



## G20 DRAFT COMMUNIQUÉ

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### **Introduction**

1. We, the Leaders of the Group of Twenty met, for a second time, in London on 2 April.

Over the last half century strong growth and increasing international trade has brought untold jobs and prosperity to our citizens. We now face the greatest challenge to the world economy in modern times, a crisis affecting the lives of ordinary men, women, and children around the world. A global crisis requires a global solution.

2. We believe that an open world economy based on market principles, effective regulation, and strong global institutions will ensure a sustainable globalisation with rising prosperity for all. We are determined to restore growth now, resist protectionism, and reform our markets and our institutions for the future. We have agreed actions to meet these challenges as part of an integrated strategy that will restore confidence and ensure a lasting global recovery. We are determined to ensure that this crisis is not repeated.

### **Restoring global growth now**

3. We are taking unprecedented and concerted fiscal actions to support growth and jobs. Acting together we strengthen the impact of this fiscal expansion, which amounts to a stimulus of more than [\$x trillion] this year and next and is expected to increase output by more than [2] percentage points and employment by over [20] million jobs<sup>1</sup>. We are committed to deliver the scale of sustained effort necessary to restore growth while ensuring long-run fiscal sustainability.

4. Our central banks have also taken exceptional action, cutting interest rates aggressively and to close to zero in many advanced economies. Our central banks have pledged to maintain expansionary policies as long as needed, using the full range of monetary policy instruments, including unconventional policy instruments, consistent with price stability.

5. We are taking comprehensive action to strengthen our financial institutions in order to restore domestic lending and international capital flows. We have made available over [\$x trillion] of support to our banking systems to provide liquidity, recapitalise financial institutions, and address the problem of impaired assets. We are committed to take all necessary actions to restore the flow of credit through the financial system and ensure the soundness of systemically important institutions, acting within the agreed G20 Framework for Restoring Lending. These measures underpin and strengthen the impact of our fiscal and monetary policy actions.

6. Emerging and developing countries, which have been the engine of recent world growth, are now facing shocks which threaten stability and jeopardise the global economy. It is imperative that capital continues to flow to them. We have therefore agreed to make [\$x] of resources available through the international financial institutions. This will finance counter-cyclical spending, bank recapitalisation, infrastructure, trade finance, debt rollover, and social support. To this end:

- we have agreed to increase the resources available to the IMF to [\$x] through bilateral borrowing from members of [\$x] subsequently replaced by an expanded New Arrangements to Borrow of [\$x] and borrowing in the market of up to [\$x] if necessary;
- we support a substantial increase in lending of [\$x] by the Multilateral Development Banks;
- we will make available [\$x] over the next two years to support trade finance through our export credit and investment agencies and through the MDBs. We have asked our regulators to make use of available flexibility in capital requirements for trade finance.

7. We will ensure these resources can be used effectively to meet the needs of emerging and developing countries. The IMF should implement rapidly its new Flexible Credit Line for countries with strong policies and its reformed lending and conditionality framework. It should also double access to its low income country facilities.

8. We have agreed a general SDR allocation of [\$x] to strengthen global liquidity.

9. The world's poorest are most at risk from the crisis and we are resolved to support them. We remain committed to meeting the Millennium Development Goals and to achieving our ODA pledges including commitments on Aid for Trade. We are making available [\$x] in social protection for the poorest countries, alongside investing in food security, and we support the World Bank's Vulnerability Financing Framework.

We call on the UN to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable. We have also asked the IMF to bring forward, by the Spring Meetings, proposals to use the proceeds of agreed gold sales to support low income countries.

10. These actions together constitute the largest fiscal and monetary stimulus, the most comprehensive support programme for the financial sector, and the greatest mobilisation of resources to support global financial flows in modern times. Our objective is that they will enable the global economy to expand by [x] by the end of 2010. We have taken and will continue to take the measures necessary to deliver this outcome. We call on the IMF to assess regularly the actions taken and the actions required.

### **An open global economy**

11. World trade is falling for the first time in [25 years]. We need to sustain the benefits of globalisation and open markets, and promote trade as a crucial driver of growth in the world economy. Therefore:

- we reaffirm the commitment made in Washington not to raise new barriers to investment or to trade in goods and services, including within existing WTO limits, not to impose new trade restrictions, and not to create new subsidies to exports.

We will rectify promptly any such measures. We extend this pledge for a further 12 months;

- we will notify promptly governments and other relevant institutions of any measures which have the potential to cause direct or indirect trade distortions;
- we will minimise any negative impact on trade and investment of our domestic policy actions including action in support of the financial sector. We will not retreat into financial protectionism;
- we commit to conduct our economic policies responsibly with regard to the impact on other countries and to refrain from competitive devaluation of our currencies.

12. We call on the WTO, together with the IMF and other international bodies as appropriate, to report on our adherence to these undertakings on a quarterly basis.

13. We are committed to reaching rapid agreement, on the basis of progress already made, on modalities leading to a successful conclusion of the Doha Round which would boost the global economy by at least \$150 billion per annum.

### **Reforming financial systems for the future**

14. We recognise that weaknesses in the financial sector and in financial regulation and supervision were fundamental causes of the crisis. To ensure no such crisis occurs again we have taken, and will continue to take, action to build a stronger supervisory and regulatory framework for the future, in line with the commitments we made in Washington. The financial system must support sustainable global growth and serve the needs of business and citizens.

