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National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS' MEETING CONVENED IN BADEN-BADEN, GERMANY ON 17-18 MARCH 2017

Minister of Finance Pravin Gordhan and Reserve Bank Governor Lesetja Kganyago attended the first G20 Finance Ministers and Central Bank Governors meeting under the German presidency in Baden-Baden, Germany on 17th - 18th March 2017. The Ministers and Governors discussed the outlook for the global economy, framework for a strong, sustainable and balanced growth, G20 Compact with Africa, international financial architecture, financial sector development and regulation, international tax and other global governance topics.

Resilience of economies was identified as a pillar of sustainable economic growth. Ministers and Governors reaffirmed their previous exchange rate commitments, including that they will refrain from competitive devaluation. Consensus was reached on addressing and reducing excessive global imbalances while promoting greater inclusiveness and reduce inequality in pursuit of economic growth.

Ministers and Central Bank Governors met at a time of improving business and consumer confidence where they agreed that the global economic recovery is moderate and continues to be weaker than desirable with downside risks for the global economy around political uncertainty. They reaffirmed the leverage of all policy tools - monetary, fiscal and structural - individually and collectively to achieving strong, sustainable, balanced and inclusive growth. Ministers and Governors agreed to work to strengthen the contribution of trade to economies as well as to strive to reduce excessive global imbalances, promote greater inclusiveness and fairness and reduce inequality in pursuit of economic growth.

A key deliverable for the Germany G20 Presidency is broadening international economic and financial cooperation with African countries to foster sustainable and inclusive growth in line with the African Union's (AU) Agenda 2063. The G20 Compact with Africa for Resilience and Growth (CwA), a framework for regional economic and financial stability in Africa, received substantial backing from G20 Ministers and Governors. African Ministers from, Cote d'Ivoire, Morocco, Rwanda, Senegal and Tunisia which had

previously signalled interest in the CwA were invited to the G20 where they presented on their countries' macro-economic environment, reform initiatives and investment projects.

The following were supported and welcomed by the Ministers and Governors:

- the strengthening of the international financial architecture through further work on global financial safety net with a strong, quota-based and adequately resourced IMF at its centre.
- Operational Guidelines for Sustainable Financing reflecting responsibilities of borrowers and lenders.
- Principles for Effective Coordination between the IMF and MDBs in the case of where countries are seeking financing for macroeconomic vulnerabilities.

In line with the G20's resilience work, a select number of non-OECD G20 members declared their intention to join the OECD Code of Liberalisation of Capital Movements while Minister's and Governors welcomed the current review of the Codes.

Ministers and Governors reaffirmed their commitment to fully and timely implement G20 financial sector reforms previously made. Members endorsed the Financial Stability Board's (FSB) policy recommendations to address financial vulnerabilities from asset management challenges. There was agreement to finalise the Basel III framework without further increasing the capital requirements across the banking sector. Of particular interest to the continent, G20 members requested a progress report and the 2017 work plan under the FSB-coordinated action plan to assess and address the decline in correspondent banking, so as to support remittances and financial inclusion.

Financial and digital inclusion featured prominently in these discussions, with agreement to support the work of the Global Partnership for Financial Inclusion (GPII) to advance financial inclusion, especially of vulnerable groups, and Small and Medium-sized Enterprises' (SMEs) participation in sustainable global value chains.

On international tax, Minister Gordhan welcomed the significant progress made in the implementation of Base Erosion and Profit Shifting (BEPS) work with over 100 countries and jurisdictions joining the initiative. The Minister highlighted the challenges of tax and development where he requested that the G20 address tax administrative challenges in extractive industries as well as wasteful tax incentives. The Minister proposed that these issues form part of the framework for the CwA.

G20 Finance Ministers and Central Bank Governors will next meet at the Spring Meetings of the World Bank and IMF in April 2017 in Washington, DC.

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