

Brussels, 17 September 2009

***INFORMAL MEETING OF EU HEADS OF STATE OR GOVERNMENT
BRUSSELS, 17 SEPTEMBER 2009***

= AGREED LANGUAGE FOR THE PITTSBURGH G-20 SUMMIT =

Achieving a sustainable recovery

1. The G-20 should reaffirm its determination to continue implementing coordinated policy measures in order to develop the basis for sustainable growth and to avoid a repetition of the financial crisis. Efforts must be maintained until recovery is secured. Overall support to the EU economy in 2009 and 2010 is projected to amount to around 5 percent of GDP.
2. Fiscal policies must progressively be reoriented towards sustainability. Exit strategies need to be designed now and implemented in a coordinated manner as soon as recovery takes hold, taking into account the specific situations of individual countries.

3. EU Heads of State or Government heard details of the report to be submitted to the G-20 at its Pittsburgh meeting by the President of the G-20 on the future of international economic cooperation and coordination. They welcomed the presentation to be made at the G-20. It is important to strengthen global macroeconomic coordination. Such coordination should be based on a central role for the IMF. We should make progress in the work on a Charter for Sustainable Economic Activity in order to reaffirm principles of responsibility, sustainability and transparency; concrete steps should be agreed in Pittsburgh to that end.
4. The G-20 should reiterate its stance against protectionism and continue to press for progress in trade liberalisation, including with regard to a global, ambitious and balanced conclusion of the Doha negotiations in 2010, as agreed at the G-8 Summit in l'Aquila. In this respect, a realistic and ambitious road map should be agreed. We welcome the full implementation of the USD 250 billion trade finance agreed by the London Summit to support trade flows.

Prioritising jobs

5. Laying the basis for a sustainable recovery and sound public finances is the best way to ensure a rapid return to employment. Accelerating structural reforms is necessary in this process.
6. In order to avoid permanent exclusion from the labour market, particular attention must be paid to (i) maintaining employment, creating new jobs and promoting mobility; (ii) upgrading skills and matching labour market needs; (iii) increasing access to employment. There is also a need to strengthen the ability of workers to adapt to changing market demands and prepare workers to benefit from new investments in the areas of clean energy, health and infrastructure.
7. Employment and social cohesion must be at the centre. In this context, we welcome the recently adopted ILO Global Jobs Pact.

Swiftly implementing the commitments for financial market reform

8. Improving the functioning of financial markets is essential in order to avoid a repetition of the crisis. The commitments agreed at the London Summit must be implemented.
9. The G-20 should commit to a globally coordinated system of macro-prudential supervision, based on close cooperation of the IMF, the FSB and the supervisory authorities, with effective exchange of information.
10. The functioning of the banking system remains critical to restoring growth and re-establishing credit flows. In order to safeguard the long-term viability of banks, a restructuring of the banking sector must take place, in parallel with actions to improve the quality of bank balance sheets.
11. All G-20 countries must adopt the Basel II capital framework, in a consistent and coordinated way. Existing loopholes in the Basel framework must be closed.
12. We call upon accounting standards-setting bodies to accelerate their joint work on a single set of high-quality global accounting standards, with all G-20 countries committing to implement these new standards as soon as possible.
13. The G-20 must strengthen oversight of systemically important financial institutions, by enhancing their supervisory and regulatory requirements (i.a. through tailor-made stress tests, contingency plans and capital buffers). The quality of cross-border supervision needs to be improved and the G-20 should commit to work in a coordinated manner on this issue.

14. The approach to non-cooperative jurisdictions agreed at the London Summit must be fully implemented. The G-20 should agree on a programme of peer review (as has already been agreed in the field of tax transparency), capacity building and counter-measures that could be put in practice as of March 2010 for jurisdictions that have not effectively implemented standards.

Promoting responsible remuneration practices in the financial sector

15. The G-20 must fulfil the commitment subscribed to in London on pay and compensation to encourage sound risk management and a strong link between compensation and long-term performance, while ensuring a level playing-field.

