Communiqué

G20 Finance Ministers and Central Bank Governors Meeting

23-24 July 2016, Chengdu, China

1.We met in Chengdu to review our efforts in responding to key economic challenges, as well as the progress we made since the beginning of this year. We worked closely in the spirit of cooperation and solidarity and achieved tangible outcomes on our agenda, which will be delivered for our Leaders' review at their Hangzhou Summit.

2.The global economic recovery continues but remains weaker than desirable. Meanwhile, the benefits of growth need to be shared more broadly within and among countries to promote inclusiveness. The global economic environment is challenging and downside risks persist, highlighted by fluctuating commodity prices, and low inflation in many economies. Financial market volatility remains high, and geopolitical conflicts, terrorism, and refugee flows continue to complicate the global economic environment. In addition, the outcome of the referendum on the UK's membership of the EU adds to the uncertainty in the global economy. Members of the G20 are well positioned to proactively address the potential economic and financial consequences stemming from the UK referendum. In the future, we hope to see the UK as a close partner of the EU.

3.We are taking actions to foster confidence and support growth. In light of recent developments, we reiterate our determination to use all policy tools – monetary, fiscal and structural – individually and collectively to achieve our goal of strong, sustainable, balanced and inclusive growth. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks' mandates, but monetary policy alone cannot lead to balanced growth. Underscoring the essential role of structural reforms, we emphasize that our fiscal strategies are equally important to support our common growth objectives. We are using fiscal policy flexibly and making tax policy and public expenditure more growth-friendly, including by prioritizing high-quality investment, while enhancing resilience and ensuring debt as a share of GDP is on a sustainable path. Furthermore, we will continue to explore policy options, tailored to country circumstances, that the G20 countries may undertake as necessary to support growth and respond to potential risks including balance sheet vulnerability. We reiterate that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will consult closely on exchange markets. We reaffirm our previous exchange rate commitments, including that we will refrain from competitive devaluations and we will not target our exchange rates for competitive purposes. We will resist all forms of protectionism. We will carefully calibrate and clearly communicate our macroeconomic and structural policy actions to reduce policy uncertainty, minimize negative spillovers and promote transparency.

4.As regards structural reform, we endorse the Enhanced Structural Reform Agenda prepared by the Framework Working Group (FWG), and commend the OECD, the IMF and other relevant international organizations (IOs) for their valuable inputs. We take note that the choice and design of structural reforms are consistent with countries' economic conditions. Based on the nine priority areas of structural reforms agreed in April, we have developed and agreed upon a set of guiding principles, which will provide high-level and useful guidance to members, while allowing them to account for their specific national circumstances. We have also agreed upon a set of indicators which will be further enhanced over time to help monitor and assess our efforts and progress with structural reforms and challenges. We are committed to implementing and improving over time the Enhanced Structural Reform Agenda, and call on the IOs to provide continuous support. We are making further progress towards the implementation of our growth strategies, as is indicated by the preliminary assessment of the IOs as well as results from our enhanced peer reviews, but much more needs to be done. Swift and full implementation of the growth strategies remains key to support economic growth and the collective growth ambition set by the Brisbane Summit. Furthermore, to strengthen our efforts, we are updating our growth strategies to include new and adjusted macroeconomic and structural policy measures that can provide mutually-supportive benefits to growth. Our updated growth strategies and an accountability report on progress against our growth ambition will be finalized before the Hangzhou Summit. We underscore the role of open trade policies and a strong and secure global trading system in promoting inclusive global economic growth, and we will make further efforts to revitalize global trade and lift investment. We will also strive to reduce excessive imbalances and promote greater inclusiveness in our pursuit of economic growth.

5.We recognize that the structural problems, including excess capacity in some industries, exacerbated by a weak global economic recovery and depressed market demand, have caused a negative impact on trade and workers. We recognize that excess capacity in steel and other industries is a global issue which requires collective responses. We also recognize that subsidies and other types of support from governments or government-sponsored institutions can cause market distortions and contribute to global excess capacity and therefore require attention. We commit to enhance communication and cooperation, and take effective steps to address the challenges so as to enhance market function and encourage adjustment. The G20 steelmaking economies will participate in the global community's actions to address global excess capacity, including by participating in the OECD Steel Committee meeting scheduled for September 8-9, 2016 and discussing the feasibility of forming a Global Forum as a cooperative platform for dialogue and information sharing on global capacity developments and on policies and support measures taken by governments.

