Annex 3 – MAP Policy Templates

Argentina — Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Primary result compatible with a decreasing debt-to-GDP ratio.	The net debt-to-GDP ratio decreased from 19.3% of GDP in December 2011 to 18.8% of GDP in December 2012. The share of public debt in foreign currency dropped in the same period from 60% to 59% thus contributing to an overall improvement in debt sustainability.
To implement countercyclical fiscal policies in case the international economic situation deteriorates further.	The national government is currently implementing countercyclical policies to compensate for the lack of external demand, and preserve employment and production. Among the counter-cyclical fiscal policies adopted in 2012, the “Programs Crédito Argentino (Pro.Cre.Ar)” and "Más Cerca" are worth mentioning. The first one is a soft credit line that will grant 400.000 loans for residential construction in the next 4 years, 100.000 of which will be disbursed in the 2012-2013 period; the latter has begun to increase substantially public investment in infrastructure at the subnational level during 2012-2013 (AR$ 12.4 billion or $ 2.7 billion). While the main goal of both measures is to enhance the infrastructure facilities, both of them also serve as effective countercyclical tools.
Financial Sector Policy	
Commitment	**Update on Progress**
Complete the adoption of (Basel II, Basel II.5 and Basel III) the three Pillars in Basel II and the new elements in Basel III.	At present, almost all the Basel II capital framework is in place, including the improvements introduced by Basel 2.5 and Basel III. As regards Pillar I, the rules on capital requirements for operational risk have been put forward through Com.”A”5272 as from January 2012 and the rules on capital requirements for credit risk, including the complete securitization framework, have been put forward through Com.”A”5369 as from November 2012. Both rules have been fully implemented as from January 2013. The comprehensive risk management process based on the guidelines established by the Central Bank (Com."A"5203) has been expanded to cover all the requirements set in Pillar II, through Com. "A"5398, and is fully implemented. As regards the disclosure requirements set out in Pillar III, these have been introduced through Com. "A"5394 as from February 2013, and are to be fully implemented as from year end 2013. In line with Basel II and III, the Central Bank of Argentina implemented further steps to strengthen bank solvency standards. A new regulation *set by the Central Bank (com."A"5273), established that banks posting profits (after applying the existing regulatory filters) may only pay dividends if their regulatory capital, following the corresponding allocation, is at least 75% above the minimum regulatory requirement.*

Design incentives in order to channel credit towards productive purposes and certain economic sectors, especially the SMEs, or less developed regions./ 2012-2016	In early July 2012 the "Credit Line for Productive Investment" was created. It established that the 20 largest financial institutions in the system, and those that are financial agents of the State at all its levels of government must allocate an amount equivalent to at least 5% of their peso deposits of the private sector to the financing of capital goods or the construction of production facilities. This line sets the maximum interest rate for such loans at 15.01% while their term should not be shorter than 36 months. Half of the total amount must be granted to micro, small and medium size enterprises (MiSMEs). Until December, financial institutions had disbursed approximately AR$ 16.8 bn, exceeding the level established by the Central Bank for the year. Current projections for disbursements in the rest of 2013 indicate that total funds will reach approximately AR$ 18 bn. As part of its plan for fostering lending in 2013, the Central Bank will provide a further boost to the "Credit Line for Productive Investment," this time based on 5% of peso deposits of the private sector as of November 2012 (AR$17.0 bn). As a result, by June 2013 the total volume of loans implemented through this line will be equivalent to approximately 9% of the total stock of peso loans to the private sector. Since October 2012, banks are subject to a new liquidity reserve regulation. The main changes were (a) a reduction of minimum reserve ratios depending on the geographical zone where each deposit located, and (b) an additional reduction depending on the share of loans to micro, small and medium-sized enterprises (MiSMEs) relative to total loans granted to the private sector.
Structural Reforms	
Commitment	**Update on Progress**

Argentina - New Policy Commitments (since Los Cabos)

Fiscal Policy		
Commitment	**Objective**	**Measures to Assess Progress**
Monetary and Exchange Rate Policies		
Commitment	**Objective**	**Measures to Assess Progress**
Structural Reforms		
Commitment	**G-20 Framework Objective (Strong, Sustainable or Balanced Growth)**	**Measures/Targets to Assess Progress**
To develop the capital markets and the insurance sector, in order to channel social and institutional savings to productive projects.	Promote investment, growth and job creation, through facilitating financing for infrastructure investment and SMEs. It will also allow deepening the capital market and strengthening its participation in long-term investment financing.	The participation of institutional investors in infrastructure and productive projects is expected to increase, as well as the overall role of the capital markets in channeling these savings. The implementation of the so-called Inciso K should increase the weight of productive and infrastructure investments in insurance companies' portfolios. A new bill for the Insurance sector will be put into consideration of Congress in the near term, which aims to further facilitate the financing of productive projects.
To reduce the housing gap by providing financing for 400,000 mortgage loans through the Pro.Cre.Ar program.	Provide housing financing at affordable rates. Loans are allocated by groups according to regions and income levels in order to prioritize low-income households and regions and thus reduce social inequality.	The program is expected to provide financing of 100.000 mortgage loans in the 2012-2013 period. Pro.Cre.Ar will also provide loans for house expansion, termination and remodelling.

Enhance and expand the availability of economic data.	Broaden the coverage of statistics of statistics in order to help the fine-tuning of economic policies.	A new uN-CPI will be launched during 2014 that includes the whole urban territory of the country, in which more than 90 percent of the population resides. It will replace the current CPI- GBA that only accounts for the city of Buenos Aires and its surroundings. The new index will be assessed with the technical assistance of the IMF.
Financial Sector Policy		
Commitment	**Objective**	**Measures to Assess Progress**
Complete the adoption of (Basel II, Basel II.5 and Basel III) the three Pillars in Basel II and the new elements in Basel III.	To increase banking sector soundness and resilience by upgrading the regulatory framework to the best international risk management practices.	Regarding systemic financial institutions, Argentina is not home to any G-SIFI. The BCRA is in the process of developing the assessment methodology and corresponding higher capital requirement for Argentine D-SIBs. Both the methodology and the capital requirement are expected to be published by end 2013. The Central Bank is committed to strongly anticipating the current deadline of Basel III for the Capital Conservation Buffer and the assessment methodology and corresponding additional capital requirement for D-SIBs. As regards the Liquidity Coverage Ratio (LCR), by the end of 2013 a Report to the Supervisor will be in place. Based on these data, the BCRA will calibrate the factors that have been left to national discretion in Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools. The LCR will be fully adopted on January 2015. A reporting requirement for monitoring the

		Leverage Ratio (LR) will be published by the end of the year. At that time, a disclosure requirement for the Leverage Ratio (LR) will be announced to the institutions, which will be required as from January 2015. The LR will take effect from January 2018, as established by the BCBS.
Reduce financing costs and boost transparency in the banking sector	To Increase lending to the private sector. To strengthen transparency and enhance competition among financial institutions in order to reduce the current fragmentation and variability of the total cost of loans.	The Central Bank will regulate fees and commissions to facilitate comparisons between banks, increasing the informational content of interest rates as a relevant indicator of the total cost of loans.

Australia— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Reduce federal net debt and return budget to surplus by 2012-13	Australia's tax receipts have been much weaker than expected due to economic developments. The budget is currently projected to return to surplus in 2016-17.
Structural Reforms	
Commitment	**Update on Progress**
1. Telecommunications reform to rollout the new National Broadband Network (NBN) to provide more open access to infrastructure for service providers, greater retail competition and more choice for businesses and consumers.	The commitment has been in place since 2010. Construction of the National Broadband Network (NBN) has already commenced or has been completed for almost one million homes, schools and businesses.
2. The government has committed to a range of corporate and personal income tax reforms including the introduction of loss carry back for companies, modernisation of the personal income tax system, phase out of Dependent Spouse and Mature Age Worker Tax Offsets, consolidating the eight remaining dependency offsets, and improving the targeting of tax concessions for living away from home and 'golden handshakes'.	**Qualitative assessment:** Legislation has passed to increase the tax free threshold, phase out certain income tax offsets and tax concessions, consolidate the remaining dependency offsets and introduce loss carry back for companies. **Quantitative assessment:** The changes to personal tax offsets and tax concessions were estimated to save the government A$1.5 billion over the forward estimates as announced at Budget 2012-13, in addition to the estimated A$1.1 billion of savings associated with the reforms to the Dependent Spouse Tax Offset announced in the Budget and MYEFO 2011-12.

Australia - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio:* The Australian Government's medium term fiscal strategy is designed to ensure fiscal sustainability while providing the necessary flexibility for the budget position to vary in line with economic conditions. Australia's fiscal strategy does not have a net debt objective. Net debt is currently projected to peak at 13 per cent of GDP in 2014-15, declining over the remainder of the forward estimates.	
2. *Intermediate objectives:* A timely return to surplus and recovery in the fiscal position.	
3. *Expenditure and revenue reforms:* Nil	
4. *Reforms to strengthen the fiscal framework:* In 2012 the independent Parliamentary Budget Office (PBO) was established. The PBO is a specialised office dedicated to providing the Parliament with high quality analysis and advice on Budget related matters.	
Structural Reforms	
Commitment	**Objective**
1. A national disability insurance scheme that will provide A$14.3 billion in additional funding over seven years from 2012-13 to move to full implementation of the scheme by 1 July 2019.	First part of a national disability support scheme has been established for people with significant and permanent disability. This will provide eligible participants with reasonable and necessary care and support tailored to their individual circumstances to meet their needs and support their life goals, and to better enable them, and their families and carers, to participate more fully in society and in the economy.
2. To strengthen education, significant additional school funding will be provided over four years, with the exact amount depending on negotiations with the states and territories.	Improving the quality of the schooling system is a significant investment in our human capital, paving the way for a highly skilled workforce and underpins future productivity growth.

Brazil— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Public sector primary surplus target of R$ 155.9 billion (compatible with 3.1% of GDP) for 2013, and 3.1% of GDP for the period 2014-15, maintaining a downward trend for the net public debt. Objectives: i) Continue to pursue the fiscal target in line with fiscal responsibility principles; ii) gradual reduction of the net public debt-to-GDP ratio, through coordination between fiscal and monetary policy; iii) improve the balance between current expenditure and investment by making the latter increasing more than GDP; iv) maintenance and expansion of the social safety net, focusing on reducing poverty and social inequality.	Primary surplus for 2012 was above the adjusted target (primary surplus of 2.38% of GDP to the Consolidated Public Sector). Net public debt fell from 36.4% of GDP in 2011 to 35.2% in 2012. Concerning primary surplus target for 2013, it was recently announced, as allowed by the Budget Guidelines Law (LDO), a target reduction of R$ 45.0 billion (priority investments and tax cuts). Therefore, the public sector primary surplus for 2013 is estimated in R$ 110.9 billion (compatible with 2.3% of GDP). Fiscal commitment for the period 2014-2015 has been maintained.

Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Central Bank has set the path to implement Basel III/2013-2019. Brazil has a flexible exchange rate. Macro prudential tools may be used as per the G20's Coherent Conclusions on Capital Flow Management.	To counter risks to financial and macroeconomic stability associated with strong and volatile capital inflows and rapid credit expansion. Regulation on capital definition, capital requirements and capital buffers was issued by the National Monetary Council in March 1st, 2013. Provisions are consistent with Basel III tenets and schedule of implementation, beginning in October 2013 and ending in December 2019. Regulation was also issued by the Central Bank of Brazil updating the procedures to calculate Risk Weighted Assets for credit risk, market risk and operational risk both in the standardized and in the advanced approaches. Methodology to address Domestic Systemically Important Banks (D-SIBs) issues is under discussion. Brazil has been dealing with capital flows in a manner consistent with the G20 Coherent Conclusions on Capital Flow Management.

Structural Reforms	
Commitment	**Update on Progress**
1. Infrastructure investment growth by the second edition of the *Growth Acceleration Program* – PAC2/2011-2014 To prepare Brazil for the Football Confederations' Cup in 2013, FIFA World Cup in 2014 and Olympic games in 2016/2012-2016.	Increased investment in infrastructure is essential for a strong, sustainable and balanced growth and Brazil is being able to deploy R$ 988 billion (S$ 494.1 billion)* of investments (both public and private) for 2011-2014. About R$ 557.4 or 56.3% of multiyear budget for 2012-2014 was disbursed in the last two years and a half until May 2013. Progress of this commitment can also be measured by sectoral indicators such as number of popular houses built; length of roads built; rate of new households with water, sanitation and power etc.
2. Continuing to support: social inclusion; ii) eradication of extreme poverty and better opportunities for vulnerable people.	- Conditional cash transfers to redistribute income to the poorest and sustain demand in poverty-stricken areas. Progress can be measured by the number of people below R$ 140 (US$ 70)* per month receiving the benefit, total expenditures of the program etc. Until May 2013, 13.8 million households received income conditioned transfers by "*Bolsa Familia*" program, totaling R$ 10.144 billion (US$ 5.07 billion)(*). - By paying R$ 1,200 (US$ 600)* per year per low-income household engaged in sustainable activities it fosters preservation of natural wealth, while it provides income for families in poor rural areas subject to environmental degradation. Progress can be measured by number of households benefited and environment improvement indicators in the areas covered by the program. Implementation of "*Bolsa Verde*" ("Green Grant"). About 40,533 thousand households were benefited until June 2013. The program aims to reach 73 thousand households by 2014. - Exchange of students and researchers in biological and exact and sciences in high-level foreign universities is a quick and effective way to improve human capital and advance in technology and sciences development. The goal is to reach 101,000 students abroad by 2015.

(*) average exchange rate= R$2.00 per dollar; (**) for details: : https://www.fazenda.gov.br/portugues/documentos/2013/road_show_infrastructure_brazil_2013.pdf).

Brazil - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
Fiscal policy main commitments have been maintained. The numbers have been updated with 2012 results and with 2015 targets. Please see above Fiscal Policy - Update on Past Policy Commitments.	
Objectives: Fiscal policy main objectives have been maintained in order to support macroeconomic equilibrium. Since 2005, the Brazilian budget legislation allows infrastructure expenses to be deducted from the primary result target established by the Budget Guidelines Law (LDO). In 2012, the target was adjusted by the Growth Acceleration Program (PAC) expenditure in R$ 39.3 billion. For 2013, in accordance with the LDO, the Government may adjust the fiscal policy by reducing, from the fiscal target, the priority investments and the amount of the tax cuts implemented, up to R$ 65.2 billion. In this sense, it was recently announced by the Decree nº 8.021/2013 a target reduction of R$ 45.0 billion.	
Other fiscal Commitments void	**Objective** void
Monetary and Exchange Rate Policies	
Commitment void	**Objective** void
Structural Reforms	
Commitment	**Objective**
The *Logistics Investment Program*, based on Public Private Partnership schemes (PPP) in transportation sector: i) concession auctions for large projects for highways (7,500 km), railways (10,000 km), the concession auction for the high-speed railway from São Paulo to Rio de Janeiro (511 km); airports and ports, Moreover there will be ii) bidding rounds in oil and gas (already taking place); iii) electricity auctions will be carried out from 2013 to 2017 to generate 33,000 MW and expand transmission lines (23,200 km), and Total investment budget *US$ 235 billion*, over the next 30 year, with support from the government: tax benefits, less red tape, innovative financing.	To tackle the logistics bottlenecks of Brazil, increase the country´s competitiveness, create jobs and promote growth (**).
Improve quality of human capital and increase labor productivity nationwide through progress in education, research and innovation, particularly in	The government has set aside funding for scholarship programs and the creation of new Universities. The specific programs are: i) The "Science Without Borders" Initiative entails international exchange of students and researchers in biological and exact sciences with high-

universities and technical and vocational training centers.	level foreign universities as a quick and effective way to improve human capital and advance technology and sciences development. The goal is to send 101,000 students abroad by 2015; ii) the "National Program for Access to Technical Education and Employment" (PRONATEC) will enable approximately 5.6 million students to attend technical courses and professional qualifications by 2015. The target expenditure for 2013 is R$ 6.67 billion (US$ 3.3 billion) (61.3% already disbursed until July 2013); iii) The "University for all Program" (PROUNI) will continue to provide scholarships for low-income students to attend private higher education institutions (PROUNI), 488.1 thousand students are currently enrolled in the program, through tax breaks given directly to universities and other higher education centers; iv) Establishment of New Higher Education institutions - four new public-owned universities are scheduled to offer 38,000 vacancies for students in 145 majors by 2018. Furthermore, 208 technical and vocational training centers are expected to be operating by the end of 2014.

(*) exchange rate= R$2.00 per dollar; (**) for details : https://www.fazenda.gov.br/portugues/documentos/2013/road_show_infrastructure_brazil_2013.pdf).

Canada — Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
1. The Government will implement the comprehensive	As of FY2011-12, the deficit has been cut in half in just two years. The 2011 departmental spending review has

review of departmental spending, which will support a return to balanced budgets over the medium term. The Plan will engage with about 70 federal organizations to identify annual savings by 2014-2015 equal to roughly 5% of total federal direct program spending.	resulted in the identification (in Budget 2012) of annual savings amounting to $5.2 billion by 2014-15, or 6.9% of the review base, exceeding the 5% target. As a result of this and other spending restraint actions implemented since 2010, the Government is on track to eliminate the deficit by 2015-16.
2. Adjusting the Public Service Pension Plan so that public service employee contributions equal, over time, those of the employer. Comparable changes to the contribution rates will be made to the pension plans for the Canadian Forces, the Royal Canadian Mounted Police and Parliamentarians. For employees who join the federal Public Service starting in 2013, the normal age of retirement will be raised from 60 to 65.	Following consultations with stakeholders, legislation was enacted in the Fall of 2012 to gradually increase the share of pension contributions paid by federal employees and Parliamentarians. In addition, the normal age of retirement for Parliamentarians and new public servants was increased to age 65. It is expected that these changes will result in savings of roughly $900 million by 2017-18.
3. Set the future growth path of transfers to provinces and territories to provide sustainable and predictable funding in support of the provision of health care, education and other programs and services for all Canadians.	In December 2011 the Government announced that it would continue to raise the Canada Health Transfer (CHT) by 6-per-cent per year until 2016-17. Thereafter it will grow in line with a three-year moving average of nominal GDP growth with a minimum guaranteed rate of 3-per-cent. The federal government will extend the current 3-per-cent annual escalator for the Canada Social Transfer (CST) to 2014-15 and subsequent years. Equalization transfers will continue to grow in line with the rate of growth of nominal GDP. Territorial Formula Financing (TFF) will remain on its sustainable growth path, growing according to its legislated formula.
Structural Reforms	
Commitment	**Update on Progress**
1. Continuing to support research, innovation, and skills development.	Relevance: To sustain growth by promoting productivity and providing a strong foundation for innovation and the competitiveness of Canadian industry. Progress: Economic Action Plan (EAP) 2012 provided more than $800 million over five years in new funding to continue Canada's advanced research leadership, including for research collaborations with industry and international partners, as well as leading-edge research infrastructure. EAP 2012 also included more than $1.6 billion in new support for business innovation and to promote a stronger venture capital system, as well as reforms to Canada's immigration system. Measures announced in Budget 2012 are currently unrolling, including the Venture Capital Action Plan launched by the Prime Minister in January 2013. EAP 2013, tabled in March 2013, presents more than $700 million in additional investment to further support advanced research, and more than $1 billion in new resources for business innovation and the venture capital system. Measurability: Details on the individual expenditure plans for each federal department and agency responsible for delivering the EAP commitments are available in their respective Report on Plans and Priorities (http://www.tbs-

	sct.gc.ca/rpp/index-eng.asp).
2. The Government is working on a cooperative basis with willing provinces and territories towards a common securities regulator. If a timely agreement cannot be reached, however, the Government will propose legislation to ensure that it can carry out its regulatory responsibilities for capital markets, including systemic risk.	Relevance: A common securities regulator would create in Canada a more efficient and streamlined securities regulatory system that further reinforces financial stability, strengthens enforcement, better protects investors and is more accountable. This will enhance Canada's global competitiveness, attract foreign investment, and promote improvements in productivity. Progress: In this year's budget, *Economic Action Plan 2013*, the Government reaffirmed its commitment to strengthen the regulation of Canada's capital markets. The Government's preferred approach is to establish a common securities regulator cooperatively with provinces and territories. We have been working together with provincial and territorial governments since 2009 towards this objective, which has resulted in significant progress and a strong foundation upon which to build. In the *Economic Action Plan*, the Government also indicated that if a timely agreement with provinces and territories could not be reached, it would propose legislation to ensure that it could carry out its regulatory responsibilities for capital markets consistent with the decision of the Supreme Court of Canada in the *Reference re Securities Act*. This would include the capacity to monitor, prevent and respond to systemic risks emerging from capital markets. Measurability: Legislative

Canada - New Policy Commitments (since Los Cabos)

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Medium-term fiscal strategy</th><th>Objective</th></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio:
The Government of Canada remains committed to returning to balanced budgets by 2015 and expects to re-establish its debt-to-GDP ratio on a downward track, with the goal of achieving a federal debt-to-GDP ratio of 25 per cent of GDP by 2021, or earlier if economic conditions permit. The Government would consider delaying the planned attainment of this goal, beyond 2021, only if a significant, unforeseen and adverse economic shock were to occur.</td></tr>
<tr><td colspan="2">2. Intermediate objectives:
The Government of Canada is committed to returning to balanced budgets by 2015. Canada’s provinces are also committed to returning to balanced budgets over the medium term, with 9 of 10 having indicated a target year for returning to balance. British Columbia, Nova Scotia, Quebec and Saskatchewan are projecting balanced budgets or budgetary surpluses this year.</td></tr>
<tr><td>3. Expenditure and revenue reforms:
a. Expenditure reforms:
1. Results of 2011 Departmental Spending Review (announced in Budget 2012): spending reductions are refocusing government programs to better align spending with priorities of Canadians; making it easier for Canadians to deal with their government; and modernizing and streamlining back office administrative functions.
2. The 2012 Fall Update confirmed the Government’s intention (announced in Budget 2011) to eliminate severance benefits available to employees upon voluntary departure.
3. Announced in Budget 2012, the Public Sector Pension Plan was adjusted so that public service employee contributions equal, over time, those of the employer. For employees who join the federal Public Service starting in 2013, the normal age of retirement will be raised from 60 to 65.
4. Budget 2012 also committed to ensuring that the Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS) remain on a sustainable path. The age of eligibility for the OAS pension and the GIS will be gradually increased between the years 2023 and 2029, from 65 to 67..
5. Budget 2013 announced further initiatives to improve government administration and service delivery.

Revenue reforms: Budget 2013 announced a number of measures to close tax loopholes and improve the fairness and integrity of the tax system. Changes will</td><td>Estimated impact on relevant fiscal variables:
a. Expenditure reforms:
1. The Departmental Spending Review identified $5.2 billion in ongoing savings by 2014-15, representing 6.9 per cent of the review base.
2. Eliminating severance benefits for voluntary departure are expected to generate $500 million in ongoing savings.
3. Public Sector Pension reform are expected to generate savings of roughly $900 million annually by 2017-18.
4. OAS and GIS reforms are expected to offset some of the impacts of population aging.
5. Initiatives are expected to save $0.6 billion over 5 years.

