot platforms' in selected countries in June 2021. Ministers and Governors welcomed this progress and urged MDBs to continue to step up coordination at country level, in close cooperation with host national governments.

The G20 FMCBGs also conducted exercises that will help enhance the lending capacity of MDBs and benefit all recipients including the vulnerable ones. MDBs presented an update on the implementation of the *G20 Action Plan to Optimize Balance Sheets*, and the WBG outlined new instruments to mobilize private financing to developing countries. MDBs and specialized multilateral insurers have also developed a stock-take report of best practices and other insurance solutions to promote political risk insurance and other tools to promote risk sharing. Ministers and Governors encouraged MDBs to consider potential new measures to maximize the impact of development resources, while preserving their preferred creditor treatment and current ratings. With a longer-term perspective and complementary to the work on Balance Sheet Optimization, the G20 FMCBGs launched an *Independent Review of MDBs' Capital Adequacy Frameworks* by establishing an Advisory Panel and Expert Chair, to provide a shared understanding on how capital metrics and indicators should be assessed in a consistent manner, while preserving current credit ratings, preferred creditor status and MDBs' governance arrangements. The review will be completed by mid-2022. Ministers and Governors look forward to updates to the International Financial Architecture Working Group (IFA WG) as the review progresses and encourage MDBs to actively collaborate with the review team.

The G20 advanced its work program to strengthen other structural elements of the international financial architecture. In line with the G20 FMCBG commitment, the G20 work in coordination with relevant IOs continues to contribute to the global financial resilience, particularly through helping develop domestic capital markets and harness the benefits while also managing risks associated to capital flows. The ongoing strengthening of policy advice and technical assistance in the area of capital flows management will continue to contribute to safeguarding financial stability. In this regard, Ministers and Governors discussed the forthcoming review of the IMF's Institutional View on the liberalization and management of capital flows, the process of adherence to the OECD Code of Liberalization of Capital Movements as well as the ways to promote cooperation between the IMF and the OECD regarding policies affecting capital flows. Members also discussed the benefits of open capital flows and the potential for use of flexible policy response measures in limited circumstances to respond to their risks. They also highlighted the need to understand their long-run implications, cautioning that these tools were not a substitute for longer-term economic and financial development and warranted macroeconomic adjustment.

Thanks to the swift implementation of domestic measures by participants, the doubling of the New Arrangements to Borrow and the new round of bilateral borrowing agreements have also entered into force on 1 January 2021, maintaining the IMF's current resource envelope. The G20 FMCBGs remain committed to revisiting the adequacy of quotas and continuing 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.



To further strengthen the global financial architecture, the IFA WG discussed the collaboration between the IMF and Regional Financing Arrangements (RFAs), as well as among RFAs themselves. The importance of this collaboration, especially during crisis time, was broadly acknowledged and members called for further progress.

As the COVID-19 crisis has also accelerated the digitalization of economy, members also actively discussed the macro-financial impact of digital currencies on the international monetary and financial system.

Pillar IV: Protecting the Planet

Overall, G20 recovery strategies have contributed to promote transitions towards greener and more sustainable economies and societies. According to the OECD Green Recovery Database⁴, G20 members have allocated USD 567 billion to environmentally positive measures within their COVID-19 recovery packages. This amounts to 22 percent of the total resources deployed, while measures expected to have negative and mixed environmental impact amount to 11 percent. For the most part, environmentally positive measures are grants or subsidised loans and are targeted to the wide economy, but especially to energy and transport sectors.

Since mid-2020, international organization and other international initiatives⁵ have tracked recovery strategies and estimated their long-term impact on economic performance. Building on these analytical inputs, the OECD, the IMF, the WB and the International Energy Agency have informed G20 Finance Track discussions on strategies to achieve climate goals and to promote economic growth, job creation and fairness. In different G20 Finance Track meetings, the IMF noted that potential GDP losses stemming from climate change may be high and difficult to predict calling for policy actions⁶. According to the IMF, a comprehensive policy package is expected to increase global GDP by about 0.7 percent in the next 15 years and to create around 12 million new jobs through 2027. Furthermore, environmentally sustainable infrastructures improve the resilience and the adaptation to climate change⁷. Finally, the WB recommended the adoption of broad policy packages in climate strategies, to support cost-effective climate mitigation, green and clean technologies, industrial competitiveness and economic reallocation, while providing a safety net for the poorest⁸.

Since April 2021, G20 members have discussed on the appropriate policy mix to support green and sustainable recovery strategies, as well as designing mechanisms to support the use of

⁴ The OECD Green Recovery Database: Examining the environmental implications of COVID-19 recovery policies, September 2021; Data for Argentina and Saudi Arabia are missing.

⁵ For example, the Greenness of Stimulus Index, the Energy Policy Tracker, the Green Recovery Tracker, the Global Recovery Observatory, the IEA Sustainable Recovery Tracker.

