



**THE G-20 TORONTO SUMMIT  
DECLARATION  
June 26 – 27, 2010**

**Preamble**

1. In Toronto, we held our first Summit of the G-20 in its new capacity as the premier forum for our international economic cooperation.
2. Building on our achievements in addressing the global economic crisis, we have agreed on the next steps we should take to ensure a full return to growth with quality jobs, to reform and strengthen financial systems, and to create strong, sustainable and balanced global growth.
3. Our efforts to date have borne good results. Unprecedented and globally coordinated fiscal and monetary stimulus is playing a major role in helping to restore private demand and lending. We are taking strong steps toward increasing the stability and strength of our financial systems. Significantly increased resources for international financial institutions are helping stabilise and address the impact of the crisis on the world's most vulnerable. Ongoing governance and management reforms, which must be completed, will also enhance the effectiveness and relevance of these institutions. We have successfully maintained our strong commitment to resist protectionism.
4. But serious challenges remain. While growth is returning, the recovery is uneven and fragile, unemployment in many countries remains at unacceptable levels, and the social impact of the crisis is still widely felt. Strengthening the recovery is key. To sustain recovery, we need to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand. At the same time, recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to deliver fiscal sustainability, differentiated for and tailored to national circumstances. Those countries with serious fiscal challenges need to accelerate the pace of consolidation. This should be combined with efforts to rebalance global demand to help ensure global growth continues on a sustainable path. Further progress is also required on financial repair and reform to increase the transparency and strengthen the balance sheets of our financial institutions, and support credit availability and rapid growth, including in the real economy. We took new steps to build a better regulated and more resilient financial system that serves the needs of our citizens. There is also a pressing need to complete the reforms of the international financial institutions.
5. Recognizing the importance of achieving strong job growth and providing social protection to our citizens, particularly our most vulnerable, we welcome the recommendations of our

Labour and Employment Ministers, who met in April 2010, and the training strategy prepared by the International Labour Organization (ILO) in collaboration with the Organisation for Economic Co-operation and Development (OECD).

6. We are determined to be accountable for the commitments we have made, and have instructed our Ministers and officials to take all necessary steps to implement them fully within agreed timelines.

### **The Framework for Strong, Sustainable and Balanced Growth**

7. The G-20's highest priority is to safeguard and strengthen the recovery and lay the foundation for strong, sustainable and balanced growth, and strengthen our financial systems against risks. We therefore welcome the actions taken and commitments made by a number of G-20 countries to boost demand and rebalance growth, strengthen our public finances, and make our financial systems stronger and more transparent. These measures represent substantial contributions to our collective well-being and build on previous actions. We will continue to co-operate and undertake appropriate actions to bolster economic growth and foster a strong and lasting recovery.
8. The Framework for Strong, Sustainable and Balanced Growth that we launched in Pittsburgh is the means to achieving our shared objectives, by assessing the collective consistency of policy actions and strengthening policy frameworks.
9. We have completed the first stage of our Mutual Assessment Process and we concluded that we can do much better. The IMF and World Bank estimate that if we choose a more ambitious path of reforms, over the medium term:
  - global output would be higher by almost \$4 trillion;
  - tens of millions more jobs would be created;
  - even more people would be lifted out of poverty; and
  - global imbalances would be significantly reduced.

Increasing global growth on a sustainable basis is the most important step we can take in improving the lives of all of our citizens, including those in the poorest countries.

10. We are committed to taking concerted actions to sustain the recovery, create jobs and to achieve stronger, more sustainable and more balanced growth. These will be differentiated and tailored to national circumstances. We agreed today on:
  - Following through on fiscal stimulus and communicating “growth friendly” fiscal consolidation plans in advanced countries that will be implemented going forward. Sound fiscal finances are essential to sustain recovery, provide flexibility to respond to new shocks, ensure the capacity to meet the challenges of aging populations, and avoid leaving future generations with a legacy of deficits and debt. The path of adjustment must be carefully calibrated to sustain the recovery in private demand.

There is a risk that synchronized fiscal adjustment across several major economies could adversely impact the recovery. There is also a risk that the failure to implement consolidation where necessary would undermine confidence and hamper growth. Reflecting this balance, advanced economies have committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. Recognizing the circumstances of Japan, we welcome the Japanese government's fiscal consolidation plan announced recently with their growth strategy. Those with serious fiscal challenges need to accelerate the pace of consolidation. Fiscal consolidation plans will be credible, clearly communicated, differentiated to national circumstances, and focused on measures to foster economic growth.

- Strengthening social safety nets, enhancing corporate governance reform, financial market development, infrastructure spending, and greater exchange rate flexibility in some emerging markets;
- Pursuing structural reforms across the entire G-20 membership to increase and sustain our growth prospects; and
- Making more progress on rebalancing global demand.

Monetary policy will continue to be appropriate to achieve price stability and thereby contribute to the recovery.

11. Advanced deficit countries should take actions to boost national savings while maintaining open markets and enhancing export competitiveness.
12. Surplus economies will undertake reforms to reduce their reliance on external demand and focus more on domestic sources of growth.
13. We are committed to narrowing the development gap and that we must consider the impact of our policy actions on low-income countries. We will continue to support development financing, including through new approaches that encourage development financing from both public and private sources.
14. We recognize that these measures will need to be implemented at the national level and will need to be tailored to individual country circumstances. To facilitate this process, we have agreed that the second stage of our country-led and consultative mutual assessment will be conducted at the country and European level and that we will each identify additional measures, as necessary, that we will take toward achieving strong, sustainable, and balanced growth.

### **Financial Sector Reform**

15. We are building a more resilient financial system that serves the needs of our economies, reduces moral hazard, limits the build up of systemic risk, and supports strong and stable economic growth. We have strengthened the global financial system by fortifying

prudential oversight, improving risk management, promoting transparency, and reinforcing international cooperation. A great deal has been accomplished. We welcome the full implementation of the European Stabilization Mechanism and Facility, the EU decision to publicly release the results of ongoing tests on European banks, and the recent US financial reform bill.