Revenue reforms: Broadening and protecting the tax base supports the Government’s efforts to</td></tr>
</table>

also be made to the Canada Revenue Agency's (CRA) compliance programs. These measures build on reforms undertaken in Budgets 2011 and 2012.	return to balanced budgets, protects provincial revenues on shared tax bases, and gives confidence that the system is fair. These measures will generate close to $4.4 billion in additional revenue over the next five years. Changes to CRA's compliance programs will increase revenues by $2.4 billion over the next five years.
4. *Reforms to strengthen the fiscal framework:* The Government of Canada is focused on restraining growth in direct program spending in order to balance the budget by 2015-16. Since Budget 2010 the Government has announced savings that will reduce the deficit by more than $15 billion in 2014-15 and beyond, resulting in cumulative savings of more than $84 billion over the 2010-11 to 2017-18 period. Direct program spending is projected to remain roughly at or below its 2010-11 level over the forecast horizon. The Government of Canada has also taken steps to improve the reporting of the Estimates, including streamlining and standardizing documentation and the publication of a new database on government expenditures.	
Other fiscal Commitments	**Objective**
Monetary and Exchange Rate Policies	
Commitment	**Objective**
Structural Reforms	
Commitment	**Objective**
1. Trade: Canada will introduce a renewed Global Commerce Strategy in 2013 and pursue major free trade agreements with the European Union, Japan and India, and Trans Pacific Partnership (TPP) countries.	Relevance: Canada's trade is excessively concentrated with the United States. Diversifying export markets will foster trade and investment and benefit Canadians by giving them access to a wider range of goods and services, exposing firms to greater competition and providing greater access to new technologies. This will encourage innovation, investment and competition, fostering stronger, more sustained and better balanced growth. Measurability: Legislative
2. Infrastructure Investment: Economic Action Plan 2013 presents $70 billion in new and existing infrastructure funding through the Building Canada plan, and for First Nations and federal infrastructure over the next 10 years.	Relevance: Investments in Canada's public infrastructure create jobs, economic growth and provide a high quality of life for families in every city and community across the country. Improving infrastructure at universities and colleges also foster more effective learning environment and help to increase our research capacity. This will contribute to all of strong, sustainable, and balanced growth. Measurability: Federal expenditure levels on public infrastructure averaging $7 billion per year.
3. Skill Development: Economic Action Plan 2013 reduces barriers to accreditation of apprentices, supports the use of apprentices, and introduces the Canada Job Grant to better match Canadians with available jobs. This grant provides funding for businesses planning to train unemployed or	Relevance: This commitment will help to lower labour market frictions by reducing barriers to accreditation and better matching Canadians with available jobs in high-demand fields. This will increase workforce flexibility and promote both strong and sustainable growth.

underemployed Canadians. When fully implemented in 2017-18, approximately 130,000 people will have access to training each year.	Measurability: The number of apprentices completing their training. The number of Canadians receiving training through the Canada Job Grant each year.

China: Update on Progress

Fiscal Policy

Commitment	Update on Progress
Continue to implement a proactive fiscal policy. Strengthen efforts to manage local government debts and prevent risks.(2011, 2012) ● Reduce the fiscal deficit to around -1.5% of GDP. (2012) ● Further improve the structural tax reduction policies. Strictly control new debts of local governments. (2011, 2012)	● Total national fiscal expenditure exceeded total national fiscal revenue by 800 billion Yuan in 2012, accounting for 1.5% of GDP. ● Reducing over 300 billion Yuan of tax on businesses and consumers through structural tax cut policies in 2012. Measures included: carrying out pilot projects to replace business tax with VAT which reduced over 40 billion Yuan of tax; reducing corporate income tax for small low-profit enterprises; and reducing tax for logistics enterprises and the circulation of agricultural produce. ● Comprehensively checking local government debt, implementing policy measures to strengthen management over local government financing platforms, and actively preventing fiscal and financial risks. Actively resolving existing local government debt and reducing debt burden, and gradually improving the supervision mechanism on all kinds of government funds and the whole process of fiscal operation.
Significantly enhance the ability of fiscal macro-regulation, further optimize the structure of fiscal revenue and expenditure, make further progress in fiscal and taxation reform, improve the scientific and meticulous management of public finance, and build a fiscal and taxation system conducive to the transformation of economic development pattern. (2011-2015) ● Further improve the fiscal macro-regulation system, effectively control fiscal risks, strengthen fiscal sustainability; Maintain the stable growth of fiscal revenue and further rationalize its structure; optimize the expenditure structure with priority in agriculture, rural development and farmers, education, science and technology, culture, health care, social security and employment, low-income housing, environmental protection, energy conservation and emission reduction; Further improve the fiscal and taxation system, deepen the reform of budget management system and enhance the management system of public funds. (2011-2015) ● Increase policy support to strengthen agriculture and benefit farmers; Implement more proactive employment policies, and raise the income of urban and rural residents, particularly those in low and middle income brackets; Ensure budgetary expenditure on education nationwide account for 4% of GDP; Achieve full coverage of the new pension insurance system for rural and urban residents; Consolidate and expand the coverage of basic medical insurance and enhance the capability to provide and manage basic medical services; continue to develop low-income housing, and start construction of over 7 million units of this kind; Ensure that the growth rate of government spending on cultural development exceeds that of the regular fiscal revenue; Increase input in science and technology, optimize	● Effectively implementing the policy of strengthening agriculture and enriching rural areas. Central fiscal spending on agriculture, rural areas and farmers in 2012 increased by 18% than last year. ● Making progress in expanding domestic demand. Domestic demand contributed significantly more to economic growth, with consumption and investment up by 14.3% and 20.6% respectively year on year. Consumption, investment, and net export contributed 51.8%, 50.4% and -2.2% to GDP growth respectively. ● Making progress in safeguarding and improving people's livelihood. In 2012, national fiscal expenditures in areas related to people's wellbeing, such as, education, health care, social security, employment, low income housing, energy saving and environmental protection, increased by 17.3% than last year. National fiscal spending on education accounts for 4% of GDP. ● Continuing to promote fiscal and tax reforms. Optimizing transfer payment structure, with general transfer payment to total transfer payment ratio increased from 50.8% in 2007 to 53.3% in 2012. Government budget system becomes more comprehensive by eliminating all off-budget funds and placing all government revenues under budgetary management. ● Actively promoting reform to implement ad valorem taxation on resources tax. Since Nov 1, 2011, the ad valorem taxation reform on crude oil and natural gas has been implemented nationwide. Since Jan 1, 2013, pilot projects on ad valorem taxation reform on some ferrous and non-ferrous metal ores have been carried out in some regions after cleaning up relevant charges and funds. These reforms are progressing steadily and achieved good results. At present,

expenditure structure in this area; Actively promote energy conservation and emission reduction, and accelerate development of new, renewable and clean energy; Vigorously support the development of strategic emerging industries and high-tech industries, promote faster development of the modern service industry and support the development of small and medium-sized enterprises; Put into effect the fiscal and tax policies that promote balanced regional development; Improve the revenue-sharing system and the system of transfer payment, increase the scale and proportion of general transfer payments; Improve the consumption tax system, comprehensively deepen the reform of resource tax, and steadily advance the pilot reform of property tax on residential houses; Work steadily to make the budgets and final accounts of local governments more transparent and explore the way to incorporate debt-generated revenue and debt repayments into budget management based on their type. (2012)	resources tax reform on other resources items is progressing actively. ● Scaling up pilot programs on residential property tax reform. Since Jan 28, 2011, pilots of resuming residential property tax have been carried out in Shanghai and Chongqing, marking the first step in property tax reform. At present, the pilots progressed steadily in accordance with expectations. China will continue to accumulate experiences on residential property tax management in pilot cities, accelerate and expand the pilot programs, and guide appropriate housing consumption. ● Making significant progress on the reform on centralized treasury collection and payment. By the end of 2012, over 525,000 budgetary units nationwide have implemented reforms on centralized treasury collection and payment system, over 370,000 collection entities implemented reforms on non-tax revenue collection and management reforms, and over 390,000 budgetary units implemented public service card system reform.

Monetary and Exchange Rate Policy

Commitment	Update on Progress
1. Implement a prudent monetary policy and keep AFRE (Aggregate Financing to the Real Economy) at an appropriate level. (2011, 2012) ● Broad money supply (M2) increases by 16% in 2011 and 14% in 2012.	● **Since June 2012,** the PBC has been implementing a prudent monetary policy. The PBC deployed quantitative and price-based policy tools on an alternate basis and used macro prudential tools to make policy measures more forward-looking, better targeted, and more flexible, with preemptive and fine-tuning measures in response to the changing situation. The PBC has lowered policy interest rates twice in June and July 2012, and has properly expanded the floating band for deposit and lending rates. The dynamic adjustment to the differentiated reserve requirement has continued to play a counter-cyclical role in guiding stable and reasonable lending growth. ● **The prudent monetary policy was quite effective.** Money supply, credit, and aggregate financing to the real economy grew steadily and appropriately. M2 growth subdued yoy to 13.8 percent in end-2012, remaining basically consistent with the 14% target. Yoy M2 growth reached 14% in June 2013, 1.78 percentage points lower than the previous month. New RMB lending reached 8.2 trn yuan in 2012, up by 732 bn yuan yoy; totaled 5.1 trn yuan in the first half of 2013, up by 221.7 bn yuan yoy. Aggregate financing to the real economy totaled 10.15 trn yuan in the first half of 2013, up by 2.38 trn yuan yoy. ● **Overall price level remained stable.** CPI rose by 2.6 percent yoy for 2012, and 2.7 percent yoy in June 2013.
2. Improve conduct of Monetary Policy. (Medium-term to long-term) ● Optimize monetary policy target system, improve the transmission mechanism and environment of monetary	● **Since June 2012, the PBC has continued to improve its monetary policy operations.** The PBC has enriched and enhanced its policy tools, launching the Short-term Liquidity Operations (SLO) and the Standing Lending Facilities (SLF). It further improved the macro prudential policy framework, and continued to deploy the adjustment mechanism of the differentiated reserve requirement as an

policy, keep the overall level of prices basically stable. Promote the market-based reform of interest rates in an orderly manner.	important supplement to traditional policy tools. ● **Continue to steadily advance market-based interest rate reform.** Deposit and lending rates were allowed to float in a wider range in June and July 2012, as the PBC raised the ceiling of deposit rates offered by financial institutions to 1.1 times the policy rate, and lowered the floor of lending rates from 0.9 times the policy rate to 0.7 times. Efforts were also made to foster benchmark interest rates for money market, optimize the price discovery of SHIBOR, encourage financial institutions to strengthen pricing ability, and improve the central bank's capacity to guide market interest rates.
3. Further promote the reform of RMB exchange rate regime. (Medium-term to long-term) ● Improve the RMB exchange rate regime, and increase the RMB exchange rate flexibility in both directions while keeping it basically stable at a rational and equilibrium level.	● **RMB exchange rate moves in both directions with notably greater flexibility,** supported by a stronger fundamental role of market supply and demand. As of July 12, 2013, the closing price of RMB/USD exchange rate appreciated by 1.6 percent since 2013, and 34.9 percent since July 2005, when the recent round of reform was launched. As of April 2013, RMB REER appreciated by 37.95 percent since July 2005, ranking 3rd in the 58 currencies monitored by the BIS in terms of appreciation.
4. Promote foreign exchange management regime reform. (Medium-term to long-term) ● Improve the management of reserve assets.	● **Foreign reserve basically remains stable.** The outstanding value of the foreign reserve increased only 130 bn USD in 2012, with continuous moderation in the Q2 and Q3.
5. Expand the use of RMB in cross-border trade and investment. (Medium-term to long-term) ● Support the use of RMB by more enterprises in cross-border trade and investment, develop plans for RMB businesses for retail customers, and facilitate cross-border RMB flows through retail businesses. ● Gradually make the RMB convertible under capital account.	● **In Dec 2012**, the PBC approved the pilot project of individuals' RMB settlement in cross-border trade, in Yiwu, Zhejiang province, and the pilot project of cross-border RMB loans in Qianhai, Shenzhen city. ● **In Nov 2012**, the PBC has increased the upper limit of investment quota for RMB Qualified Foreign Institutional Investors (RQFII) by 200 bn yuan to 270 bn yuan. By the end of May 2013, investment quota approved for RQFII totaled 91.9 bn yuan. ● **In Dec 2012**, 35 approval requirements for FDI were removed, and 14 approval requirements were simplified. In the end of 2012, regulation on QFII was further relieved by raising the upper limit of quota for specific QFII, and allowing multiple accounts for QFII clients. In Jan 2013, foreign exchange regulation for overseas listing was streamlined, the enterprises listed overseas were offered the options of keeping the funds raised overseas or utilizing them, only the approval of converting the proceeds into RMB was maintained. In May 2013, the approval processes for external debt, including those for opening account, drawing of proceeds, repayment, and foreign funded enterprises' conversion of foreign debts proceeds into RMB funds, were removed, and the scope of using foreign debt proceeds was less confined.

Financial Sector Policy

Commitment	**Update on Progress**
Further promote financial sector reform. (2011-2015) ● Deepen the reform of financial institutions, optimize modern financial corporate	● Efforts have been made to further deepen the reform of large commercial banks, and relevant guidance has been issued to promote improvements in corporate governance. Continuous progress was made in enhancing the managerial skills and risk management. Reforms of policy-oriented financial institutions, including the Export-import Bank of China and Agricultural Development Bank of China, have been steadily progressed. The commercialization reform of China Development Bank has been deepened. Financial asset

system, strengthen internal governance and risk management. ● Accelerate the development of multi-level financial market system. ● Promote the establishment of a counter-cyclical macro-prudential policy framework. ● Strengthen financial regulation and supervision, and improve financial supervision coordination.	management companies, such as Hua Rong, have made further steps toward commercialization. Efforts have been made to continue reform of state-owned insurance companies and policy insurance companies by enhancing the supervision of their corporate governance. ● Great efforts have been made to develop private financial institutions, and measures have been taken to channel private capital into the banking industry, contributing to a more competitive, diversified and open financial system. In August 2012, the first batch of the pilot program aimed to expanding share transfer of unlisted companies was launched, and the National SME share transfer system was established. By the end of April, 2013, 212 companies were listed in the system, and 66 companies had submitted their listing applications. In August 2012, policies were introduced allowing qualified securities companies to take part in qualified regional equity transfer markets. Financial institutions were encouraged to transform business models, optimize credit structures and offer innovative financial products so as to improve and upgrade financial services to support the real economy. ● Research is being conducted to formulate the assessment methodologies and supervisory policies for Domestic SIFIs, as well as their recovery and resolution plans. Regulatory rules for financial holding companies are being drafted, and measures have been taken to improve the operational rules and risk management mechanisms of cross-sectional financial products. Efforts have been made to enhance monitoring and assessment of systemic risks, and to improve the early-warning on systemic financial risks. Steps have been taken to expedite the establishment of a deposit insurance system, and to improve the resolution mechanism for financial institutions. ● In June 2012, the *Regulation on Capital of Commercial Banks (Provisional)* was issued, a multi-layered framework in accordance with Basel III being fully introduced. The draft of *Regulation Governing Liquidity of Commercial Banks (Provisional)* has been completed, and will be released in due course. Research has been made on setting countercyclical capital requirements and on designing detailed regulation for SIFIs. In September 2012, CSRC Monitoring Center on Capital Market Operation was established, enhancing the ability to monitor financial stability and developing a set of capital market systemic risk indicators. Provisioning ratio of risk-weighted capital reserve and ratio of net capital deduction for securities firms were lowered in April and November 2012, respectively, to make countercyclical revision to risk control indicators. Efforts have been made to improve the macro-prudential policy framework, and the countercyclical role of the dynamic adjustment of differentiated reserve requirement was further enhanced. ● Regulation of risks in key areas such as local government financing vehicle, implementation of credit policy in real estate, and off-balance sheet activities was enhanced. Regulation on solvency was enhanced. In May 2013, the second edition of *Overall Framework on Solvency Regulation System* was launched, with introduction of policies to improve the entry to and exit from the insurance market, as well as enhanced insurance regulatory infrastructure. Studies have been made on the regulation of cross-section activities. A work program on financial regulation coordination aimed to safeguarding financial soundness was formulated so as to strengthen the coordination among PBC, CBRC, CSRC, CIRC and SAFE.

Structural Reforms	
Commitment	**Update on Progress**
Transform the economic development pattern, promote	**Relevancy**: Job creation, higher income, improved social security and progress in urbanization will enable

economic restructuring and boost domestic demand to make development more balanced and sustainable. (2011-2015)	households to consume more, laying foundation for stronger domestic demand and sustainable and balanced growth. Growth of service sector will help restructure the economy in addition to generating new jobs, while more R&D spending will enhance innovation capacity and make growth more innovation-driven, further making sure growth is sustainable. **Measurability**: See specific targets identified in individual commitments.
1. **Employment**: create an extra 45 million urban jobs and keep the registered urban unemployment under 5% for the period between 2011 and 2015.	● A guidance on further improving the employment service system was issued at end-2012 by the Ministry of Human Resources and Social Security and Ministry of Finance. With measures aimed to enhance institutional building, improve management and ensure financial support, the guidance is designed to provide better employment services. A series of targeted measures were taken to help university graduates and other groups find jobs. Favorable policies on tax and small credit were implemented to encourage people to start their own businesses. ● In 2012, a total of 12.66 million jobs were created in urban areas, a rise of 450,000 yoy. In the first 5 months of 2013, 6.02 million new jobs were created, a rise of 280,000 yoy. Registered urban unemployment rate was 4.1 percent at the end of Q1 in 2013, which was flat with the level at end-2012.
2. **Income**: per capita disposable income of urban residents and per capita net income of rural residents increase by an average annual rate of over 7% in real terms.	● In February, the State Council approved a guideline on further reforming income distribution, which aims at doubling per capita real income by 2020, and narrowing income gap, thereby improving income distribution. ● In 2012, per capita disposable income of urban residents grew 9.6% and per capita net income of rural residents rose 10.7 % in real terms, both outperforming GDP growth. This also represents a higher rural resident income growth for a third year in a row, and a closing income gap between rural and urban residents.
3. **Social security**: **1)** increase the proportion of medical spending covered by medical insurance fund to over 70%; **2)** extend the new rural pension scheme to universal coverage, and improve pension scheme for urban workers and residents; **3)** make low-income housing available to around 20% of the country's urban households.	● Separate medical insurance schemes for urban and rural residents have been merged in Tianjin and 5 other provinces. The 2012 increase of basic pension for enterprise retirees is completed, with the per capita monthly average rising by 200 RMB yuan from 2011. The 2013 increase is being implemented, which will lead to an additional 10% rise in per capita monthly average. ● Around 70% of medical spending within the basic medical insurance scheme is already covered by medical insurance fund for both urban and rural residents at end-2012. Both urban and rural pension insurance schemes have achieved full coverage. By May 2013, number of urban and rural covered residents has reached 487 million, and 134 million senior residents receive pension benefits on a monthly basis. In 2012, the government started construction of 7.81 million house units under the low-income housing project, with 6.01 million units already completed by the end of the year.
4. **Urbanization**: urbanization ratio rises by 4 percentage points.	● The National Urbanization Plan (2013-2020) is being drafted. ● Urbanization ratio at end-2012 reached 52.57%, up 2.62 percentage points from 2010, only 1.38 percentage points away to the 4 percentage points target by 2015.
5. **Service sector**: accelerate development of the service	● The State Council has adopted a 12th five-year plan on supporting service sector development (2011-2015)

	sector, and raise its value-added contribution to GDP by 4 percentage points.	in December 2012, focusing on measures to raise the share of the service sector, bring the sector to a new level of development, advance reform and opening-up, and promote job creation in the service sector. Supportive measures have been taken, including measures on tax, financing, land supply, price reform and other areas. ● In 2012, service sector value-added as percent of GDP went up by 1.2 percentage points yoy to 44.6%. In Q1 2013, service sector value-added increased 8.3% yoy, 0.6 percentage points faster than GDP, and as percent of GDP, it went up by 3.2 percentage points yoy to 47.8%.
6.	Increase spending on **R&D** to 2.2% of GDP.	● R&D spending in 2012 rose to 1.97% of GDP, up 0.13 percentage point from 2011.
7.	Promote a basically balanced **BOP account**.	● Local governments have developed specific measures to implement a State Council guideline issued in late April 2012 on expanding imports and promoting balanced trade. Meanwhile, temporary lower tariffs are applied to over 780 imported goods, and zero tariff policy continues for imports of 97% items from least developed countries that have diplomatic relations with China. China continues to work on FTA talks and FTA tariff reductions; launch trade facilitation programs; send trade and investment promotion delegations to a large number of countries, and host exhibitions and fora to promote imports. ● Goods and service trade balance in 2012 is estimated at 2.8% of GDP. It dropped to 2.0% in Q1 2013, well within an appropriate range by international standard. ● Foreign direct investment to non-financial sectors in 2012 totaled 111.72 billion USD, down 3.7% yoy. Non-financial outward direct investment reached 77.22 billion USD, up 28.6% from 2011.

China： New Policy Commitments (since Los Cabos)

Note: New commitments and objectives are <u>underlined</u>. Other medium-term commitments remain relevant and therefore unchanged.

Fiscal Policy	
Commitment	**Objective**
1. <u>Continue to implement a proactive fiscal policy and increase the deficit and government debt by appropriate amounts.</u>	<u>The deficit is projected to be 1.2 trillion Yuan in 2013, 400 billion more than the budgeted figure last year. This consists of a central government deficit of 850 billion Yuan and 350 billion Yuan in bonds to be issued on behalf of local governments.</u>
2. <u>Improve the structural tax cut policy as the tax system reform continues, and promote economic restructuring.</u>	<u>The focus will be on accelerating the pilot project to replace business tax with VAT, improving the way these trials are conducted and extending them to more areas and sectors at an appropriate time.</u>
3. <u>Continue to optimize the structure of government expenditures, ensure and improve people's wellbeing.</u>	<u>Continue to give priority to spending on education, medical and health care, social security and other weak areas that are important to people's wellbeing. Promote integrated development of urban and rural areas and the development of urbanization. Strictly limit regular expenditures like administrative expenses.</u>
4. <u>Transform economic growth pattern, and enhance the quality and efficiency of economic development.</u>	<u>Support basic research and research in frontier technologies, and promote technology innovation in enterprises. Support strategic emerging industries and modern service industries. Promote energy saving and emission reduction, and accelerate the development of new energy, renewable energy, clean energy and circular economic development.</u>
Monetary and Exchange Rate Policy	
Commitment	**Objective**
1. <u>Continue to implement a prudent monetary policy. (2013)</u>	<u>Guide money and credit to grow in a steady and appropriate manner, maintain a stable monetary environment, and keep price level basically stable, thereby promoting sustainable and healthy economic growth.</u>

2. Improve conduct of Monetary Policy. (Medium-term to long-term)	Optimize monetary policy target system, improve the transmission mechanism and environment of monetary policy, keep the overall level of prices basically stable. Promote the market-based reform of interest rates in an orderly manner.
3. Further promote the reform of RMB exchange rate regime. (Medium-term to long-term)	Improve the RMB exchange rate regime, and increase the RMB exchange rate flexibility in both directions while keeping it basically stable at a rational and equilibrium level.
4. Promote foreign exchange management regime reform. (Medium-term to long-term)	<u>Improve the management of cross-border flow of funds, and facilitate trade and investment.</u>
5. Expand the use of RMB in cross-border trade and investment. (Medium-term to long-term)	Support the use of RMB by more enterprises in cross-border trade and investment, develop plans for RMB businesses for retail customers, and facilitate cross-border RMB flows through retail businesses. <u>Continue to promote the reform and opening-up of capital market and money market. Gradually lower the threshold for cross-border securities investment. Allow qualified foreign institutions to go public or issue bonds in Chinese mainland step by step. Gradually allow individuals to invest in overseas securities markets.</u>
Financial Sector Policy	
Commitment	**Objective**
Further promote financial sector reform. (2011-2015)	Deepen the reform of financial institutions, optimize modern financial corporate system, strengthen internal governance and risk management. Accelerate the development of multi-level financial market system. Promote the establishment of a counter-cyclical macro-prudential policy framework. Strengthen financial regulation and supervision, and improve financial supervision coordination.

Structural Reforms	
Commitment	**Objective**
Transform the economic development pattern, promote economic restructuring and boost domestic demand to make development more balanced and sustainable. (2011-2015)	1. **Employment**: create an extra 45 million urban jobs and keep the registered urban unemployment under 5% for the period between 2011 and 2015. 2. **Income**: per capita disposable income of urban residents and per capita net income of rural residents increase by an average annual rate of over 7% in real terms. 3. **Social security**: a) increase the proportion of medical spending covered by medical insurance fund to over 70%; b) extend the new rural pension policy to universal coverage, and improve pension scheme for urban workers and residents; c) make low-income housing available to around 20% of the country's urban households. 4. **Urbanization**: urbanization ratio rises by 4 percentage points. 5. **Service sector**: accelerate development of the service sector, and raise its value-added contribution to GDP by 4 percentage points. 6. Increase spending on **R&D** to 2.2% of GDP. 7. Promote a basically balanced **BOP account**.