6.To support our common growth objectives and the 2030 Agenda for Sustainable Development, we reaffirm our commitment to promote investment with focus on infrastructure in terms of both quantity and quality. Multilateral Development Banks (MDBs) have a unique role in supporting infrastructure investment. We have had effective communications with MDBs and called on them to take joint actions to support infrastructure investment as well as catalyze private investment. In this regard, we welcome the commitments made in the "Joint Declaration of Aspirations on Actions to Support Infrastructure Investment" by 11 MDBs which includes their announcements of quantitative ambitions for high-quality infrastructure projects within their respective institutional mandates as well as their efforts to maximize the quality of infrastructure projects, strengthen project pipelines, collaborate further among existing and new MDBs, strengthen the enabling environment for infrastructure investment in developing countries, as well as catalyze private resources. We stress the importance of quality infrastructure investment, which aims to ensure economic efficiency in view of life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise and know-how, while addressing social and environmental impacts and aligning with economic and development strategies. We welcome the MDB Response to the G20 MDB Balance Sheet Optimization Action Plan and call for further implementation of the Action Plan. Greater inter-connectivity is a defining demand of the 21st century global economy and key to promote sustainable development and shared prosperity. We launch the Global Infrastructure Connectivity Alliance to enhance the synergy and cooperation among various infrastructure connectivity programs in a holistic way. We ask the World Bank Group (WBG) to serve as the secretariat of the Alliance, working closely with the Global Infrastructure Hub (GIH), OECD, other MDBs, and interested G20 members to support its activities. We endorse the G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs and we welcome the Annotated Public-Private Partnership (PPP) Risk Allocation Matrices completed by the GIH to help developing countries better assess infrastructure risks. We support the effective implementation of the G20/OECD Principles of Corporate Governance and G20/OECD High-level Principles on SME Financing. In particular, we look forward to the revision of the assessment methodology of the G20/OECD Principles of the Corporate Governance, which will be informed by an FSB peer review on corporate governance.

7.We support the ongoing efforts undertaken by IOs to provide a coordinated and effective response that will support refugees and their host communities in developing and middle-income countries across all regions and income levels, building on existing and proposed facilities, and consistent with their mandates and comparative advantages. We look forward to further steps in the near future. We note the ongoing discussion within the WBG on considering a global crisis response platform. We call for strengthening humanitarian and development assistance, refugee resettlement and scaling up the support through relevant IOs for refugees and their host communities.

8.We endorse the recommendations towards further strengthening the international financial architecture (IFA) developed by the IFA Working Group. Building on the ongoing work by relevant IOs, we will continue to improve the analysis and monitoring of capital flows and management of risks stemming from excessive capital flow volatility. We look forward to the IMF's review of country experiences and emerging issues in handling capital flows by year-end. We note the ongoing work on the review of the OECD Code of Liberalization of Capital Movements. We support work to further strengthen the Global Financial Safety Net (GFSN), with a strong, quota-based and adequately resourced IMF at its center, equipped with a more effective toolkit, and with more effective cooperation between the IMF and Regional Financing Arrangements (RFAs), respecting their mandates. In this respect, we welcome the upcoming CMIM-IMF joint test run and call for further work regarding the IMF's lending toolkit. We look forward to the completion of the 15th General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings. We reaffirm that any realignment under the 15th review in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. We support the WBG to implement its shareholding review according to the agreed roadmap and timeframe, with the objective of achieving equitable voting power over time. We underline the importance of promoting sound and sustainable financing practices and will continue to improve debt restructuring processes. We support the continued effort to incorporate the enhanced contractual clauses into sovereign bonds. We support the Paris Club's discussion of a range of sovereign debt issues, the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors, and welcome the admission of the Republic of Korea to the Paris Club. We welcome China's regular participation in Paris Club meetings and intention to play a more constructive role, including further discussions on potential membership. We support examination of the broader use of the SDR, such as broader publication of accounts and statistics in the SDR and the potential issuance of SDR-denominated bonds, as a way to enhance resilience. We call for further work by the IOs to support the development of local currency bond markets, including intensifying efforts to support low-income countries. We will extend the IFA Working Group's mandate into 2017.