16. But more work is required. Accordingly, we pledge to act together to achieve the commitments to reform the financial sector made at the Washington, London and Pittsburgh Summits by the agreed or accelerated timeframes. The transition to new standards will take into account the cumulative macroeconomic impact of the reforms in advanced and emerging economies. We are committed to international assessment and peer review to ensure that all our decisions are fully implemented.
17. Our reform agenda rests on four pillars.
18. The first pillar is a strong regulatory framework. We took stock of the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and liquidity and we welcome and support its work. Substantial progress has been made on reforms that will materially raise levels of resilience of our banking systems. The amount of capital will be significantly higher and the quality of capital will be significantly improved when the new reforms are fully implemented. This will enable banks to withstand – without extraordinary government support – stresses of a magnitude associated with the recent financial crisis. We support reaching agreement at the time of the Seoul Summit on the new capital framework. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the Financial Stability Board (FSB) and BCBS. Phase-in arrangements will reflect different national starting points and circumstances, with initial variance around the new standards narrowing over time as countries converge to the new global standard.
19. We agreed to strengthen financial market infrastructure by accelerating the implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way. We re-emphasized the importance of achieving a single set of high quality improved global accounting standards and the implementation of the FSB's standards for sound compensation.
20. The second pillar is effective supervision. We agreed that new, stronger rules must be complemented with more effective oversight and supervision. We tasked the FSB, in consultation with the IMF, to report to our Finance Ministers and Central Bank Governors in October 2010 on recommendations to strengthen oversight and supervision, specifically

relating to the mandate, capacity and resourcing of supervisors and specific powers which should be adopted to proactively identify and address risks, including early intervention.

21. The third pillar is resolution and addressing systemic institutions. We are committed to design and implement a system where we have the powers and tools to restructure or resolve all types of financial institutions in crisis, without taxpayers ultimately bearing the burden, and adopted principles that will guide implementation. We called upon the FSB to consider and develop concrete policy recommendations to effectively address problems associated with, and resolve, systemically important financial institutions by the Seoul Summit. To reduce moral hazard risks, there is a need to have a policy framework including effective resolution tools, strengthened prudential and supervisory requirements, and core financial market infrastructures. We agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the financial system or fund resolution, and reduce risks from the financial system. We recognized that there are a range of policy approaches to this end. Some countries are pursuing a financial levy. Other countries are pursuing different approaches.
22. The fourth pillar is transparent international assessment and peer review. We have strengthened our commitment to the IMF/World Bank Financial Sector Assessment Program (FSAP) and pledge to support robust and transparent peer review through the FSB. We are addressing non-cooperative jurisdictions based on comprehensive, consistent, and transparent assessment with respect to tax havens, the fight against money laundering and terrorist financing and the adherence to prudential standards.

### **International Financial Institutions and Development**

23. The International Financial Institutions (IFIs) have been a central part of the global response to the financial and economic crisis, mobilizing critical financing, including \$750 billion by the IMF and \$235 billion by the Multilateral Development Banks (MDBs). This has underscored the value of these institutions as platforms for our global cooperation.
24. We commit to strengthening the legitimacy, credibility and effectiveness of the IFIs to make them even stronger partners for us in the future.
25. Towards this end, we have fulfilled our Pittsburgh Summit commitment on the MDBs. This includes \$350 billion in capital increases for the MDBs, allowing them to nearly double their lending. This new capital is joined to ongoing and important reforms to make these institutions more transparent, accountable and effective, and to strengthen their focus on lifting the lives of the poor, underwriting growth, and addressing climate change and food security.

26. We will fulfill our commitment to ensure an ambitious replenishment for the concessional lending facilities of the MDBs, especially the International Development Association and the African Development Fund.
27. We have endorsed the important voice reforms agreed by shareholders at the World Bank, which will increase the voting power of developing and transition countries by 4.59% since 2008.
28. We underscore our resolve to ensure ratification of the 2008 IMF Quota and Voice Reforms and expansion of the New Arrangements to Borrow (NAB).
29. We called for an acceleration of the substantial work still needed for the IMF to complete the quota reform by the Seoul Summit and in parallel deliver on other governance reforms, in line with commitments made in Pittsburgh.
30. Today we build on our earlier commitment to open, transparent and merit-based selection processes for the heads and senior leadership of all the IFIs. We will strengthen the selection processes in the lead up to the Seoul Summit in the context of broader reform.
31. We agreed to task our Finance Ministers and Central Bank Governors to prepare policy options to strengthen global financial safety nets for our consideration at the Seoul Summit. Our goal is to build a more stable and resilient international monetary system.
32. We stand united with the people of Haiti and are providing much-needed reconstruction assistance, including the full cancellation of all of Haiti's IFI debt. We welcome the launching of the Haiti Reconstruction Fund.
33. We have launched the SME Finance Challenge and commit to mobilizing funding for implementation of winning proposals, including through the strong support of the MDBs. We have developed a set of principles for innovative financial inclusion.
34. We welcome the launch of the Global Agriculture and Food Security Program in fulfillment of our Pittsburgh commitment on food security, an important step to further implement the Global Partnership for Agriculture and Food Security, and invite further contributions. Looking ahead, we commit to exploring innovative, results-based mechanisms to harness the private sector for agricultural innovation. We call for the full implementation of the L'Aquila Initiative and the application of its principles.

## **Fighting Protectionism and Promoting Trade and Investment**

35. While the global economic crisis led to the sharpest decline of trade in more than seventy years, G-20 countries chose to keep markets open to the opportunities that trade and investment offer. It was the right choice.
36. As such, we renew for a further three years, until the end of 2013, our commitment to refrain from raising barriers or imposing new barriers to investment or trade in goods and services, imposing new export restrictions or implementing World Trade Organization (WTO)-inconsistent measures to stimulate exports, and commit to rectify such measures as they arise. We will minimize any negative impact on trade and investment of our domestic policy actions, including fiscal policy and action to support the financial sector. We ask the WTO, OECD and UNCTAD to continue to monitor the situation within their respective mandates, reporting publicly on these commitments on a quarterly basis.
37. Open markets play a pivotal role in supporting growth and job creation, and in achieving our goals under the G-20 Framework for Strong, Sustainable and Balanced Growth. We ask the OECD, the ILO, World Bank, and the WTO to report on the benefits of trade liberalization for employment and growth at the Seoul Summit.
38. We therefore reiterate our support for bringing the WTO Doha Development Round to a balanced and ambitious conclusion as soon as possible, consistent with its mandate and based on the progress already made. We direct our representatives, using all negotiating avenues, to pursue this objective, and to report on progress at our next meeting in Seoul, where we will discuss the status of the negotiations and the way forward.
39. We commit to maintain momentum for Aid for Trade. We also ask international agencies, including the World Bank and other Multilateral Development Banks to step up their capacity and support trade facilitation which will boost world trade.

