Statement of G8 Finance Ministers
Lecce, Italy, 13 June, 2009

We, the G8 Finance Ministers, remain focused on addressing the ongoing global economic and financial crisis. We have taken forceful and coordinated action to stabilize the financial sector and provide stimulus to restore economic growth. There are signs of stabilization in our economies, including a recovery of stock markets, a decline in interest rate spreads, improved business and consumer confidence, but the situation remains uncertain and significant risks remain to economic and financial stability.

Even after output growth begins picking up, unemployment may continue to increase. Our countries will continue to implement actions to reduce the impact of the crisis on employment and maximise the potential for growth in jobs in the period of economic recovery, including by promoting targeted active labor market policies, enhancing skills development, ensuring effective social protection systems and enabling labour markets to respond to broader structural changes.

We must remain vigilant to ensure that consumer and investor confidence is fully restored and that growth is underpinned by stable financial markets and strong fundamentals. We will continue working with others in taking the necessary steps to put the global economy on a strong, stable and sustainable growth path, including by continuing to provide macroeconomic stimulus consistent with price stability and medium-term fiscal sustainability and restore lending. We reaffirm our commitment to address liquidity and capital needs of banks, as necessary, and to take all necessary actions to ensure the soundness of systemically important institutions.

We discussed the need to prepare appropriate strategies for unwinding the extraordinary policy measures taken to respond to the crisis once the recovery is assured. These "exit strategies", which may vary from country to country, are essential to promote a sustainable recovery over the long term. We asked the IMF to undertake the necessary analytical work to assist us with this process.

While the stabilization of the economy over the short term is critical, we also discussed other challenges ahead of us.

The crisis has revealed the importance of strengthening our commitment to standards of propriety, integrity and transparency. To address these issues in a comprehensive fashion, we agreed on the need to develop the Lecce Framework – a set of common principles and standards regarding the conduct of international business and finance – which builds on existing initiatives and lays the foundation for a stable growth path over the long term (see the attached annex for details). We are committed to working with our international partners to make progress with this initiative, with a view to reaching out to broader fora, including the G20 and beyond.

We discussed regulatory reform in our countries and at the international level. We are swiftly implementing the decisions taken at the London Summit and call on others to join our efforts to ensure global financial stability and an international level playing field. We urge the relevant international institutions to closely monitor the implementation of these decisions. We also call on the FSB to develop a toolbox of measures to promote adherence to prudential standards and cooperation with jurisdictions.

We welcome progress in negotiations of agreements on the exchange of information for tax purposes. We urge further progress in the implementation of the OECD standards and the involvement of the widest possible number of jurisdictions, including developing countries. It is also essential to develop an effective peer-review mechanism to assess compliance with the same standards. This could be delivered by an expanded Global Forum. We also look forward to an update on progress on the G20 agreement to tackle tax havens at the next OECD Ministerial meeting.

We welcome FATF engagement with the G20 to fight against money laundering and the financing of terrorism. We are also committed to working with FATF on improving international standards and their global implementation, including preparation for the next round of mutual evaluations, promoting international cooperation and reinforcing actions on jurisdictions with vulnerabilities. FATF should report back by September on its progress in identifying uncooperative jurisdictions. We endorse the FATF's call for countries to protect the financial system from illicit financing and implement counter-measures against Iran, in particular to mitigate the risk posed by correspondent relationships with Iranian financial institutions.

We are committed to the effective and timely implementation of financial measures against North Korea as set out, among other measures, in UN Security Council resolution N. 1874.

To facilitate the recovery and sustain growth over the longer term, we reaffirm our commitment to refrain from protectionism and we commit to continue working towards an ambitious conclusion of the Doha Round. The rapid implementation of the trade finance support announced in April in London is essential in restoring international trade flows, particularly to emerging and developing countries. Excess volatility of commodity prices poses risks to growth. We will consider ways to improve the functioning and transparency of global commodity markets, including considering IOSCO work on commodity derivative markets.

