Communiqué

Meeting of Finance Ministers and Central bank Governors, Washington DC, 14-15 April 2011

1. We, the G20 Finance Ministers and Central Bank Governors, met today to address the economic challenges at hand and to progress on our previous commitments. We reaffirmed that our overriding objective is to improve the living standards of all our citizens through strong economic and jobs growth. We expressed our solidarity with the Japanese people after the tragic events, our readiness to provide any needed cooperation, and our confidence in the resilience of the Japanese economy and financial sector.

2. The global recovery is broadening and becoming more self-sustained, with increasingly robust private demand growth. But downside risks still remain. We agreed to remain vigilant and to take the actions required to strengthen the recovery and reduce risks.

   Events in some Middle-East-North African countries and in Japan have increased economic uncertainty and tensions in energy prices. We noted there is adequate spare capacity to meet global energy demand.

3. In order to enhance our mutual assessment process to promote external sustainability, we agreed on a set of indicative guidelines (see attached) that complete the first step of our work to address persistently large imbalances. We now launch the second step of this process with an in-depth assessment of the nature of these imbalances and the root causes of impediments to adjustment. Based on this analysis, the IMF assessment on progress toward external sustainability, as well as the other aspects of our mutual assessment process, we will ascertain for our next meeting the corrective and preventive measures that will form the 2011 action plan to ensure Strong, Sustainable and Balanced Growth, to be discussed by Leaders at the Cannes Summit.

4. To strengthen the international monetary system, we agreed to focus our work, in the short term, on assessing developments in global liquidity, a country specific analysis regarding drivers of reserve accumulation, a strengthened coordination to avoid disorderly movements and persistent exchange rates misalignments, a criteria-based path to broaden the composition of the SDR, an improved toolkit to strengthen the global financial safety nets, enhanced cooperation between the IMF and regional financial arrangements, the development of local capital markets and domestic currency borrowing, coherent conclusions for the management of capital flows drawing on country experiences. We also agreed on the need to strengthen further the effectiveness and coherence of bilateral and multilateral IMF surveillance, particularly on financial sector coverage, fiscal, monetary and exchange rate policies.

5. We welcome the entry into force and the activation of the expanded and more flexible New Arrangements to Borrow (NAB). We will work to complete the steps required to implement the 2010 quota and governance reform by the Annual Meetings of 2012.

6. Commodity prices face increasing pressures. We welcomed the recommendations of the IEF, IEA and OPEC and committed to improve the timeliness, completeness and reliability of the JODI Oil database. We welcomed the work of international organizations on their report to address excessive price volatility in food and agricultural markets, and its impact on food security. We look forward to receiving their final recommendations, including on risk management and mitigation tools. We stressed the need for participants on commodity derivatives markets to be subject to appropriate regulation and supervision, called for enhanced transparency in both cash and derivatives markets as previously recommended by IOSCO, and asked IOSCO to finalize, by September, its recommendations on regulation and supervision in this area especially to address market abuses and manipulation, such as through formalized position management powers including the authority to set ex-ante position limits where appropriate, among other powers of interventions.

7. We welcomed the preliminary proposals of the FSB to strengthen its capacity, resources and governance including representativeness and asked the FSB to put forward formal proposals at its July meeting for review at our next meeting. We took stock of progress made to determine a cohort of global SIFIs and confirmed that the FSB will make recommendations on a multi-pronged framework with more intensive supervisory oversight, effective resolution capacities and higher loss absorbency capacity. We look forward to public consultations on SIFI recommendations and request a macroeconomic impact study by FSB and BCBS, in cooperation with BIS and IMF, to be reviewed at our next meeting. We welcomed the FSB work on the scope of shadow banking and look forward to the recommendations that the FSB will prepare for our next meeting on the regulation and oversight of the shadow banking system. We committed to set high, internationally consistent, coordinated and non-discriminatory requirements in our legislations and regulations implementing FSB recommendations on OTC derivatives markets and stressed the need to avoid overlapping regulations. We urge all jurisdictions to fully implement the FSB principles and standards on compensation. We call on the FSB to undertake ongoing monitoring in this area and will assess the results of the 2nd peer review on compensation practices by our next meeting. We will review at our next meeting progress made by the IASB and FASB towards completing their convergence project by the end of 2011 and look forward to the outcome of the ongoing IASB governance review process. We welcomed ongoing work of OECD and FSB and other relevant international organizations to develop common principles on consumer protection in financial services.

8. We agreed to maintain momentum for action to tackle non-cooperative jurisdictions and to fully implement the G20 anti-corruption action plan. We asked the Global Forum to report to us on ways to improve the effectiveness of exchange of tax information. We tasked the World Bank, working with Regional Development Banks, and the IMF, in coordination with other relevant organizations, to conduct the analysis on mobilizing sources of climate change financing, including public and private bilateral and multilateral as well as innovative sources, drawing inter alia on the AGF report consistent with the objective, provisions and principles of the UN Framework Convention on Climate Change. We support the work of the transitional committee established for the design of the Green Climate Fund. We reemphasize the importance of implementing the Seoul Development Consensus on Shared Growth and its Multi-year Action-Plan. We look forward to concrete recommendations from the High level panel on infrastructure investment by September.

G20 Indicative Guidelines for Assessing Persistently Large Imbalances

1. Our aim is to promote external sustainability and ensure that G20 members pursue the full range of policies required to reduce excessive imbalances and maintain current account imbalances at sustainable levels.

2. In February we agreed on a set of indicators that will allow us to focus through an integrated 2-step process on those persistently large imbalances that require policy action. These indicators are (i) public debt and fiscal deficits; and private savings rate and private debt (ii) and the external imbalance composed of the trade balance and net investment income flows and transfers, whilst taking due consideration of exchange rate, fiscal, monetary and other policies.

3. To complete the first step, we have agreed today on indicative guidelines against which each of these indicators will be assessed. While not policy targets, these guidelines establish reference values for each available indicator allowing for identification of countries for the second step in-depth assessment. Four approaches will be used:

   1 – A structural approach, which is based on economic models and grounded in economic theory, which benchmarks G20 members against each indicator in a way that takes into account specific circumstances including large commodity producers (e.g. its demographic profile, oil balance or trend growth).

   2 – A statistical approach which benchmarks G20 countries on the basis of their national historical trends.

   3 – A statistical approach which benchmarks G20 country's historical indicators against groups of countries at similar stages in their development.

   4 – A statistical approach which draws on data, benchmarking G20 country's indicators against the full G20.

4. Statistical approaches are based on the 1990 to 2004 period[1], as this is the period that preceded the large build up in external imbalances. Reference values drawn from 1990-2010 were also provided as a complement. In all four approaches, forecast figures over the 2013-15 period are compared to the values suggested by the guidelines to determine whether or not an in depth assessment should be undertaken. Those countries identified by at least two of the four approaches as having persistently large imbalances will be assessed in-depth to determine in a second step the nature and root causes of their imbalances and to identify impediments to adjustment. In carrying out this assessment, we will take due account of the exchange rate and monetary policy frameworks of members. For members of the euro area with its governance framework, this assessment will involve the appropriate authorities. National circumstances will also be taken into account. In the second step assessment, the independent IMF analysis will rely on IMF forecast data, while countries' own assessments can use national data.

5. For the identification of countries that will move into the second stage, the selection rules for G20 countries accounting for more than 5 % of G20 GDP (on market exchange rates or PPP exchange rates) will reflect the greater potential for spillover effects from larger economies.

[1] Private debt based on data from 1995 to 2009 reflecting data availability