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NOTE

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| From: | General Secretariat of the Council |
| To: | ECOFIN Council |
| Subject: | Letter to the ECOFIN Ministers on the outcomes of meetings of G20 Finance Ministers and Central Bank Governors on 28-29 February 2024 in São Paulo, Brazil |

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 meetings of Finance Ministers and Central Bank Governors, which took place on 28–29 February 2024 in São Paulo, Brazil.

10 March 2024

Dear colleagues,

We are writing to share with you the main outcomes of the G20 Finance Ministers and Central Bank Governors meeting which took place on 28-29 February in São Paulo, Brazil.

Many Ministers and Governors in São Paulo continued to firmly condemn Russia's war of aggression against Ukraine, and many referred to the crisis in Gaza. Regrettably, it was not possible to agree on a communiqué. The outcome was a negotiated Chair's Summary, with a footnote by the Presidency on the geopolitical situation that was not agreed by the membership. The Chair's Summary is annexed to this letter.

On the global economic outlook, the IMF informed G20 members that the global economy appears on track for a soft landing, but activity and growth prospects remain weak. Global disinflation could exceed expectations, bringing forward monetary easing and supporting global activity; however, commodity price spikes due to weather shocks, geopolitical events, or further geoeconomic fragmentation could have an adverse impact, increasing risks particularly in non-bank financial institutions. According to the Fund, central banks should carefully calibrate the speed at which they cut interest rates and fiscal authorities should pursue consolidation to rebuild buffers while safeguarding investment. In the discussion, Ministers and Governors reiterated the need for well-calibrated and communicated fiscal, monetary, financial, and structural policies to promote strong, sustainable, balanced, and inclusive growth, to maintain macroeconomic and financial stability, and to help limit negative spillovers, while upholding multilateralism.

There was also a dedicated session on policies addressing inequalities. Ministers and Governors agreed to focus on mainstreaming inequality as a key policy concern, underlining the need for structural reforms supportive of sustainable and resilient economic growth and to steer the just green and digital transformations. Others referred to the possible scope for promoting sustained flows of scarce concessional resources to low- and middle-income countries in need, and for enhancing the representation of developing countries in decision-making in global economic and financial institutions.

On international taxation, Ministers committed to finalise the OECD Two-Pillar solution with a view to signing the Pillar 1 (re-allocation of taxing rights) Multilateral Convention by end June 2024. The OECD informed Ministers that Pillar 2 (minimum effective corporate tax rate) was implemented in over 35 jurisdictions, and more are expected to follow. While there was broad agreement that taxation is crucial to address inequalities, Brazil's suggestion to facilitate the taxation of the 'super-rich' through thinking about a global wealth tax was met with some scepticism. While open to discussion on this proposal, Ministers argued that the focus should rather be on enhancing transparency and exchange of information.

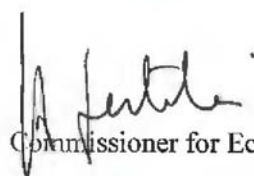
On global debt and financing for sustainable development, Ministers and Governors stressed the need to step up the implementation of the Common Framework for Debt Treatment in a timely, orderly, predictable, and coordinated manner. Ministers and Governors recognised the need to prevent vulnerable countries from getting into debt distress by working on an IMF/World Bank package of domestic reforms and external support to liquidity. Furthermore, they stressed the importance of completing the implementation of CAF recommendations and committed to work on a Roadmap for better, bigger, and more effective Multilateral Development Banks. Ministers also referred to the

importance of the review of climate and environmental funds both to improve access and strengthen private sector leverage. Finally, Ministers and Governors agreed to prioritise a timely implementation of the 16th General Review of Quotas through domestic processes and looked forward to the work of the IMF Executive Board on the 17th General Review of Quotas.