⁶ IMF, Reaching net zero emissions, June 2021; IMF, Fiscal Monitor: How to Mitigate Climate Change, October 2019; IMF Presentation during the Fifth FWG Meeting; IMF World Economic Outlook: A Long and Difficult Ascent. Washington, DC, October 2020 (Chapter 3).

⁷ In low and middle-income countries, net benefits over lifetime are expected to be four times as overall investments costs. IMF, G20 Note On Environmentally Sustainable Investment For The Recovery, April 2021.

⁸ WB, Carbon pricing for climate action, July 2021.



clean energy sources, while taking into account national circumstances while providing target support for the poorest and the most vulnerable. The International Conference on Climate Change, which was convened by the Italian G20 Presidency on 11 July at the margins of the third FMCBG meeting, contributed to enrich such discussions. On 9 July, G20 Finance Ministers took part in the G20 High Level Tax Symposium on Tax Policy and Climate Change to discuss the role that tax policies can play in dealing with climate change and preventing adverse effects on vulnerable households, international trade and economic growth. At their July meeting, Ministers and Governors acknowledged the importance of a dialogue to address climate change related challenges and promote transitions towards a greener and more sustainable economy. FMCBGs also recognized the importance of innovative technologies that promote decarbonisation and circular economy and the role of international climate finance in supporting developing countries' climate change adaptation and mitigation efforts. On 13 October, FMCBGs agreed to coordinate their efforts to tackle climate change and to preserve environment, as well as to promote transitions towards greener, more prosperous and inclusive economies and societies. To inform future FMCBGs discussions, different G20 work streams were called to explore the most appropriate policy mix to move towards low greenhouse gas emission economies, taking into account national circumstances. FMCBGs also looked forward to further collaboration between public and private investors to increase private capital to finance sustainable infrastructures. FMCBGs recognized that the G20 Finance Track policy dialogue on the macroeconomic and fiscal impact of climate change policies could benefit from further technical work. FMCBGs concurred that clean energy transitions could be driven by 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.

Over 2021, sustainable finance has been a key component of the G20 Finance Track green agenda, as a crucial tool to reorient global financial flows towards all types of sustainable activities. At the beginning of the Italian G20 Presidency, FMCBGs agreed to re-establish the Sustainable Finance Study Group (SFWG). In April, FMCBGs agreed to upgrade it to the Sustainable Finance Working Group. Over the year, the SFWG produced two key deliverables, i.e. the G20 Sustainable Finance Roadmap and the Synthesis Report. The two documents were endorsed by FMCBGs in October.

The Roadmap, which is voluntary and non-binding, is an evidence-based, multi-year and flexible document, which will inform the broader G20 agenda on sustainable finance. It takes stock of ongoing and planned international work, analyzes existing gaps and considers key actions to realize the potential of sustainable finance and recommends voluntary, concrete, timed and prioritized actions to address those barriers, with the support of IOs and partners. The Roadmap is also conceived as a flexible document, which can be adapted to best reflect evolving priorities of future G20 Presidencies, while taking into account national circumstances. While initially focused on climate, in the future its scope could further embrace other sustainability-related issues to be mutually agreed by G20 members in the following years, such as biodiversity, nature, and other issues related to SDGs, based on mutual agreement by G20 members in the coming years. The document contemplates five key areas: market development and approaches to align investments to sustainability goals; consistent,



comparable and decision-useful information on sustainability risks, opportunities and impacts; assessment and management of climate and sustainability risks; role of IFIs and public finance and policy incentives; cross cutting issues. Each of those areas present key priorities and actions needed to help scale up sustainable finance to support the 2030 Agenda and the Paris Agreement.

The Synthesis Report takes stock of the activity carried out by SFWG over 2021, building on input papers provided from several IOs and knowledge partners, as well as from feedback collected during consultations with stakeholders, including the private sector. It reviews existing practices and proposes a set of recommendations to progress in three priority areas: (i) improving the comparability and interoperability of approaches to align investments to sustainability goals; (ii) overcoming information challenges by improving sustainability reporting and disclosure; (iii) enhancing the role of IFIs in supporting the goals of the Paris Agreement and Agenda 2030. In the following years, the SFWG will annually report progress made against the implementation of roadmap action through the Synthesis Reports to FMCBGs.

