G7 FINANCE MINISTERS & CENTRAL BANK GOVERNORS COMMUNIQUÉ

5 June 2021, *London, United Kingdom*

We, the Finance Ministers and Central Bank Governors of the G7, met virtually on 28 May 2021, and Finance Ministers met in London on 4-5 June 2021, joined by the Heads of the International Monetary Fund (IMF), World Bank Group, Organisation for Economic Cooperation and Development (OECD), Eurogroup, and (on 28 May) Financial Stability Board (FSB). We agreed concrete actions to address today's historic challenges and as part of our renewed and urgent effort towards deeper multilateral economic cooperation.

Building a strong, sustainable, balanced and inclusive global economic recovery

1. We will continue to work together to ensure a strong, sustainable, balanced and inclusive global recovery that builds back better and greener from the Covid-19 pandemic, recognising the disproportionate impact of the pandemic on certain groups including women, youth and vulnerable populations. We commit to sustain policy support as long as necessary and invest to promote growth, create high-quality jobs and address climate change and inequalities. As our economies re-open, we will continue to take steps to limit the uneven impact of the crisis by targeting support to where it is needed most. Once the recovery is firmly established, we need to ensure the long-term sustainability of public finances to enable us to respond to future crises and address longer-term structural challenges, including for the benefit of future generations. Monetary policy will continue to support the economic recovery from the pandemic and ensure price stability, consistent with central bank mandates. We reaffirm our exchange rate commitments as elaborated in May 2017. We will work to build a safe, resilient and open global economic system.

2. The Covid-19 pandemic can only be overcome when it is brought under control everywhere. There is an overwhelming moral, scientific and economic case for ensuring equitable, safe, effective and affordable access to Covid-19 vaccines, therapeutics and diagnostics across the world. Accelerating the end of the pandemic would add trillions of dollars to global GDP. We have already provided significant support, including to all pillars of the ACT-Accelerator. We welcome increased financial commitments by some G7 members and look forward to further commitments to help close the funding gap. We welcome the World Bank's efforts on global health and vaccines, and urge them to step up the use of their considerable convening and financial firepower to address financial and operational challenges to more timely vaccine access by developing countries, including through COVAX. We also ask the IMF to explore adapting existing facilities to support vaccine financing. We strongly encourage private sector actors, including the pharmaceutical industry, to step up their contributions to fighting the current pandemic.

Transformative effort to tackle climate change and biodiversity loss

3. We commit to a multi-year effort to deliver the significant structural change needed to meet our net zero commitments and environment objectives in a way that is positive for jobs, growth, competitiveness and fairness. We commit to properly embed climate change and biodiversity loss considerations into economic and financial decision-making, including addressing the macroeconomic impacts and the optimal use of the range of policy levers to price carbon.

4. We emphasise the need to green the global financial system so that financial decisions take climate considerations into account. This will help mobilise the trillions of dollars of private sector finance needed, and reinforce government policy to meet our net zero commitments. We support moving towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants and that are based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, in line with domestic regulatory frameworks. Investors need high quality, comparable and reliable information on climate risks. We therefore agree on the need for a baseline global reporting standard for sustainability, which jurisdictions can further supplement. We welcome the International Financial Reporting Standards Foundation's programme of work to develop this baseline standard under robust governance and public oversight, built from the TCFD framework and the work of sustainability standard-setters, involving

them and a wider range of stakeholders closely to foster global best practice and accelerate convergence. We encourage further consultation on a final proposal leading to the establishment of an International Sustainability Standards Board ahead of COP26.

5. In addition, we recognise the growing demand for more information on the impact that firms have on the climate and the environment. We recognise that many jurisdictions and organisations are already developing impact reporting initiatives, including but not limited to reporting on net zero alignment and broader sustainability metrics. We will work closely together and with our international partners to determine the best approach to ensure global consistency.

6. We look forward to the establishment of the Taskforce on Nature-related Financial Disclosures and its recommendations. We welcome the *Dasgupta Review on the Economics of Biodiversity* and the related *OECD Policy Guide on Biodiversity*. More broadly, we welcome the continued commitments to tackle climate change by financial firms across the world, including through their active participation in the Glasgow Financial Alliance for Net Zero.