European Union/Euro area — Update on Past Policy Commitments

Economic Governance	
Commitment	**Update on Progress**
Address the sovereign debt crisis in the Euro area by a comprehensive set of measures (decisions by euro-area Leaders of 21 July and 26 October 2012). (Commitment since Cannes Summit 2011)	Programmes are ongoing; until 2013 for Ireland, 2014 for Portugal and Greece, and early 2016 for Cyprus. Spain benefits from European Stability Mechanism (ESM) support for its banking sector until the end of this year. On various occasions, Euro-area Member States have committed to provide support, through the European Financial Stability Facility (EFSF)/ESM, to programme countries implementing their adjustment programme. The ESM entered into force on 27 September 2012. Three tranches of paid-in capital have since been paid by ESM Members. Payment of the ESM paid-in capital has been accelerated (with the final tranche to be paid in 2014) such that its full capacity will be built up faster. On 11 December 2012, the ESM completed its first disbursement, for the Spanish bank recapitalisation programme. Moreover, in March 2013, ESM financial assistance accompanied by a macroeconomic adjustment programme was agreed to for Cyprus and a first disbursement was made in May. Member States are currently negotiating a Guideline establishing an instrument for direct recapitalisation of financial institutions by the ESM; political agreement on the new instrument is being sought by June 2013.
Further strengthen economic governance and policy coordination in the EU and the Euro area. (Commitment since Cannes Summit 2011)	Legislation ("six-pack") entered into force in December 2011 and is currently being applied. It strengthens the preventive and corrective arm of the Stability and Growth Pact, and sets higher minimum standards for national fiscal frameworks. It also introduces a procedure to prevent/correct macro-economic imbalances. For Euro area Member States, it significantly strengthens enforcement mechanisms, in particular through a gradual system of sanctions. Two legislative acts aimed at further strengthening budgetary and economic surveillance in the Euro area (the so-called "two-pack") entered into force on 30 May 2013. The Treaty on Stability, Coordination, and Governance in the European Monetary Union was signed on 2 March 2012 by 25 EU Member States. It entered into force on 1 January 2013, following ratification by 12 euro-area Member States. Significant progress in addressing imbalances is on-going. Overall, there is evidence that adjustment of imbalances is on-going, and that this adjustment is mainly of a non-cyclical nature. Surveillance of the progress is particularly geared through the Macroeconomic Imbalance Procedure (MIP) that was first applied in spring 2012. On 30 May 2012, the European Commission put forward country-specific recommendations (CSRs) which were subsequently approved by the Council. Implementation of the recommendations is being monitored closely by the European Commission. On 28 November 2012, the second cycle of the MIP was initiated followed by the next set of in-depth reviews published in the Spring of 2013.

Fiscal Policy	
Commitment	**Update on Progress**
Implement the common budgetary framework to ensure a continuous reduction of Member States' budget deficits. (Commitment since Cannes Summit 2011)	Conditional on the current macroeconomic forecast, the **current fiscal consolidation strategy** would allow achieving a budget deficit just below 3% of GDP for the Euro area aggregate and 3½% of GDP for the EU in 2013. The deficits would then progressively decline to 1.2% of GDP in the EU and to ¾% of GDP in the Euro area in 2016. This consolidation path would contribute to stabilising the increase in government debt-to-GDP ratio in 2013/2014 and to putting it on a declining path afterwards. In case of economic shocks, the flexibility and the approach in structural terms embedded in the reinforced Stability and Growth Pact allows modulating the consolidation.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
The primary objective of monetary policy in the Euro area is on maintaining price stability in the medium term for the Euro area as a whole. The euro is a floating currency. (Commitment since Los Cabos Summit 2012)	At its meeting on 6 September 2012, the ECB Governing Council has decided on the modalities for undertaking Outright Monetary Transactions (OMTs) in secondary bond markets of the Euro area. The aim of OMTs is to preserve the singleness of monetary policy and to ensure the proper transmission of the monetary policy stance to the real economy throughout the Euro area by addressing the severe distortions in government bond markets. The ECB's monetary policy stance will remain accommodative for as long as needed. At its meeting on 2 May 2013, the ECB Governing Council decided to reduce the interest rate on the main refinancing operations of the Eurosystem by 25 basis points, to 0.50 per cent, and to extend the fixed rate-full allotment policy for as long as necessary, and at least until July 2014.
Financial Sector Policy	
Comprehensive package to restore confidence in the banking sector. (Commitment since Cannes Summit 2011) - Actions to facilitate access to funding - Ensure well-capitalised banking sector *In line with the Los Cabos declaration mentioning "the intention to consider concrete steps towards*	Facilitate access to longer term funding through a coordinated approach at EU level. To facilitate confidence in a well-capitalised banking sector, an EU-wide stress test, coordinated by the European Banking Authority is expected to be completed. To inform this process and in view of the establishment of the Single Supervisory Mechanism, the ECB will undertake Balance Sheet Assessments, the results of which will fit into the European Banking Authority (EBA) stress test, to assess asset quality. The establishment of the **Banking Union** is the critical means to overcome the fragmentation of the EU single market for financial services, to stabilize and restore confidence in the banking sector and to address the specific shared responsibilities and cross-border links within the Euro area. One of the key pillars of Banking Union is the **Single Supervisory Mechanism** (SSM), which was the subject of political

a more integrated financial architecture, encompassing banking supervision, resolution and recapitalization, and deposit insurance" the commitment on a comprehensive package to restore confidence in the banking sector has been augmented with the following four concrete sub-commitments: - Agree on a Single Supervisory Mechanism - Agree on a Bank Recovery and Resolution Directive - Agree on Deposit Guarantee Scheme Directive - Agree on a Single Resolution Mechanism - Agree on a common financial backstop to be involved in the recapitalisation of banks.	agreement between the Council and Parliament in April 2013. The Regulation establishing the SSM should enter into force in July 2013 with the ECB assuming responsibility for directly supervising euro-area (and participating non euro-area) banks in full by mid-2014. The next, complementary component is the **Single Resolution Mechanism** (SRM), whose scope is expected to mirror that of the SSM and will therefore align resolution and supervisory responsibilities. A European Commission proposal on the SRM is expected by mid-2013. In parallel, the other elements of the Banking Union, the Bank Recovery and Resolution Directive and the Deposit Guarantee Scheme Directive, should be agreed, politically during the course of 2013, in line with commitments outlined in the Report by the EU Council President prepared in close cooperation with the Presidents of the Commission, the Eurogroup and the ECB in December 2012. Elements of the Banking Union, once agreed at a European level, may be subject to national legislative procedures.
Enhancing financial sector stability through several legislative packages. (Commitment since Los Cabos Summit 2012) Agree legislation on: - MiFID -CRA3 -OTC derivatives, central counterparties and trade repositories (EMIR) *The securities settlement (CSDR) commitment was not mentioned earlier but we add it now as it is a useful complement to the EMIR initiative.*	Improvements to existing legislation were made in the following areas: in the area of Markets in Financial Instruments Directive (MiFID), Credit Rating Agencies (CRA3) and OTC derivatives, central counterparties and trade repositories (EMIR) and securities settlement (CSDR). The legal acts on OTC derivatives (EMIR) and CRA3 have now been adopted. For EMIR the implementation started in January 2013. For the CSDR, the negotiations are progressing and an agreement on a general approach is expected by the end of June 2013.

Structural Reforms	
Commitment	**Update on Progress**
1. **Further integrating the Single Market.** (Commitment since Cannes Summit 2011) Agree legislation on: - Single Market Act I - Single Market Act II Complete implementation of the Services Directive Complete the Digital Single Market	The Single Market is a key driving force behind economic growth. Five key actions of the Single Market Act I (SMA I) were adopted: standardisation, unitary patent, venture capital and social entrepreneurship funds, dispute resolution for consumers; agreement has been reached on the accounting directive. The European Commission has made a proposal to further strengthen the Single Market through the Single Market Act II (SMA II) in areas such as railway, energy, broadband deployment, product safety and retail payment accounts. Progress on this commitment could be measured by following the state of agreement on the legislative proposals put forward in the SMA I and II as well as the implementation of the legislation at the Member State level. As regards the implementation of the Services Directive, this commitment has been legally fulfilled as it has been implemented in all the 27 EU Member States. Work on the completion of the Digital Single Market (DSM) by 2015 is ongoing. Progress as regards the Digital Single Market can be measured through the European Commission Services' annual Digital Agenda Scoreboard. On 15 November 2012, the European Commission released a Communication assessing the state of play of the internal energy market, to be completed by 2014. The implementation of the Third Energy legislative package was identified as a priority in the annual Report on the State of the Single Market integration. Many indicators on unbundling, market shares and interconnections are available and can help assess progress of the internal energy market. The Fourth Railway Package was proposed by the European Commission in January 2013. Progress in market opening of the railway market can be assessed through indicators such as market shares and access charges to infrastructures.
2. **Foster further integration in the Single Market for financial services.** (Commitment since Los Cabos Summit 2012) Agree on legislation to strengthen the regulation of the banking sector: - CRD IV Directive - CRR Regulation Agree on a legislative package to strengthen bank crisis management and resolution	Completing the Single Market in financial services is a crucial part of the overriding objective of stimulating economic recovery in Europe. On 20 July 2011, the European Commission adopted a legislative package to strengthen the regulation of the banking sector. It consists of a proposed directive (CRD IV) and a regulation (CRR) intended to enshrine a "single rule book" for financial institutions in the EU and maximum harmonization of prudential legislation in all Member States. A political agreement was found in early 2013. The implementation date is expected to be 1 January 2014, subject to formal adoption procedures. With regard to progress on bank crisis management and resolution for all 27 EU Member States, on 6 June 2012, the European Commission adopted a legislative proposal for a bank recovery and resolution directive (BRRD). The proposed framework sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way that avoids financial instability and minimises costs for taxpayers. Political agreement on the BRRD is anticipated before the end of 2013 with a view to implementation from 2015.

European Union/Euro area - New Policy Commitments (since Los Cabos)

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Medium-term fiscal strategy</th><th>Objective</th></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio: According to the reinforced Stability and Growth Pact (SGP), the structural budgetary balance of EU Member States shall converge towards the country-specific medium-term objective (MTO) – the so-called preventive arm – while the general government headline deficit must not exceed 3% of GDP and public debt must not exceed 60% of GDP (or at least diminish sufficiently towards the 60% threshold). A "significant deviation" from the MTO or the adjustment path towards it is defined in the context of the preventive arm to avoid permanent deviation from the MTO. Under the so-called corrective arm of the SGP, Member States which exceed the 3% of GDP deficit threshold have to take effective corrective action as part of the Excessive Deficit Procedure (EDP). A quantitative definition of "diminish sufficiently towards the 60% threshold" is introduced, the so-called debt criterion, so that an Excessive Deficit Procedure (EDP) may also be launched on the basis of a debt ratio above 60% of GDP which would not diminish towards the Treaty reference value at a satisfactory pace.</td></tr>
<tr><td colspan="2">2. Intermediate objectives: Yearly targets for general government debt, deficit and structural balance exist and have to be implemented by EU Member States while adjusted primary expenditure growth must not exceed potential medium-term GDP growth.</td></tr>
<tr><td>3. Expenditure and revenue reforms: EU Member States are free in deciding expenditure and revenue reforms. Member States are encouraged to undertake various measures enhancing the quality and soundness of their public finance and expenditures in particular in the context of annual country specific recommendations.</td><td>Estimated impact on relevant fiscal variables: Size of expenditure and revenue reforms in percent of GDP.</td></tr>
<tr><td colspan="2">4. Reforms to strengthen the fiscal framework: The "six-pack", approved in November 2011 contained a Directive on requirements for budgetary frameworks in the EU Member States, imposing certain requirements on domestic budgetary arrangements, procedures, rules and institutions, to better ensure national budgetary positions are in line with the EU fiscal framework.

The Treaty on Stability, Coordination, and Governance in the European Monetary Union was signed on 2 March 2012 by 25 EU Member States. It entered into force on 1 January 2013, following ratification by 12 euro-area Member States. It introduces a structural budget balanced rule in national framework (maximum structural deficit of 0,5% of GDP), with an automatic correction mechanism in case of significant deviation.

Two legislative acts aimed at further strengthening budgetary and economic surveillance in the Euro area (the so-called "two-pack") entered into force on 30 May 2013. The first one aims at monitoring the preparation and execution of national budgets, based on independent forecasts, and the second one at enhancing surveillance of Member States with financial difficulties.</td></tr>
</table>

Monetary and Exchange Rate Policies	
Commitment	**Objective**
The primary objective of monetary policy in the euro area focuses on maintaining price stability in the medium term for the euro area as a whole. The euro is a floating currency.	The ECB's Governing Council defined price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Moreover, the Governing Council of the ECB has clarified that in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.
Financial Sector Policies	
Ensure bank repair	Objective: To continue to monitor and address the strength and quality of EU bank capital and assets. The European Banking Authority (EBA) has recently issued a Recommendation on capital preservation addressed to supervisory authorities across the EU, which aims to preserve the enhanced capital base that banks built up in response to EBA's 2011 recapitalisation Recommendation. The EBA will also ask supervisors to conduct asset quality reviews (AQRs) on major banks. The European Central Bank will carry out a comprehensive assessment, including such AQRs, for banks covered by the Single Supervisory Mechanism. The next EU-wide bank stress test will also be carried out by the EBA in 2014.
Implement Basel III	The CRD IV package entered into force across the EU on 28 June 2013 (CRR) and 17 July 2013 (CRD IV) transposing the Basel III framework into EU law. While Member States will have to transpose the CRD IV into national law, the CRR is directly applicable across the whole Union; the ECB will also implement this legislation within the Single Supervisory Mechanism. The legislation will become applicable as of 1 January 2014.
Build a Euro-area wide Banking Union	Objective: Finalisation of key elements of Banking Union. Following earlier political agreement, the legislative package on the new Single Supervisory Mechanism (SSM) is expected to be adopted and enter into force by autumn 2013. It should become fully operational 12 months later. To complement this, on 10 July 2013, the European Commission presented a proposal for a Single Resolution Mechanism (SRM) for countries participating in the SSM in order to establish the resolution pillar of the Banking Union. This will build on the single EU-wide rule book for the recovery and resolution of failing banks (the Banking Recovery and Resolution Directive), agreed by the EU Council of Ministers in June 2013. The latter should be adopted by the end of 2013, along with agreement also on the proposed EU-wide legislation relating to deposit guarantee schemes (DGS). The SRM proposal will be discussed by the EU Council of Ministers and European Parliament with a view to reaching agreement in the Council by the end of the year so that it can be adopted before the end of the current parliamentary term, in line with the timeline set by the June European Council. The third pillar of the

	Banking Union (DGS) would also need to be addressed. In June the Eurogroup agreed on the main features of a direct bank recapitalisation instrument for the European Stability Mechanism (ESM). The ESM direct recapitalisation instrument will be finalised once an agreement is reached with the European Parliament on the Bank Recovery and Resolution Directive as well as on the Deposit Guarantee Scheme Directive.
Structural Reforms	
Commitment	**Objective**
1. FURTHER INTEGRATING THE SINGLE MARKET Agree legislation on: **- Single Market Act I** The Single Market Act I (SMA I) sets out 12 key actions to boost European competitiveness and to unlock economic growth and jobs. These range from mobility for citizens to SME access to finance and consumer protection, via digital single market, taxation and networks. **- Single Market Act II** The Single Market Act II (SMA II) proposes a second set of priority actions for rapid adoption by the EU institutions. These actions are concentrated on four main drivers for growth, employment and confidence: a) integrated networks, b) cross border mobility of citizens and businesses, c) the digital economy, and d) actions that strengthen social entrepreneurship, cohesion and consumer benefits. Detailed information on SMA I and II and latest developments can be found at: http://ec.europa.eu/internal_market/smact/index_en.htm	The completion of the Single Market is a continuous exercise and is a central element of the European growth agenda to address the current economic crisis. **Single Market Act I & II** Areas for enhanced implementation of existing internal market rules have been identified (those with the largest potential): services, financial services, transport, digital market and energy. Targets for transposing and complying with EU legislation have been set and emphasis has been given to a zero tolerance approach with the possibility of fast-tracks infringement procedures. An annual report presents an analysis of the state of Single Market integration and the way the Single Market functions in practice across Member States. The European Council has endorsed recommendations to several Member States that include internal market priorities. Progress on this commitment could be measured by following the state of agreement on the key proposals set in the Single Market Act (SMA) I and II as well as the implementation of the legislation at the Member State level. Progress as regards the Digital Single Market can be measured, among other indicators, thanks to the European Commission Services' annual Digital Agenda Scoreboard.
2. TAKE UP FURTHER ACTION TO REDUCE INTRA-EURO-AREA/EU IMBALANCES by using the tools available in the context of the macroeconomic imbalance procedure (MIP).	Continue monitoring developments in macroeconomic imbalances, provide the appropriate macroeconomic policy recommendation and monitor their implementation. In the case where imbalances are deemed to be excessive, (i.e. those that could jeopardise the proper functioning of the economic and monetary union), the institutions will provide the appropriate policy recommendation and if necessary, trigger the enforcement tools (corrective arm)

	that exist in the context of the Macroeconomic Imbalances Procedure (MIP).
3. FINANCING FOR GROWTH AND EMPLOYMENT Support by the EIB Use EU budget as a catalyst for growth and jobs through: - Targeting of Cohesion Policy funds on growth and jobs - Connecting Europe Facility (CEF), in particular the Europe 2020 Project Bond Initiative - Supporting youth employment	Use the increase of EIB capital to foster the bank's capacity to support investment in innovation and skills, facilitate SMEs access to finance and support the development of strategic infrastructures. Use the €325 bn worth of Cohesion Policy funding agreed by the European Council for the 2014-2020 period[1] to improve economic, social and territorial cohesion. Programming work is ongoing and Partnership Agreements outlining development needs and spending priorities in each Member State should be adopted by end-2013; Operational Programmes by Spring 2014. The focus on results should be considerably strengthened in the new EU Multiannual Financial Framework. A financial envelope of €125 bn will be used via the EU budget to boost competitiveness and growth potential through investment in research and innovation, infrastructure as well as cross-border mobility in education. Improve Europe's transport, energy and digital networks through targeted investments in key infrastructures with demonstrated EU added value. This new initiative – Connecting Europe Facility (CEF) - will help to create jobs and boost Europe's competitiveness while contributing to completing the single market. Currently under negotiations and dependent on the outcome of the wider negotiations on the next Multiannual Financial Framework, the CEF Regulation should enter into force in 2014. The European Council of 7-8 February 2013 decided to create a "Youth Employment Initiative" (YEI) that would particularly support young people not in education, employment or training in the Union's regions with a youth unemployment rate in 2012 at above 25% by integrating them into the labour market. The support for the Initiative will come from the disbursement of the € 6 bn allocated to it during the first two years of the next Multiannual Financial Framework (MFF), i.e. in 2014 and 2015. It will be open to all regions with levels of youth unemployment above 25%. Member States benefiting from the YEI should adopt a plan to tackle youth unemployment, including through the implementation of the "Youth Guarantee" before the end of 2013. Other Member States are encouraged to adopt similar plans in 2014. (A Youth Guarantee ensures that all young people up to age 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed). The European

[1] Without precluding the outcome of negotiations on-going between the European Parliament and Council over the next Multiannual Financial Framework.

	Commission and Member States will exploit possibilities offered by the European Social Fund (ESF), including through supporting the creation of new jobs for young workers. Monitoring will focus on speedy delivery of the YEI actions in the first years of the programming period. In order to facilitate labour mobility, the Council and the European Parliament reached in June political agreements on two directives – on portability of supplementary pension rights and on mutual recognition of qualifications. Once adopted and implemented, the export of supplementary pension rights will improve social security coverage, while the European Professional Card will allow professionals to provide their services without other formalities regarding their qualifications.

France— Update on Past Policy Commitments

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Commitment</th><th>Update on Progress</th></tr>
<tr><td>Reduce its deficit to 4.5% in 2012 and to 3% in 2013, balance its budget by 2017.</td><td>In 2012, France’s nominal deficit fell to 4.8% GDP after 5.3% GDP in 2011 in spite of the absence of growth; this amounts to a deficit reduction of 1.1 pts of GDP in structural terms, which is consistent with France’s commitment made in Los Cabos. The difference with the nominal balance target of 4.5% of GDP is due to the recapitalisation of Dexia and to the weaker than expected economic situation.
In 2013, France’s nominal deficit is forecast to fall to 3.7% GDP, under a GDP growth assumption of 0.1 %, which amounts to a major deficit reduction in structural terms. These figures will be updated for the 2014 draft budget law.
France welcomes the European Council recommendation that allows France to postpone by 2 years the deadline for reaching the 3% deficit target given the weaker than expected economic situation. This will allow France to let automatic stabilizers work, while sticking to its structural effort agenda.
France reaffirms its commitment to balance its budget in structural terms by 2017.</td></tr>
<tr><td>Adopt a tax reform in a supplementary budget law this summer [2012] and reduce the least efficient tax expenditures and social security exemptions.</td><td>In August 2012, France adopted a supplementary budget law that raises employers’ contribution on incomes exempted from social contribution from 8% to 20% and that suppresses tax exemptions on overtime wage.
The budgetary law for 2013 went a step ahead in reducing fiscal and social loopholes:
- for households, it strengthens the overall cap for tax exemptions and reduces the family tax rebate (“quotient familial”)
- for large companies, it sets a cap on interest expenses deductibility and reduces exemptions on capital gains
- it broadens the base for social contributions (suppresses exemptions for individual employers, local elected representatives and self-employed individuals)
- the supplementary budget law adopted in December 2012 stipulates that as of January 1st 2014, the intermediary VAT rate will be raised from 7% to 10%.
The governance of social and tax expenditures has been strengthened by the 2012-2017 multi-year public finance planning act:
- A ceiling of social and tax expenditures in value terms is introduced in article 14.
- Article 16 stipulates that every new social or tax expenditure has to be created for a limited period.
- Article 18 establishes an annual review of one fifth of social and tax expenditures</td></tr>
</table>

Complement the budget law for 2013 with a multi-year budget law this autumn.	The 2012-2017 multi-year budget law has been passed as planned. France has significantly improved its fiscal governance framework to transpose the European Fiscal compact. In particular, the new organic law: • establishes the medium-term structural fiscal objective in national legislation; • creates an independent High Council for Public Finances, which gives a public opinion on the Government's growth forecasts and the respect of the adjustment path towards the medium-term objective in structural terms; • introduces a fiscal correction mechanism in case of deviation from the structural adjustment path voted in the multi-year budget law.
Launch a global consultation with the social partners on the pension system this summer in a sustainable and balanced financial framework.	As planned, a first global consultation with the social partners took place in summer 2012. The Pensions Advisory Council submitted two reports in December 2012 and January 2013 regarding the financing and functioning of the pension system. A committee of experts, chaired by Y. Moreau, published its report in June 2013. The Government launched a consultation with the social partners on June 20th and 21st 2013 and a draft law will be submitted to the Parliament by the end of Summer 2013.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Please refer to Euro area contribution	
Structural Reforms	
Commitment	**Update on Progress**
Launch a large labour market reform.	Following a consultation between social partners last summer, negotiations took place and ended on January 11th 2013 with a *National Multi-Sector Agreement* on Job Security. The reform agreed upon introduces important breakthroughs that will significantly improve the functioning of the labour market by facilitating professional transitions, reducing labour market segmentation and increasing labour market efficiency. Most of these decisions have been enacted in a law in May 2013. Negotiations between the social partners will be launched to implement the measures that fall under the scope of collective bargaining (e.g. creation of compulsory complementary health insurance by the end of 2015, personal training account implementation by early 2014, etc.). Concerning the reform about vocational training, the government has transmitted to the social partners a framework document on July 8th 2013. A law is to be prepared and adopted by the end of 2013.
Create "jobs for the future" and "generation contracts" to	Creation of two schemes:

improve the employability of young and senior workers.	(i) "Jobs for the future" ("*Emplois d'avenir*"), which consist in subsidised contracts for young people with the least chance of finding jobs, combined with enhanced support for access to permanent jobs with a strong emphasis on training and support. 33 000 "*Emplois d'avenir*" have been signed until July 1st 2013. The government aims to create 150 000 "*Emplois d'avenir*" by the end of 2014. (ii) "Generation Contracts" ("*Contrats de generation*"): a law was enacted in March 2013 to increase the employability of both young and senior workers. Companies that hire new workers below 26 or above 57, under certain conditions, will get a 4000 euro subsidy per year and per worker. The government aims to create 500 000 generation contracts by 2017.
Reform the corporate tax system to smooth implicit tax rates, which are actually higher for the SMEs than for the large corporations.	The supplementary budget law adopted in August 2012 and the budget law adopted in December 2012 set specific measures to help to smooth the implicit tax rate for corporations and reduce tax exemptions for large companies, such as the limitation of interest deduction and the reform of the deduction for expenses and fees from capital gains on sales of equity securities.