## **Other Issues and Forward Agenda**

40. We agree that corruption threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law. We call for the ratification and full implementation by all G-20 members of the United Nations Convention against Corruption (UNCAC) and encourage others to do the same. We will fully implement the reviews in accordance with the provisions of UNCAC. Building on the progress made since Pittsburgh to address corruption, we agree to establish a Working Group to make comprehensive recommendations for consideration by Leaders in Korea on how the G-20 could continue to make practical and valuable contributions to international efforts to combat corruption and lead by example, in key areas that include, but are not limited to, adopting and enforcing strong and effective anti-bribery rules, fighting corruption

in the public and private sectors, preventing access of corrupt persons to global financial systems, cooperation in visa denial, extradition and asset recovery, and protecting whistleblowers who stand-up against corruption.

41. We reiterate our commitment to a green recovery and to sustainable global growth. Those of us who have associated with the Copenhagen Accord reaffirm our support for it and its implementation and call on others to associate with it. We are committed to engage in negotiations under the UNFCCC on the basis of its objective provisions and principles including common but differentiated responsibilities and respective capabilities and are determined to ensure a successful outcome through an inclusive process at the Cancun Conferences. We thank Mexico for undertaking to host the sixteenth Conference of the Parties (COP 16) in Cancun from November 29 to December 20, 2010 and express our appreciation for its efforts to facilitate negotiations. We look forward to the outcome of the UN Secretary-General's High-Level Advisory Group on Climate Change Financing which is, *inter alia*, exploring innovative finance.
42. We note with appreciation the report on energy subsidies from the International Energy Agency (IEA), Organization of the Petroleum Exporting Countries (OPEC), OECD and World Bank. We welcome the work of Finance and Energy Ministers in delivering implementation strategies and timeframes, based on national circumstances, for the rationalization and phase out over the medium term of inefficient fossil fuel subsidies that encourage wasteful consumption, taking into account vulnerable groups and their development needs. We also encourage continued and full implementation of country-specific strategies and will continue to review progress towards this commitment at upcoming summits.
43. Following the recent oil spill in the Gulf of Mexico we recognize the need to share best practices to protect the marine environment, prevent accidents related to offshore exploration and development, as well as transportation, and deal with their consequences.
44. We recognize that 2010 marks an important year for development issues. The September 2010 Millennium Development Goals (MDG) High Level Plenary will be a crucial opportunity to reaffirm the global development agenda and global partnership, to agree on actions for all to achieve the MDGs by 2015, and to reaffirm our respective commitments to assist the poorest countries.
45. In this regard it is important to work with Least Developed Countries (LDCs) to make them active participants in and beneficiaries of the global economic system. Accordingly we thank Turkey for its decision to host the 4<sup>th</sup> United Nations Conference on the LDCs in June 2011.





46. We welcome the Global Pulse Initiative interim report and look forward to an update.
47. Narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy for all. In this regard, we agree to establish a Working Group on Development and mandate it to elaborate, consistent with the G-20's focus on measures to promote economic growth and resilience, a development agenda and multi-year action plans to be adopted at the Seoul Summit.
48. We will meet next in Seoul, Korea, on November 11-12, 2010. We will convene in November 2011 under the Chairmanship of France and in 2012 under the Chairmanship of Mexico.
49. We thank Canada for hosting the successful Toronto Summit.

## ANNEX I

### **The Framework for Strong, Sustainable and Balanced Growth**

1. As a result of the extraordinary and highly coordinated policy actions agreed to at the Washington, London and Pittsburgh G-20 Summits, the global economy is recovering faster than was expected. Our decisive and unprecedented actions over the past two years have limited the downturn and spurred recovery.
2. Yet risks remain. Unemployment remains unacceptably high in many G-20 economies. The recovery is uneven across G-20 members both across advanced economies and between advanced and emerging economies. This poses risks to the continued economic expansion. There is a risk that global current account imbalances will widen again, absent further policy action. While considerable progress has been made in moving ahead on our financial sector repair and reform agenda, financial markets remain fragile and credit flows restrained. Concerns over large fiscal deficits and rising debt levels in some countries have also become a source of uncertainty and financial market volatility.
3. The G-20's highest priority is to safeguard and strengthen the recovery and lay the foundation for strong, sustainable and balanced growth, including strengthening our financial systems against risks. We therefore welcome the actions taken and commitments made by a number of G-20 countries. Among more recent measures, we particularly welcome the full implementation of the European Financial Stability Mechanism and Facility; the EU decision to publicly release the results of ongoing tests on European banks; and the recent announcements of fiscal consolidation plans and targets by a number of G-20 countries. These represent substantial contributions to our collective well-being and build on our previous actions. We will continue to cooperate and undertake appropriate actions to bolster economic growth and foster a strong and lasting recovery.
4. The Framework for Strong, Sustainable and Balanced Growth we launched in Pittsburgh is the means to achieving our shared objectives. G-20 members have a responsibility to the community of nations to assure the overall health of the global economy. We committed to assess the collective consistency of our policy actions and to strengthen our policy frameworks in order to meet our common objectives. Through our collective policy action, we will ensure growth is sustained, more balanced, shared across all countries and regions of the world, and consistent with our development goals.
5. We have completed the first stage of our Mutual Assessment Process. As we requested in Pittsburgh, G-20 Finance Ministers and Central Bank Governors, with the support of the IMF, World Bank, OECD, ILO and other international organisations, have assessed the collective consistency of our individual policy frameworks and global prospects under alternative policy scenarios.

6. The assessment is that in the absence of a coordinated policy response: global output is likely to remain below its pre-crisis trend; unemployment remains above pre-crisis levels in most countries; fiscal deficits and debt in some advanced economies reach unacceptably high levels; and, global current account imbalances, which narrowed during the crisis, widen again. Moreover, this outlook is subject to considerable downside risks.
7. We concluded that we can do much better. The IMF and World Bank estimate that if we choose a more ambitious path of reforms, over the medium term, we could:
  - raise global output by up to \$4 trillion;
  - create an estimated 52 million jobs;
  - lift up to 90 million people out of poverty; and
  - significantly reduce global current account balances.

If we act in a coordinated manner, all regions are better off, now and in the future. Moreover, increasing global growth on a sustainable basis is the most important step we can take in improving the lives of all, including those in the poorest countries.

