

ILLUSTRATION: BINAY SINHA



# G20's reform blueprint from Gandhinagar

The outcomes achieved on various work streams at the Finance Ministers and Central Bank Governors' meeting reflect the perspectives of both developing and developed nations

The third meeting of the G20 Finance Ministers and Central Bank Governors (FMCBGs) concluded in Gandhinagar on July 17-18. This meeting marked a significant milestone in addressing key global financial issues, building upon the agenda set during the first meeting under the Indian Presidency in February 2023. The Outcome Document and Chair's Summary released after this meeting showcased the substantial progress achieved and policy guidance provided on crucial global matters.

Multilateral development banks (MDBs) face increasing demands from donor and borrowing countries to expand their lending operations beyond their core developmental mandates and include transboundary challenges such as climate change and pandemics. However, if the mandates of MDBs expand, then there should be a commensurate increase in their financial strength. Additionally, there would also be a requirement for MDBs to review their existing operational models to enable them to deal with these new mandates. In their present state, MDBs are not equipped to meet this rapidly increasing demand for financing. In this context, the Presidency set up the G20 Independent Expert Group on Strengthening MDBs. Volume 1 of its report has been submitted, and Volume 2 is expected to be presented before the fourth and final FMCBG meeting in October.

The triple agenda recommended by the report calls on MDBs (i) to address global challenges along with their core mandates of eliminating poverty and fostering shared prosperity; (ii) triple their sustainable lending level by 2030; and (iii) enhance their financial strength by continuing with the ongoing work of improving their capital adequacy frameworks followed by a general capital increase. Implementing these recommendations calibrated by each MDB

within their respective governance frameworks can significantly enhance the MDBs' strength in addressing a diverse set of financing challenges going forward. Through this report and its recommendations, India has harnessed the opportunity provided by the G20 Presidency to effectively articulate and embed the priorities of the Global South in the larger global conversation on MDB reforms.

Crypto assets, being borderless by nature, have posed challenges for individual countries attempting to regulate them in isolation. In light of the financial stability implications, the Indian Presidency called for a coordinated and comprehensive policy and regulatory framework to address the full range of risks associated with these assets. In a recent blog post, the International Monetary Fund (IMF) acknowledged the momentum gained for clearer policies on crypto assets under the Indian G20 Presidency. Before the G20 Leaders' Summit in September 2023, the IMF and Financial Stability Board (FSB) have been tasked to prepare a Synthesis Paper that is expected to provide the building block for effective crypto policies globally.

Digital Public Infrastructure (DPI) and digital innovations have shown great potential for accelerating financial inclusion and fostering economic growth in many countries. India is a prime example through initiatives like Aadhaar and the United Payment Interface. Recognising the lessons DPI can offer to other economies, the G20 has developed action-oriented policy recommendations to encourage the development of an open, inclusive, and responsible digital financial ecosystem.

A key focus for India under its G20 Presidency is to create innovative financing models that can attract private sector investments to bridge the infrastructure-financing gap in building future cities.



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The G20 Principles for Financing Cities of Tomorrow have been developed to guide MDBs and other development financial institutions in planning and financing urban infrastructure projects.

The rising debt issues in vulnerable economies pose significant economic risks, hindering their progress towards achieving Agenda 2030 goals. India has been pushing for momentum on debt restructuring under the G20 Common Framework to address this. In July, the FMCBGs appreciated the progress achieved in debt restructuring in the case of Zambia, Ethiopia and Ghana within the Common Framework, and in the case of Sri Lanka, outside the Common Framework. Continued support from the G20 can significantly boost global efforts in this regard.

As countries deal with climate transition, the optimal policy mix adopted to enable the transition poses some major challenges. Globally, there has been a push towards more countries adopting carbon pricing as a primary policy tool for transition. In 2023, through the G20 Presidency, India has worked towards ensuring that the global policy conversation on transition recognises that depending on their specific circumstances, countries may choose a range of policy options, both pricing and non-pricing. These include carbon taxes, emissions trading, feebates, tradable performance standards, green subsidies, standards for green technologies, adaptation policies, and regulatory and other non-price policy measures. Implementing an optimal mix of country-specific policy interventions will maximise benefits and require increased cooperation due to the global nature of climate change. An inclusive, swift, cooperative and customised approach to climate transition is essential to limit the costs and risks associated with the transition while integrating country-specific circumstances and approaches. Recognising that resources are limited, governments need to work towards achieving their climate targets in a cost-effective way while ensuring that these efforts continue to catalyse growth and mitigate the socio-economic impact on vulnerable households and regions.

Amid a challenging geopolitical environment, India's G20 Presidency has taken a comprehensive approach to address critical issues affecting the collective economic outcomes of G20 member countries and beyond. The Indian Presidency strove to break down institutional silos, allowing for a more inclusive examination of issues such as the crypto asset agenda. Moreover, the outcomes achieved on various work streams reflect the perspectives and concerns of both developing and developed countries, giving the Global South an influential role in setting the rules of the game and leading conversations on matters affecting their interests.

In conclusion, the G20 FMCBG held under the Indian Presidency made significant strides in addressing global financial challenges and promoting inclusive and sustainable economic growth. By prioritising the needs of the Global South, India's leadership played a crucial role in shaping the global agenda and advancing key reforms to address pressing global issues.

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