The G20 also made progress on identifying gaps in data on climate-related financial risks and on promoting globally comparable standards of disclosure for sustainability reporting. The sustainable finance agenda of the Italian G20 Presidency was supported by two reports presented by the FSB. The first report explores the availability of data on climate related financial stability risks, showing that important gaps still need to be addressed. The FSB provided recommendations for financial authorities to take steps to improve data quality on financial institutions' exposure to climate-related risks, to further develop forward-looking metrics on climate-related risks and to increase cooperation in order to improve the availability and consistency of data. The second report makes recommendations to promote consistent, globally comparable and reliable climate-related disclosures. It sets out high-level guidance, in the form of recommendations to financial authorities, to promote high quality and consistent implementation of disclosures or guidance, building on the Task Force on Climate-related Financial Disclosures recommendations as the basis for non-financial corporates' and financial institutions' disclosures, in line with jurisdictions' regulatory and legal requirements. Both reports were welcomed by FMCBGs on 9-10 July 2021. On the same occasion, FMCBGs welcomed the value of the FSB roadmap for addressing financial risks from climate change. This document will complement the work carried out by the SFWG. The discussion on these and other relevant sustainable finance issues has also been fostered through the Venice International Conference on Climate Change.

Since 2018, MDBs are committed to step up their efforts to pursue alignment of their financial flows with the Paris Agreement. MDBs are progressing at different pace. Recently, they have announced different timelines to make their operations aligned with the Paris Agreement, and in particular: all European Bank for Reconstruction and Development financing activities will be aligned by the end of 2022, while all new WB and Inter-American Development Bank operations will be aligned starting from July 2023. For IFC and MIGA, 85 percent of real sector operations will be aligned starting July 2023 and 100 percent starting July 2025. The Asian Development Bank announced that its sovereign operations will be 100 percent aligned by July 2023, together with the 85 percent of non-sovereign operations, which would become 100



percent aligned by July 2025. Finally, the African Development Bank just released its *Climate Change and Green Growth Strategy*, which identifies 2025 as the year to achieve full and comprehensive Paris Alignment (and 2023 to achieve strong and visible progress towards Paris Alignment).

Over 2021, G20 FMCBGs have encouraged IFIs, including 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 (EMDEs), in line with their mandates and internal approval procedures and while continuing to support the achievement of the United Nations 2030 Agenda. MDBs were encouraged to step up and better coordinate their efforts in financing sustainable infrastructure and activities, as well as in providing technical assistance for capacity building.

The G20 SFWG has identified a set of voluntary and flexible actions in both the Synthesis Report and the Roadmap, to enhance the role of IFIs, including MDBs, in supporting the achievement of the Paris Agreement and the UN 2030 Agenda in line with their mandates.

With the objective to explore ways for enhancing the support provided by the MDBs for a just transition towards a low- greenhouse gas emission and more sustainable and inclusive economy, at the Venice International Conference on Climate Change, the WBG stressed the importance of promoting common principles for just transition along with a shared methodology for direct investment operations and for private sector engagement. Participating MDBs proposed to focus on two initiatives: the *MDB long-term Strategy Initiative* and the *Country Mobilization Platform Initiative*. The *MDB long-term Strategy Initiative* includes: (i) development of common principles for LTS and framing MDB support to countries' LTS development and implementation; (ii) support to public authority-led processes related to LTS development; (iii) dissemination of knowledge and progress about LTS. The *Country Mobilization Platform Initiative* seeks to better coordinate engagement between government, the private sector and key development partners. The COP26 Private Finance Hub called for a joint effort with MDBs and envisaged a number of initiatives to encourage private financial institutions to support the mobilization of capital to EMDEs, such as the development by MDBs of institution-specific private capital mobilization action plans. In October, G20 FMCBGs encouraged IFIs, including MDBs to set out plans to mobilise private finance, in line with their mandates and internal approval procedures

On 22 June, the WBG Climate Change Action Plan for 2021–2025 dedicates an average of 35 percent of Bank Group financing over the next five years to climate action—with at least half of Bank financing supporting adaptation and resilience efforts.

The IMF is mainstreaming climate considerations across country, regional and global economic surveillance and capacity building. In the context of the IMF's comprehensive surveillance review, on 20 May, the Executive Board signalled broad approval to stepping up climate coverage in Article IV consultations. This includes strongly encouraging periodic coverage of mitigation policies of the largest emitters of greenhouse gases and a discussion of adaptation



and transition management policies, wherever these issues are macro-critical. On 8 April, the International Monetary and Financial Committee supported the IMF in stepping up its work to help its members identify and manage the macro-critical implications of climate change, in close collaboration with partners and to further integrate these issues into its surveillance, lending and capacity development, in line with its mandate. The IMF will also seek to increase the analysis in the Financial Sector Assessment Program of physical and transition risks due to climate change. In April 2021, the IMF launched a new *Climate Change Indicators Dashboard*, in collaboration with partners including the OECD, the WB, the UN and the European Commission. Following a request from the FMCBGs in July, the IMF is preparing, in close cooperation with the FSB and the Inter-Agency Group on Economic and Financial Statistics, a work-plan for a possible next G20 Data Gap Initiative. As noted above (Pillar III) part of the ongoing efforts to channel SDRs towards vulnerable countries is intended to reduce risks to their prospective balance of payment stability, including from pandemics and climate change.