8. We are committed to taking concerted actions to sustain the recovery, create jobs and to achieve stronger, more sustainable and more balanced growth. These will be differentiated and tailored to national circumstances. We agreed today on:
  - Following through on fiscal stimulus and communicating “growth-friendly” fiscal consolidation plans in advanced countries and that will be implemented going forward;
  - strengthening social safety nets, enhancing corporate governance reform, financial market development, infrastructure spending, and increasing exchange rate flexibility in some emerging markets;
  - pursuing structural reforms across the entire G-20 membership to increase and sustain our growth prospects; and
  - Making further progress on rebalancing global demand.

Monetary policy will continue to be appropriate to achieve price stability and thereby contribute to the recovery.

9. We agreed to follow through on fiscal stimulus and communicating “growth friendly” fiscal consolidation plans in advanced countries that will be implemented going forward. Sound fiscal finances are essential to sustain recovery, provide flexibility to respond to new shocks, ensure the capacity to meet the challenges of aging populations, and avoid leaving future generations with a legacy of deficits and debt. The path of adjustment must be carefully calibrated to sustain the recovery in private demand. There is a risk that synchronized fiscal adjustment across several major economies could adversely impact the recovery. There is also a risk that the failure to implement consolidation where necessary would undermine confidence and hamper growth. Reflecting this balance, advanced economies have

committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. Recognizing the circumstances of Japan, we welcome the Japanese government's fiscal consolidation plan announced recently with their growth strategy. Those with serious fiscal challenges need to accelerate the pace of consolidation. Fiscal consolidation plans will be credible, clearly communicated, differentiated to national circumstances, and focused on measures to foster economic growth.

10. We have agreed on a set of principles to guide these fiscal consolidation plans by advanced economies:
  - *Fiscal consolidation plans will be credible.* They will be based on prudent assumptions with respect to economic growth and our respective fiscal positions, and they will identify specific measures to achieve a target path that ensures fiscal sustainability. Strengthened budgetary frameworks and institutions can help underpin the credibility of consolidation strategies.
  - *The time to communicate our medium-term fiscal plans is now.* We will elaborate clear and credible plans that put our fiscal finances on a sustainable footing. The speed and timing of withdrawing fiscal stimulus and reducing deficits and debt will be differentiated for and tailored to national circumstances, and the needs of the global economy. However, it is clear that consolidation will need to begin in advanced economies in 2011, and earlier for countries experiencing significant fiscal challenges at present.
  - *Fiscal consolidation will focus on measures that will foster economic growth.* We will look at ways to use our fiscal resources more efficiently, to help reduce the overall cost of our interventions while targeting resources to where they are most needed. In addition, we will focus on structural reforms that will promote long-term growth.
11. Advanced deficit countries should take actions to boost national savings while maintaining open markets and enhancing export competitiveness.
12. Surplus economies will undertake reforms to reduce their reliance on the external demand and focus more on domestic sources of growth. This will help strengthen their resilience to external shocks and promote more stable growth. To do this, advanced surplus economies will focus on structural reforms that support increased domestic demand. Emerging surplus economies will undertake reforms tailored to country circumstances to:
  - Strengthen social safety nets (such as public health care and pension plans), corporate governance and financial market development to help reduce precautionary savings and stimulate private spending;
  - Increase infrastructure spending to help boost productive capacity and reduce supply bottlenecks; and

- Enhance exchange rate flexibility to reflect underlying economic fundamentals. Excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. Market-oriented exchange rates that reflect underlying economic fundamentals contribute to global economic stability.
13. Across all G-20 members, we recognise that structural reforms can have a substantial impact on economic growth and global welfare. We will implement measures that will enhance the growth potential of our economies in a manner that pays particular attention to the most vulnerable. Reforms could support the broadly-shared expansion of demand if wages grow in line with productivity. It will be important to strike the right balance between policies that support greater market competition and economic growth and policies that preserve social safety nets consistent with national circumstances. Together these measures will also help unlock demand. These include:
- Product, service and labour market reforms in advanced economies, particularly those economies that may have lost some productive capacity during the crisis. Labour market reforms might include: better targeted unemployment benefits and more effective active labour market policies (such as job retraining, job search and skills development programs, and raising labour mobility). It might also include putting in place the right conditions for wage bargaining systems to support employment. Product and service market reforms might include strengthening competition in the service sector; reducing barriers to competition in network industries, professional services and retail sectors, encouraging innovation and further reducing the barriers to foreign competition.
  - Reducing restrictions on labour mobility, enhancing foreign investment opportunities and simplifying product market regulation in emerging market economies.
  - Avoiding new protectionist measures.
  - Completing the Doha Round to accelerate global growth through trade flows. Open trade will yield significant benefits for all and can facilitate global rebalancing.
  - Actions to accelerate financial repair and reform. Weaknesses in financial sector regulation and supervision in advanced economies led to the recent crisis. We will implement the G-20 financial reform agenda and ensure a stronger financial system serves the needs of the real economy. While not at the centre of the crisis, financial sectors in some emerging economies need to be developed further so that they can provide the depth and breadth of services required to promote and sustain high rates of economic growth and development. It is important that financial reforms in advanced economies take into account any adverse effects on financial flows to emerging and developing economies. Vigilance is also needed to ensure open capital markets and avoid financial protectionism.
14. We welcome the recommendations of our Labour and Employment Ministers, who met in April 2010, on the employment impacts of the global economic crisis. We reaffirm our

commitment to achieving strong job growth and providing social protection to our most vulnerable citizens. An effective employment policy should place quality jobs at the heart of the recovery. We appreciate the work done by the International Labour Organization in collaboration with the OECD on a training strategy that will help equip the workforce with the skills required for the jobs of today and those of tomorrow.