16. In particular, the G-20 should commit to agreeing to binding rules for financial institutions on variable remunerations backed up by the threat of sanctions at the national level, covering the following principles:

- a) enhanced governance to ensure appropriate board oversight of compensation and risk;
- b) strengthened transparency and disclosure requirements;
- c) variable remunerations including bonuses to be set at an appropriate level in relation to fixed remuneration and made dependent on the performances of the bank, the business unit and the individuals; taking due account of negative developments, so as to avoid guaranteed bonuses; the payment of a major part of significant variable compensations must be deferred over time for an appropriate period and could be cancelled in case of a negative development in the bank's performance;
- d) prevent stock options from being exercised, and stocks received from being sold, for an appropriate period of time;
- e) prevent directors and officers from being completely sheltered from risk;
- f) give supervisory boards the means to reduce compensations in case of deterioration of the performance of the bank;
- g) explore ways to limit total variable remuneration in a bank to a certain proportion either of total compensation or of the bank's revenues and/or profits.

Strengthening IFIs

17. The commitment to reinforce the IMF's New Arrangements to Borrow by USD 500 billion has been followed by pledges by the EU and several other G-20 members, as well as non-G-20 countries. EU Member States stand ready to provide up to an additional EUR 50 billion, in total up to EUR 125 billion, representing 35% of the NAB increase and call on all G-20 members and other financially strong IMF members to contribute their fair share.

18. It is necessary to reform the governance systems of international financial institutions.. All elements of reform should be dealt with together. In connection with the conclusion of the general quota review by January 2011, roadmaps for the reform of IMF governance should also be agreed. The current size of the IMF Executive Board reasonably well reflects the trade-off between inclusiveness/legitimacy and an effective functioning of the Fund. The reform in the World Bank should be completed by Spring 2010. The reforms of the Bretton Woods Institutions should increase the voice, quota and representation of underrepresented countries, based on objective criteria reflecting changes in the world economy.

19. The Multilateral Development Banks must be adequately capitalised in order to fulfil their core mandate and play a counter cyclical role.

Strengthening recovery in the world's poorest countries

20. The G-20 should state its commitment to strengthen recovery in the world's poorest countries. In particular it should signal its support for investing in long-term food security, reducing energy poverty and improving financial access, both for SMEs and poor households.

21. The commitments undertaken in the framework of the Millennium Development Goals must be implemented and donor countries must make good on their pledges to achieve international ODA targets. The G-20 should adopt the "Everything But Arms" initiative without delay in order to support people in developing countries suffering from the crisis.

Sharing the effort on climate finance: the road to Copenhagen

22. The climate is changing much faster than expected. The risks posed by climate change are real and can already be seen. This underlines the urgent need to reach a global, ambitious and comprehensive agreement in Copenhagen. The G-20 should call on all parties to significantly step up the pace of negotiations in order to achieve a successful outcome in Copenhagen.

23. To manage to keep the increase in global mean temperature to below 2°C compared to pre-industrial levels, science tells us that global greenhouse gas emissions have to peak by 2020 and be reduced by at least 50% as compared with 1990 levels by 2050 and continue to decline thereafter. Developed countries should reduce their emissions by 80% or more by 2050, as agreed at the G-8 Summit in l'Aquila. Each country which has not yet done so should urgently make ambitious commitments to mid-term reductions and quantifiable actions.

24. Financial resources will need to be scaled up urgently and substantially to reduce global greenhouse gas emissions and to adapt to the unavoidable effects of global warming. All countries, except the least developed, should contribute to financing the fight against climate change in developing countries with finance allocated according to need so that developing countries receive more than they are contributing. Public funding commitment should be shared on the basis of a universal, comprehensive and specific contribution key reflecting ability to pay and responsibility for emissions.

25. The European Commission estimates that the total net incremental cost of mitigation and adaptation in developing countries could amount to about EUR 100 billion annually by 2020 to be shared between domestic finance, carbon market-based financing and international public support. This estimate presupposes i.a. appropriate mitigation actions by developing countries, especially those that are economically more advanced.

26. The international carbon market should be expanded and reformed through establishing and linking trading schemes in order to significantly increase financial flows to developing countries.
27. The EU supports the establishment of a coordinating mechanism to provide a consolidated overview of international sources for financing climate-related investments in developing countries.
28. The G-20 should recognise the need to fast-start international public support for addressing urgent climate financing needs in developing countries, in particular least developed countries. The Commission estimates the financial need during the period 2010-2012 to be about EUR 5-7 billion per year prior to the establishment of a financial architecture under a Copenhagen agreement.

Promoting energy security

29. The G-20 should commit to improving energy security by increasing oil and gas market transparency and containing speculation. Reporting comprehensive data on domestic oil markets and taking steps to oversee the OTC markets are important, so that regulators have a more complete view of the actions of market participants. Developing new energy-efficient technology is also important in order to ensure energy efficiency.