9.Recent market turbulence and uncertainty have once again highlighted the importance of building an open and resilient financial system. To this end, we remain committed to finalizing remaining critical elements of the regulatory framework and the timely, full and consistent implementation of the agreed financial reforms, including Basel III and the total-loss-absorbing-capacity (TLAC) standard as well as effective cross-border resolution regimes. We reiterate our support for the work by the Basel Committee on Banking Supervision (BCBS) to finalize the Basel III framework by the end of 2016, without further significantly increasing overall capital requirements across the banking sector, while promoting a level playing field. We look forward to the BCBS comprehensive quantitative impact study that will inform the final design and calibration of the framework. We will continue to enhance the monitoring of implementation and effects of reforms to ensure their consistency with our overall objectives, including by addressing any material unintended consequences. We look forward to the FSB's second annual report on the implementation and effects of the financial regulatory reforms to be presented to our Leaders at the Hangzhou Summit. We will continue to address the issue of systemic risk within the insurance sector. We welcome the work towards the development of an Insurance Capital Standard (ICS) for internationally active insurers. We welcome the ongoing joint work by the IMF, FSB and BIS to take stock of international experiences with macroprudential frameworks and tools, to help promote effective macroprudential policies, and look forward to the report to be published ahead of the Hangzhou Summit. We welcome the FSB consultation on proposed policy recommendations to address structural vulnerabilities from asset management activities. We continue to closely monitor, and if necessary, address emerging risks and vulnerabilities in the financial system, including those associated with shadow banking, asset management and other market-based finance. We look forward to the report to the Hangzhou Summit on progress of the FSB-coordinated four-point action plan to address, as appropriate, the decline in correspondent banking services. The G20 looks forward to further efforts to clarify regulatory expectations, as appropriate, including through the consideration in October by the FATF of the guidance on correspondent banking. We call on G20 members, the IMF and WBG to intensify their support for domestic capacity building to help countries improve their compliance with global anti-money laundering and countering the financing of terrorism (AML/CFT) and prudential standards. We encourage members to close the gap in the implementation of the Principles for Financial Market Infrastructures and accelerate their actions on over-the-counter derivatives markets reforms. We look forward to the consultation papers under the agreed work plan on central counterparties' (CCPs) resilience, recovery planning and resolvability to be published ahead of the Hangzhou Summit. We endorse the G20 High-level Principles for Digital Financial Inclusion, the updated version of the G20 Financial Inclusion Indicators, and the implementation framework of the G20 Action Plan on SME Financing, developed by the Global Partnership for Financial Inclusion (GPFI). We encourage countries to consider these principles in devising their broader financial inclusion plans, particularly in the area of digital financial inclusion.

10.We welcome the first meeting of the G20/OECD Inclusive Framework on BEPS held in Kyoto, particularly its broad membership which will be a key asset in supporting a timely, consistent and widespread implementation of the G20/OECD BEPS package, as well as in tackling the specific challenges faced by developing countries. We call upon all relevant and interested countries and jurisdictions that have not yet committed to the BEPS package to do so and join the framework on an equal footing. We also welcome the recent progress made on effective and widespread implementation of the internationally agreed standards on tax transparency. We reiterate our call on all relevant countries including all financial centers and jurisdictions which have not yet done so to commit without delay to implementing the standard on automatic exchange of information by 2018 at the latest and to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. We support the Global Forum's monitoring of the implementation of automatic exchange of information and look forward to its report before the end of the year. We endorse the proposals made by the OECD working with G20 members on the objective criteria to identify non-cooperative jurisdictions with respect to tax transparency. We ask the OECD to report back to us by June 2017 on the progress made by jurisdictions on tax transparency, and on how the Global Forum will manage the country review process in response to supplementary review requests of countries, with a view for the OECD to prepare a list by the July 2017 G20 Leaders' Summit of those jurisdictions that have not yet sufficiently progressed toward a satisfactory level of implementation of the agreed international standards on tax transparency. Defensive measures will be considered against listed jurisdictions. We encourage countries and IOs to assist developing economies in building their tax capacity and accordingly we acknowledge the establishment of the new Platform for Collaboration on Taxation by the IMF, OECD, UN and WBG, and their recommendations on mechanisms for effective technical assistance in support of tax reforms. We look forward to receiving a progress update by mid-2017. We support the principles of the Addis Tax Initiative. We recognize the significant negative impact of illicit financial flows on our economies and we continue to take forward the work of the G20 on this theme.