15. We are committed to narrowing the development gap and that we must consider the impact of our policy actions on low-income countries. We will continue support development financing, including through new approaches that encourage development financing from both public and private sources. The crisis will have long lasting impact on the development trajectories of poor countries in every region of the world. Among these effects, developing countries are likely to face increased challenges in securing financing from both public and private sources. Many of us have already taken steps to help address this shortfall by implementing innovative approaches to financing, such as advance market commitments, the SME challenge and recent progress with respect to financial inclusion. Low-income countries have the potential to contribute to stronger and more balanced global growth, and should be viewed as markets for investment.
16. These measures need to be implemented at the national level and tailored to individual country circumstances. We welcome additional measures announced by some G-20 members aimed at meeting our shared objectives.
17. To facilitate this process, the second stage of our country-led, consultative mutual assessment will be conducted at the country and European level. Each G-20 member will identify the measures it is taking to implement the policies we have agreed upon today to ensure stronger, more sustainable and balanced growth. We ask our Finance Ministers and Central Bank Governors to elaborate on these measures and report on them when we next meet. We will continue to draw on the expertise of the IMF, World Bank, OECD, ILO and other international organisations, as necessary. These measures will form the basis of our comprehensive action plan that will be announced in the Seoul Summit. As we pursue strong, sustainable and more balanced growth, we continue to encourage work on measurement methods to take into account social and environmental dimensions of economic development.
18. The policy commitments we are making today, along with the significant policy measures we have already taken, will allow us to reach our objective of strong, sustainable and balanced growth, the benefits of which will be felt both within the G-20 and across the globe.

## ANNEX II

### **Financial Sector Reform**

1. The financial crisis has imposed huge costs. This must not be allowed to happen again. The recent financial volatility has strengthened our resolve to work together to complete financial repair and reform. We need to build a more resilient financial system that serves the needs of our economies, reduces moral hazard, limits the build-up of systemic risk and supports strong and stable economic growth.
2. Collectively we have made considerable progress toward strengthening the global financial system by fortifying prudential oversight, improving risk management, promoting transparency and continuously reinforcing international cooperation. We welcome the strong financial regulatory reform bill in the United States.
3. But there is more to be done. Further repair to the financial sector is critical to achieving sustainable global economic recovery. More work is required to restore the soundness and enhance the transparency of banks' balance sheets and markets; and improve the corporate governance and risk management of financial firms in order to strengthen the global financial system and restore the credit needed to fuel sustainable economic growth. We welcome the decision of EU leaders to publish the results of ongoing tests on European banks to reassure markets of the resilience and transparency of the European banking system.
4. We pledge to act together to achieve the commitments to reform the financial sector made at the Washington, London and Pittsburgh Summits by the agreed or accelerated timeframes. Transition horizons will take into account the cumulative macroeconomic impact of the reforms in advanced and emerging economies

### ***Capital and Liquidity***

5. We agreed that the core of the financial sector reform agenda rests on improving the strength of capital and liquidity and discouraging excessive leverage. We agreed to increase the quality, quantity, and international consistency of capital, to strengthen liquidity standards, to discourage excessive leverage and risk taking, and reduce procyclicality.
6. We took stock of the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and liquidity and we welcome and support its work. Substantial progress has been made on reforms that will materially raise levels of resilience of our banking systems.
  - The amount of capital will be significantly higher when the new reforms are fully implemented.

- The quality of capital will be significantly improved to reinforce banks' ability to absorb losses.
7. We support reaching agreement, at the time of the Seoul Summit, on a new capital framework that would raise capital requirements by:
    - establishing a new requirement that each bank hold in Tier 1 capital, at a minimum, an increasing share of common equity, after deductions, measured as a percentage of risk-weighted assets, that enables them to withstand with going concern fully-loss-absorbing capital – without extraordinary government support – stresses of a magnitude associated with the recent financial crisis.
    - moving to a globally consistent and transparent set of conservative deductions generally applied at the level of common equity, or its equivalent in the case of non-joint stock companies, over a suitable globally-consistent transition period.
  8. Based on our agreement at the Pittsburgh Summit that Basel II will be adopted in all major centers by 2011, we agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the Financial Stability Board (FSB) and BCBS.
  9. Phase-in arrangements will reflect different national starting points and circumstances, with initial variance around the new standards narrowing over time as countries converge to the new global standard. Existing public sector capital injections will be grandfathered for the extent of the transition.
  10. We reiterated support for the introduction of a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to Pillar I treatment after an appropriate transition period based on appropriate review and calibration. To ensure comparability, the details of the leverage ratio will be harmonized internationally, fully adjusting for differences in accounting.
  11. We acknowledged the importance of the quantitative impact study currently being conducted by the BCBS that measures the potential impact of the new Basel standards and will ensure that the new capital and liquidity standards are of high quality and adequately calibrated. The BCBS- FSB macroeconomic impact study will inform the development of the phase-in period of the new standards.
  12. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.
  13. We support the BCBS' work to consider the role of contingent capital in strengthening market discipline and helping to bring about a financial system where the private sector



fully bears the losses on their investments. Consideration of contingent capital should be included as part of the 2010 reform package.

14. We called upon the FSB and the BCBS to report on progress of the full package of reform measures by the Seoul Summit. We recognize the critical role of the financial sector in driving a robust economy. We are committed to design a financial system which is resilient, stable and ensures the continued availability of credit.

### ***More Intensive Supervision***

15. We agreed that new, stronger rules must be complemented with more effective oversight and supervision. We are committed to the Basel Committee's Core Principles for Effective Banking Supervision and tasked the FSB, in consultation with the International Monetary Fund (IMF), to report to our Finance Ministers and Central Bank Governors in October 2010 on recommendations to strengthen oversight and supervision, specifically relating to the mandate, capacity and resourcing of supervisors and specific powers which should be adopted to proactively identify and address risks, including early intervention.

### ***Resolution of Financial Institutions***

16. We are following through on our commitment to reduce moral hazard in the financial system. We are committed to design and implement a system where we have the powers and tools to restructure or resolve all types of financial institutions in crisis, without taxpayers ultimately bearing the burden. These powers should facilitate "going concern" capital and liquidity restructuring as well as "gone concern" restructuring and wind-down measures. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. In this regard, we support changes to national resolution and insolvency processes and laws where needed to provide the relevant national authorities with the capacity to cooperate and coordinate resolution actions across borders.
17. We agree that resolution regimes should provide for:
  - Proper allocation of losses to reduce moral hazard and protect taxpayers;
  - Continuity of critical financial services, including uninterrupted service for insured depositors;
  - Credibility of the resolution regime in the market;
  - Minimization of contagion;
  - Advanced planning for orderly resolution and transfer of contractual relationships; and,

- Effective cooperation and information exchange domestically and among jurisdictions in the event of a failure of a cross-border institution.

