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#### NOTE

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Letter to the ECOFIN Ministers on the outcomes of the 24-25 February 2023 meeting of G20 Finance Ministers and Central Bank Governors in Bengaluru

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Delegations will find attached a letter on behalf of the Council Presidency and the Commission to the ECOFIN Ministers on the outcomes of the G20 meeting of Finance Ministers and Central Bank Governors, which took place on 24-25 February 2023 in Bengaluru.



7 March 2023

Dear colleagues,

We are writing to share with you the main outcomes of the first G20 Finance Ministers and Central Bank Governors meeting under the Indian G20 Presidency on 24-25 February 2023 in Bengaluru.

The meeting was dominated by the one-year mark of Russia's invasion of Ukraine. From the EU-side we strongly condemned Russia's war in Ukraine and called on Russia to stop the war. This was supported by G7-countries and a number of other countries.

Despite the good leadership by the Indian G20 Presidency, Finance Ministers and Governors were not able to adopt a Communiqué but agreed to a Chair's Summary. The reason for this was that Russia and China objected to place paragraphs 3 and 4 of the Bali Leaders' Declaration condemning the war in Ukraine, in a Finance Track Communiqué. Finance Ministers and Governors found an agreement on all other paragraphs reflecting other key policy issues.

On the global economy, the IMF stressed the current challenging environment as activity is set to slow further this year. Next year, growth is forecast to rebound, but to remain historically weak, as the fight against inflation and Russia's war in Ukraine weigh on activity. The IMF indicated that the outlook has improved modestly relative to their World Economic Outlook of last October, with inflation having started to peak, but also noted that emerging economies with high levels of debt face a difficult situation in 2023. In the discussion, many members concurred that the global economy is showing signs of recovery but still facing headwinds due to Russia's war against Ukraine, with serious impacts on energy and food security. While news about inflationary developments is encouraging, inflation remains a concern, with the need of maintaining well-anchored inflation expectations. Members also stressed the importance of having well-calibrated monetary, fiscal, financial, and structural policies to address the current economic challenges. The importance of a rules-based and non-discriminatory multilateral trading system with the World Trade Organization at its core was mentioned.

On international taxation, the OECD presented the progress made with the implementation of the two-pillar international tax package. Ministers reaffirmed their commitment to the swift implementation of the package and urged the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting to finalise Pillar One, with the Multilateral Convention to be signed by mid-2023. The implementation by the EU of Pillar Two was welcomed. Moreover, Ministers looked forward to the update on the 2022 G20/OECD Roadmap on Developing Countries and International Taxation. In addition, they asked the OECD to conclude the work on the implementation packages concerning the Crypto-Asset Reporting Framework.

On global health, Ministers reiterated their commitment to strengthening the global health architecture for pandemic prevention, preparedness, and response through continued collaboration and enhanced dialogue between Finance and Health Ministries in the G20 Joint Finance and Health Task Force. Ministers also encouraged further financial contributions to the Pandemic Fund and looked forward to the first call for proposals of the Fund in March 2023.

On the International Financial Architecture, Ministers and Governors discussed the ongoing work to support vulnerable countries. First, regarding the role of Multilateral Development Banks (MDBs), they agreed on the development of a G20 roadmap for implementing the recommendations of the G20 Independent Review of MDBs Capital Adequacy Frameworks by their meeting in August 2023. They also looked forward to receiving for this meeting the report of the newly formed Expert Group on strengthening MDBs to address shared global challenges. Second, they welcomed the operationalisation and pledges to the IMF's Resilience and Sustainability Trust, as well as the total pledges of USD 87 billion made so far towards the global call for delivering USD 100 billion of voluntary contributions for countries most in need. Third, Ministers and Governors recognised the urgency in addressing debt vulnerabilities in low- and middle-income countries and reiterated their commitment to step up the implementation of the Common Framework for Debt Treatment in a predictable, timely, orderly, and coordinated manner. They welcomed the progress achieved on individual country cases covered by the Common Framework and looked forward to a swift resolution to the debt situation of Sri Lanka, a country not covered by the Common Framework. This part of the Chair's Summary was agreed unanimously, including by China.

On financial regulation and financial inclusion, Ministers and Governors welcomed the ongoing work to ensure that the crypto-assets ecosystem, including so-called stablecoins, is closely monitored and subject to robust regulation, supervision, and oversight to mitigate potential risks to financial stability. They also agreed on the importance to better assess the macro-financial implications of Central Bank Digital Currencies. Further, they discussed the need to deepen the FSB's work on vulnerabilities arising from Non-Bank Financial Institutions; reiterated their commitment to timely and effective implementation of the actions under the G20 Roadmap to Enhance Cross-border Payments; and encouraged the FSB to continue work on supporting international coordination to address climate-related financial risks.

On sustainable finance, Ministers and Governors agreed to continue to monitor and illustrate progress in the implementation of the G20 Sustainable Finance Roadmap. They agreed to take action to enable enhanced financing for the Sustainable Development Goals (SDGs), including and beyond climate, in line with the G20 Sustainable Finance Roadmap and building on public and private initiatives.

On infrastructure, Ministers and Governors supported the Indian G20 Presidency's priorities and agreed to develop a set of voluntary principles for financing the cities of tomorrow. Ministers also agreed to continue the work on Quality Infrastructure Investment (QII) Indicators developed for the G20 and on how those indicators can be applied. Discussions also continued towards developing a possible new governance model for the Global Infrastructure Hub.



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Commissioner for Economy



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