11.We recognize the important role of tax policies in our broader agenda on strong, sustainable and balanced growth and of a fair and efficient international tax environment in diminishing the conflicts among tax systems. As highlighted in our discussion at the G20 High Level Tax Symposium, we emphasize the effectiveness of tax policy tools in supply-side structural reform for promoting innovation-driven, inclusive growth, as well as the benefits of tax certainty to promote investment and trade. In this regard, we ask the OECD and the IMF to continue working on the issues of pro-growth tax policies and tax certainty.

12.We reiterate our call on the FATF and the Global Forum to make initial proposals by our October meeting on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange.

13.We condemn, in the strongest possible terms, the recent terrorist attacks. We reaffirm our solidarity and resolve in the fight against terrorism in all its forms and wherever it occurs. We will tackle all sources, techniques and channels of terrorist financing. We welcome the progress achieved by the FATF in the implementation of its new Consolidated Strategy on Combating Terrorist Financing and call for effective implementation of its operational plan. Swift and effective implementation of FATF standards worldwide is a priority. This calls for strengthening of the traction capacity of the FATF and enhanced effectiveness of the network of FATF and FATF-style regional bodies. We call on the FATF to reflect on ways to progress in those areas by March 2017.

14.We recognize that, in order to support environmentally sustainable growth globally, it is necessary to scale up green financing. We welcome the G20 Green Finance Synthesis Report submitted by the Green Finance Study Group (GFSG), and welcome the voluntary options developed by the GFSG to enhance the ability of the financial system to mobilize private capital for green investment. In particular, we believe that efforts could be made to provide clear strategic policy signals and frameworks, promote voluntary principles for green finance, expand learning networks for capacity building, support the development of local green bond markets, promote international collaboration to facilitate cross-border investment in green bonds, encourage and facilitate knowledge sharing on environmental and financial risks, and improve the measurement of green finance activities and their impacts.

15.We welcome the domestic steps already undertaken by some countries, and encourage others to do so, to help bring the Paris Agreement on Climate Change into force as soon as possible. We reiterate our call for timely implementation of the Paris Agreement on Climate Change and the commitments made by developed countries and IOs and announcements made by other countries on climate finance. We welcome the Climate Finance Study Group's (CFSG) Report on “Promoting Efficient and Transparent Provision and Mobilization of Climate Finance to Enhance Ambition of Mitigation and

Adaptation Actions” and take note of the Outlook on “Mainstreaming Climate Change Considerations into Development Assistance and Climate Finance Programs”. We will continue working on climate finance in 2017 under the working arrangement of next year’s G20 Presidency, in consultation with other members, with the objective to contribute to the discussions held under the United Nations Framework Convention on Climate Change (UNFCCC) and by building on G20 fora expertise and knowledge and experiences sharing.

16.We reaffirm our commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, over the medium term, recognizing the need to support the poor. Further, we encourage all G20 countries to consider participation in the voluntary peer review of inefficient fossil fuel subsidies that encourage wasteful consumption.

Annex

Reports received

1.IMF Surveillance Note and the Background Note on Priorities for Structural Reforms in G20 Countries

2.FWG Report on the G20 Enhanced Structural Reform Agenda

3.IMF Note – Reinvigorating Trade to Support Growth: A Path Forward

4.OECD Note on Developments in Investment and Policy Challenges

5.OECD Note on Developments in Trade and Policy Challenges

6.MDBs’ Joint Declaration of Aspirations on Actions to Support Infrastructure Investment

7.MDB Response to the G20 MDB Balance Sheet Optimisation Action Plan

8.Global Infrastructure Connectivity Alliance Initiative

9.G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs

10.G20/OECD Support Note on Diversification of Financial Instruments for Infrastructure

11.G20/OECD Support Note on Diversification of Financial Instruments for SMEs

12.G20/OECD Progress Report on the Implementation of the G20/OECD Principles of Corporate Governance

13.G20/OECD Progress Report on the Development of Effective Approaches to Support the Implementation of the G20/OECD High Level Principles on SME Financing

14.Global Infrastructure Hub Report on Annotated Public-Private Partnership (PPP) Risk Allocation Matrices

15.G20 International Financial Architecture Working Group 2016 Final Report.