France - New Policy Commitments (since Los Cabos)

<table>
<tr><td colspan="2">Fiscal Policy</td></tr>
<tr><td>Medium-term fiscal strategy</td><td>Objective</td></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio:
France’s fiscal policy is framed within the European fiscal framework with targets and budget rules, now incorporated in the domestic legal framework. In particular, France is committed to reach its medium term objective (i.e. a balanced budget for the general government in structural terms) by 2017. The budgetary path to reach this objective is characterized by an important structural adjustment largely focused on expenditure cuts. The balanced budget in structural terms will ensure debt sustainability, taking into account the expected evolution of age-related expenditures.</td></tr>
<tr><td colspan="2">2. Intermediate objectives:
France is committed to reach a balanced general government budget in structural terms by 2017, ensuring that the debt-to-GDP ratio will return under the 60% ceiling in less than 20 years.</td></tr>
<tr><td>3. Expenditure and revenue reforms:
Expenditures: The French Government has initiated an evaluation of all public policies implemented by the various government departments and agencies to be completed by 2017 in order to optimize public spending (“Government modernization”). Social security funds will also take part in the effort to contain government expenditures.
Revenues: Tax measures will be taken in 2014, mainly focused on reducing tax exemptions and stepping up the fight against tax fraud and evasion. The aggregate tax and social security contribution ratio should decrease in the medium term as the Competitiveness and Employment Tax Credit (“CICE“) starts to produce its effects, and as continued efforts to contain expenditure and achieve structural balance by 2017 provide some leeway to reduce the tax burden. Environmental taxation will be strengthened to finance the “CICE”.</td><td>Estimated impact on relevant fiscal variables:
Central government expenditures, excluding debt and pensions, will decrease by €1.5bn in 2014, while expenditures on the Government’s priorities of promoting jobs and fighting poverty are financed by redeploying resources. In July 2013, the central government and local government bodies have reached an agreement setting a framework to balance local budgets (“Pacte de confiance et de responsabilité”): subsidies to local governments will be reduced by €1.5bn in 2014, and then by another €1.5bn in 2015 and structural reforms will be implemented.
Regarding unemployment benefits, the renegotiation of the “Unemployment Insurance Convention” between social partners will take place in autumn.
Moreover, employers’ and labour representatives have reached an agreement on supplementary pension schemes.
By 2017 €200bn public expenditure will be reviewed in the framework of the Government modernization. Over €4bn of potential cuts have already been identified, including a reform of the family tax rebate decided as part of the “Government modernization” (€1bn cut) as well as €2bn cuts in state aids to corporations by 2015.
The tax exemption for children will be lowered and the tax reduction for secondary school tuition fees will be removed, leading to €1.2bn budgetary saving in 2014 and</td></tr>
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<tr><td></td><td>social benefits subsidizing childcare will be reduced for wealthy families, leading to a €0.5bn budgetary saving in the medium term.</td></tr>
<tr><td colspan="2">4. Reforms to strengthen the fiscal framework
France’s fiscal governance framework is consistent with the European Fiscal compact with
a structural medium-term fiscal objective in national legislation;
an independent Fiscal Council, which gives a public opinion on the Government’s growth forecasts and the respect of the adjustment path towards the medium term objective in structural terms;
a fiscal correction mechanism in case of deviation from the structural adjustment path included in the multi-year budget law.</td></tr>
<tr><td>Other fiscal Commitments</td><td>Objective</td></tr>
<tr><td>Reform our pay-as-you-go pension system: an expert committee (the Moreau Commission) was set up in February 2013 and delivered various proposals in June 2013; on this basis, the Government has started a consultation with the social partners to elaborate a pension reform (“dialogue social”); a draft law will be submitted to the Parliament by the end of Summer 2013 in order to be passed by the end the year.</td><td>Ensure the equilibrium of our pension system in the short term, in keeping with the trajectory to balance public finances in structural terms, and in the long term (20–25 years into the future), which is the timescale for pension system management.</td></tr>
<tr><td colspan="2">Monetary and Exchange Rate Policies</td></tr>
<tr><td>Commitment</td><td>Objective</td></tr>
<tr><td colspan="2" align="center">Please refer to Euro area contribution</td></tr>
<tr><td colspan="2">Structural Reforms</td></tr>
<tr><td>Commitment</td><td>Objective</td></tr>
<tr><td>Ramp up the Competitiveness and Employment Tax Credit (“CICE“), a tax shift from labour towards (i) environmental and consumption taxes, and (ii) further reduction in public expenditures which has been enacted in 2013 and grants a tax credit of 4% of the gross payroll in 2013 and of 6% of the gross payroll in 2014.</td><td>Reducing labour costs will lead to an increase in firms’ margins. This could enable them to curb their sale prices and increase investment and innovation. This will therefore help gain both in price and non-price competitiveness. Furthermore, a reduced labour tax wedge will stimulate job creation and decrease structural unemployment.</td></tr>
<tr><td>Take a number of measures by the end of 2013 to improve competitiveness: 1/ reform the housing sector to boost the housing supply through tax incentives to sell houses and land, reduced VAT rate for intermediate and social housing, release of publicly-owned land for housing and removal of some of the regulatory constraints on construction; 2/ improve the efficiency and quality of service of the railway sector; 3/ reduce administrative burdens through Government modernization. 4/ reform the</td><td>Reduce non-wage costs:1/ Increasing supply in the housing market should limit the increase in prices and then improve cost competitiveness by lowering real estate costs for corporations, while supporting growth through increased households’ purchasing power and better allocation of savings. 2/ While respecting the principle of separation between infrastructure management and services, the unification of the infrastructure management function should lead to a more efficient management thanks to the</td></tr>
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insurance code and reform of PEA to foster equity investment in SMEs 5/ launch a second phase of the Invest for the future program	pooling of abilities ; the modernization of the social framework should provide the conditions for a fair competition between the historical operator and new competitors. 3/ The administrative simplification should reduce red tape costs for firms and allow them to better allocate their time and workforce and increase their productivity; it will also increase public sector productivity. 4/ Reform of the insurance code and PEA will improve financing conditions for firms, in particular for SMEs, through a better orientation of savings 5/ The second phase of the Invest for the future program will focus on health, energy, infrastructure and R&D investments and reduce non-wage costs.
Take measures by the end of 2013 to increase competition in the product market: (i) increase competition in road transport: the draft law on decentralization, that will be transmitted to the Parliament in the Fall, provides for the partial opening of transport by bus between regions; (ii) implement a reform regarding the renewal process of hydroelectricity concessions, as part of the future law on energy transition.	Raise productivity: (i) this reform, in accordance with the recommendations of the OECD and the IMF in this area, should reduce transportation costs; (ii) in line with IMF recommendations on competitiveness enhancement, this reform should allow for efficiency gains and reduced energy costs.

Germany— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Cannes/ Los Cabos: Increase fiscal sustainability in accordance with the G-20 Toronto commitment. From 2014 onwards, general government budget will be balanced. General gross government debt-to-GDP ratio will decrease from 83.2 % (2010) to 76 % (2015). Reduce the structural general government deficit to a maximum of 0.5 % of GDP by 2012 and in the medium term (German medium-term objective according to the EU Stability and Growth Pact).	Both Toronto fiscal commitments will be fulfilled: IMF estimates general government fiscal balance in 2013 to be -0.3% (compared to -5.7% IMF estimate at Toronto Summit for 2010). Government forecast for the general fiscal balance: 0% in 2014 and 2015 and ½ % in 2016 and 2017. IMF estimates general government debt to GDP in 2016 to be 72.7% (compared to 76.7 % IMF estimate at Toronto Summit for 2010). Government forecast for debt to GDP: 72% (2016), 69% (2017). The structural general fiscal balance was 0.3% in 2012; forecast for 2013 is 0% and ½ % in 2014, 2015, 2016 and 2017.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
See ECB contribution	See ECB contribution
Structural Reforms	
Commitment	**Update on Progress**
1. Cannes/Los Cabos: “Strengthen further expenditures for education and R&D. Additional expenditures of 12 bn € from the federal budget in the period up to 2013”	The federal government’s spending on R&D is rising continuously; in 2012, it amounted to approx. €13.7bn and is likely to rise to approx. €14.4 bn in 2013. A third of all R&D spending in Germany was publicly funded; two-thirds came from the private sector. The R&D/GDP ratio has been increasing in recent year and has reached almost 2.9% in 2011. Additional federal expenditures for education and R&D amount to €13.3 bn between 2010 and 2013, roughly half for education and for R&D. The commitment has thus been more than fulfilled. An example of the impact of the policies to improve educational levels: As a proportion of the resident population in the same age group, the percentage of school-leavers without a lower secondary school leaving certificate (Hauptschulabschluss) dropped from 8% to 6.2% between 2006 and 2011. There were roughly 492,700 first-year students in 2012. After 2011, this is the second-highest number of first-year students ever recorded in Germany. As a proportion of the population in the same age group, the percentage of university graduates more than doubled from 14% in 1995 to 31% in 2011.
2. Los Cabos: “With the “Skilled Workers Strategy” the Federal Government will promote the availability of skilled workers in Germany along five specific paths: Labour market mobilization and safeguarding of jobs; combining family and career; education for all from the outset; skills development; integration and qualified immigration.”	Germany continues to follow the five path strategy outlined in the first column. The first progress report was published in January 2013. Regarding path five (qualified immigration): With the act regarding the implementation of the EU Directive on Highly Qualified Workers, taking effect on 1 August 2012, Germany has facilitated the access to the German labour market for non-EU-citizens with a university degree through the “Blue Card EU”. By the end of April 2013 almost 7,300 highly qualified workers from third countries had received the “Blue Card EU”.

Germany - New Policy Commitments (since Los Cabos)

<table>
<tr><td colspan="2">Fiscal Policy</td></tr>
<tr><td>Medium-term fiscal strategy</td><td>Objective</td></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio: Germany firmly adheres to a growth friendly consolidation path and is complying with the fiscal framework requirements at national, EU and G20 level</td></tr>
<tr><td colspan="2">2. Intermediate objectives: According to the benchmark figures for next year's federal budget, the federal budget will achieve a structural balance in 2014 and even a structural surplus from 2015 onwards. General government has overachieved its medium-term objective (MTO; structural deficit max. 0.5 % of GDP) last year with a structural surplus of 0.3 % of GDP for the first time since German reunification. Germany will overachieve its MTO in all years of the fiscal planning period until 2017 with a structurally balanced budget or a structural surplus.</td></tr>
<tr><td>3. Expenditure and revenue reforms: Germany invests in areas enhancing long-term growth and has reduced the burden from social contributions.</td><td>Estimated impact on relevant fiscal variables: Reduction of contribution rate to statuary pension fund by 0.7 percentage points as of 1 January, 2013, reducing the burden of employers and employees in total by 0.2 % of GDP.</td></tr>
<tr><td colspan="2">4. Reforms to strengthen the fiscal framework: The Federal Government has introduced legislation on the domestic implementation of the "EU Fiscal Compact" that supplements existing fiscal policy rules with an additional mechanism to prevent and correct adverse fiscal developments at all government levels.</td></tr>
<tr><td>Other fiscal Commitments</td><td>Objective</td></tr>
<tr><td colspan="2">Further reduce public debt ratio. Maintain a structurally balanced budget or surplus of general government.</td></tr>
<tr><td colspan="2">Monetary and Exchange Rate Policies</td></tr>
<tr><td>Commitment</td><td>Objective</td></tr>
<tr><td>See ECB</td><td></td></tr>
<tr><td colspan="2">Structural Reforms</td></tr>
<tr><td>Commitment</td><td>Objective</td></tr>
<tr><td>1. Modernize competition framework (merger control, unbundling, consumer rights). Strengthen the competition on the energy and gas whole-sale markets as well as the fuel markets. The market transparency body for wholesale trading in electricity and gas will collect and evaluate market-related data for wholesale trading in electricity and gas. This will make it easier to detect illicit conduct, such as breaches of cartel, financial market and stock exchange rules, of the ban on insider trading, and of the ban on market manipulation.</td><td>A competitive environment is a prerequisite for SSB growth. To this end, the Amendment of the Act against Restraints of Competition has been enacted. Market transparency bodies are being set up at the Federal Network Agency and the Bundeskartellamt.</td></tr>
<tr><td>2. Further implementation of the "Skilled Workers Strategy". With this strategy the Federal Government will promote the availability of skilled workers in Germany i.a. by qualified immigration.</td><td>Important target since human capital formation and the availability of skilled workers drives SSB growth. Germany will continue to attract highly qualified workers from the EU and third countries that had received a "Blue Card EU". To make the search for employment easier for these qualified workers and immigration more attractive, a number of additional provisions were introduced with the new act, taking effect on 1 August 2012, that go beyond the implementation of the EU Directive</td></tr>
</table>

	on Highly Qualified Workers: • For the search of an employment corresponding to their qualification, academics from abroad can obtain a residence permit for the purpose of seeking a job which is valid for a period of 6 months. • For foreign graduates of German universities, the period during which they may search a job after having finished their studies in Germany was extended from 12 to 18 months. • “Blue Card EU” holders are granted an unlimited residence permit under less strict conditions. • Unlimited access to any kind of employment for the spouses of qualified workers holding a “Blue Card EU”.
3. Foster productivity and innovation by further implementation of the “High-Tech Strategy”.	Research is the key to innovation, and innovation is the driver of sustainable growth and prosperity in particular in advanced economies. The German “High-Tech Strategy” encourages product development and innovation by pooling expertise. It combines the Federal Government’s R&D activities in five main areas: climate/energy, health/nutrition, communications, mobility and security. An innovation policy concept aims to boost acceptance of and openness to technology, to improve the policy environment for a pro-innovation economy and to stimulate the innovative potential of SMEs. The new measures include for example efforts to recruit young scientists to the research laboratories of the major research institutions and to launch innovation competitions to solve technological challenges. A new centre of excellence is intended to help contracting authorities to pay more attention to purchasing innovative products and services.

India – Update on Past Policy Commitments

Fiscal Policy	
Commitment	Update on Progress
Central Government is committed to fiscal consolidation to reduce Fiscal Deficit and Public Debt to GDP.	India committed to a medium term fiscal objective to revert to the path of fiscal consolidation, at the earliest with emphasis on structural fiscal reforms and prudential fiscal management with improvement in the economic situation without putting at risk the revival process, since Seoul Summit (2010). Sharp fiscal correction in 2010-11 could not be sustained in 2011-12 as growth faltered. The uncertainty in global economy along with the persistence of inflation that necessitated a tight monetary policy stance led to a perceptible negative impact on economic growth. We expect a turnaround in the macroeconomic environment during 2012-13. Fiscal consolidation remains medium term priority of the Government.
Monetary and Exchange Rate Policy	
Commitment	Update on Progress
Market determined exchange rate with no predetermined target	This commitment has largely been achieved with an objective to minimise external imbalances, but it is making the rupee exchange rate volatile, since this commitment has been in place from 2011.
Structural Reforms	
Commitment	Update on Progress
Prioritize infrastructure investment and increase the role of PPP.	The Government is promoting PPPs as an effective tool for bringing private sector efficiencies into the creation of economic and social infrastructure assets and for delivery of quality public services. Major initiatives have been taken by the Government for the promotion of Public Private Partnerships (PPPs) with a view to creating an enabling environment for private participation. Government has created an Apex Committee on Infrastructure under the Chairmanship of the Prime Minister. Government has also constituted a Cabinet Committee on Investments for steering the policy framework, approving projects and monitoring implementation. By the end of 2012, over 900 PPP projects are at various stages of implementation/delivery over the country and the Indian PPP scheme has been recognised as one of the most successful globally. Progress can be measured in terms of qualitative assessment.
UID. Over five years starting 2010-11, the UID Authority plans to issue 600 million UID.	Under the UID system, 249.3 million Aadhaar Cards has already been generated by December 2012. The UID Authority has also established infrastructure to generate 1 million Aadhaar cards per day and process 10 million authentication transactions a day.UID Authority is actively engaged in Phase II in which about 400 million residents

	are to be enrolled before end of 2014. Progress can be measured in terms of quantitative assessment.
Improve environment for FDI	The government has put in place an investor friendly policy on FDI and it is reviewed on an ongoing basis. Significant changes have been made in FDI policy regime, and some of these are as follows: Mandating Foreign Investment Promotion Board (FIPB) approval only for investment made under the FDI scheme in commodity exchanges The Government has decided to permit FDI up to 51 per cent, with FIPB approval, in multibrand retail trading, subject to specified conditions. In the civil aviation sector, the government has decided to permit foreign airlines also to invest, in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49 per cent of their paid-up capital. The Government has decided to permit foreign investment up to 49 per cent, in power exchanges, registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. The foreign investment would be in compliance with Securities and Exchange Board of India (SEBI) Regulations; other applicable laws/regulations; security and other conditionalities. The Government has decided to permit Non-Banking Financial Companies (i) having foreign investment above 75 per cent and below 100 per cent and (ii) with a minimum capitalisation of US$ 50 million, to set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital Progress can be measured in terms of qualitative assessment.

India - New Policy Commitments (since Los Cabos)

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><td>Medium-term fiscal strategy</td><td>Objective</td></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio: India's debt policy is driven by the principle of gradual reduction of public debt to GDP ratio so as to further reduce debt servicing risk and create fiscal space for developmental expenditure. The roadmap for fiscal consolidation has the twin objectives of containing government spending to achieve the projected fiscal deficit targets and to carry forward the reforms process to kick start a fresh investment cycle and boost the GDP growth to a sustainable level.

Government has laid down a roadmap with the objective that the fiscal deficit will be reduced to 3.0 per cent level in 2016-17.</td></tr>
<tr><td colspan="2">2. Intermediate objectives: Rationalize spending (plan and non-plan) to match revenue. The fiscal deficit target will be 4.8 per cent in 2013-14, 4.2 per cent in 2014-15, and 3.6 per cent in 2015-16.</td></tr>
<tr><td>3. Expenditure and revenue reforms:
• On the expenditure side, to contain government spending on subsidies, rationalizing both plan and non-plan spending to match the revenue, and mopping up resources in keeping with fiscal discipline.
• In terms of debt financing, the borrowing strategy will continue to rely on domestic sources. It will continue its focus on raising resources through market oriented instruments to meet both the short-term and medium-term borrowings requirements of the Government.
• On the revenue side, the medium-term objective is of enhancing the tax-GDP ratio both through base expansion as well as administrative improvement. The tax effort on indirect taxes will be enhanced.</td><td>Estimated impact on relevant fiscal variables:
• Revenues are targeted to grow at about 10 per cent of the GDP through additional resource mobilization as well as bringing out improvements in overall tax administration and thereby bringing down fiscal deficit to about 4.8 per cent for 2013-14 and 3.0 percent level in 2016-17.</td></tr>
<tr><td colspan="2">4. Reforms to strengthen the fiscal framework: Government has already in place rule based Fiscal Responsibility and Budget Management (FRBM) Act to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government. The Government is introducing the Medium -Term Expenditure Framework to have a closer integration between the expenditure and medium term fiscal targets.</td></tr>
<tr><td>Other fiscal Commitments</td><td>Objective</td></tr>
<tr><td>• Reducing Effective Revenue Deficit from 2.7 percent to zero by 2015-16.</td><td>• To ensure greater emphasis on development related expenditure by allocating borrowed resources to productive sector through creation of capital assets and at the same time to</td></tr>
</table>

	bring down public debt. The effective revenue deficit will be brought to zero by 2015-16.
Monetary and Exchange Rate Policies	
Commitment	**Objective**
• To support growth and maintain price stability while maintaining financial stability	• To address the accentuated risks to growth. • To ensure adequate credit flow to the productive sectors of the economy. • To guard against inflation and maintain price stability.
Structural Reforms	
Commitment	**Objective**
To bring various prices to market levels Government is committed to: (a) Indexing of railways freight fares to fuel prices. (b) Increase the price of Diesel in the range of 40 to 50 paise per litre per month till it reaches market price; and sell diesel to bulk Consumers at non-subsidized market determined price.	(a) To put in place a dynamic railways freight pricing mechanism for adjusting tariffs in sync with movements in fuel cost. (b) To insulate the common man from a sudden impact of a raise in oil prices to market levels even while gradually eliminating the subsidy.
Improving Corporate governance and resolution of corporate distress via legislation.	To meet the changed national and international, economic environment and further accelerate the expansion and growth of the economy.
Streamlining expenditure reducing distortions and improving choice by implementing Direct Benefit Transfer (DBT) to targeted population. 78 other districts would be covered from 1.7.2013. The present 26 schemes that use DBT, including scholarships and safe motherhood intervention, shall be expanded.	The purpose is to ensure that the benefits go to individual bank accounts electronically, minimising tiers involved in fund flow, ensuring accurate targeting and thereby reducing delays and leakages.
Improvement in the standard of living by providing accessible and affordable healthcare. Policy initiative in 2013-14 includes National Urban Health Mission (NUHM) to improve the health status of the urban population particularly the poor and other disadvantaged sections, and continuing with the National Rural Health Mission (NRHM) to improve accessibility to quality healthcare for the rural population and	To bring about architectural correction in the health systems to ensure a more equitable access to health services across the social and geographical expanse of the country.
Wage employment programme by continuing MGNREGA in 2013-14 that provides at least one hundred days of guaranteed wage employment in a financial year for rural household.	To enhance livelihood security of households in rural areas.
Skill development programme to address the challenge of imparting the skills required by a growing economy. National Skill Development Corporation (NSDC) has been set up with the ambitious target of providing skills to 500 million people in ten years.	To bridge the significant gap between the actual skills of the youth and the skills needed in the industry in a growing economy.