15. We recognise the importance of ensuring our domestic regulatory systems are strong. But a globalised financial system also requires much greater consistency and systematic cooperation between countries, based on high and internationally agreed standards. Future regulation and supervision must promote transparency, guard against systemic risk, dampen rather than amplify the financial and economic cycle, reduce reliance on risky sources of financing, and discourage excessive risk-taking.

Regulators must ensure that their actions support market discipline, avoid adverse impacts on other countries, including regulatory arbitrage, and support competition, dynamism, and innovation in the marketplace.

16. To this end, we have taken forward the Washington Action Plan. We set out the detailed reforms in our attached statement, “Strengthening the Financial System”, and the updated action plan. In particular, we have agreed:

- to expand the Financial Stability Forum to include all G20 countries and to reestablish it with a stronger mandate as the [Financial Stability Board]. It will drive the development of common principles and standards of regulation, strengthen international co-operation between regulators and policymakers, and, together with the IMF, identify and report on the build up of macroeconomic and financial risks;
- to work closely and systematically, in accordance with the Financial Stability Forum framework, to supervise cross-border institutions and to complete the establishment of colleges of supervisors for all significant cross-border financial firms;

- to improve over time the quality, quantity, and international consistency of capital in the banking system. Capital requirements should not be strengthened until a significant and sustained economic recovery is assured and the transition managed to ensure that the extension of credit is not constrained. Regulation should limit leverage and require buffers of resources to be built up in good times which banks can draw down when conditions deteriorate;
- to extend regulation or oversight to all financial markets, instruments, and institutions, including hedge funds, which are individually or collectively of systemic importance, so as to limit the risk to financial stability from gaps in our systems;
- to endorse the FSF's common principles on pay and compensation in financial institutions. These ensure compensation structures reward actual performance, support sustainable growth, and avoid excessive risk-taking. We have asked our supervisors to implement these principles;
- to take action to identify non-cooperative jurisdictions, including tax havens, and to stand ready to deploy sanctions to protect our public finances and financial systems. We have today published a list of jurisdictions that have not committed to the international standard for exchange of information on tax. We call on the Global Forum, the FATF, and the [Financial Stability Board] to identify, for the next meeting of our Finance Ministers, jurisdictions not implementing the relevant international standards;
- that standard setters should work with supervisors and regulators to achieve consistency of valuation methods and a single set of accounting standards;
- to extend regulatory oversight and registration to Credit Rating Agencies whose ratings are used for regulatory purposes to ensure they meet international codes of good practice to prevent conflicts of interest.

17. We instruct our Finance Ministers to complete the implementation of these decisions in line with the timetable set out in the action plan. We have asked the [Financial Stability Board] and the IMF to monitor progress, working with the FATF and the Global Forum, and to provide a report to the next meeting of our Finance Ministers.

### **Reforming the International Financial Institutions for the future**

18. Inclusive and sustainable globalisation requires relevant, effective, and legitimate international financial institutions. These should provide strengthened and independent surveillance of the world economy and of the interaction of countries' economic policies, prevent and resolve crises, and promote growth and poverty reduction. We are agreed that their mandates and governance must be reformed to reflect changes in the world economy. Emerging and developing economies, including the poorest, must have greater voice and representation. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making. To this end:

- we commit to implementing the package of IMF quota and voice reforms agreed in April 2008. In addition, we call on the IMF to launch the next review of quotas at the 2009 Annual Meetings and commit to complete the process of quota reform by January 2011;
- we agree that as part of the future mandate and governance reforms a Ministerial Council should be established to provide strategic direction to the IMF and to increase its accountability;

- each of us commits to candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of our policies on others, and of risks facing the global economy;
- we commit to implementing the package of World Bank voice reforms agreed in October 2008. We call on the World Bank to make concrete recommendations by the Annual Meetings on shareholding, voting, voice, and internal governance, taking account of the development mandate of the Bank, and guided by the principles of shared and common responsibility. These reforms should be completed by the Spring Meetings in 2010;
- the heads and senior staff of the IFIs should be appointed through open, meritbased selection processes.

### **Building a sustainable global recovery**

19. We remain resolute in the need to ensure fiscal sustainability and price stability and are committed to put in place exit strategies from the necessary expansionary policies, working together to avoid unintended impacts on others.

20. We will do everything possible to mitigate the social and environmental impact of the crisis.

21. Strengthening labour market and social protection policies will give real help now to those most in need, make the downturn shorter, and the recovery stronger and more sustainable. We welcome the report of the London Jobs Conference and the key principles it proposed<sup>2</sup>. We will support employment by stimulating demand, investing in education and training, and through active labour market policies. We will support disadvantaged and vulnerable groups, including those most affected by the crisis, through social safety nets. We call on the ILO and OECD, working with other organisations, to assess the actions taken and those required for the future.

22. We agreed to make the best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable and green recovery. We will make the transition towards innovative, resource efficient, technologies and infrastructure, and drive new low carbon business opportunities.

We encourage the Multilateral Development Banks to contribute fully to the achievement of this objective. We will work together to explore further measures to promote low carbon growth and build sustainable economies.

23. We reaffirm our commitment to address the threat of irreversible climate change, and to reach agreement at the UN Climate Change conference in Copenhagen in December.

### **Delivering our commitments**

24. We agreed to meet again before the end of this year to review progress on our commitments.