7. We recognise that climate change poses increasing physical and transition risks to regulated financial institutions and to financial stability, and that these risks have distinct characteristics we need to take into account. G7 authorities consider it important for financial firms to manage the financial risks of climate change using the same risk management standards as applied to other financial risks. G7 Central Banks will assess the financial stability risks posed by climate change, and will consider drawing on, as appropriate, scenarios published by the Network for Greening the Financial System. Central Banks will share learnings on taking climate-related risks into account in their own operations and balance sheets as appropriate, and look forward to discussing later in the year how they might make their own disclosures based on the recommendations of the TCFD. We fully support the FSB in developing an ambitious roadmap that identifies and addresses climate-related financial risks, including through steps to promote comparable disclosures, address data gaps, enhance vulnerabilities assessments and promote consistent regulatory and supervisory practices. We also support the Sustainable Finance Working Group in developing their G20 sustainable finance roadmap, with an initial climate focus.

8. International climate finance is critical for supporting developing countries' climate change adaptation and mitigation efforts. We reaffirm the collective developed country goal to mobilise US$100 billion annually for developing countries from public and private sources, in the context of meaningful mitigation actions and transparency on implementation. We commit to increase and improve our climate finance contributions through to 2025, including increasing adaptation finance and finance for nature-based solutions. We welcome the commitments already made by some G7 countries to increase climate finance. We look forward to further commitments at the G7 Leaders' Summit or ahead of COP26. We call on all the Multilateral Development Banks (MDBs) to set ambitious dates for Paris Alignment ahead of COP26, and welcome their work supporting client countries. We urge the MDBs to mobilise increased climate finance including from the private sector, and to increase their support for a clean energy transition, adaptation and resilience, and nature. We welcome the IMF's increasingly critical role in supporting members' management of climate risks and transitions to net zero, including through surveillance. We commit to including climate coverage within our countries' IMF bilateral surveillance reports, and call on others to do the same.

9. Environmental crimes have a serious impact on the planet's biodiversity, generate billions of dollars in illicit finance and enable corruption and transnational organised crime. We agree that beneficial ownership registries are an effective tool to tackle illicit finance. We are implementing and strengthening registries of company beneficial ownership information to provide timely, direct and efficient access for law enforcement and competent authorities to adequate, accurate and up-to-date information, including through central registries. We further note the benefits of making beneficial ownership information publicly available where possible. We call on all countries to fully implement the Financial Action Task Force (FATF) Standards and strengthen them.

Continued Support to Low-Income and Vulnerable Countries

10. The IMF estimates that, between now and 2025, low income countries will need around US$200 billion to step up the response to the pandemic and build external buffers and an additional US$250 billion in investment spending to resume and accelerate their income convergence with advanced economies. We

remain committed to supporting the poorest and most vulnerable countries as they address health and economic challenges associated with Covid-19. We strongly support the new general allocation of Special Drawing Rights (SDRs) of US$650 billion to help meet the long-term global need for reserve assets. We urge the implementation of this allocation by the end of August 2021, accompanied by transparency and accountability measures including updated IMF guidance on how countries can appropriately use an SDR allocation.

11. G7 countries are actively considering voluntarily channelling a proportion of their allocated SDRs to significantly magnify the impact of this general allocation. We encourage the IMF to work quickly with all relevant stakeholders to explore a menu of options for channelling SDRs to further support health needs, including vaccinations, and help enable greener, more robust economic recoveries in the most affected countries. We will work to scale up financing to the Poverty Reduction and Growth Trust and welcome the IMF's review of concessional financing and policies to strengthen its capacity to support low income countries.

12. Tackling debt vulnerabilities and promoting debt transparency, including through regular debtor and creditor data reconciliation, is essential to unlocking sustainable and inclusive growth in developing countries. We reiterate our commitment to implement the G20 and Paris Club *Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative* and call on all official bilateral creditors to do the same. We welcome the establishment of the Creditor Committee for Chad, and look forward to swift and successful debt treatments for this and future cases. The private sector is expected to provide at least as favourable debt treatment in line with the Common Framework. We commit to publish our own creditor portfolios on a loan-by-loan basis for future direct lending by the end of 2021, and urge all other G20 members to do the same, and to undertake the self-assessment in line with the G20's *Operational Guidelines for Sustainable Financing.*

13. We encourage the private sector to adhere to the Institute of International Finance's *Voluntary Principles for Debt Transparency* and to submit information on their sovereign lending to the OECD transparency data portal once operationalised this year. We welcome the establishment of a G7 Private Sector Working Group to bring together the International Financial Institutions (IFIs), market and legal profession participants and country experts to explore possible enhancements to the contractual approach.

