STRATEGIC RECOMMENDATIONS FROM THE B20 FOR G20 FINANCE TRACK PRIORITIES

We, the B20 call upon the G20 leaders to:

I. G20 FINANCE TRACK PRIORITY: FINANCIAL SECTOR ISSUES - INTERNATIONAL FINANCIAL ARCHITECTURE - SUSTAINABLE FINANCE - GLOBAL MOBILIZATION AGAINST CLIMATE CHANGE.

1. Enhance the efficiency of capital allocation for climate finance by shifting the focus of public sector development finance institutions (DFIs), Multilateral Development Banks (MDBs), and Official Development Assistance (ODA) from direct balance sheet deployment to private capital mobilization:

a. MDBs and DFIs shareholders should work towards a Private Capital Mobilization target levels whereby each dollar of public sector capital mobilizes five dollars of private sector capital (i.e. PCM ratio of [5:1]) by 2030, serving as core internal Key Performance Indicators, to measure their success in crowding in private capital across all forms of capital mobilization, including co-investing (A/B loan programs), concessionary capital and de-risking strategies (interest and principal guarantees) in support of long-term sustainable growth and a just transition in Emerging Markets and Developing Economies (EMDEs).

b. Move MDBs and DFIs to an originate-and-distribute model by increasing private sector investment in commercial and fundable transactions. This could be done through A/B loan and bond structures by reducing the amount of the A loan/bond retained by the MDBs and shifting more to the B loan/bond held by the private sector.

c. Increase availability of concessional funds by redirecting balance sheet resources to de-risk and mobilize private investment. MDBs, DFIs, and ODA capital should be combined to achieve a target to deploy at least USD 75 billion a year of concessional, junior & mezzanine funds in blended finance and cost-effective de-risking strategies aiming to mobilize private investments**.**

d. Support standardization of best-in-class blended finance and de-risking strategies resulting in investable assets for the private sector (e.g., investment grade loans/bonds), to increase scalability and efficiency.

2. Enhance private capital investment in climate solutions in EMDEs through regulatory capital and rating agency policy reforms.

a. Help achieve conformity in capital treatment across jurisdictions for strategies such as A/B loan structures, concessional capital, and de-risking strategies provided by MDBs/DFIs/Export Credit Agencies (ECAs) or insurance companies aiming that capital requirements accurately represent the risk mitigation features of these products and are uniformly applied across regions.

b. Update the solvency capital requirements of insurance companies and pension plans to reflect the actual risk of investing in EMDEs.

c. Review rating methodology by adjusting subjective risk premiums assigned to EMDEs (referencing EMDE transaction track records such as WBG's GEMS database) and incorporate climate risk parameters into credit rating assessments.

d. On an annual basis, banks, insurance companies, and pension funds should assess the amount of capital (for banks, Tier 1 capital under Basel 3 requirements; for insurance companies and pension funds, Solvency capital) being held that is more than regulatory capital adequacy requirements plus an appropriate buffer to account for volatility in capital requirements "Excess Capital" and set a target to allocate a portion of this "Excess Capital" for climate finance in EMDEs.

3. Build breakthrough models for financing and collaboration to support farmers' transition:

a. Mobilize private, public, and philanthropic capital to meet investments required for sustainable food systems transformation.

b. Secure sufficient quality funding to scale sustainable food systems transformation, allocating it efficiently to areas such as infrastructure, R&D, and biosecurity.

c. Develop a regulatory framework to accelerate the development of high-integrity, interoperable credits for ecosystem services (e.g., carbon sequestration, healthy soils, freshwater use and pollution reduction, biodiversity preservation, etc.).

4. **Scale Nature Climate Solutions:** Scale conservation, restoration, and sustainable management projects to ensure a thriving Natural Climate Solutions global market by 2030. For such, four specific actions should be implemented: i) Accelerate Paris Agreement Article 6 implementation to enable a high integrity carbon market; ii) Foster operationalization and accounting integrity of NCS through improvement of infrastructure and development of protocols; iii) Facilitate investments in carbon dioxide removal (CDR) projects from NCS through offtake agreements and carbon pricing mechanisms; iv) Grow conservation projects by establishing a global endowment fund while actively involving local and traditional communities.

II. G20 FINANCE TRACK PRIORITY: FINANCIAL INCLUSION

5. **Strengthening Micro, Small, and Medium Enterprise Integration into Global Value Chains and digital transformation through enhanced financial inclusion and regulatory support**

a. Establish divisions within existing agencies to assist MSMEs in approving investments, especially climate-related ones.

b. Collaborate with international regulatory bodies such as the Financial Action Task Force, Financial Stability Board, and Bank for International Settlements to review macroprudential policy and address regulatory concerns by MSMEs, enabling their access to trade and financing.

c. Expand Legal Entity Identifier adoption across all financial transactions involving MSMEs.

d. Improve financial productivity and access to finance and working capital management of all firms, particularly MSMEs. This includes collaborating with financial technology companies and regulatory bodies to develop digital early payment platforms, partnerships with financial institutions to expand the range of accessible financial strategies, and incentives for large corporations to provide credit and technical support to MSME suppliers.

e. Increase trade and export finance access by enabling a regulatory environment for digitalizing trade and trade financing and strengthening government export programs. Review regulations to allow the use of digital original documents and blockchain-enabled payment tokens for trade financing. Adopt legislation aligned with the UN's Model Law for Electronic Transferable Records and support least-developed countries in implementing this legislation through technical assistance and capacity-building. Additionally, national regulators should consider the implications for trade financing when implementing Basel 3.1 regulations, and the Basel Committee on Banking

f. Supervision should monitor the impact of Basel 3.1 implementation on trade finance and recommend adjustments to standards, if necessary.

g. Offer sustainable financing to accelerate MSME adoption of digital technologies (e.g., flexible collateral options, tools for better corporate accounting)

III. G20 FINANCE TRACK PRIORITY: INFRASTRUCTURE

6. **Increase the pipeline of approved fundable infrastructure projects that support the net-zero transition and are climate resilient:** Expedite permitting processes for Infrastructure, limiting maximum permitting times, creating an integrated permitting system and establishing fast-track processes, and fostering international collaboration to advance interoperability and expedite permitting procedures.

7. **Accelerate the roll-out and use of ICT infrastructure**: Promote regulatory modernization and public-private partnerships that encourage investment, collaboration, and fair competition, such as licensing models that favor commitments to ICT infrastructure expansion, optimized universal service funds (USFs), and demand-side support initiatives (e.g., government-funded connectivity for essential services)