Indonesia— Update on Past Policy Commitments

Fiscal Policy		
Commitment	**Update on Progress**	**Relevance and Measurability**
Maintaining consistently low budget deficits (less than 3%) and debt to GDP ratio, and focusing government financing on domestic sources.	By April 2013, the economy experienced relatively significant changes compared to the conditions at the time of Budget 2013 set, giving rise to a potential state budget deficit is very high (greater than 3.0 percent of GDP). Under these conditions, the Government filed amendment to the national budget 2013 by a variety of important policy changes, one of which is a widening deficit to 1.65 percent of GDP, which is potentially a very significant increase can reach up to more than 3.0 percent, to 2.48 percent of GDP. This increase is related to changes in basic macroeconomic assumptions, state revenues decline, and additional state spending needs. In addition, this amendment also accommodate additional expenditure budget financing needs. Increase in the budget deficit (1.65 percent of GDP) resulting implications to financing needs, which must be met by optimizing various sources of financing available. The increase is planned to be financed by non-debt financing and debt financing with preference to domestic resources. Thus, changing the composition of the budget financing. Along with the increased budget financing, so the debt to GDP ratio is expected to rise 0.37 percent in 2013 to be 23.50 percent. The debt ratio is still lower than the ratio in the year 2012 which reached 23.97 percent to GDP.	Relevance: Since Los Cabos, emerging economies, including Indonesia, has committed to allow automatic fiscal stabilizers as to respond recent economic crisis. Recent economic circumstances have taught us on the importance of sustainable fiscal position, with one of its strategies in maintaing public debt level.
Improving design and effectiveness of spending (including revisiting subsidy mechanism and focusing budget more on capital spending), and improving the quality of fiscal decentralization.	The budget structure has changed (having much larger allocation for capital spending). The Government is now allowed to adjust fuel price if the current price increases by 15% in six month average and provide compensation to the poor to offset adverse impacts of high oil price. (The progress is assessed through mandatory quarterly report of expenditure disbursement by line agencies and regional governments) Update 2013: • Cuttting oil subsidy by adjustment of fuel prices (Diesel price rise IDR 1,000 &Premium price rise IDR 2,000/litre). • Government spending will be focused for development of small and medium enterprises and infrastructure in all sectors such as	Relevance: Quality spending will further be enhanced to create more productive, anticipative and responsive expenditures. This is to respond the need to promote stronger fiscal position and at the same time to optimize efforts in achieving national development targets set by the Government, to unleash growth potential through strengthened domestic competitiveness in future. Measurability: Progress of this commitment can be measured by monitoring government activities that has been cutting the ministries

	transportation, housing, energy, agriculture, etc. • The parliament provides a flexibility and discretion to the Government to improve efficiency of energy subsidy. The government has also increased the electricity's tariff. • Budget transfer to the local governments increased more rapidly than the central government spending.	spending around 4.7% in Revised State Budget 2013. A mandatory quarterly report of expenditure disbursement produced by line agencies and regional governments to assess this progress in disbursement)
Accelerating the disbursement process for capital expenditures	All budget executing agencies and regional governments are required to provide quarterly reports on their capital expenditures with reward and punishment put in place.	To benefit from our commitment in quality spending, a structural fiscal reform should be in place by improving the disbursement process, as one of the challenge that Government still be facing.
Monetary Policy		
Commitment	**Update on Progress**	**Relevance and Measurability**
Continuing flexible exchange rate policy and implementing policy mix consisting monetary and macro prudential policies to manage inflation and capital flows volatility	Recently, Indonesian economy has been facing a widespread uncertainty surrounding global financial conditions as well as the escalation of inflationary pressures due to hike in subsidized fuel prices, which is effective from 22nd June 2013. These factors have made inflation in 2013 expected to reach around 7.2%, which is actually beyond the target range of 4.5%±1%. Besides of that, the restrained growth of household consumption makes Indonesian economy to be projected to reach 6.01%, which is biased downward to the lower bound of earlier forecast of 5.9%-6.1%. Even the Indonesian balance of payments (BoP) recorded a balance improvement in the first quarter of 2013 due to more robust non-oil and gas trade surplus and reduced deficits in the services and income accounts, the pressures will still appear in 2013 BoP. The larger deficit compare to 2012 is mainly due to the non-oil and gas trade balance and financial and capital account balance performances. Along with this, the Rupiah exchange rate has been depreciated with the higher level of volatility since the early of 2013. In the financial sector, the financial system and banking intermediation function are not as good as last year, which is indicated by slowing down credit expansion. Against this backdrop, varieties of measures instituted by Bank Indonesia as well as policy coordination with the Government are needed. From Bank Indonesia's standpoint, policies have been	Relevance: Due to the uncertainty surrounding global financial conditions and the increase of inflationary pressures due to hike in subsidized fuel prices, Bank Indonesia faced policy challenges. On the one hand, Bank Indonesia had to maintain macroeconomic stability, because of the increasing pressure on the Rupiah exchange rate, especially since the end of 2011 as an indirect impact of the European crisis and as a fundamental consequence of the deficit in the current account balance. On the other hand, Bank Indonesia had to maintain the momentum of domestic economic growth and the low level of inflation in the midst of global economic weakening. At the same time, Bank Indonesia had also to maintain the balance in the current accounts. Therefore, to address these challenges, Bank Indonesia adopted an integrated policy mix comprising monetary policy, exchange rate policy, macroprudential policy, and strengthening of policy coordination and communication, to achieve and maintain internal and external balances that support sustainable economic growth. Measurability:

	formulated using a policy mix of monetary policy, exchange rate policy, macroprudential policy, close coordination, and policy communication. Monetary policies taken by Bank Indonesia aim to control future inflation within the target corridor set and to catalyze sustainable economic growth. Those measures are as follows: 1. Keeping the BI rate steady at 5.75% in the first semester of 2013. At that time, this policy is considered consistent with inflation target range of 4.5%±1% in 2013 and 2014. 2. Narrowing the O/N interbank corridor by increasing the interest rate on the deposit facility by 25 basis points from 4% to 4.25%, effective from 12th June 2013. This policy is actually prepared to take necessary measures to stabilize monetary conditions in light of recent rupiah depreciation. 3. On 13th June 2013, Bank Indonesia increased its BI Rate by 25 basis points to 6.00%, while maintaining the deposit facility and lending facility rates at 4.25% and 6.75% respectively. This policy was part of Bank Indonesia's policy mix to response pre-emptively to rising inflation expectations and to maintain macroeconomic stability and financial system stability amid increasing uncertainty in global financial markets.	a) The rate of headline inflation in June 2013, more specifically 1.03% (mtm) or 5.90% (yoy), is congruous with Bank Indonesia projections based on the Price Monitoring Survey (SPH) up to the fourth week of June 2013. The rate of inflation at yearend 2013 is expected at around 7.2%. Thereinafter, the range of aforementioned measures is expected to gradually ease the inflationary pressures back to within the inflation target range of 4.5%±1% in 2014. b) The Indonesian economy in Q1-2013 grew 6.02%, slower than the previous quarter of 6.11%. This slow growth comes from declining domestic demand, along with the limited export recovery. Household consumption growth slowed in line with weakened purchasing power due to higher volatile foods inflation and rising inflation expectation related to fuel subsidy policy. Besides of that, government consumption slowed at the beginning of the year in line with low budget absorption, especially in goods expenditure. On the other side, investment, particularly non-construction, has a tendency to slow down affected by moderate demand both domestically and internationally. In line with slowing down in investment and consumption, imports constracted. With that condition, for the whole year 2013, Indonesia's economic growth will reach 6.01%, which is biased downward to the lower bound of earlier forecast of 5.9%-6.1%. c) Externally, stronger exports from Indonesia reduced the deficit in May 2013's trade balance, compared to the previous month. According to a Press Release issued by BPS-Statistics Indonesia, the trade deficit in May was amounted to US$ 0.6 billion, which is smaller than that posted in April at US$ 1.7 billion. This was made possible by a greater increase in exports (8.9%, mtm) compared to the increase in imports (1.2%, mtm). Despite some observed improvements, the downside risk to the export growth is still considered high amidst the continuingly

		week external demand and correction on commodity prices.
Financial Sector Policy		
Commitment	**Update on Progress**	**Relevance and Measurability**
1. Strengthening Capital base of all banks in Indonesia as stipulated in the Indonesian Banking Architecture (IBA) Blue Print	1. Regulation and implementation guidelines on core capital requirement in product, activities and opening branch network have been issued in late 2012.	• To improve sustainability and competitiveness of banking industry. • Progress of this commitment will be measured by banks' compliance to Bank Indonesia Regulation.
2. Competing implementation of Basel II and commencing observation on Basel III standards (LCR and NSFR).	2. All requirements under Basel II regime has been effectively implemented since end of 2012. For Basel III liquidity framework, following the revision of LCR regime, BI is currently discussing possible ways to adopt the requirements into domestic regulation. In the meantime, BI continues to monitor banks' liquidity ratios based on its modification to the original Basel III liquidity framework that incorporates various domestic circumstances.	• This commitment will help to promote a robust and sound banking system, hence it is expected that the banking system can play its role effectively in supporting domestic economy to help achieving strong, sustainable, and balanced growth. • Progress of this commitment will be measured by the BCBS regular monitoring of Basel III implementation.
3. Enhancing financial system stability through the Financial System Safety Net Law.	3. FSSN Law has been submitted to the Indonesian parliament for its deliberation process. At present, a crisis management arrangement is stipulated through a Memorandum of Understanding concerning coordination to promote financial system stability that was signed last year by relevant Indonesian authorities.	• This commitment will help to promote the establishment of a strong resolution regime in Indonesia that will serve as a legal foundation for Indonesia authorities to take necessary resolution actions in orderly manner that considers impact to financial stability. Hence, it will minimize risk to the financial system during stress situations which eventually will support macroeconomic stability as a fundamental for growth. • Progress of this commitment will be measured by the FSB monitoring in the area of resolution regime.

Structural Reforms		
Commitment	**Update on Progress**	**Relevance and Measurability**
Accelerating infrastructure development, and promoting private sector involvement in infrastructure projects.	To support its commitment to infrastructure development that supports growth, the Government has introduced a Master Plan for the Acceleration of Economic Development (locally known as MP3EI) aimed at boosting economic development all over the country. This MP3EI will help improve the national connectivity and regional interconnectedness as part of an ambitious objective of an ASEAN Economic Community starting in 2015. Up to now, the Government has created six economic corriders that support local growth, increased thelocal capabilities in technology, and has taken a significant action through stipulating theland acquisition law to provide certainty to private investors to get involved in the infrastructure development financing. To ensure an effective implementation and monitoring of this MP3EI, the Government has established a National Coordinating Body for Monitoring the Implementation of the Masterplan (MP3EI). Government also spent more than 145,5 trillion rupiahs (equivalent to around 14,5 billion US dollars) for infrastructure investment, and this amount has been increased for 2013, where the Government has allocated 184,3 trillion rupiahs (around 18 billion US dollars). This fund is mostly spent on improving infrastructure in transportation to support domestic connectivity, food, and energy security, as well as the development of public transport, in order to encourage economic growth and reduction in unemployment and poverty. The MP3EI has provided a groundbreaking plan for 82 new infrastructure projects in the six corriders amounting to 143 trillion rupiahs (around 14.3 billion US dollars), including for projects jointly financed by private investors through PPP scheme.	Infrastructure development is an important element in driving growth in Indonesia through increasing investment and economic activities in real sectors. It is particularly even more important given Indonesia's successful achievement to regain its investment grade positions by the end of 2011. The current trend shows increasing capital inflows both to foreign direct investment and portfolio investment in the country and that would further boost domestic economic performance for achieving strong, sustainable and balanced growth inthe future.In 2013, investment, including investment in infrastructure projects alone is expected to contribute 3.03% to Indonesia's economic growth of around 6.8%. This number is higher than that in 2012, which was 2.69%. Progress of this commitment can be measured by indicators suchas the ratio of infrastructure investment over GDP, household electrification rate (access to electricity), per capita consumption of electricity, length of road built, length of railway route built, internet/broadband penetration rate and number of jobs available in infrastructure projects
Strengthening and expanding poverty reduction program under 4 Clusters: family-based social assistance; community empowerment; economic opportunities for low-income households; providing basic needs with	The Government has continuously implemented a national program for community empowerment (locally known as PNPM), which is a community based development program to help poor communities to improve their standard of living. Programs for PNPN are designed and executed by the communities themselves and the PNPM Incorporation.provides funding and technical assistances.	This commitment has become an integral part of the overall Government' poverty reduction program aimed at reducing extreme poverty in the country, creating stronger foundation for growth, and facilitating broader economic participation, particularly by and for the most vulnerable groups.

affordable price for low income people.	The Government has also stipulated a Law No 24 on Social Safety Net in 2011 to further improve social inclusion in the development process. The Law is designed to transform all current existing public pension and health insurance institutions to one integrated entity and this transformation process has started since January 2012 and will fully commence in 2014. In terms of budget allocation, in 2013 the Government has set a large amount of spending to support the proverty alleviation and increasing infrastructure program through three main channels, namely (i) an acceleration program for poverty reduction (12.5 trillion rupiahs): (ii) temporary direct cash assistance for the poors (9.7 trillion rupiahs): and (iii) main public basic infrastructure (7.25 trillion rupiahs).	For 2013, the Government has targeted to reduce the national poverty level from 10.5% (2012) to around 9.5%, which will be implemented through clustering programs in all over the country. Progress of this commitment can be measured by monitoring indicators such as proportion of population below $1 per day, poverty gap ratio, shares of poorest quintile in national consumption, GDP per capita, and unemployment rates.

__Indonesia - New Policy Commitments (since Los Cabos)__

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Medium-term fiscal strategy</th><th>Objective</th></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio:

Debt ratio in the state budget 2013 amounted to 23,13 % of GDP, is predicted to rise by 0.37 percent in the 2013 revised state budget (APBNP). However, the debt ratio is still lower than the ratio in the year 2012 which reached 23.97 per cent of GDP.

Given the consideration of the debt ratio, Indonesia government seeks to meet large financing needs by applying the principles of prudence measurement and consider various factors, including the cost and risk of debt, development of financial market conditions, the absorption capacity of the government securities market, country ceiling/single country limit for each lender, and the state treasury.

In addition, to optimize the management of the debt portfolio, streamline costs by using the momentum of financial markets, and increase the certainty of financing - the Government will implement the flexibility of financing through debt. The flexibility is created without causing the augment of total debt, including acceleration of foreign loans payment and the flexibility of loan financing with relatively low-cost and controllable risk debt instruments.</td></tr>
<tr><td colspan="2">2. Intermediate objectives:

During this period, the objectives is directed to macroeconomic framework and fiscal policies at all times to assure the realization of national development targets, i.e.: (a) people welfare with quality economic growth; (b) high and sustainable economic growth; and (c) solid economic stability. In addition, the projection of state budget (APBN) posture in medium term refers to fiscal targets as prescribed in Medium-Term and Long-Term National Development Plan respectively.</td></tr>
<tr><td>3. Expenditure and revenue reforms:

Expenditure
Government will further enhance the quality of Government spendings to create more productive, anticipative and responsive expenditures. It is to respond economic upheavals, to address the challenges and at the same time to optimize the realization of development targets set by the Government.

Government expenditure policy in medium-term will be directed to, among other things, (1) maintain the purchasing power of people and enhancing the qualityof public services to reach bureaucracy efficiency and to fortify competitiveness, (b) maintain economic stability with price stabilization of basic commodities, stable politics</td><td>Estimated impact on relevant fiscal variables:

1) Expenditure of statebudget is expected to be more realistic and credible as a step of strong, sustainable, balance growth
2) Through such full range of initiatives, it is expected that the Government expenditure become more productive and efficient and in turn will promote economic efficiency and strengthen domestic competitiveness in future.</td></tr>
</table>

coupled with fair, honest and transparent democratization, and advocate national stability through the realization of minimum essential force (MEF), (c) fortify competitiveness to boost inclusive and sustanaibale growth, and to reinfoce domestic economy with, such as, Acceleration and Expansion of Development Indonesia Economy –(MP3EI), (d) enhance the efficiency of expenditure structure with the reallocation of unproductive spendings to productive activities, including the limitation of unproductive activities, subsidy redesign to be more efficient and well-targeted, (e) anticipate the uncertainty with the allocation of fiscal risk reserve; (f) enhance effectiveness of and expand poverty alleviation programs and (g) reduce vertical and horizontal imbalances, and strengthen the self-reliance of regions. **Revenue:** The Government will continually attempt to increase tax administration reform. In addition, several actions will be defined through improving the quality checks and investigations; improving information technology systems; providing fiscal incentives for strategic economic activities, such as exemption or reduction for motor vehicles which are cheap and environmentally friendly (hybrid and low cost green car).	Estimated: In this term, revenue policy is especially tax revenues directed to optimize revenue without interfere economic growth and investment climate as well as the world business effort. In addition, it will provide fiscal stimulus through increasing purchasing power and investment by lower and middle income, with the consequence of increasing economic growth
4. **Reforms to strengthen the fiscal framework:** Providing fiscal stimulus for the national economy in controllable and measurable manner to promote investment, and assure the provision of basic services to people. Primary balance will be maintained in a manner that will ensure fiscal sustainability. Consistent with the efforts taken to pursue fiscal targets set in RPJMN 2009 – 2014, the medium-term budget projection 2014 – 2016 is expected to record deficit decrease and even book surplus in 2016.	
Other fiscal Commitments	**Objective**

Structural Reforms	
Commitment	**Objective**
Integrating the national social security system, currently under different entities, into one institution, aimed at improving access of the people, and in particular employees, to better health services and better social security protection, including for the pension system.	This project is currently under institutional transformation, legal compliance, and program preparation, to which expected for its establishment in 2014 and for its operation to be fully commenced in 2015.
Indonesia has introduced new tax measure imposed on eligible small and medium enterprises (SMEs) starting 1st July 2013 in its continuous efforts to formalise its informal sectors while improving access to financial channels.	The new policy is aimed at strengthening the SMEs sector through which the SMEs are required to register their businesses by enlisting in the tax system, while improving their access to financial services. This policy is imposed on eligible SMEs and expected to increase the Government revenues from tax around 40 trillion rupiahs annually.

Italy — Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
To ensure sound public finances and to strengthen the credibility of the fiscal framework through: 1) Achievement of a structural balanced budget in 2013 and a rapidly declining debt-to-GDP ratio. 2) introduction and implementation of the balanced budget rule in the Constitution.	1) In 2012, following the consolidation effort implemented in the second half of 2011 for about 5 points of GDP, new measures were adopted to ensure the sustainability of public finances, including the first two stages of the spending review (see below) and two legislative acts, among which the Stability Law. As a result, a structural budget balance is expected to be achieved this year and the debt/GDP ratio is set to decline starting in 2014. 2) The Constitutional Law 1/2012 introduced the balanced budget rule in the Constitution and Law 243/2012, adopted in December 2012, made it operational. Fiscal and budgetary rules and monitoring have been strengthened, including through the creation of an independent Fiscal Council, correction mechanisms to ensure the achievement of the fiscal objectives have been established, and the exceptional events that allow a temporary deviation from the policy objective within the European framework have been defined.
Structural Reforms	
Commitment	**Update on Progress**
1. Efficiency of public spending, competition and administrative simplification	To increase the competitiveness of the Italian economy, thus contributing to achieving stronger growth and rebalancing demand from the public to the private sector, special attention has been paid to greater market liberalisation and public sector efficiency. A broad package of measures was approved in 2012 to liberalize local public services, retail activities and professions and to strengthen independent authorities, accompanied by simplification packages to substantially reduce administrative costs, in particular for SMES, and by measures to increase the efficiency of the public sector, including through digitalization. In addition, the first two stages of the spending review have been implemented, to rationalize and reduce public expenditure by around 33 billion euro in 2012/2015. Finally, following a report to the Parliament on competition, the development of infrastructure and competitiveness, the Government has recently approved a first package of measures in this respect.
2. Reform of the labor market	To increase productivity and foster the internal rebalancing process, a comprehensive reform of the labour market, including measures to improve the welfare system, such as the introduction of a universal employment insurance benefit, was approved in 2012 to create a more flexible and less segmented labour market, while removing improper uses. The reform, which is implemented through secondary rules as well as collective agreements in key areas such as apprenticeship and support to decentralized productivity-linked wage components, is accompanied by an impact evaluation and monitoring system, in order to intervene to correct and improve it. In this regard, in August 2013 the Parliament has converted into law the new labour package approved by the Government last June to amend the 2012 reform in relation to fixed-term and apprenticeship contracts, worker protection and dismissal procedures. Moreover, additional resources have been allocated for the ordinary wage supplementation scheme, productivity contracts and employment and employability, particularly of young and of disabled people and the South.

Italy - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio:* The overall strategy, whose goal is a debt-to-GDP ratio of 60 per cent, rests on three pillars: 1) the Medium Term Objective/MTO, i.e. the balanced budget in structural terms, which will be achieved this year and kept in the following years; 2) the expenditure rule, according to which a pre-defined expenditure aggregate (see below) should not grow more, in real term, than the medium term potential output growth rate, unless the excess of growth in expenditure is fully offset by discretionary tax measures and/or revenues mandated by law; 3) the debt rule, according to which the distance of the debt-to-GDP ratio from the 60 per cent objective should be reduced at a pace of 1/20th a year according to the rules and benchmarks agreed at the European level.	
2. *Intermediate objectives:* Given the rules of the Stability and Growth Pact and the excessive deficit procedure, countries have a transitional period of 3 years for applying the debt rule. As a consequence, the first assessment of the debt rule for Italy will not occur before 2015. During this period, budgetary targets are planned so as to ensure a gradual and constant convergence to the benchmark, as agreed at the European level.	
3. *Expenditure and revenue reforms:* The expenditure rule introduced by the revised Stability and Growth Pact in 2011 in order to assess the progress towards the MTO, has been transposed into Italian legislation with law 243/2012. The Law states the maximum limit for the projected growth of expenditure in compliance with the European rules. The reference expenditure aggregate is the sum of total general government expenditure, net of debt servicing outlays, expenditure related to European programs fully matched by EU funds, the non-discretionary component (i.e. linked to the economic cycle) of expenditure on unemployment benefit and a four year average of public investment expenditure. Given that Italy reaches the MTO, the growth of the expenditure aggregate expressed in real terms cannot exceed the average potential growth rate unless the excess is offset by discretionary revenue measures and/or by revenues mandated by law. For the years 2013-2017, the rule foresee that the expenditure aggregate will be stable in real term (0 growth rate).	*Estimated impact on relevant fiscal variables:* Medium-term projections show that the headline deficit-to-GDP ratio will be close to balance in 2017 and the cyclically-adjusted primary balance, equal to 5.3 per cent of GDP this year, will be close to 6 per cent of GDP throughout the period 2014/2017. As a result, the debt-to GDP ratio, set to peak this year, will be reduced by 13 percentage points of GDP by 2017.
4. *Reforms to strengthen the fiscal framework:*	

The Italian fiscal framework has been substantially strengthened as a consequence of the decisions taken at the European level. The Constitutional law 1/2012 has introduced the structural balanced budget rule in the Constitution and Law 243/2012 has made it operational. Fiscal and budgetary rules and monitoring have been strengthened, including through the creation of an independent Fiscal Council, correction mechanisms to ensure the achievement of the objectives have been established, and the exceptional events that allow a temporary deviation from the policy objective within the European framework have been defined.	
Structural Reforms	
Commitment	**Objective**
1. Rationalisation of public expenditure and a more growth-friendly tax system	To increase efficiency and competitiveness and pursue internal rebalancing, both public expenditure and taxation will be reviewed. Public expenditure will continue to be rationalized, including in relation to the levels of government and the costs of doing politics, also to ensure transparency and fairness. The tax system will be made more growth-friendly, including by focusing on reducing taxation on labor income and the tax wedge, particularly in relation to the recruitment of young people, and fairer, by continuing the fight against tax evasion and fraud.
2. Further improve the labour market	The Government will take additional steps to strengthen the labour market institutions and implement the European "Youth Guarantee", including by reforming public employment services and active labour market policies.
3. Improve the business environment	As part of the overall effort to increase the efficiency of the Italian economy, the Government intends to pay special attention to: a) the liberalization of sectors such as local public services, including transports, also by strengthening the annual law on competition; b) the reform of the civil judicial system, building on the measures already taken, particularly by improving the mediation and arbitration systems and the use of appeals; c) specific measures to improve access to financing, in particular by SMEs by strengthening the Guarantee Fund, providing financial assistance for the purchase of capital goods and opening the bond markets to unlisted companies; d) a further reduction in the administrative burden for companies, including by the ex-ante measurement of regulatory costs and the comprehensive review of existing administrative procedures; e) the launch of a major program of reforms, called "Destination Italy", to attract and accompany foreign investments. In addition, the Government will work towards paying out the full value of arrears in outstanding commercial credits to domestic businesses by end 2014.