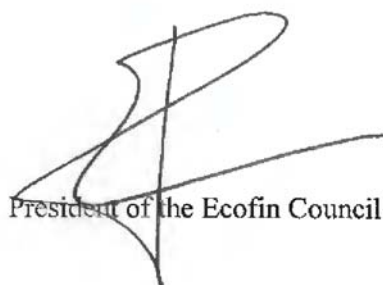
On financial stability and financial sector issues, Governors expressed continued support to the work programme of the Financial Stability Board and other standard-setting bodies. The discussion underlined the opportunities and risks stemming from digital innovation, underscoring the need to maintain sound regulatory and supervisory frameworks, to enhance the resilience of the non-bank financial intermediation sector, and to define a clearer strategy for central bank digital currencies. They also agreed on the need to implement the G20 Roadmap for Enhancing Cross-border Payments and the G20 Roadmap on Crypto Assets, encouraging the promotion of the latter also in non-G20 jurisdictions with significant crypto activity.

Paolo Gentiloni

Vincent Van Peteghem



Commissioner for Economy



President of the Ecofin Council of the European Union

Annex: Chair's Summary

Chair's Summary – 1st G20 Finance Ministers and Central Bank Governors Meeting

São Paulo, Brazil

February 28-29, 2024

1. We, Finance Ministers and Central Bank Governors of G20 members, met on February 28 and 29 in São Paulo, Brazil. Taking into account the three overarching priorities proposed by the Brazilian Presidency to the G20 in 2024, namely (i) social inclusion and the fight against hunger and poverty; (ii) energy transitions and sustainable development; and (iii) the reform of global governance institutions, we exchanged views on global economic developments and noted that economic recovery has proven more resilient than expected, but the medium-term growth outlook remains subdued. Challenging circumstances exacerbate long-standing socio-economic and environmental pressures around the world, disproportionately impacting poor and vulnerable populations, mostly living in Emerging Market and Developing Economies (EMDEs). Therefore, we underscore the critical importance of enhanced international economic cooperation to tackle global challenges and promote an open and prosperous world economy.¹
2. We reiterate our commitment to promote strong, sustainable, balanced, and inclusive growth, and to accelerate progress toward achieving the Sustainable Development Goals (SDGs), in accordance with the ambitious mandate from the 2023 G20 New Delhi Leaders' Declaration. To that end, in 2024, we will focus on mainstreaming inequality as a key policy concern; enhancing the representation and voice of developing countries in decision-making in global economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions; working for better, bigger, and more effective Multilateral Development Banks (MDBs), building on the legacy of Italian, Indonesian and Indian G20 Presidencies; finalizing the two-pillar solution, including reaching a timely agreement on the Pillar 1 Multilateral Convention with a view to signing by end-June 2024 and continue to foster global dialogue on fair and progressive taxation; promoting sustained flows of scarce concessional resources to low- and middle-income countries in need, with clear allocation frameworks; addressing global debt vulnerabilities in an effective,

¹ In addressing the prospects for the global economy. Ministers exchanged views on ongoing wars, conflicts, and humanitarian crises, highlighting Ukraine and Gaza. The Brazilian G20 Presidency noted that the finance track is not the most appropriate forum to resolve geopolitical issues and proposed that these issues shall continue to be discussed in relevant fora and meetings.

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comprehensive, and systematic manner, including stepping up the implementation of the Common Framework in a timely, orderly, predictable and coordinated manner, and enhancing debt transparency; fostering financial inclusion and discussing financial well-being; strengthening pandemic prevention, preparedness, and response; enhancing domestic revenue mobilization and private capital mobilization, and discussing appropriate risk-sharing mechanisms between public and private capital to support investment in infrastructure and just transitions along with the social, economic and environmental dimensions of sustainable development.

