Global Counsel

All talk and no action? The G20 beyond corporate tax

Blog post by Senior Associate Isabelle Trick, 14 July 2021

G20 finance ministers and central bank governors met on July 9th and 10th in a meeting that has received significant coverage due to one reason: the group endorsed the new international tax deal previously agreed by the G7 and OECD. While historic, this means less attention has been paid to other G20 priorities. Global vaccine access, climate finance and low-income country debt were all on the agenda last weekend. Action on these topics could shape the economic recovery for countries other than the world's 20 richest economies. But did the G20 deliver?

On vaccine access, the answer is short and clear: no. While the G20 "reiterated [their] support for all collaborative efforts", there was little concrete action. The G20 endorsed the sharing of vaccines in general, but there was no mention of the plan to donate 1 billion vaccine doses to poorer countries endorsed at the G7. The increasing spread of the delta variant and discussions around the need for booster shots at home may have made the G20 hesitant to double down on the G7 commitment.

In June there was a shortfall of 290m vaccine doses in Africa according to an open letter to the G20 by a group of African finance ministers, and there are acute gaps in vaccine availability until the end of the year. Delays in vaccine rollouts will have significant health and economic impacts. For the world, pockets of unvaccinated populations mean a greater risk of new variants developing.

On climate finance, the picture is similar. Tackling climate change and biodiversity loss are "urgent priorities" for the G20. However, if poorer countries are to join the green transition, tangible financial and technical support is needed now. More than a decade ago, developed countries pledged to mobilise $100 bn for climate change mitigation and adaptation by 2020. This target was missed. The G20 did not reiterate the pledge nor present a clear alternative strategy. The pressures of the pandemic may have played a role, as well as an expectation that commercial or blended finance solutions will play an increasingly large role in reaching climate targets.

Yet, if low-income countries do not climate-proof their economies now, their ability to respond to future environmental and economic shocks will remain weak. Further, without climate finance, few ambitious commitments will be forthcoming from poorer countries at COP26, which undermines global efforts to achieve the Paris Agreement goals.

On debt, finally, the picture is more mixed. The G20 did not extend their debt service suspension initiative. Nor did they expand their common framework for debt treatments to include middle income countries as most recently urged by Antonio Guterres, the secretary-general of the United Nations. Yet, the G20 wholeheartedly endorsed the new allocation of $650 bn worth of Special Drawing Rights (SDRs), the IMF's reserve asset, which can be used to top up official reserves.

Crucially, the strength of support among the G20 for channelling SDRs from rich countries to poor ones bodes well for the IMF's ambition to create an operational system for this in August. While the SDR allocation does not equal a more inclusive plan for debt treatments, it should address solvency constraints and may free up funds to spend on vaccine procurement.

So, did the G20 act to lay the basis for a sustainable recovery for poorer countries? Barely. While the support for SDRs is a silver lining, it may have only been possible because it is pitched at a level that does not require domestic approval, particularly in the US Congress. In other crucial, interlinked areas, competing domestic priorities mean the G20 failed to act decisively. Therefore, high debt service costs will continue to be a drain on resources in less developed economies and crowd out other priorities such as progress on climate and health, while slow progress in vaccinations will undermine overall recovery prospects. For now, low-income countries and those invested there continue to face an uncertain outlook.