__Japan — Update on Past Policy Commitments__

Fiscal Policy	
Commitment	**Update on Progress**
- For the national and local governments' primary balance, the deficit ratio to GDP shall be halved from the ratio in FY 2010 by FY 2015 at the latest, and the surplus shall be achieved by FY 2020 at the latest. - From FY 2021, a stable reduction in the ratio of public debt to GDP for both national and local governments shall be maintained.	The government remains committed to halving the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010 and to achieve a primary surplus by FY2020, and thereafter the government will seek to steadily reduce the public debt-to-GDP ratio.
- The Medium-term Fiscal Framework is to be formulated every year to provide fiscal framework for the subsequent three years, thereby taking measures both on revenue and expenditure sides as well as restraining the amount of new government bonds issue. (The Framework decided in August 2011 covers the three-year period between FY 2012 and FY 2014.)	On 8th August in 2013, the government announced "Medium-term Fiscal Plan", which sets out measures to achieve fiscal consolidation targets(see separate fiscal template for details).
- Flesh out the "Definite Plan for the Comprehensive Reform of Social Security and Tax" which sets out policies including gradual increase in the consumption tax to 10% by the middle of 2010's and submit the bills by the end of FY 2011 to realize these policies.	Aiming at simultaneous achievement of securing stable resources for social security and consolidating public finances, the government submitted a tax reform bill that includes the staged increase of the consumption tax rate (from 5% to 8% in April 2014, and to 10% in October 2015) on March 30th in 2012 and was approved on August 10th in 2012 with amendment by the Diet. Regarding the hikes in consumption tax rate, the government will make a decision in this autumn, taking into consideration economic conditions and other factors in a comprehensive manner.
- While implementing substantial fiscal measures for reconstruction from the earthquake, necessary fiscal resources shall be secured partly through efforts to economize on expenditures and to secure non-tax revenues. The remaining gap shall be filled by temporary taxation measures, thereby achieving fiscal sustainability. (note) The volume of these fiscal measures are estimated at least 19 trillion yen (equivalent to about 4% of GDP), including fiscal measures already taken, in five years.	The volume of the fiscal measures for the reconstruction for a five-year period (FY2011 to FY2015) has been revised upward from 19 trillion yen to at least 23.5 trillion yen. To finance these expenditures, the government intends to secure approximately 25 trillion yen in total by adding around 6 trillion yen to the existing resource of 19 trillion yen through such measures as sales of the Japan Post Holding's shares.

Structural Reforms	
Commitment	**Update on Progress**
1. > pursue strategic and multifaceted economic partnerships with a wide variety of countries	Japan started trade agreement negotiations such as TPP (in July 2013), RCEP (in May 2013), and those with China and Korea (in March 2013), as well as with the EU (in April 2013).
2. > create new industries and new markets through innovation in the areas such as environment and healthcare	FY2013 budget gives higher priority to assistance to R&D on energy saving/renewable energy projects and promotion of innovation in medical fields. In addition, FY2013 tax reform also includes measures to promote environment-related investment and R&D investment.

Japan - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
See separate fiscal template.	
Other fiscal Commitments	**Objective**
Based on “Japan Revitalization Strategy -Japan is Back-”, the Government will strongly promote companies’ capital investments including through reducing their burden with bold tax incentives, while establishing a framework to accelerate restructuring of production facilities and operations.	To increase the level of annual capital investment to 70 trillion yen in three years from 63 trillion yen recorded last fiscal year. Note: In addition to the tax incentives described in the left column, the Government will also take various actions including budgetary measures and regulatory reforms to achieve this objective.
Monetary and Exchange Rate Policies	
Commitment	**Objective**
The Bank of Japan will conduct the monetary easing in terms of quantity and quality to achieve the price stability target at the earliest possible time, with a time horizon of about two years. The Bank of Japan will double the monetary base and the amounts outstanding of JGBs as well as ETFs in two years, and more than double the average remaining maturity of JGB purchases.	To achieve the price stability target of 2 percent in terms of the year-on-year rate of change in the consumer price index .
Structural Reforms	
Commitment	**Objective**
On June 14th, the Japanese Government announced “Japan Revitalization Strategy -Japan is Back-”, which sets out the following policy commitments together with a wide range of measures to enhance growth potential such as regulatory/institutional reforms in energy and agricultural sectors and promotion of economic partnerships including TPP.	
(1) The Government will take a wide range of measures such as promoting childcare arrangements to accommodate approx. 200,000 additional children by the end of FY2014, and approx. 400,000 additional children by the end of FY2017.	To raise the employment rate of women (aged 25-44) from the current 68% to 73% in 2020.
(2) The Government will establish “National Strategic Special Zones”, where measures including bold regulatory reforms with significant economic impact will be implemented.	To strengthen Japan's international competitiveness for attracting businesses and industries. More specifically, ・to bring Japan within the top 3 among OECD member countries by 2020 from the current 15th position in the World Bank’s rankings on the ease of doing business, and

	・to double the inward FDI stocks to 35 trillion yen in 2020 (17.8 trillion yen at the end of 2012).
(3) The Government will take measures such as : ・promoting R&D investments on the medical technologies, including through establishing a new institution which will play a "Control Tower" function for managing research programs (relevant bills to be submitted to the Diet in the next ordinary session). ・speeding up government's assessment procedures for new pharmaceutical products and medical devices, including through strengthening the government unit responsible for the assessment.	To expand the domestic market size of healthcare and medical industries (i.e. industries related to health promotion, preventive care, living assistance, pharmaceuticals, medical devices, and regenerative medicine) from the current 16 trillion yen to 26 trillion yen in 2020.

Korea — Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Achieving balanced budget and reduce public debt to GDP ratio (2011-2015)	In 2013, lower than expected tax revenue resulting from a weak economic activity and additional fiscal spending through supplementary budget will lead Korea's fiscal condition to be temporarily worsened. The fiscal balance(excluding social security funds) is expected to record -1.8% of the GDP in 2013, compared to -1.1% in 2012 while public debt will reach 36.2% of the GDP in 2013, compared to 34.9% in 2012. However, Korea's fiscal condition will gradually improve from 2014, due to economic recovery led by active macroeconomic policy package and expenditure and revenue reforms. A balanced budget is expected to be achieved by 2017.
Structural Reforms	
Commitment	**Update on Progress**
1. Enhancing productivity in service industry	The number of employees in the service sector rose by 416,000 in 2012. Korea developed a comprehensive plan to facilitate R&D in the service industry in June 2012 and expanded budget of service R&D by 21.7% in 2013 in the implementation of the policy. Korea also established package deal to reduce disparities between service and manufacturing sectors in terms of tax break, fiscal support, financial incentives, human resources support and infrastructure. Importantly, tax break was expanded in the service sector which has a high job creation effect. In addition, Deregulation is in progress, too. In April and September 2012, Korea approved streamlining related laws to attract foreign educational and medical institutions in Free Economic Zone and liberalize tourism. To spur competition in the legal market, Korea introduced law schools in 2009, with the first graduates of 1,451 becoming certified as lawyers in 2012.
2. Reducing capital flow volatility (Flexible basis)	In 2012, all 3 major credit rating agencies(S&P, Moody's, Fitch) raised Korea's sovereign credit rating, based on their assessment that Korea's economic and financial circumstances will remain stable. Improvement of external soundness, in particular short-term external debt ratio, has mainly contributed to the positive assessment. A ratio of short-term foreign debts to total external debts of Korea has kept declining (43.2% in 2009 → 38.8% in 2010 → 34.5% in 2011 → 30.9% in 2012). Korea has taken pre-emptive actions to mitigate excessive capital flow volatility stemming from abundant global liquidity. 1) Lower the cap on banks' FX derivative Position rate by 25% (domestic banks 40% → 30%, foreign bank branches 200 % →150%) in November 2012. 2) Revise "enforcement decree of the Foreign Exchange Transactions Act" to lower bank levy on banks with higher foreign currency deposits in December 2012.

Korea - New Policy Commitments (since Los Cabos)

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Medium-term fiscal strategy</th><th>Objective</th></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio:
Korean government aims to achieve a balanced budget by 2017 and lower public debt to GDP ratio to around the middle of 30%. To that end, it will keep growth of total expenditure lower than that of total revenue. Furthermore, in order to implement new administration's major campaign pledges without undermining fiscal soundness, we will finance them by increasing tax revenues and reducing expenditures.</td></tr>
<tr><td colspan="2">2. Expenditure and revenue reforms:
We will push ahead with ambitious expenditure and revenue reforms to fund major campaign pledges of the new administration. A funding plan was put in place in May.
Expenditure side: 1) Pursuing permanent spending cuts rather than temporary ones based on revision of regulation, 2) Cutting discretionary spending and seeking to cut mandatory spending as well, 3) Utilizing private financial resources to complement the public finances.
Revenue side: 1) Legitimizing the underground economy, 2) Modifying tax reductions and exemptions, 3) Expanding the scope of taxation on financial products and transactions</td></tr>
<tr><td colspan="2">3. Reforms to strengthen the fiscal framework:
Korean government establishes a five year mid-term fiscal strategy every year under which it manages public finances in a stable manner.
Public debt and fiscal risk management will be strengthened. 1) Calculating total public debts including the debt of public enterprises as well as central and local government debt in accordance with the IMF manual(2012). 2) Developing fiscal risk indices that can reflect potential risks to avoid a sudden increase in public debt due to a transfer of private debt to public sector. 3) Expanding the scope of public enterprises that should submit medium-to long-term financial management plans to the National Assembly.
The government will improve a public project evaluation system by strengthening linkage between pre- and post-evaluation and simplifying each evaluation.
It will prepare a long-term fiscal outlook toward 2060, in which areas that heavily affect long-term finance (such as pension and health insurance) will be incorporated.</td></tr>
<tr><th colspan="2">Structural Reforms</th></tr>
<tr><th>Commitment</th><th>Objective</th></tr>
<tr><td>1. Raising employment rate</td><td>Raising employment rate contributes to stable economic growth and social cohesion.
Korean government shifted its economic target towards employment rate from GDP growth rate and unveiled a mid-term employment strategy to reach the 70% mark from the current 64% by 2017.
1) Creating jobs by nurturing innovative SMEs including venture businesses and supporting start-ups
2) Gradually reducing annual working hours for job sharing from the current 2,090 to 1,900 during next five years and promoting decent part-time jobs
3) Enhancing the labor participation of vulnerable groups including women and youth.
- Women: enhancing the childcare support, introducing various work types and increasing social service jobs suitable for women
- Youth: launching a Korean style apprenticeship system, strengthening linkage between work</td></tr>
</table>

	and education in universities and incentivizing SMEs to hire more youth 4) Strengthening social solidarity for job creation through grand compromise among labor, management and the government
2. Promoting private investment	Promoting investment aims to recover domestic demand and enhance growth potential. It also eventually contributes to narrowing down global imbalances. The Korean government plans to take following measures focusing on improving institutions and easing regulations. 1) Promoting venture investment by strengthening the support of venture firms at each stage of the business life cycle(start-up / withdrawal / rechallenge) 2) Easing regulations on site and licensing/ permission that hamper corporate investment, and a gradually switching to a negative and market-friendly regulatory framework 3) Providing investment incentives to cash-strapped SMEs by financial and fiscal support 4) Promoting construction investment by relaxing real-estate regulations 5) Nurturing high value-added service industries such as software, film, and healthcare
3. Legitimizing underground economy and preventing off-shore tax evasion	Legitimizing underground economy and preventing off-shore tax evasion can secure hidden source of government revenue, which contributes to sustainable growth by enhancing fiscal soundness. The Korean government plans to take following measures. 1) Improving laws and regulations to strengthen the utilization of financial transaction information in tracking down the underground economy 2) Expanding mandatory issuance of cash receipt and electronic tax invoice 3) Cracking down on tax evasion especially by large corporations, superwealth individuals and high income self-employed people and expanding exchanges of tax information to reduce off-shore tax evasion 4) Reinforcing international coordination by actively taking part in OECD's discussion on preventing the BEPS

Mexico— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
A credible fiscal consolidation strategy.	**For 2013, a public sector budget balance (zero-deficit) was approved by Congress** (without considering the investment of the state oil company, PEMEX). Measures have been taken to increase revenues, to reduce fiscal evasion and to enhance the efficient management of public expenditures. The latest projection points to the achievement of the balance budget objective. **On October 25th, 2012 a new Law for Government Accountability was approved by the Lower House of Congress and was approved by the Senate on November 6th, 2012**. The modified law was published in the Official Gazette on November 12th, 2012. This law defines standards to harmonize the publication of budget and financial information of all public institutions from all government levels. The law also includes the creation of councils to oversee public expenditures and the debt levels of local governments.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Maintain a flexible exchange rate regime and an inflation targeting framework for monetary policy.	Currently in place. Mexico has a floating exchange rate regime and a monetary policy with an inflation targeting framework.
Structural Reforms	
Commitment	**Update on Progress**
Relevant commitments: - Increase investment in the energy sector; - Policies to deregulate and reduce the costs of starting and operating a business; - Increase competition and continue with a unilateral strategy of reducing trade barriers; and - Reinforcement of the social safety network.	**Pemex is using incentive-based contracts for public-private partnerships** in the matured oil fields of the north and southeast of Mexico (both regions account for 29% of Mexican oil reserves) and it is in the process of implementing public-private partnerships for the *Chicontepec* area (40% of the Mexican oil reserves). Additionally there are plans of public-private partnerships to extract oil from deep ocean waters. These efforts are increasing the oil production and the efficiency of the company. In order to promote new businesses and the growth of small and medium enterprises (SME´s), **a National Institute of Entrepreneurship was created in January 2013** and is currently in operation. **A telecommunications and competition reform was approved by Congress on April 25th, 2013 and by the Senate on April 30th, 2013. It was published in the Official Gazette on June 11th, 2013.** The reform aims to improve the competition and productivity of the sector by creating a stronger telecommunications regulator, strengthening the National Competition Commission, reducing the caps to foreign investment in telecommunications and

	broadcasting sectors, introducing measures to promote investment and developing a policy agenda for the digitalization of this sector. **Mexico is working to finally enact a free trade agreement with the members of the "Alliance of the Pacific", a Latin American commercial bloc with Chile, Colombia and Peru**. The four countries comprise 35% of Latin America's GDP. The group is working towards enacting the final agreements before the end of 2013. For the 2013 public sector budget, **a life insurance program for single mothers who earn less than 25,000 pesos/year (approximately 2,000 dollars) was implemented**. The insurance covers a 1,850 pesos (145 dollars) monthly stipend for every child until they are 23 years old. Also, **a Universal Pension Program for the Elderly will be implemented in 2013.** **Additionally, two structural reforms were approved by Congress:** **A labor reform was approved by the Lower House of Congress on November 8th,2012 and by the Senate in November 13th, 2012 and was published in the Official Gazette on November 30th, 2012.** The reform defines more clearly outsourcing relationships, allows training periods and part-time contracts, limits contingent liabilities to firms if workers go to trial alleging unfair dismissals, increases the transparency of workers' unions, enhances the procedures for solving labor disputes and increases fines for labor law violations. The main objective of the reform is to reduce informality, to update the legal framework and to enhance the efficiency of the labor market. **An education reform was approved by the Lower House of Congress on December 20th, 2012 and by the Senate on December 21st, 2012. The reform was published in the Official Gazette on February 26th, 2013**. The reform will create national standards for teacher appointments and merit based promotion in order to eliminate discretional criteria. The National Institute for the Evaluation of Education will be in charge of implementing such measures. Also, the reform establishes the implementation of an educational census to monitor the number of schools, teachers and students.

Mexico - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio:*	
2. *Intermediate objectives:*	
3. *Expenditure and revenue reforms:* Present a comprehensive Fiscal Reform bill in the second half of 2013 (expected in September).	*Estimated impact on relevant fiscal variables:* - Increase the efficiency of tax collection. - Strengthen fiscal federalism. - Make more efficient and transparent use of fiscal expenditures. - Improve the financial capacity of the Public Sector. - Evaluate subsidies and special tax regimes. - Creating a fair and progressive tax system - Increasing competitiveness by simplifying the fiscal system and cost reduction to SMEs.
4. *Reforms to strengthen the fiscal framework:*	
Other fiscal Commitments	**Objective**
Present a Fiscal Reform bill for local governments, during 2013 (National Law for Fiscal Responsibility and Public Debt) .	Improvement of the debt and expenditure management of local governments.
Monetary and Exchange Rate Policies	
Commitment	**Objective**
Structural Reforms	
Commitment	**Objective**
1. Financial Sector Reform (currently in discussion in the Lower House), with the following characteristics:	Provide greater flexibility to the operations of Development Banks, in order to allow them to complement commercial banks and increase credit growth, in particular in areas that influence national development.

- Promotion of credit through Development Banks, - Improve competition within the financial sector, - Broaden credit of private financial institutions, - Ensure the strength and prudence of the financial sector as a whole.	Improve financial inclusion with a gender perspective. Foster greater competition within the financial sector in order to increase credit growth and decrease interest rates. Strengthen the faculties of financial authorities to evaluate the performance of commercial banking periodically, in order to promote transparency within the sector. Strengthening the banking sector regulation by transposing into the Mexican legal framework the new global standards on bank capital, commonly known as the Basel III agreement. . Facilitate the process of bank bankruptcies while protecting the rights of savers.
2. Implementation of a System for Universal Access to Healthcare (subject to the successful approval of the Fiscal Reform).	Start the process for portability and convergence of healthcare systems.
3. Continue with the implementation of the Education Reform .	- Giving autonomy to the National Institute for the Evaluation of the Education. - Creation and implementation of the Professional Teaching Career System. - Creation of the National System for Information and Management of the Educational System through a census of schools, professors and students (the National Institute of Statistics will be in charge of the census). - Start the implementation of Schools with Full Time Schedule.
4. Present an Energy Reform bill in Congress (presented in August for discussion in the upper house)	- Increase the energy production and reduce energy inputs' costs. - Improve the efficiency of PEMEX (public oil company). - Expand the exploration and production of hydrocarbons through profit sharing contracts with the private sector. - Promote competition in some processes of the energy supply chain: petrochemicals, oil refining and transportation of hydrocarbons. - Strengthen the National Hydrocarbons Commission (an energy regulator) - Implement policies to reduce the effects of climate change.

Russian Federation— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Gradual decrease and restriction of the Government budget deficit (2013-2015) Objective: Approximately “minus” 1,5-2,0% of GDP	In 2012 the federal budget completed with a slight deficit “minus” 0,1% of GDP; in the current and forthcoming years we also expect the budget deficit to meet the targeted level.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Reducing inflation and maintaining it at a level ensuring conditions for long-term sustainable economic growth (2012-2015). Objective: Reducing and maintaining inflation (CPI) at the level of 5-7%	In 2012 inflation stood at 6,6% (on December to December basis). The Bank of Russia proceeds to gradually reduce this indicator to 5-6% in 2013 and 4-5% in 2014-2015
Increasing the flexibility of exchange rate. Objective: Expanding the floating band of fluctuation of the ruble with regard to the bi-currency basket (euro – US dollar)	Russia has been pursuing transition to more flexible exchange rate regime since February 2009. The Bank of Russia decided to abandon practices of setting up exchange rate targets and fixed corridors. Exchange rate policies have been carried out in the framework of so called “operational interval” for the bi-currency (euro-dollar) basket, its borders being adjusted in accordance with the interventions performed by the Bank of Russia. In 2012 the Bank of Russia widened the floating operational band of ruble’s fluctuation with regard to the bi-currency basket from 6 to 7 rubles (initial value was 2 rubles) and increased its flexibility by reducing from $500 million to $450 million the cumulative amount of its interventions, which results in a 0,05 rubles shift of the operational band limits.
Structural Reforms	
Commitment	**Update on Progress**
1. Reduction in unemployment rate Reduce the unemployment rate to 6.3% in 2013 and to 5.6% in 2015.	Russia adopted an Employment Promotion Programme in November 2012. A roadmap “Establishing a national system of competence and qualification” is also being developed. Measures include: stimulating migration from regions with oversupply of labor to labor-deficient regions, developing separate hiring mechanisms for big investment projects and for skilled foreign employees and etc. Except for some progress in legal action,

	implementation of both programs is at nascent stage so far. **Measures to assess progress** Employment Promotion Programme sets a series of qualitative/quantitative targets for every year till 2020. These include targets for unemployment rate, assessment of gap between supply and demand for foreign labour force and set of indicators reflecting sanitary conditions of workplaces. At Los Cabos Leaders' Summit Russia declared an objective to reduce the unemployment rate to 6.3% in 2013 and to 5.6% in 2015. Employment Promotion Programme sets an even lower target for 2013 – 5.9%. In 2012 unemployment already reached 5,5 %. Therefore, there are all prerequisites to achieve the planned target in 2015.
2. Increased labour mobility and reduction of unemployment spells	Russian authorities used different instruments to facilitate labour mobility and reduce unemployment spells. Among them were a number of regional employment programmes allowing to smooth labour market tensions. These programmes include retraining, encouragement of self-employment, assistance in removal and etc. Its implementation will be preceded in 2013. By the end of 2012 the average unemployment spell amount to 7,1 months that supports a gradual downward tendency for last 2 years.
3. Stimulating development of the banking sector (till 2016) Increasing credit volumes to non-financial organizations and individuals: 55-60% of GDP Increasing banking sector assets: more than 90% of GDP Increasing banking sector capitalization: 14-15% of GDP	As of January 1, 2013 the current dynamics of key banking parameters was in the line with the target (except for the slowed pace of banks capitalization): **Measures to assess progress** Credit volumes to non-financial organizations and individuals: 44,4% of GDP (as compared to 42,8 % on January 1, 2012) Banking sector assets: 79,4% of GDP (76,6 % on January, 2012) Banking sector own capital: 9,8% of GDP (9,6 % on January, 2012)
4. Improvement of legislation in terms of raising standards for disclosure of information by financial institutions, consolidated supervision, strengthening financial markets' infrastructure and regulation, etc. (medium-term run). Adoption of laws and amendments to the relevant regulations (by-laws)	In 2012, the Bank of Russia elaborated regulations to implement Basel III on part of changes in for calculation methods of equity capital and capital adequacy indicators for core capital (Tier 1). These changes - as a requirement of reporting submission to the Bank of Russia (parallel run) – are assumed to come into effect since May 1, 2013. By the end of 2013 it is planned to introduce capital adequacy indicators for core Tier 1 and Tier 1 capital as mandatory standards. Starting from February 1, 2013 the Bank of Russia's by-law "On the procedure of market credit risk calculation" has been enacted. In December 2012 the Bank of Russia circulated an instruction on implementation methods to credit risk calculation based on banking internal ratings.