14. We welcome Sudan's steady progress towards the Heavily Indebted Poor Countries (HIPC) decision point, putting it on a path to clear its historic debts and re-engage with IFIs. We have worked with international partners to agree on an ambitious financing package to clear the full amount of Sudan's arrears to the IMF, with G7 members pledging our share of IMF internal resources as well as providing grant financing as needed and bridging loans for the African Development Bank, the World Bank and the IMF. The G7 commits to providing Sudan with comprehensive debt relief upon reaching the HIPC Completion Point and we encourage other creditors to do the same.

15. All avenues should be explored to enable MDBs to efficiently and effectively use their resources. We support the G20's ongoing work on MDB balance sheet optimisation, and see considerable merit in further analysis to review MDBs' capital adequacy frameworks to potentially unlock additional financing, while preserving credit ratings and respecting preferred creditor treatment, development mandates and governance. We welcome advancing IDA replenishment by one year and look forward to its ambitious conclusion by December 2021 to support recovery in low income countries. We call on IDA to further use its balance sheet to unlock additional resources for IDA countries in a sustainable manner.

Shaping a Safe and Prosperous Future for All

16. We strongly support the efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax. We commit to reaching an equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20% of profit exceeding a 10% margin for the largest and most profitable multinational enterprises. We will provide for appropriate coordination between the application of the new international tax rules and the removal of all Digital Services Taxes, and other relevant similar measures, on all companies. We also commit to a global minimum tax of at least 15% on a country by country basis. We agree on the importance of progressing agreement in parallel on both Pillars and look forward to reaching an agreement at the July meeting of G20 Finance Ministers and Central Bank Governors.

17. Innovation in digital money and payments has the potential to bring significant benefits but also raise public policy and regulatory issues. G7 Central Banks have been exploring the opportunities, challenges as well as the monetary and financial stability implications of Central Bank Digital Currencies (CBDCs) and we commit to work together, as Finance Ministries and Central Banks, within our respective mandates, on their wider public policy implications. We note that any CBDCs, as a form of central bank money, could act as both a liquid, safe settlement asset and as an anchor for the payments system. Our objective is to ensure that CBDCs are grounded in long-standing public sector commitments to transparency, the rule of law and sound economic governance. CBDCs should be resilient and energy-efficient; support innovation, competition, inclusion, and could enhance cross-border payments; they should operate within appropriate privacy frameworks and minimise spillovers. We will work towards common principles and publish conclusions later in the year.

18. We reiterate that no global stablecoin project should begin operation until it adequately addresses relevant legal, regulatory, and oversight requirements through appropriate design and by adhering to applicable standards. We are committed to international cooperation to ensure common standards, including by supporting international standard setting bodies in reviewing existing regulatory standards, and emphasise the importance of addressing any identified gaps. We support the FSB's ongoing work in reviewing regulatory, supervisory and oversight challenges to the implementation of its *High Level Recommendations for global stablecoin arrangements*. We continue to support the ambitious implementation of the *G20 Roadmap to enhance cross–border payments* and welcome the publication of the FSB consultation on *Targets for Addressing the Four Challenges of Cross-border Payments*.

19. Global implementation of the FATF Standards for combatting money laundering, terrorist financing and proliferation financing remains uneven. We recognise the role of the nine FATF-Style Regional Bodies (FSRBs) in assessing and supporting implementation of the FATF Standards around the world. We commit to provide additional expertise and funding to support the FSRB's assessment programmes by at least US$17 million and 46 assessors over 2021-24. We call on the G20 and all FATF members, the IMF and the World Bank to increase their support.

20. It is vital to continue learning lessons from Covid-19 and ensure we are better prepared for future pandemics. We look forward to the Pandemic Preparedness Partnership's Report to G7 Leaders and the G20 High Level Independent Panel's findings, and will consider their recommendations, particularly on financing mechanisms. Recognising the urgent need to avoid a repeat of the Covid-19 crisis, we commit to work together, and with relevant international partners, to improve international coordination and accountability between global health and finance policy makers. We will work together with our health colleagues in the second half of this year, including with industry, to explore proposals for strengthening market incentives for antibiotic drug development to help tackle antimicrobial resistance – the "silent pandemic". We must act now to secure the health and economic prosperity of our citizens and that of future generations.