We have led efforts to provide the IMF with the necessary resources to expand its lending capacity and are fully committed to swiftly implement the London Summit commitment, and urge other countries to participate. We are also exploring ways to substantially increase the IMF capacity for concessional lending through the sale of gold or other means, consistent with the new income model, and we encourage the Fund to explore the scope for increased concessionality to low-income countries. We remain committed to reforming the IMF to enable it to carry out its critical role in the modern global economy. We welcome the actions being taken by the World Bank and other Multilateral Development Banks (MDBs) that highlight their important countercyclical role in responding to the global crisis. After comprehensively reviewing their capital positions, including a thorough resource demand analysis based on agreed medium to long-term strategies, we are prepared to consider additional financing needs. Additional elements to be considered include a clearer division of labor and collaboration among institutions, enhanced balance sheet flexibility, good governance, better risk management, effective use of aid, progress on promoting innovation, and an adequate focus on the world's poorest.

The 2007-2008 food crisis had a devastating impact on the living conditions of the poor, and brought attention to the urgent need to promote sustainable investment in agriculture. We reiterate our commitment to address medium and long-run food security in poor developing countries.

We will work together bilaterally and through existing international institutions to increase investment in these countries aimed at raising sustainable agricultural productivity and food security, with a particular focus on assisting small-scale farmers, protecting natural resources, supporting infrastructure, innovation and catalyzing private investment. We discussed possible joint initiatives by the World Bank, the African Development Bank and IFAD, and support further work in this area with a view to advancing this discussion at the L'Aquila Summit. We note the publication of the report by the High Level Task Force (HLTF) that presents proposals to accelerate progress in the health systems of the world's poorest countries.

We discussed the economic, financial and developmental aspects of climate change. This is a global issue that requires a global and balanced solution and we advocate an ambitious, efficient, effective and fair outcome of the UNFCCC process. Financial and investment needs will be substantial in the future, thus making it imperative that all resources be used in the most effective way to achieve true emission reductions, that they be channeled through highly efficient, coordinated and equitable instruments, and that market-based mechanisms play a central role to drive private finance. While developed countries should continue to play a leading role, all but the least developed countries should commit to measurable, verifiable and reportable mitigation actions and financial participation. Adaptation is a development challenge and, therefore, international financing should primarily target the poorest countries, be fully integrated in their development strategies and follow the principles of aid effectiveness.

The Lecce Framework: Common Principles and Standards for Propriety, Integrity and Transparency

We are in the middle of the worst crisis since the Great Depression. The breadth and intensity of the prolonged downturn have revealed the importance of strengthening our commitment to standards of propriety, integrity and transparency. Excessive risk taking and the violation of these basic principles contributed to undermine international economic and financial stability. This occurred both in areas that relied on self regulation and market discipline and in fields with formal rules and oversight, revealing flaws in the functioning of markets.

For the market economy to generate sustained prosperity, fundamental norms of propriety, integrity and transparency in economic interactions must be respected. The magnitude and reach of the crisis has demonstrated the need for urgent action in this regard. Reform efforts must address these flaws in international economic and financial systems with resolve. This will require promoting appropriate levels of transparency, strengthening regulatory and supervisory systems, better protecting investors, and strengthening business ethics.

Today, we, the G8 Finance Ministers, discussed the need for a set of common principles and standards for propriety, integrity and transparency regarding the conduct of international business and finance. We have agreed on the objectives of a strategy, “the Lecce Framework”**,** to create a comprehensive framework, building on existing initiatives, to identify and fill regulatory gaps and foster the broad international consensus needed for rapid implementation.

The Lecce Framework recognizes that there is a wide range of instruments, both existing and under development, which have a common thread related to propriety, integrity and transparency and classifies them into five categories: corporate governance, market integrity, financial regulation and supervision, tax cooperation, and transparency of macroeconomic policy and data. Specific issues covered include, inter alia, executive compensation, regulation of systemically important institutions, credit rating agencies, accounting standards, the cross-border exchange of information, bribery, tax havens, non-cooperative jurisdictions, money laundering and the financing of terrorism, and the quality and dissemination of economic and financial data. International institutions and fora have already developed a significant body of work addressing a number of important issues in these areas, but, in many cases, the initiatives suffer from insufficient country participation and/or commitment.

Today, we agreed to create a coherent framework which builds on work done by the IMF, World Bank, OECD, FSB, FATF, and other international organizations, to strengthen the global market system. To ensure effectiveness, we will make every effort to pursue maximum country participation and swift and resolute implementation. We are committed to working with our international partners to make progress with the Lecce Framework, with a view to reaching out to broader fora, including the G20 and beyond.