	Since January 1, 2013 the instruction of the Bank of Russia "On mandatory ratios for banks" (dated December 3, 2012 № 139-I) has been enacted. It establishes a lower risk weights on derivatives where one party of transaction is a credit organization functioning as a central counterparty. Under new requirements the value at risk is weighted by a factor of 0.05. This coefficient is applied to credit institutions performed as a central counterparty whose management practice is recognized “satisfactory” (in accordance to the Bank of Russia’s instruction "On evaluation of the quality of the credit organization, functioning as the central counterparty" from 03.12.2012 № 2919-U). This instruction establishes the assessment procedure of quality management in credit organizations with the status of central counterparty (quality assessment are carried out by the Bank of Russia and covers risk management assessments, internal control and corporate governance). Since January 1, 2013 the requirements on “Publishing and Presenting Consolidated Financial Statements by credit institutions" have been come into force. It determines the order of publication and presentation of credit institutions’ financial statements (i.e., annual consolidated financial statements which are subject to regular publication). Since January 6, 2013 the by-law of Federal Financial Market Service (FFMS) dated 02.10.2012 № 12-83/pz-n "On capital requirements to clearing organizations" has been introduced. On 1 September 2013 according to the Executive Order of the President of the Russian Federation of 25 July 2013 No. 645 the Federal Financial Markets Service of the Russian Federation will be abolished. In accordance with the Federal Law of 23 July 2013 No. 251-FZ "On Amendments to Certain Legislative Acts of the Russian Federation in connection with the transfer to the Central Bank of the Russian Federation the authority to regulate, control and supervise the financial markets" the Bank of Russia is entrusted with appropriate authority and functions. The federal law stipulates the creation of a financial market mega-regulator, based on the Central Bank of the Russian Federation (Bank of Russia), in order to increase stability in financial market operation and assure efficient oversight of its subjects, establish a single capital market regulatory body and eliminate the duplication of functions by various agencies. The full merger of the former FFMS and transformation of its functional structure will be completed by January 1, 2015.
5. NSIB (national systemically important banks) and SIFMI (systemically important financial market infrastructures) regulation	The Bank of Russia determined the list of NSIBs (which is for regulatory purposes only). The Bank of Russia elaborated methodology for resolution and recovery planning by NSIBs (Bank of Russia’s instruction letter № 193-T, 29.12.2012) where officially recommended them to establish such plans.

improvement (2012-2013)	
6. Strengthening cross-border cooperation Development of amendments to financial legislation for strengthening cross-border cooperation between the Bank of Russia and foreign supervision authorities in the area of information exchange.	At present, the Bank of Russia is a member of SIG supervisory colleges' subgroup of the Basel Committee on Banking Supervision. It participates in colleges exercising supervision of cross-border banks organized by supervisory authorities exercising control over the activities of parent banks in Germany, Austria, Hungary, China, Cyprus, and UK. Article 51 of the Federal Law on the Central Bank of the Russian Federation stipulates that the Bank of Russia may request information or documents from the central bank or banking supervisory authority of a foreign state received by them from credit institutions while fulfilling supervisory functions. It may also provide the banking supervisory authority of a foreign state with such information or documents that do not contain data on operations conducted by credit institutions and their customers. At the same time, Article 26 of the Federal Law on Banks and Banking Activities sets certain restrictions on the composition of information the Bank of Russia may provide to foreign supervisors. Some of the legislative restrictions are to be removed by the draft law on consolidated supervision (at present, is considered by the State Duma)

Russian Federation - New Policy Commitments (since Los Cabos)

Structural Reforms	
Commitment	**Objective**
1. Improving business environment: Development of competition and enhancing productivity by easing administrative burden for the business, including increase effectiveness of customs capacity through relaxing formalities, deploying electronic systems etc.; simplification of administrative procedures for business. Timeline – by 2018	• Improving customs performance: 50% increase in effective customs capacity *by 2018,* 30% decrease in time required to clear customs by 2015 and 50% - by 2018, reducing the number of documents required (for import operations: from 10 to 6 in 2015 and 4 in 2018, for export operations: from 8 to 4 in 2015); • Alleviating the process of firms registration: reducing stages from 9 to 5 (2015) and then to 3 (2018), reducing time required from 30 to 5 days (2015) and ultimately to 3 days (2018), reducing cost from 6,1 to 3 thousands RUR by 2015; • Easing the process of obtaining construction permits: reducing the number of procedures from 51 to 15 (2015) and ultimately to 11 (2018), time required from 423 days to 130 (2015) and to 56 (2018), expenses from 184% of GDP per capita[2] in 2012 (equivalent of USD 26 thousand) to 104% in 2015 (equivalent of USD 17 thousand) and to 101% in 2018; • Simplification of licensing procedures: expanding the list of business activities that do not require obtaining permission from 36 to 50 by 2018. Full list of planned changes (the "roadmap") is split into three stages and is available online ([Russian] http://asi.ru/initiatives/npi/). It includes legislation changes, implementation of electronic document managements systems etc. Target goals are also specified in official Government action plan until 2018.
2. Improving transport infrastructure: Review of administrative procedures in road construction; matching them with OECD practice; Expansion of public-private partnerships, including the further development of infrastructure bonds (raising the overall sum to	• Increase export of transport services by 80% by 2018; • increase population's transport mobility, inducing changes in travel behavior - number of trips per person should grow by 20% in the period of 2013-2015 and by 40% total by 2018; • Double the overall road construction rate (railroads, HSR, highways). Total length of federal highways should reach 31,6 thousands km by 2015 and 44,1 thousands km by 2018. Planned actions are described in several regional and federal government programs, including

[2] Estimated in accordance with World Bank's methodology.

300 bln. RUR); Address “bottlenecks” in the railroad system; Shift Russian railroad company - JSC Russian Railways - to Regulatory Asset Base (RAB) long-term tariff plans. This would facilitate investment in infrastructure and provide greater transparency in company’s financial flows; Additional increase of transport infrastructure financing by 450 bln. rubles at the expense of the Sovereign Wealth Fund. Timeline – by 2018	the federal program “Development of Transport System”. Target goals are included in the official Government action plan until 2018.
3. Increasing population’s financial literacy and strengthening financial consumer protection in order to minimize over debt and fraud risks; promote more efficient and responsible participation of population in financial services’ market; increase financial wellbeing of population, protection and trust to financial system at whole. Development of a national financial literacy strategy, strengthening the institutional and legal framework for the implementation of financial literacy and consumer protection policies, monitoring and evaluation framework. Building institutional and human capacity in Russia at both federal and regional levels, in the public and private sectors. Development and implementation of educational programs, information campaign, and the scaling up of existing financial literacy and consumer protection initiatives.	• Develop National Financial Literacy Strategy by 2015. • Establish not less than 50 federal and regional financial literacy centers for train trainers and train not less than 20 000 of trainers in the period 2013-16. • Provide free information and educational materials through financial education and information campaign to not less than 15 mln of people in the period 2013-16. • Increase availability of the dispute resolution, complaints handling and redress mechanisms, information disclosure and sources of available information financial consumers by 25% in the period 2013-16. Progress with these targets can be observed through the All-Russia National Survey on Measuring the level of population’s financial literacy (conducted once a two year: 2012, 2014, 2016) and National Panel survey on Consumer Finance/Financial Behavior of Population (2013, 2015), WB Project monitoring as well as through sources of official data, such as Central Bank statistic and Rospotrebnadzor public reports, independent consumer protection monitoring. Planned actions and target goals are included and described in the Federal Government Project conducted by the Ministry of Finance with World Bank support “Financial Education and

Strengthening capacity for financial consumer protection in the Consumer Protection Service and civil society.	Financial Literacy" (2011-16), several pilot regional government programs, Rospotrebnadzor's Plan for the implementation of the assignments of the President of the Russian Federation. This goal is also included into the Government Strategy for development of financial sector until 2020 and long-term Strategy for Social-Economic Development. Target goals will be included in new mid-term National Strategy on Financial Literacy, planned to be developed by 2015.

Saudi Arabia— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Continue implementing the enhanced investment program, which entails significant expenditures on the social sectors and infrastructure. In addition, continue implementing the package of measures announced in early 2011 aimed at introducing new social safety net measures, and increase the coverage and benefits of the previously existing safety net provisions, as well as creating job opportunities for the youth, and meeting demand needs for housing.	The fiscal position was strong in 2012 and provided space for an increase in spending and a reduction in debt. In 2012, actual expenditure was 34.4% of GDP, which was larger than the budgeted amount due mainly to an augmentation of the capital and resources of the Real Estate Development Fund and Saudi Industrial Development Fund. The public debt was reduced to below 4% of GDP. The national budget for 2013 continues to focus on the areas of infrastructure, education, health, and social services, with increased spending in both the current and capital accounts. Capital investment in other basic infrastructure items (e.g. roads and housing) has also increased. Compared to the budgetary allocations of 2012, the national budget of 2013 increases spending on public and higher education by 21%, on the health services and social development by 16%, on the municipal services by 23%, and on infrastructure by 16%. Moreover, almost two thirds of a combined $110 billion fiscal package was allocated to a multi-year project to construct half a million new affordable housing units. An additional $11 billion were allocated to the Real Estate Development Fund, to increase the availability of housing loans. This expansionary fiscal stance focuses on areas that enhance strong long-term sustainable economic growth, and increase employment opportunities for nationals, while addressing pressing social issues, including improvements in access to affordable housing.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
The Saudi Arabian Monetary Agency (SAMA) is committed to pursuing accommodative monetary policy.	Monetary policy setting remains appropriate in the context of the fixed exchange rate. Indicators of financial sector soundness remain strong with capital ratios well above regulatory norms and high levels of liquidity.
Structural Reforms	
Commitment	**Update on Progress**
1. Approve the Mortgage Finance Laws	The mortgage finance laws have been approved. The new laws are expected to help support growth in the housing market by establishing a robust legal and regulatory framework and creating economic enablers to encourage banks and finance companies further develop their residential real estate finance portfolios, thereby supplementing government funding allocated to the housing sector.
2. Support access to credit by the Small and Medium-Sized Enterprise (SME) sector.	About $5 billion were allocated to the government-operated Saudi Credit and Saving Bank, with the intention of expanding SME financing. Over the 2011-2012 period, the Saudi Credit and Saving Bank has financed 3640 SMEs in various sectors. A similar amount ($5 billion) is transferred to the Saudi Industrial Development Fund to support bank

	credit to SMEs (KAFALA program) and other lending. KAFALA program aims to provide SME with greater access to banks credit by reducing cost to borrowers and exposure risk of banks. The number and value of credit guarantees issued by KAFALA in 2012 grew by 38% and 49%, respectively. Since the establishment of KAFALA and up to the end of 2012, it has provided SME owners with 59 training courses. The program has organized a number of educational activities under the name of "SME Day" to introduce the program and familiarize SME proprietors with its requirements and business mechanisms, in addition to participation in SME forums, seminars and exhibitions. Furthermore, loans provided by commercial banks to SMEs during 2012 increased by 38%. Furthermore, Saudi Arabian Monetary Agency encouraged banks to establish SMEs departments to provide SMEs with various products and services tailored to their business needs. Moreover, the recently issued Law on Supervision of Finance Companies establishes the regulatory framework for non-bank finance activities, including SME finance, and is expected to improve the SME segment of the non-bank finance sector and further support SMEs' access to credit. These reforms have expanded the base of dealing with SMEs in recognition of their vital role in furthering economic development and further stimulated job creation for Saudi nationals in the private sector, which is essential for achieving strong and sustainable growth.
3. Improve incentives in the labor market.	A number of labor market policies have been improved to increase the employment of Saudi nationals in the private sector. For instance, Saudization program (Nitaqat) has been further enhanced over the recent months to encourage employment of different segments of the labor force including the disabled. A jobseekers' allowance program (Hafiz), which provides unemployed nationals who are actively searching for jobs with monthly allowance up to a period of one year, has been complemented by recruitment centers and a recruitment website. These programs are supported by targeted measures to improve labor skills and productivity through education and training. The Ministry of Labor continues to enhance women participation in the labor force. These programs have helped in improving the incentives to hire more Saudi nationals in the private sector and help job seekers in obtaining specific skills that the private sector needs. Increasing the participation of nationals in the private sector would help reduce unemployment. The unemployment rate was 5.8% in 2012.

4. Increase economic integration within the GCC and deepen trade relations with emerging partners.	**Monetary Union:** Saudi Arabia continues its full support toward the Monetary Union in the GCC as a final stage of economic integration. In this regard, the Board of Directors of Gulf Monetary Council meets regularly and the discussion is focused mainly on strategic planning, the road map, and setting up the institutional structure of the Council. **Trade:** Saudi Arabia has ratified the unified GCC Trade Remedies Law and regulations, and Amendments to the unified Trademarks Law were adopted. Further, the GCC Member States collectively negotiate FTA's with emerging partners seeking to further deepening the trade relations. Also, Saudi Arabia is a member of the Greater Arab Free-Trade Area (GAFTA). Under GAFTA almost all trade barriers among its members are eliminated, with some products excluded from liberalization. **Financial markets:** The GCC Members have started harmonizing a number of financial markets related regulations and principles, which are expected to increase the integration of financial markets, and enhance the investment environment within the GCC Member States. Moreover, they have adopted the "Guiding Criteria for the unified banking supervision", in order to unify the practices of banking regulations and supervision.

Saudi Arabia - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Commitment	**Objective**
Focus on investment in infrastructure, education, health, and public services while ensuring fiscal sustainability.	To ensure strong and sustainable economic growth and employment opportunities for citizens.
Monetary and Exchange Rate Policies	
Commitment	**Objective**
SAMA is committed to pursuing monetary policy appropriate to the evolving macroeconomic conditions.	The purpose is to maintain stability of USD/SAR exchange rate and to promote domestic price stability.
Structural Reforms	
Commitment	**Objective**
1. Increase total housing stock and home ownership.	The aim is to provide greater access to affordable housing. This would also contribute positively to the construction sector and benefit various related industries, thereby contributing to strong and sustainable growth.
2. Improve public infrastructure for transportation • Complete the "The Land Bridge Project" between Riyadh and Jeddah and between Dammam and Jubail. • Develop a new public transport network in Riyadh and Jeddah that would include both a metro and a new fleet of buses.	• Remove infrastructure bottlenecks to growth. • Support supply chain channels and enhance external sector. • Enrich the labor market by providing employment opportunities. • Facilitate growth of the services industry (e.g. insurance, maintenance, supply, construction and engineering services). • Alleviate traffic congestion, increasing productivity.
3. Implement a new financial Consumer Protection framework.	The framework would contribute to increase in consumer confidence and trust, and promote financial literacy and financial inclusion.
Other policies	
Play its systemic role in stabilizing the global oil market.	To support global economic growth and development.

South Africa— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Countercyclicality, debt sustainability and intergenerational fairness	The fiscal framework has been adjusted to ensure a stronger path of consolidation towards debt sustainability. Government's core spending plans were reduced by R10.4 billion over the next three years. This has been achieved by moderating the growth of allocations, mainly to national departments. Government has also reduced the unallocated portion of spending by trimming the contingency reserve. Real non-interest expenditure is projected to grow at an average rate of 2.3 per cent per year over the medium term, down from 2.9 per cent projected in October 2012. Government is committed to remaining within its expenditure ceiling. New policy initiatives will be financed from savings, efficiency gains and reprioritisation over the next three fiscal years. To support this process, the Ministers' Committee on the Budget are overseeing expenditure reviews to analyse patterns of public spending, including personnel spending. The reviews are aimed to identify opportunities to improve value for money, such as enhanced procurement controls and the phasing out of projects that are ineffective or no longer aligned with policy priorities. A complementary review will assess whether tax policy is appropriate to support government's policy objectives, including fiscal sustainability. Over the longer term, faster and more inclusive economic growth is required to create jobs, widen the tax base and generate sufficient revenue to support government's priorities.
Structural Reforms	
Commitment	**Update on Progress**
Public sector investment on roads, rail, ports, electricity and water. **Old Commitment:** Budgeted public sector expenditure of R809 billion up to 2014/15 (7.3% of GDP per year).	**Update on Commitment:** In the Budget review (February 2013) it was announced that following estimated spending of R642 billion over the last three years, planned spending on infrastructure projects by the public sector totals R827 billion over the next three years. The fiscus has allocated just under R430 billion for schools, hospitals, clinics, damns, water and electricity distribution. Eskom, Transnet and other State-Owned Companies should fund a further R400 billion of investment. **Spending and update on projects:** Total public-sector infrastructure spending was R208 billion in 2011/12 and budgeted for R255 billion in 2012/13. Nominal public-sector capital investment stood at 7.1% of GDP in 2011, with private-sector investment at 11.9% of GDP.

	The first of Eskom's two new large, coal-fired power plants are planned to begin producing electricity in 2014, significantly easing the country's power constraints. Transnet's (the state-owned company responsible for port, rail and pipeline infrastructure) pipeline rails and port investments will gain further impetus in 2013. Construction and upgrading of dams, water transfer schemes, schools, hospitals, clinics and housing are under way. To increase freight transport and handling capacity, Transnet undertook capital expenditure of R22.3 billion in 2011/12, up from R21.5 billion in 2010/11. In addition to rehabilitating 25 dams, government is building seven new dams at various locations and increasing capacity at Hazelmere Dam, Clanwilliam Dam, Tzaneen Dam and Nwamitwa Dam.
Increased focus on community work programme (CWP) in existing public works programmes (EPWP); co-financing for job creation initiatives. **Old Commitment:** Budgeted expenditure on EPWP of R73 billion over 3 years Jobs Fund launched in June 2011 with budget of R9 billion over 3 years.	**Update on commitment:** In the Budget review (February 2013) it was announced that projected expenditure on employment programmes, labour services and social security grows by an annual average of 13.5% from R41.7 billion in 2012/13 to R61 billion in 2015/16. Employment programme allocations increase by an annual average of 13.4% over this period, with the bulk of this support focused on the community work programme. The expanded public works programme aims to create 502 174 full time equivalent jobs in 2012/13 and 684 783 in 2013/14. **Spending** Budgeted expenditure on the expanded public works programme will increase from R1.2 billion in 2011/12 to a revised estimate of R1.7 billion in 2012/13. Budgeted expenditure to the community work programme will increase from R624 million in 2011/12 to a revised estimate of R1.3 billion in 2012/13. R6.4 billion allocated to CWP over next three years. The overall allocation to the Jobs Fund remains constants at R9 billion however the due to its slower-than-expected rollout the annual allocations have been reduced and the programme timeframe has been extended. **Youth employment incentive** A revised youth employment incentive will be tabled in the House, together with a proposed employment incentive for special economic zones. **Jobs Fund** As at January 2013, 65 projects have been approved for grant funding; R3.3 billion has been allocated; R3.1 billion in matched funding has been leveraged for job creation initiatives.
Health financing reform with ultimate aim of establishing a	In 2012, the Minister of Health launched 10 pilot projects to assess various policy options for NHI. These include

National Health Insurance (NHI) scheme to improve quality and coverage of health service. Timeframe: A White Paper and NHI legislation will be introduced within the next 1-2 years. This is an on-going reform to be implemented in three phases over a 14-15 year period.	developing new models for primary health-care delivery, contracting with general practitioners to support health delivery in the public sector, improving revenue management at central hospitals, new mechanisms of reimbursing health-care providers and separating the roles of purchaser and provider of health services. Conditional grant funding worth R1.3 billion is helping to finance the pilot projects, which have been established in all provinces and cover a total of 10 million people. In the 2013 Budget a new national health conditional grant is established through which the national Department of Health, with the concurrence of provinces, will play a greater role in contracting general practitioners and managing hospital revenue.
Financial sector policy	
Commitment	**Update on Progress**
1. Implement a 'twin-peak' model of financial regulation with the central bank responsible for both macro and micro prudential regulation, financial stability and resolution of SIFI's and the newly established market conduct regulator for market conduct regulation. The process is coordinated by Financial Regulatory Reform Steering Committee (FRRSC).	The FRRSC has prepared a detailed 'twin peaks' implementation document, which was published on 1 February 2013 for public comments. Public comments were subsequently received and discussed with the industry in a one-day session in March 2013. This document is a follow-up to Government's policy document that National Treasury released with the 2011 Budget Statement and which was approved by Cabinet in July 2011. No revisions have been made to the Government's policy decision to move towards the 'twin peak' model of financial regulation. The drafting of the legislation is underway and legislation is expected to be tabled before end 2013 .
2. Implement Basel III within committed timelines.	The Basel III framework was translated into national laws and regulations and became effective on 1 January 2013. South Africa was one of eleven jurisdictions to implement Basel III on time. It will be fully phased in by 1 January 2019.
3. Expand scope of regulation to include credit ratings agencies, OTC derivatives, and private pools of capital.	The Credit Ratings Services Act, No. 24 of 2012 has been assented to by the President and will come into effect on 17 December 2013. The Financial Markets Act, No. 19 of 2012 has been promulgated by the President and came into operation on 3 June 2013.

	The Financial Markets Act proposes requirements for central reporting, clearing and settlement of OTC derivatives.
Implement Treat Customer Fairly (TCF) for banks, insurers and financial service providers within committed timelines.	TCF roadmap is in place and being implemented. End date for implementation extended from Q4 2013 to Q4 2014. A TCF steering committee comprising government, regulators and industry representatives is guiding the process. Seven workgroups are in place, each is focusing on a TCF outcome to establish, what gaps there are in the current legislative framework and ways of closing the gaps. The disclosure workgroup is fast tracking the implementation of Key Information Documents for retail products. A TCF self-assessment tool has been developed for use by the industry. The second TCF assessment pilot study is underway.
Implementation of the Solvency Assessment and Management ("SAM") Framework.	Similar to Basel III, SAM uses a three-pillar structure, namely, capital adequacy (Pillar 1), systems of governance (Pillar 2) and reporting/disclosure requirements (Pillar 3). Significant progress has been made to take the work of each pillar forward. Implementation will be on 1 January 2016. An Economic Impact Study is underway to examine the transmission effects of SAM on the South African economy as a whole. An interim Insurance Laws Amendment Bill has been published for public comment to deal with regulatory gaps identified by the IMF/World Bank's Financial Sector Assessment Program ("FSAP") evaluation of South Africa's adherence to international financial regulatory principles. Finally, the Bill also seeks to align the long-term Insurance Act ("LTIA") and the Short-term Insurance Act ("STIA") to the International Insurance Association ("IAIS") Insurance Core Principles ("ICP"), which establish the fundamental requirements for group-wide supervision, governance, risk management and internal controls.

South Africa - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio: close the primary balance* *The strategy for achieving a sustainable debt-to-GDP remains unchanged. Government will close the primary deficit over the medium term, stabilising the national debt-to-GDP ratio at around 44% of GDP in 2015/16. Should the economy fail to recover as predicted, a combination of revenue and expenditure reforms will be considered to ensure that this goal is achieved.*	
2. *Intermediate objectives: reduce growth in expenditure, and change the composition of expenditure towards infrastructure investment.* *Real growth in non-interest expenditure will average 2.3% over the coming three fiscal years. Government will restrain real current expenditure growth to below 2%, and increase real capital payments growth to around 3.5%, over the medium term.*	
3. *Expenditure and revenue reforms: expenditure and tax policy reviews* *Government is undertaking expenditure reviews and a commission has been appointed to review the tax system.*	*Estimated impact on relevant fiscal variables:* *The expenditure review should provide opportunities for reducing waste and improving efficiency of spend. The findings of the tax commission will only be released later this year or in 2014.*
4. *Reforms to strengthen the fiscal framework:*	
Other fiscal Commitments	**Objective**
Government will undertake a long-term costing exercise, particularly focused on social spending and infrastructure investment.	*An initial long-term fiscal report will be released in 2013. Government will aim to release a long-term infrastructure report in early in 2014.*
Monetary and Exchange Rate Policies	
Commitment	**Objective**
South Africa has not made new monetary and exchange rate policy commitments.	***South Africa has not formulated new monetary and exchange rate policy objectives.***
Structural Reforms	
Commitment	**Objective**
1. Prioritise the use of incentives and disincentives, including regulatory, economic and fiscal measures, to promote behaviour change towards a lower-carbon society and economy. • Create a transitional climate finance system to support the implementation of the priority mitigation and adaptation actions.	Curb GHG emissions by 34% by 2020 and 42% by 2025 below the BAU trajectory (subject to provision of adequate financial, technological and capacity-building support).

• Create a transitional tracking facility for climate finance mechanisms and climate responses that will monitor and coordinate existing climate finance flows. • Partner with domestic financial institutions to fast track and mainstream climate resilient development. A carbon tax at R120 ($12) per ton of CO_2e above the suggested thresholds with annual increases of 10 per cent until 2019/20 is proposed as from 01 January 2015. • A basic tax-free threshold of 60 per cent is proposed. • Additional tax-free allowance for process emission (10%) • Additional relief for trade-exposed sectors (max 10%) • Carbon offsetting allowed to reduce carbon tax liability (max 5% or 10%) • The overall tax-free allowance for an entity will be capped at 90 per cent of actual verified emissions.	
2. Take steps to resolve the energy constraint by: • Starting the process towards building a third coal-fired electricity generation plant • Finalising the process of authorising shale gas exploration in a responsible and environmentally friendly manner;	
3. Improve the regulatory environment through streamlining licence approvals for water, mining and environmental impact assessments with the view of shortening the approval times.	

4. **Upscale youth and public employment schemes** through a new phase of the Extended Public Works Programme and expansion of the Community Work Programme. This will include implementation of youth employment incentives and the employment tax incentive for Special Economic Zones.	