16.The IMF's Note on Role of the SDR—Initial Consideration

17.FSB Chair's Letter to G20 Finance Ministers and Central Bank Governors, July 2016

18.IMF-FSB-BIS Draft Report on Elements of Effective Macroprudential Policies: Lessons from International Experience

19.BCBS-CPMI-FSB-IOSCO Draft Progress Report under the Joint CCP Workplan

20.FSB Draft Annual Report to the G20 on the Implementation and Effects of the G20 Financial Regulatory Reforms

21.G20 High-level Principles for Digital Financial Inclusion

22.Implementation Framework of G20 SME Financing Action Plan

23.G20 Financial Inclusion Indicators (2016 Update)

24.OECD Secretary General Report to G20 Finance Ministers

25.G20 Green Finance Synthesis Report

26.Climate Finance Study Group Report on “Promoting Efficient and Transparent Provision and Mobilization of Climate Finance to Enhance Ambition of Mitigation and Adaptation Actions”

27.Climate Finance Study Group Outlook on “Mainstreaming Climate Change Considerations into Development Assistance and Climate Finance Programs”

28.Toolkit prepared by Invited International Organizations for the Climate Finance Study Group on Promoting Efficient and Transparent Provision and Mobilization of Climate Finance

29.FATF Report to G20 on Counter-Terrorist Financing, Information Sharing, Transparency and Beneficial Ownership

30.IMF-OECD-UN-WBG Joint Report on Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries

Issues for further action

1.We ask the FWG to conduct assessment of G20 structural reform progress in line with the Enhanced Structural Reform Agenda, and ask the OECD to help assess G20 progress and challenges within the structural reform priority areas by producing a technical report, with input from other international organizations, using the common set of indicators.

2.We invite the OECD and the IMF to continue the work on the composition of budget expenditure and revenue to support productivity, inclusiveness and growth.

3.We ask the MDBs to report back to us on the status of their “Joint Declaration of Aspirations on Actions to Support Infrastructure Investment”, including catalyzing private investment, on a regular basis.

4.We ask the MDBs to report again in 2017 on continued progress against the MDB Balance Sheet Optimization Action Plan.

5.We ask the WBG to reach out to potential members of the Global Infrastructure Connectivity Alliance to confirm their membership of the Alliance and expect the inaugural conference of the Alliance to be held within one year after our endorsement.

6.We ask the Global Infrastructure Hub to work with the MDBs to assess internal incentives with regard to crowding in private finance and to report to our Deputies in December 2016.

7.We look forward to the IMF’s work on capital flow management, including taking into account the joint work of the FSB, BIS and IMF on taking stock of country experiences on macroprudential policies.

8.We look forward to the upcoming IMF/FSB progress report on the second phase of Data Gaps Initiative, including the finalized action plans.

9.We ask the IMF to explore and report on the cost and feasibility of the incorporation of the enhanced clauses in the existing stock of sovereign debts.

10.We call on the WBG and the IMF to explore further options for an enhanced and coordinated effort on technical assistance tailored to debtor countries and challenges to enhance their debt management capacities, and ask them to report back to G20 Finance Ministers and Central Bank Governors in 2017.

11.We call for further analysis of the technicalities, opportunities, and challenges of state-contingent debt instruments, including GDP-linked bonds, and ask the IMF, working with interested members, to report back on these issues to G20 Finance Ministers and Central Bank Governors in 2017.

12.We look forward to the IMF’s paper on examining ways in which the SDR can contribute to strengthening the international monetary system by January 2017.

13.We ask the FSB, in consultation with other standard setters and international committees, to undertake further monitoring and analysis of market liquidity conditions, and to report on cross-jurisdiction developments in repo markets.

14.We ask the Global Partnership for Financial Inclusion, working with relevant organizations, to report back to us in 2017 on the actions being taken to promote digital financial inclusion at the country level.

15.We look forward to considering the phase II report and recommendations of the FSB's Taskforce on Climate Financial Disclosures in early 2017, which will present its recommendations for better climate related disclosures.

16.We will continue working on climate finance in 2017 under the working arrangement of next year's G20 Presidency, in consultation with other members, with the objective to contribute to the discussions held under the United Nations Framework Convention on Climate Change (UNFCCC) in accordance with the principles, provisions and objectives of the UNFCCC and by building on G20 fora expertise and knowledge and experiences sharing.

17.We look forward to further discussions on the toolkit prepared by invited international organizations for the CFSG on promoting efficient and transparent provision and mobilization of climate finance.

18.We will support the ongoing G20 work on Antimicrobial Resistance (AMR) under the working arrangement of next year's G20 Presidency to explore measures to address the potential market failure.

19.We look forward to the G20/OECD Report on the Development of Effective Approaches to Support the Implementation of the G20/OECD High Level Principles on SME Financing.