### ***Addressing Systemically Important Financial Institutions***

18. We welcomed the FSB's interim report on reducing the moral hazard risks posed by systemically important financial institutions. We recognized that more must be done to address these risks. Prudential requirements for such firms should be commensurate with the cost of their failure. We called upon the FSB to consider and develop concrete policy recommendations to effectively address problems associated with and resolve systemically important financial institutions by the Seoul Summit. This should include more intensive supervision along with consideration of financial instruments and mechanisms to encourage market discipline, including contingent capital, bail-in options, surcharges, levies, structural constraints, and methods to haircut unsecured creditors.
19. We welcomed the substantial progress that has been made regarding the development of supervisory colleges and crisis management groups for the major complex financial institutions identified by the FSB.
20. We continue to work together to develop robust agreed-upon institution-specific recovery and rapid resolution plans for major cross-border institutions by the end of 2010. We further committed to continue working on ensuring cooperation among jurisdictions in financial institution resolution proceedings.

### **Financial Sector Responsibility**

21. We agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the financial system or fund resolution.
22. To that end, we recognized that there is a range of policy approaches. Some countries are pursuing a financial levy. Other countries are pursuing different approaches. We agreed the range of approaches would follow these principles:
  - Protect taxpayers;
  - Reduce risks from the financial system;
  - Protect the flow of credit in good times and bad times;
  - Take into account individual countries' circumstances and options; and,
  - Help promote a level playing field.
23. We thanked the IMF for its work in this area.

### ***Financial Market Infrastructure and Scope of Regulation***

24. We agreed on the need to strengthen financial market infrastructure in order to reduce systemic risk, improve market efficiency, transparency and integrity. Global action is important to minimize regulatory arbitrage, promote a level playing field, and foster the widespread application of the principles of propriety, integrity, and transparency.
25. We pledged to work in a coordinated manner to accelerate the implementation of over-the-counter (OTC) derivatives regulation and supervision and to increase transparency and standardization. We reaffirm our commitment to trade all standardized OTC derivatives contracts on exchanges or electronic trading platforms, where appropriate, and clear through central counterparties (CCPs) by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories (TRs). We will work towards the establishment of CCPs and TRs in line with global standards and ensure that national regulators and supervisors have access to all relevant information. In addition we agreed to pursue policy measures with respect to haircut-setting and margining practices for securities financing and OTC derivatives transactions that will reduce procyclicality and enhance financial market resilience. We recognized that much work has been done in this area. We will continue to support further progress in implementing these measures.
26. We committed to accelerate the implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way. We also committed to improve the functioning and transparency of commodities markets. We call on credit rating agencies to increase transparency and improve quality and avoid conflicts of interest, and on national supervisors to continue to focus on these issues in conducting their oversight.
27. We committed to reduce reliance on external ratings in rules and regulations. We acknowledged the work underway at the BCBS to address adverse incentives arising from the use of external ratings in the regulatory capital framework, and at the FSB to develop general principles to reduce authorities' and financial institutions' reliance on external ratings. We called on them to report to our Finance Ministers and Central Bank Governors in October 2010.
28. We acknowledged the significant work of the International Organization of Securities Commission (IOSCO) to facilitate the exchange of information amongst regulators and supervisors, as well as IOSCO's principles regarding the oversight of hedge funds aimed at addressing related regulatory and systemic risks.
29. We called on the FSB to review national and regional implementation of prior G-20 commitments in these areas and promote global policy cohesion and to assess and report to

our Finance Ministers and Central Bank Governors in October 2010 if further work is required.

### *Accounting Standards*

30. We re-emphasized the importance we place on achieving a single set of high quality improved global accounting standards. We urged the International Accounting Standards Board and the Financial Accounting Standards Board to increase their efforts to complete their convergence project by the end of 2011.
31. We encouraged the International Accounting Standards Board to further improve the involvement of stakeholders, including outreach to emerging market economies, within the framework of the independent accounting standard setting process.

### *Assessment and Peer Review*

32. We pledged to support robust and transparent independent international assessment and peer review of our financial systems through the IMF and World Bank's Financial Sector Assessment Program and the FSB peer review process. The mutual dependence and integrated nature of our financial system requires that we all live up to our commitments. Weak financial systems in some countries pose a threat to the stability of the international financial system. International assessment and peer review are fundamental in making the financial sector safer for all.
33. We reaffirmed the FSB's principal role in the elaboration of international financial sector supervisory and regulatory policies and standards, co-ordination across various standard-setting bodies, and ensuring accountability for the reform agenda by conducting thematic and country peer reviews and fostering a level playing field through coherent implementation across sectors and jurisdictions. To that end, we encourage the FSB to look at ways to strengthen its capacity to keep pace with growing demands.
34. We called upon the FSB to expand upon and formalize its outreach activities beyond the membership of the G-20 to reflect the global nature of our financial system. We recognized the prominent role of the FSB, along with other important organizations including, the IMF and World Bank. These organizations, along with other international standard setters and supervisory authorities, play a central role to the health and well-being of our financial system.
35. We fully support the FSB's thematic peer reviews as a means of fostering consistent cross-country implementation of financial and regulatory policies and to assess their effectiveness in achieving their intended results. We welcomed the FSB's first thematic peer review report on compensation, which showed progress in the implementation of the FSB's

standards for sound compensation, but full implementation is far from complete. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. We also look forward to the results of the FSB's thematic review of risk disclosures.

36. We acknowledged the significant progress in the FSB's country review program. These reviews are an important complement to the IMF/World Bank Financial Sector Assessment Program and provide a forum for peer learning and dialogue to address challenges. Three reviews will be completed this year.

#### ***Other International Standards and Non-cooperative Jurisdictions***

37. We agreed to consider measures and mechanisms to address non-cooperative jurisdictions based on comprehensive, consistent and transparent assessment, and encourage adherence, including by providing technical support, with the support of the international financial institutions (IFIs).
38. We fully support the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and welcomed progress on their peer review process, and the development of a multilateral mechanism for information exchange which will be open to all interested countries. Since our meeting in London in April 2009, the number of signed tax information agreements has increased by almost 500. We encourage the Global Forum to report to Leaders by November 2011 on progress countries have made in addressing the legal framework required to achieve an effective exchange of information. We also welcome progress on the Stolen Asset Recovery Program, and support its efforts to monitor progress to recover the proceeds of corruption. We stand ready to use countermeasures against tax havens.
39. We fully support the work of the Financial Action Task Force (FATF) and FATF-Style Regional Bodies in their fight against money laundering and terrorist financing and regular updates of a public list on jurisdictions with strategic deficiencies. We also encourage the FATF to continue monitoring and enhancing global compliance with the anti-money laundering and counter-terrorism financing international standards.
40. We welcomed the implementation of the FSB's evaluation process on the adherence to prudential information exchange and international cooperation standards in all jurisdictions.

