Outcome of the 2nd G20 Finance Ministers and Central Bank Governors Meeting

Meeting last 7 April 2021, the G20 Finance group committed to continued fiscal support in the crisis and financial support to developing countries, re-focusing on sustainable finance and just transitions, and pledged to reach a global agreement on tax.

In times of crisis, the G20 finance maintains support for accommodative monetary and **fiscal policy to support** the economy. The meeting took place after the US Administration's announcements of a fiscal stimulus of USD1.9tr to support the economy in the short term, which spill over could reach +1% of world GDP, and a long term USD2tr for infrastructure. In that context, the G20 finance "*commit to remaining vigilant and avoiding any premature withdrawal of support measures*" and maintain support "*as long as required to protect people's lives, jobs and incomes, to support the global economic recovery, fight rising inequalities*". It recognises the need for targeted support of women, youth, informal and low-skilled workers.

"*The leadership of the G20 finance misters is important if the recovery is to be financed to ensure jobs - climate friendly jobs, the solidarity of a global social protection fund for the poorest of nations and Tax justice with a 25% global floor for corporate taxation and a digital tax that ensures national dividends. Austerity can play no role in a just recovery*," said Sharan Burrow, General Secretary of the International Trade Union Confederation (ITUC).

"*The G20 Finance meeting reflects a broad policy agenda, ranging from fiscal policy and sovereign debt restructuring, to climate and infrastructure and to digitalisation challenges, including taxation, intangibles and even the misclassification of platform workers. Trade unions and civil society groups need to have voice in this process*" said Pierre Habbard, General Secretary of the Trade Union Advisory Committee to the OECD (TUAC).

On the immediate containment of the **pandemic**, COVID-19 immunization is recognised as "*a global public good*" and finance ministers reiterate support to all collaborative efforts, especially to the four pillars of WHO´s Access to COVID-19 Tools Accelerator (ACT-A) including its COVAX Facility. There is no new announcement and no mention of the request from developing countries to waive intellectual property rights on vaccines (TRIPS waiver) at WTO, other than an acknowledgement of an undisclosed report by the "*G20 High-Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response*".

The G20 Finance continues to spearhead existing G20 work on climate, digitalisation and infrastructure.

On **digitalisation**, the G20 finance is preparing a new "Menu of Policy Options" focusing on "productivity-enhancing digital transformation". To that end, the OECD submitted, but did not disclose, two policy toolkits respectively on "*Harnessing the benefits of online platforms for a strong, sustainable and inclusive recovery*" – among others dealing with the data, skills, competition and labour market challenges of large systemically important platform businesses – and on "*Bridging the gap in the financing of intangibles to support productivity*" – inter alia on making stimulus packages more intangible-friendly, upgrading workers' skills, deepening the private equity markets, devising new measurement standards, improving banking regulation on collateral financing.

On **climate**, the G20 Finance is making a number of commitments. At outset ministers acknowledge the need for "*investing in innovative technologies and promoting just transitions (…) with particular attention to the most affected segments of the population and in line with the Paris Agreement*". In addition to existing mandate to the FSB on climate-related financial stability risks and climate related disclosure, the G20 confirms the "re-establishment" and upgrading of the G20 Sustainable Finance Study Group to a working group, to devise a "*climate-focused G20 sustainable finance roadmap, improving sustainability reporting, identifying sustainable investments, and aligning International Financial Institutions' efforts with the Paris Agreement*". This is a decisive step in joint G20 efforts to steer sustainable investments and to acknowledge the employment dimension.

On **Infrastructure**, the G20 finance recognises the critical role of quality infrastructure investments in the recovery phase and a new "*G20 Policy Agenda on infrastructure resilience and maintenance*" is launched, as well as support for "*financing of digital infrastructure and extend coverage of underserved areas*".

Regarding **Financial support to Developing countries**, the G20 finance commit to "*deploy all tools to help countries close a financing gap*" for low-income countries estimated a +USD 450bn by 2025 (IMF estimate, USD200bn to step up response to the pandemic and another USD250bn to accelerate income convergence with advanced economies). In the short term, IMF will issue an additional USD650bn in liquidity support vulnerable countries in dealing with the pandemic. There is no mention of how wealthier IMF members that will get the largest share of this allocation will donate their allocations. The G20 Finance extends the current suspension of debt interest payments for developing countries until end 2021 as part of the Debt Service Suspension Initiative (DSSI). Regarding debt cancelling and restructuring, Finance ministers fail however to take account, and offer only cautious support on a case-by-case basis. Both for debt suspension and restructuring, the G20 finance reiterate its call for the private creditors to follow suit on comparable terms.

Last but not least, **on tax**, the G20 Finance reiterate its commitment to reach a "global and consensus-based solution" by July on the OECD-hosted proposal to reform corporate tax rules in light of digitalisation (Pillar 1) and to set a minimum floor for the taxation of MNEs (Pillar 2). They also express support for the parallel OECD work on tax transparency. The commitment on tax reform took a dramatic turn with the official and very public support of the US Administration for the OECD's proposals, contrasting with the reluctance if not opposition by the previous Trump Administration. On 5 April indeed, Treasury Secretary Yellen made a strong case for a global minimum tax (i.e. pillar 2) and reportedly supported a minimum 21% CIT rate – which would be well above the minimalist 12-15% minimum rate that had been floated in the early phase of the negotiations. The US administration reportedly is also backing the broader reform on corporate taxation (pillar 1).