3. The global economy continues to face multiple challenges that reinforce each other and whose solutions require renewed multilateral cooperation. Among those are conflicts in many regions of the world; geoeconomic tensions; persistent inequalities, poverty, malnutrition and diseases, which disproportionately affect vulnerable groups, particularly children; informal, low productivity and low-paying jobs, especially in developing countries; elevated debt vulnerabilities and subdued long-term capital flows to EMDEs; tighter financing conditions; large-scale loss of biodiversity; and challenges imposed by climate change. We discussed a wide range of topics for scaling up financing for sustainable development amid pressing fiscal constraints, including development assistance, domestic resource mobilization, technical cooperation, and private capital mobilization. We look forward to discussing the proposals by the Brazilian G20 Presidency to seek urgent solutions to some of these pressing challenges by enhancing cooperation through the Task Force for the Establishment of a Global Alliance against Hunger and Poverty and the Task Force for a Global Mobilization against Climate Change, in coordination with the work of other G20 workstreams.
4. We note that the likelihood of a soft landing in the global economy has increased, with growth showing resilience, despite divergences across countries and regions. However, uncertainty remains high. Global growth is projected to stabilize in 2024 and the coming years at a subdued level, increasing the challenge to achieve the SDGs. Labor market dynamics have been uneven across economies. At the same time, inflation has receded in most economies, thanks in large part to appropriate monetary policies, the easing of supply chain bottlenecks and moderating commodity prices. Ensuring that inflation converges to target continues to be a key focus for central banks in line with their respective mandates. Supporting growth, while strengthening fiscal sustainability and building buffers, remains a challenge for many countries.
5. Against this background, we reiterate the need for well-calibrated and communicated fiscal, monetary, financial, and structural policies to promote strong, sustainable,

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balanced, and inclusive growth, maintain macroeconomic and financial stability, and help limit negative spillovers. We stress the importance of adopting policies that facilitate structural transformations and global convergence, including innovation, diversification, and development of high-productivity industrial and service sectors, capable of enhancing potential output, fostering job creation, expanding opportunities for improving living standards, and catalyzing investments for just transitions. We will continue to prioritize temporary and targeted fiscal measures to protect the poor and the most vulnerable, while maintaining medium-term fiscal sustainability. We commit to resist protectionism and encourage concerted efforts to support a rules-based, non-discriminatory, fair, open, inclusive, equitable, sustainable and transparent multilateral trading system with the WTO at its core and support the reform efforts of the organization by its members at its Thirteenth Ministerial Conference. We commit to prioritize a timely implementation of the 16th General Review of Quotas (GRQ) through our domestic processes and look forward to the work of the IMF Executive Board to develop, by June 2025, possible approaches as a guide for further quota realignment, including through a new quota formula, under the 17th GRQ. We reaffirm our April 2021 exchange rate commitment. A focus on financial stability and financial sector issues remains vital and we continue to support the work program of the FSB and other standard setting bodies. We agree on the importance of enhancing the resilience of the non-bank financial intermediation sector. We also agree on the importance of understanding the benefits and vulnerabilities coming from digital innovations, including tokenization and artificial intelligence (AI), and of implementing the G20 Roadmap on Crypto Assets and the G20 Roadmap for Enhancing Cross-border Payments.

6. Risks to the global economic outlook are more balanced. Upside risks include faster-than-expected disinflation; more growth-friendly fiscal consolidation underpinned by credible fiscal frameworks; enhanced global cooperation; and a productivity boost from technological innovations, including responsible and orderly adoption of AI. Among the downside risks to global activity are wars and escalating conflicts; geoeconomic fragmentation; rising protectionism; trade routes disruptions; higher volatility in commodity prices as well as in capital flows; adverse inflationary dynamics that lead to a tightening in financing conditions; excessive public and private indebtedness; reduced social cohesion on the back of increasing inequality; and rising economic costs of climate change.
7. We note the encouraging results of the first meetings of the G20 Finance Track workstreams in January and February of 2024. We welcome the priorities identified in

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the work plans proposed by the Presidency and the co-Chairs for each working group and task force, which were discussed by the membership. We also welcome the extensive list of inputs commissioned to international organizations (IOs) and other knowledge partners to inform the G20 technical debates in the current year and reiterate our appreciation for their advice. The Annexes to this Communiqué list the priorities under discussion in each workstream and contributions to the financial sector issues.

8. Recognizing that candid dialogue, a spirit of compromise, and the diversity of our membership are invaluable assets that allow the G20 to forge crucial global consensus, we warmly welcome the African Union as a permanent member, which strengthens our representativeness and elevates the voice and concerns of the continent in the G20. We reiterate our strong support to Africa and will intensify our work with the continent, including through the G20 Initiative Compact with Africa. Furthermore, we acknowledge Brazil's inclusive strategy of involving civil society in parallel dialogues, to enrich and directly contribute to the discussions.
9. Reiterating our ambition to advance international dialogue and seek concrete solutions to our many global challenges based on continued cooperation and solidarity, we look forward to meeting again in April, in Washington, DC.

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