## ANNEX III

### **Enhancing the Legitimacy, Credibility and Effectiveness of the IFIs and Further Supporting the Needs of the Most Vulnerable**

1. The global economic and financial crisis has demonstrated the value of the International Financial Institutions (IFIs) as instruments for coordinating multilateral action. These institutions were on the front-line in responding to the crisis, mobilizing \$985 billion in critical financing. In addition, the international community and the IFIs mobilized over \$250 billion in trade finance.
2. The crisis also demonstrated the importance of delivering further reforms. As key platforms for our cooperation, we are committed to strengthening the legitimacy, credibility and effectiveness of the IFIs, to ensure that they are capable of helping us maintain global financial and economic stability and supporting the growth and development of all their members.
3. To enhance the legitimacy and effectiveness of the IFIs, we committed in London and Pittsburgh to support new open, transparent and merit-based selection processes for the heads and senior leadership of all International Financial Institutions. We will strengthen these processes in the lead up to the Seoul Summit in the context of broader reform.

#### ***MDB Financing***

4. Since the start of the global financial crisis, the MDBs have been playing an important role in the global response by exceeding our London commitment, in providing \$235 billion in lending, more than half of which has come from the World Bank Group. At a time when private sector sources of finance were diminished, this lending was critical to global stabilization. Now more than ever, the MDBs are key development partners for many countries.
5. We have fulfilled our commitment to ensure that the MDBs have appropriate resources through capital increases for the major MDBs, including the Asian Development Bank (AsDB), the African Development Bank (AfDB), the Inter-American Development Bank (IADB), the European Bank for Reconstruction and Development (EBRD), the World Bank Group, notably the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). As major shareholders at these institutions, we have worked together with other members to increase their capital base by 85%, or approximately \$350 billion. Overall, their total lending to developing countries will grow from \$37 billion per year to \$71 billion per year. This will improve their ability to address the increasing demand in the short and medium terms and to have enough resources to

support their members. We support efforts to implement these agreements as quickly as possible.

MDB	Capital Increase	Pre-Crisis Annual Lending <sup>a</sup>	New Annual Lending <sup>b</sup>
AfDB	200% increase	\$1.8 B	\$6 B
AsDB	200% increase	\$5.8 B	\$10 B
EBRD <sup>c</sup>	50% increase	\$5.3 B	\$11 B
IADB <sup>d</sup>	70% increase	\$6.7 B	\$12 B
IBRD	30% increase	\$12.1 B	\$15 B
IFC	\$200M selective capital increase	\$5.4 B	\$17 B
<b>Total</b>	<b>85% increase in MDB capital</b>	<b>\$37 B</b>	<b>\$71 B</b>

\*All dollar figures USD

<sup>a</sup> 2000-2008. <sup>b</sup> 2012-2020. <sup>c</sup> mostly callable, of a temporary nature, for CRR4; <sup>d</sup> Includes agreement to relieve Haiti's debt to the IADB

6. We recognize the acute development needs in Africa, the region the furthest behind on the Millennium Development Goals. For this reason, the African Development Bank will be capitalized for substantial growth, with a 200% increase in its capital and corresponding tripling of its annual lending levels, to strengthen capacity to support the region's long-term growth and development.
7. To ensure that the IFC has the resources necessary for its continued growth, we will consider a long-term hybrid instrument to shareholders and earnings retention, to complement the recent selective capital increase linked to voice reforms.
8. In order to support low income countries, given their need to borrow at more concessional terms, we will fulfill our commitment to ensure an ambitious replenishment for the concessional lending facilities of the MDBs, especially the International Development Association (IDA) and the African Development Fund, which are undergoing financial replenishments this year. We welcome the fact that many G-20 members have taken important steps to join as donors to these institutions. We reiterated our support for fairer and wider burden sharing.

### ***MDB Reforms***

9. We have also fulfilled our commitment to ensure that these capital increases are joined to ongoing and important institutional reforms to make the MDBs more effective, efficient and accountable. These include:

- Commitments to further support the poorest countries in a financially prudent way, including by transferring resources, where feasible, from MDB net income to their respective lending facilities for low income countries and increasing their investment activities in low income countries and frontier regions. This will ensure that the new capital resources benefit both low income and middle income countries.
  - Specific actions for greater transparency, stronger accountability, improved institutional governance deeper country ownership, more decentralization and use of country systems where appropriate, and enhanced procurement guidelines, new ways of managing and tracking results and financial contributions, strengthen knowledge management, ensuring the right human resources with appropriate diversity, better implementing environmental and social safeguards, sound risk management, and ensuring financial sustainability with pricing linked to expenses, and a commitment to continue to reduce administrative expenses and make them more transparent.
  - Deeper support for private sector development, including through more private sector operations and investment, as a vital component of sustainable and inclusive development.
  - Recommitting to their core development mandates and taking up a greater role in the provision of global solutions to transnational problems, such as climate change and food security.
10. With these reform commitments, we are building not just bigger MDBs, but better MDBs, with more strategic focus on lifting the lives of the poor, underwriting growth, promoting security, and addressing the global challenges of climate change and food security. Implementation of these reforms has already begun, and we will continue to ensure that this work is completed and that further reforms are undertaken where necessary.

### ***World Bank Group Voice Reforms***

11. We welcomed the agreement on the World Bank's voice reform to increase the voting power of developing and transition countries by 3.13% consistent with the agreement at the Pittsburgh Summit. When combined with the 1.46% increase agreed in the previous phase of the reforms, this will provide a total shift of 4.59% to DTCs, bringing their overall voting power to 47.19%. We committed to continue moving over time towards equitable voting power, while protecting the smallest nations, by arriving at a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission. We also endorsed voice reforms at the IFC which will provide a total shift of 6.07%, to bring DTC voting power to 39.48%.

### ***Debt Relief for Haiti***

12. We stand united with the people of Haiti as they struggle to recover from the devastation wrought by the earthquake in January, and we join other donors in providing assistance in



this difficult time, including through the Haiti Reconstruction Fund set up by the World Bank, the Inter-American Development Bank and the United Nations. To ensure that Haiti's recovery efforts can focus on its reconstruction action plan, rather than the debt obligations of its past, our Finance Ministers agreed last April to support full cancellation of Haiti's debts to all IFIs, including through burden sharing of the associated costs, where necessary. We are pleased that an agreement on a framework for cancelling such debt has been reached at the IMF; the World Bank, the International Fund for Agriculture Development, and soon at the Inter-American Development Bank. We will contribute our fair shares of the associated costs as soon as possible. We will report on progress at the Seoul Summit.

### *IMF Reforms*

13. We are committed to strengthening the legitimacy, credibility and effectiveness of the IMF to ensure it succeeds in carrying out its mandate. Important actions have been taken by the G-20 and the international community since the onset of the crisis, including the mobilization of \$750 billion to support IMF members' needs for crisis financing. The IMF raised \$250 billion in new resources through immediate bilateral loans and note purchase agreements, to be subsequently incorporated into a \$500 billion expansion of the New Arrangements to Borrow (NAB). The IMF also implemented a \$250 billion new general allocation of SDRs to bolster the foreign exchange reserves of all members. Along with important surveillance and lending reforms, including a new early-warning exercise and the creation of new precautionary instruments such as the Flexible Credit Line, these actions have significantly increased the IMF's crisis response capacity. However, important work remains to be completed to fully reform the IMF.
  
14. We called for an acceleration of the substantial work still needed for the IMF to complete the quota reform by the Seoul Summit and in parallel deliver on other governance reforms, in line with commitments made in Pittsburgh. Modernizing the IMF's governance is a core element of our effort to improve the IMF's credibility, legitimacy, and effectiveness. We recognize that the IMF should remain a quota-based organization and that the distribution of quotas should reflect the relative weights of its members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries. To this end, we are committed to a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented to under-represented countries using the current IMF quota formula as the basis to work from. We are also committed to protecting the voting share of the poorest in the IMF. As part of this process, we agree that a number of other critical issues will need to be addressed, including: the size of any increase in IMF quotas, which will have a bearing on the ability to facilitate change in quota shares; the size and composition of the Executive Board; ways of enhancing the Board's effectiveness; and the Fund Governors' involvement in the strategic oversight of the IMF. Staff diversity should be enhanced.

15. We underscored our resolve to ensure the IMF has the resources it needs so that it can play its important role in the world economy. The majority of G-20 members have ratified the 2008 IMF Quota and Voice Reforms, fulfilling an important commitment made in London. Those members who have yet to ratify commit to doing so by the Seoul Summit. This action will not just enhance the legitimacy of the IMF by increasing the voice and participation of developing countries, it will also provide the IMF with \$30 billion in new quota resources. We call on all IMF members to ratify the agreement this year.
16. A number of G-20 members have already formally accepted the recently agreed reforms to the expanded NAB, which will provide a significant back-stop to IMF quota resources, consolidating over \$500 billion for IMF lending to countries in crisis. Other participating G-20 members will complete the acceptance process by the next meeting of G-20 Finance Ministers and Central Bank Governors. We call on all existing and new NAB participants to do the same.
17. G-20 members committed to ensure that the IMF's concessional financing for the poorest countries be expanded by \$6 billion through the proceeds from the agreed sale of IMF gold, consistent with the IMF's new income model, and the employment of internal and other resources. We are delivering. Some G-20 members have supported this commitment with additional loan and subsidy resources for the Poverty Reduction and Growth Trust (PRGT) and some others plan to contribute in the coming months.
18. We acknowledged a need for national, regional and international efforts to deal with capital flow volatility, financial fragility, and prevent crisis contagion. We task our Finance Ministers and Central Bank Governors to prepare policy options, based on sound incentives, to strengthen global financial safety nets for our consideration at the Seoul Summit. In line with these efforts, we also call on the IMF to make rapid progress in reviewing its lending instruments, with a view to further reforming them as appropriate. In parallel, IMF surveillance should be enhanced to focus on systemic risks and vulnerabilities wherever they may lie. Our goal is to build a more stable and resilient international monetary system.

***Further Supporting the Needs of the Most Vulnerable***

19. We have made significant progress in supporting the poorest countries during the crisis and must continue to take measures to assist the most vulnerable and must ensure that the poorest countries benefit from our efforts to restore global growth. We recognize the urgency of this, and are committed to meeting the Millennium Development Goals by 2015 and will reinforce our efforts to this end, including through the use of Official Development Assistance.

20. We have made concrete progress on our commitment to improving access to financial services for the poor and to increasing financing available to small- and medium-sized enterprises (SMEs) in developing countries.
21. Adequately financed small and medium-sized businesses are vital to job creation and a growing economy, particularly in emerging economies. We have launched the SME Finance Challenge aimed at finding the most promising models for public-private partnerships that catalyze finance for SMEs. We are committed to mobilizing the funding needed to implement winning proposals, including through the strong support of the MDBs. We welcome the strong support of the MDBs for scalable and sustainable SME financing proposals, including those from the Challenge in partnership with the private sector. We look forward to announcing the winning proposals of the SME Finance Challenge and to receiving recommendations to scale-up successful SME finance models at the Seoul Summit.
22. We have developed a set of principles for innovative financial inclusion, which will form the basis of a concrete and pragmatic action plan for improving access to financial services amongst the poor. This action plan will be released at the Seoul Summit.
23. At the Pittsburgh Summit, we recognised the importance of sustained funding and targeted investments to improve long-term food security in low income countries. We welcome the launch of the Global Agriculture and Food Security Program (GAFSP), which will provide predictable financing for low income countries to improve agricultural productivity, raise rural incomes, and build sustainable agricultural systems. We are particularly pleased that the fund has approved inaugural grants totalling \$224 million for Bangladesh, Rwanda, Haiti, Togo, and Sierra Leone. We also support the development of the private sector window of the GAFSP, which will increase private sector investments to support small and medium sized agri-businesses and farmers in poor countries. We welcome the support already received, and encourage additional donor contributions to both the public and private sector windows of the GAFSP.
24. There is still an urgency to accelerate research and development to close agricultural productivity gaps, including through regional and South-South cooperation, amidst growing demands and mounting environmental stresses, particularly in Africa. The private sector will be critical in the development and deployment of innovative solutions that provide concrete results on the ground. We commit to exploring the potential of innovative, results-based mechanisms such as advance market commitments to harness the creativity and resources of the private sector in achieving breakthrough innovations in food security and agriculture development in poor countries. We will report on progress at the Seoul Summit.