Turkey— Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
The Medium Term Program (MTP) for 2012-2014 was announced on October 13, 2011. According to the MTP: - General government deficit to GDP ratio will gradually go down to 0.4% by end 2014 from 2.9% in 2010, - EU-defined public debt to GDP ratio is projected to decline to 32% by end of 2014 from 42.2% in 2010.	- General government deficit to GDP ratio declined to 0.4 % in 2011, which was targeted at 1.0 % in MTP for 2012-2014. As for 2012, general government deficit to GDP ratio is realized as 1.0%. - EU-defined public debt to GDP ratio continued to decline in 2011-2012 period. Outperforming the targets of 39.8% in 2011 and 36.5% in 2012, EU-defined public debt to GDP ratio was realized as 39.1% and 36.1% respectively.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Inflation targeting and flexible exchange rate regimes will continue to be the main pillars of monetary policy. Inflation target is set as 5 percent for 2012, 2013 and 2014.	The target variable is the year-end inflation rate, which is calculated as the 12-month change of the Consumer Price Index (CPI). The Monetary Policy Committee forecasts the year-end inflation to be at 6.2% in 2013, 5% in 2014 and expected to stabilize around 5% in the medium-term. In the second quarter of 2013, inflation overshot the forecasts and stood at 8.9% as of July. The increase in inflation is attributed mostly to the hike in unprocessed food inflation. The depreciation of Turkish lira also contributed to the increase in the annual rate of inflation. The cautious stance of monetary policy will facilitate stabilization of inflation rates in the medium-term.
Structural Reforms	
Commitment	**Update on Progress**
1. A new incentive mechanism for private pension system was announced. The new incentive mechanism will replace the current tax deduction for pension contributions with a matching direct state contribution equivalent to 25% of individuals' contribution to the system **(Los Cabos)**.	Progress: The new incentive mechanism for private pension system is effective from January 1, 2013. Measurability: The number of participants has reached 3.78 million increasing by 21% and, total fund has risen by 18.1% to TL 24 billion as of August 16, 2013 (since the beginning of the year).

2. Energy Sector Reforms (2012-2014) **(Cannes/ Los Cabos)**	<u>Progress:</u> - The Energy Efficiency Strategy was approved on February 20, 2012. The strategy aims to reduce Turkey's energy intensity by at least 20 percent by 2023 in comparison to its level in 2011. - The policy priorities about main targets of the strategy and the reform process have been announced with the 2013 Annual Programme and the key features are listed as follows: 1. Necessary legal and organizational changes will be completed by the end of the year. 2. Efforts will be intensified for the identification and utilization of renewable energy resources. 3. Process on establishing nuclear power plants is underway. <u>Measurability:</u> - Privatization of 19 out of 21 electricity distribution companies has been completed. The privatization of remaining distribution companies is planned to be completed by the end of the 2013. - With the new feed-in-tariffs in 2010, installed renewable energy capacity rose from 15.400 MW to 22.800 MW between the 2010-2012 period. Most of the capacity increase in the renewable side is coming from wind and hydro.
3. a) Education Reform **(Los Cabos)** b) Provide equal opportunity in education and improve technology in our schools with the efficient use of Information and Communication Technologies (ICT) tools. Tablets will be provided to all students and in all 40.000 schools will be equipped with LCD Smart Boards (FATIH Project) (2013) **(Los Cabos).**	<u>Progress/ Measurability:</u> a) The education reform bill was enacted by the Parliament (March 30, 2012). Duration of compulsory education increased from 8 years to 12 years. b) As of May 2013, 84.921 LCD smart boards have been distributed to 3.657 schools.

Turkey - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio:* In Turkey, the public debt to GDP ratio is already on a declining path. The Medium Term Program (MTP) for 2013-2015 also envisages the continuation of this downward trend.	
2. *Intermediate objectives:* - General government deficit to GDP ratio, which is realized as 1.0% in 2012, is targeted to decline to 0.9% at the end of 2015. - Program defined public sector primary surplus to GDP ratio, which is expected to be 0.5% in 2012, is estimated to increase gradually to 1.1% at the end of 2015. - EU-defined public debt to GDP ratio is projected to decline to 31% by the end of 2015.	
3. *Expenditure and revenue reforms:* a) Income tax law will be renewed and merged with corporate tax law. *b*) Work on privatization of public inactive properties and electricity distribution companies, highways, bridges and harbors will continue.	*Estimated impact on relevant fiscal variables:* a) The new law will increase tax revenues, expand the tax base, decrease tax losses and evasion by; i) simplifying the existing laws, ii) abolishing many of tax exemptions, iii) making all resources of income subject to unified tax statement, iv) bringing provisions to support young entrepreneurs and agricultural firms.
4. *Reforms to strengthen the fiscal framework:* - A comprehensive overhaul of the spending programs with a view to increase efficiency. Particularly, transfers to social programs and agricultural sector will be examined thoroughly.	
Monetary and Exchange Rate Policies	
Commitment	**Objective**
Inflation targeting and flexible exchange rate regimes will continue to be the main pillars of monetary policy. Inflation target is set as 5% for 2013, 2014 and 2015.	Achieving and maintaining price stability while safeguarding financial stability.

Structural Reforms	
Commitment	**Objective**
1. Policies will be implemented to increase domestic savings (2013-2018)	Relevance: In order to attain strong and steady growth dynamics, domestic savings should be increased and channelled to productive investments. With this perspective, we will implement "Increasing Domestic Savings Program" by i) encouraging savings with regulating financial market instruments, credit arrangements, and tax policies ii) reducing excessive consumption, iii) developing complementary insurance system. As a result of these policies, we aim to increase domestic savings rate to 19% at the end of 2018. Measurability: Progress will be evaluated with following performance indicators. • Domestic saving rates (public, private) • The rate of access to financial services • The ratio of the consumer and trade loans to total credits • The share of the industry in the trade credits • The share of the machinery and equipment in the private sector investments • The volume of the private pension system and the early exit rate from the system
2. Activation of the labor market policies will continue (2013-2018)	Relevance: Labor market policies will target the unemployed, women, informal employees and employers. Our policies aim to: i) increase participation rates of women, ii) activate "Active Labor Market Policies", iii) provide flexicurity, iv) strengthen the interaction between social assistance and employment, v) activate employment incentives. These policies will increase competitiveness and productivity, thus support strong and balanced growth. Measurability: Following performance indicators will be used to assess the progress. • Employment rate of the women • Part time working rate • Job placement rate for the registered unemployed • The number of the employed people who previously benefited from social assistance • The ratio of the long-term unemployed to the total unemployed.

3. Policies will be implemented to produce energy based on domestic resources and improve energy efficiency (2013-2018).	Relevance: These policies will reduce dependency on energy imports. The use of renewable energy resources is very important for sustainable growth. Following policies will be implemented to realize this commitment: • Increase oil and natural gas exploration activities • Use of hydro energy • Explore the potential of wind, sun and geothermal resources for electricity production • Enhance institutional and administrative capacity for energy efficiency • Develop sustainable financing mechanism for energy efficiency projects • Increase energy efficiency in industry sector • Improve energy efficiency at buildings Measurability: Progress will be evaluated with following performance indicators. • Domestic oil and natural gas production • Electricity production from renewable resources • Energy production from sun and geothermal resources • Primary energy intensity • Decline in the energy consumption at the public buildings
4. Further policies will be implemented for Istanbul Finance Center Project (2013-2018)	Relevance: This project will help strong growth with developed financial markets. In this regard we aim to: i) establish new institutional structure, ii) diversify financial products and services, iii) develop legal infrastructure, iv) strengthen technologic infrastructure, v) improve qualified human resources. As a result of these policies, we expect Istanbul to be ranked in the first 25 at Global Financial Centers Index at 2018. Measurability: Following performance indicators will be used to assess the progress. • Global Financial Centers Index, Financial Development Index, Quality of Life Index • The ratio of financial services to GDP, the change in the financial services export • The number of the new developed financial products • The number of the financial education activities • The number of the domestic individual and institutional investors

United Kingdom—Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
The UK will continue to implement its planned reductions in public spending as set out in Spending Review 2010. To deliver fiscal consolidation that targets achieving cyclically adjusted current balance by the end of the rolling five-year forecast period and sets public sector net debt as a percentage of GDP on a falling path by 2015-16.	By the end of 2012-13, around 70 per cent of the annual fiscal consolidation planned for the Spending Review 2010 period (2011-12 to 2014-15) will have been achieved, with around 65 per cent of the spending and around 90 per cent of the tax consolidation in place. By the end of April 2013, the Government will have implemented measures to deliver over 90 per cent of the total savings expected from reforms to the welfare system. Public sector net borrowing is forecast to fall by a third over the three years from 2009-10, from 11.2 per cent of GDP in 2009-10 to 7.4 per cent of GDP in 2012-13. Total Managed Expenditure (TME) is planned to be £10.2 billion lower in 2012-13 than forecast at Budget 2012. The independent Office for Budget Responsibility's (OBR) March 2013 *Economic and fiscal outlook* concluded that the Government remains on course to meet the fiscal mandate (balance in the cyclically-adjusted current budget) by the end of the rolling five-year forecast period. The OBR's judgement is that the Government's policies are consistent with a roughly 70 per cent chance of achieving the fiscal mandate in 2017-18, with their forecasts showing that the fiscal mandate will be met a year early, in 2016-17. The OBR has also forecast that public sector net debt as a percentage of GDP will be falling in 2017-18, two years later than set out in the supplementary debt target. The Government's judgement is that significant changes to the path of consolidation in the short term to meet the debt target would constrain the operation of the automatic stabilisers, limiting their ability to support the economy. At this time of rising debt, the Government remains committed to restoring debt to a sustainable, downward path and will retain the existing supplementary debt target.
The UK will continue to take action on long-term fiscal challenges, including through accelerating the rise in the State Pension Age (SPA) from 65 to 66 and through reforms to public sector pensions.	The UK has committed to bring forward the rise in SPA to 2020 from 2026. This will save around £30 billion between 2016-17 and 2025-26. The Government has announced two major long-term reforms, which together represent a comprehensive new deal for pensioners who want to plan and save for old age: - the single-tier State Pension, as a cost-neutral reform, that will begin in 2016-17; and - social care funding reform, with Budget 2013 announcing that the Government will introduce a £72,000 cap

	on reasonable care costs and extend the means test from April 2016.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
The Bank of England Monetary Policy Committee will increase the size of its asset purchase programme, financed by the issuance of central bank reserves, by tranches of £75 billion and £50 billion to a total of £325 billion.	The Bank of England Monetary Policy Committee announced in July 2012 that the size of its asset purchase programme would be extended by a further £50 billion to £375 billion. The announced programme of purchases was completed in October 2012. The Monetary Policy Committee's latest assessment in its August 2013 Inflation Report was that CPI inflation is expected to remain close to 3% in the near term, but will start to fall back in 2014 and 2015 and will be close to the 2% target by the second half of 2015.
Structural Reforms	
Commitment	**Update on Progress**
1. The UK is implementing a wide range of structural reforms. In particular, the Government will reform national planning policy to ensure land is released where houses are needed and is providing strong new financial incentives for local councils to promote house building. The Plan for Growth, Autumn Statement 2011 and the National Infrastructure Plan 2011 (published alongside the Autumn Statement in November) announced a wide-ranging programme of over 250 economic reforms and investments in infrastructure to help build a stronger and more balanced economy in the medium term.	Supply-side reform is a key part of the UK's economic strategy and the Government is taking decisive action through a comprehensive package of structural reforms to enable the UK to compete in a rapidly changing global economy, to rebalance and strengthen the economy for the future, including through an ambitious programme of infrastructure investment. The National Planning Policy Framework (NPPF) launched in March 2012 to refocus planning to better support growth, including a powerful presumption in favour of sustainable development. In the first full year under the NPPF, there has been increase in planning approvals for new homes of over 20 per cent on the previous 12 months. Further reforms to the planning system have been legislated through the Growth and Infrastructure Act 2013, which received Royal Assent on 25 April 2013. As at March 2013, implementation remains on track with more than half of the Plan for Growth (published in March 2011) and Autumn Statement 2011 (published in November 2011) growth commitments complete. A number of the measures outstanding are ongoing reforms. Further reforms have since been announced at Budget 2012, Autumn Statement 2012, Budget 2013 and the Spending Round 2013. Progress is monitored on an ongoing basis at the centre, by Cabinet Office, HM Treasury and the Department for Business in the UK, and regular updates published alongside Budget and Autumn Statement documents, with the latest implementation update on delivery of key growth reforms published alongside Budget 2013 on 20 March. Further, Ministerial challenge at Cabinet and sub-Committee levels is used to drive delivery.
2. The UK is committed to implementing far reaching reforms to the benefits system including:	Reforms to the welfare system continue to build on the Government's commitment to deliver a progressive tax and welfare system that is affordable, fair and provide the right incentives for people to work.

- Universal Credit is a fundamental reform replacing the majority of working age means tested benefits and tax credits from 2013/14. It will simplify the existing benefit system and improve incentives to work. - From 2013, Disability Living Allowance will be replaced with a new benefit, Personal Independence Payment. Entitlement to Personal Independence Payment will depend upon the outcomes of a new fairer, more accurate and objective assessment. The reform will save £1.5bn p.a. by 2016-17. Total benefit payments will be capped at around the median income for working families from 2013/14 onwards.	Universal Credit has been designed to improve work incentives and ensure it always pays to be in work. It launched in the Greater Manchester and Cheshire area on 29 April 2013, ahead of a progressive roll out in 2013. Introducing Personal Independence Payment for working-age claimants with an independent assessment gateway will ensure that it will remain affordable in the future and is focused on those most in need. It has been introduced for new claimants in five areas on 8 April 2013 and rolled out nationwide since June 2013. Those with a time-limited Disability Living Allowance award will be reassessed from October 2013, with full reassessment beginning in October 2015. The total benefits payment cap will increase the incentive for people on out-of-work benefits to find work, with households where somebody is in work set to be exempt from the benefit cap. The cap has been introduced in four local authorities in London on 15 April 2013, and will be completed nationally by the end of September 2013.

United Kingdom - New Policy Commitments (since Los Cabos)

<table>
<tr><td colspan="2">Fiscal Policy</td></tr>
<tr><td>Medium-term fiscal strategy</td><td>Objective</td></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio:

The United Kingdom (UK) is committed to reducing the deficit and to restoring debt to a sustainable, downward path. In 2010, the Government set out clear, credible and specific medium-term fiscal consolidation plans to return the public finances to a sustainable path. Over the last few years, the Government has taken action to reverse the unprecedented rise in borrowing between 2007-08 and 2009-10, primarily through public spending control, and recently reinforced by Spending Round 2013. The Government has also reprioritised spending from current expenditure to fund additional capital spending to promote growth. The Government's fiscal strategy has been effective in providing protection against a challenging backdrop of global uncertainty and fiscal vulnerabilities. This has restored fiscal credibility, allowing activist monetary policy and the automatic stabilisers to support the economy. Uncertainty in the global outlook further reinforces the case for stability in the Government's consolidation plans. The Government has also taken measures to address long-term policy challenges resulting from an ageing population, as identified in the Office for Budget Responsibility's (OBR) annual Fiscal sustainability report.</td></tr>
<tr><td colspan="2">2. Intermediate objectives:

As announced in the June Budget 2010, the Government's fiscal strategy is underpinned by a forward-looking fiscal mandate to achieve cyclically-adjusted current budget balance by the end of the rolling five-year forecast period (2017-18 at Budget 2013), ensuring that the Government sets plans consistent with a reduction in the structural deficit. The fiscal mandate is based on: a cyclically-adjusted aggregate, to allow some fiscal flexibility at times of economic uncertainty and to allow the automatic stabilisers to operate; a rolling five-year forecast period, to ensure that fiscal consolidation is delivered over a realistic and credible timeframe; and the current balance, to protect the most productive public investment expenditure.

To date, the Government has taken action to get the deficit falling in each year, both in £ billions and as percentage of GDP. According to the OBR's March 2013 Economic and fiscal outlook, this trend is expected to continue over the forecast period. The composition of the UK's fiscal consolidation is spending-focused and it is expected that around 80 per cent of the total consolidation in 2015-16 will be delivered through spending measures.</td></tr>
<tr><td>3. Expenditure and revenue reforms (including estimated impact on relevant fiscal variables):

Spending Review 2010 set firm and fixed departmental budgets for four years from 2011-12 to 2014-15, as well as announcing reforms to Annually Managed Expenditure (AME), including welfare and public service pensions. At Autumn Statement 2012, the Government also confirmed its fiscal assumption that Total Managed Expenditure (TME) in 2015-16, 2016-</td><td>Estimated impact on relevant fiscal variables:

[see left box]</td></tr>
</table>

17 and 2017-18 will continue to fall at the same rate as in the Spending Review 2010 period. Budget 2013 fixed the envelope for TME for 2015-16 and Spending Round 2013 set out detailed departmental spending plans for 2015-16. Budget 2013 announced a significant crackdown on offshore tax evasion, tax avoidance and aggressive tax planning in four key areas: offshore tax evasion; avoidance of employment taxes; tax avoidance schemes; and corporation tax. Collectively, these announcements will raise over £4.6 billion in new revenue over the next five years and protect against the loss of billions of pounds of revenue.	
4. *Reforms to strengthen the fiscal framework:* The Government has introduced substantial reforms to the UK's fiscal framework. At the June Budget 2010, the Office for Budget Responsibility (OBR) was created, introducing independence, greater transparency and credibility to the economic and fiscal forecasts on which the Government's fiscal policy is based. The OBR also assesses the long-term sustainability of the public finances through the production of 50-year projections of growth and fiscal aggregates (spending, revenue, deficit and debt) in their annual Fiscal sustainability report publication. Since 2011, the Government has published the Whole of Government Accounts – the full accruals based accounts covering the whole UK public sector, including information on contingent liabilities in the UK. This represents a significant step forward for transparency. Building on these reforms, at Autumn Statement 2012, the UK Government announced that it is developing a framework for managing liabilities that do not appear in the fiscal aggregates and a control total for the commitments arising from off-balance sheet Private Finance Two (PF2) contracts. Spending Round 2013 announced that the control total will limit payments under all Private Finance Initiative (PFI) and PF2 contracts, funded by central government, in nominal terms in each future Parliament and will be set for the five years from 2015-16 at £70 billion, with performance assessed on an annual basis at Budget. Further, Spending Round 2013 announced that the UK Government will, for the first time, introduce a cap on the country's welfare spending to improve spending control, support fiscal consolidation, and ensure that the welfare system remains affordable. The cap will apply to over £100 billion of welfare spending – a significant proportion of Annually Managed Expenditure (AME) – including all social security and tax credits expenditure, except for the state pension and the most counter-cyclical elements of welfare, such as Jobseeker's Allowance (thereby taking account of the automatic stabilisers). The UK Government will set a nominal cap at Budget 2014, alongside the OBR's fiscal forecast, that will be binding from 2015-16, supporting the delivery of fiscal consolidation during the Spending Round and beyond.	
Other fiscal Commitments	**Objective**
At Autumn Statement 2012, the UK Government announced that permanent savings from current spending in the Spending Review 2010 period, specifically £4 billion from Resource Departmental Expenditure Limits (DEL) and £2.6 billion	To support growth through a reprioritisation, where possible, of savings from current expenditure towards capital spending in order to support growth through £5.5 billion of additional investment in infrastructure and support for businesses in the short term.

from current welfare spending over 2013-14 and 2014-15, will be used to fund £5.5 billion of additional investment in infrastructure and support for businesses in the short term, including investment in roads, housing and local infrastructure, regional growth and business, exports, science, and schools and colleges. This builds on action already taken by the Government at Autumn Statement 2011 to reprioritise current spending towards capital spending.	
Monetary and Exchange Rate Policies	
Commitment	**Objective**
The Bank of England Monetary Policy Committee (MPC) will continue to use the policy rate and the size of its asset purchase programme to achieve price stability. The MPC has provided some explicit guidance regarding the future conduct of monetary policy. The MPC intends at a minimum to maintain the present highly stimulative stance of monetary policy until economic slack has been substantially reduced, provided this does not entail material risks to price stability or financial stability.	To achieve the Bank of England's price stability objective, defined by the Government's 2% target for annual CPI inflation, subject to supporting the Government's economic policy, including its objectives for growth and employment.
In July 2012, the Bank of England and HM Treasury launched the Funding for Lending Scheme (FLS) to incentivise banks and building societies to increase their lending to households and private non-financial corporations. The Bank of England and HM Treasury will extend the FLS to support the supply of credit to the UK economy.	To continue to support the supply of credit to the UK economy, with three main objectives: (i) to give banks and building societies confidence that they will be able to access funding for lending to the UK real economy on reasonable terms until January 2015; (ii) to increase the incentive for banks to lend to small and medium-sized enterprises in 2013 and 2014; and (iii) to include lending by banking groups involving certain non-bank providers of credit.
Structural Reforms	
Commitment	**Objective**
Since 2010, the Government has announced over 250 economic reforms and investments in infrastructure to help build a stronger and more balanced economy in the medium term.	
1. The Government is reforming the UK's tax system to increase the UK's competitiveness: - Corporation tax has been cut from 28% in 2010 to 23%, and will fall to 20% by 2015, reducing the burden on businesses by around £7 billion per year	**Delivering a progressive tax and welfare system that is affordable, fair and encourages growth, alongside ensuring a competitive tax system in the UK**. High levels of corporate taxation reduce the incentives for businesses to invest and create jobs. The UK is undertaking major reforms to the tax system designed to support UK businesses and ensure that the UK is an attractive location for foreign investment. The Government is also undertaking reforms to

by 2016.
- To encourage innovation:
  - a Patent Box has been introduced from April 2013, providing a reduced 10% rate of corporation tax on profits derived from patents; and
  - the support provided by the UK's research and development (R&D) tax credit schemes has been increased, including the introduction of a new 10% 'above the line' credit for large company R&D activity from April 2013.
- To support small business, an Employment Allowance will be introduced from April 2014 to reduce employer National Insurance contributions by up to £2000 per year.
- To support demand, the income tax personal allowance will be increased by £560 to £10,000 in 2014-15, benefiting an estimated 24.5 million individuals. From April 2014, personal allowance increases since 2010-11 will be worth £705 per year in cash terms to a typical basic rate taxpayer.
The Government is ensuring an affordable welfare system, while supporting parents who want to get back into work through:
- a new Tax-Free Childcare Scheme for working families, that will be phased in from autumn 2015, providing 20 per cent of working families' childcare costs, up to £1,200 for each child; and
- an additional £200 million, that will be phased in from April 2016, to increase childcare support provided through Universal Credit.
	welfare spending, building on Universal Credit, to provide support and the right incentives for people to work, including for parents.
	The UK is committed to reform of the international tax rules through the G20/OECD Base Erosion and Profit Shifting project to ensure that these rules continue to support free trade and create a level playing field for all.

2. The UK Government has already increased total investment in infrastructure from £29 billion a year between 2005 and 2010, to £33 billion a year between 2010 and 2012. Capital spending plans are being increased by a further £3 billion per year from 2015-16 funded by a reduction in current spending. This will mean £18 billion additional capital spending over the next Parliament	**Developing the UK's infrastructure to meet the needs of business, through increasing capital spending and using guarantees to deliver infrastructure projects**. Overburdened infrastructure can act as a drag on investment and growth. The World Economic Forum this year ranked the overall quality of the UK's infrastructure at 24th in the world. The Government's support for infrastructure projects will deliver the digital, rail and road networks needed to support a

(2015-2020). The Government announced the UK Guarantees scheme in July 2012 to provide guarantees of up to £40 billion in aggregate for critical UK infrastructure projects that may have stalled because of adverse credit conditions, rather than due to their commercial or economic viability. Projects that have been given guarantees include the Northern Line extension to Battersea and Drax Power Station to convert from coal to renewable biomass. The UK has committed to publicly fund a pipeline of investment projects worth over £100bn over the next parliament, including over £70bn in transport, over £20bn in schools, and over £10bn in science, housing and flood defence.	sustainable, balanced recovery. *Investing in Britain's Future*, published alongside Spending Round 2013, sets out the Government's long-term investment plan, with spending plans continuing to be designed to protect the most productive infrastructure spending, thereby helping to build, repair and renew the UK's key infrastructure. The Government has undertaken a fundamental reassessment of the Private Finance Initiative (PFI) and at Autumn Statement 2012, the Government published full details of a new approach to public private partnerships, Private Finance Two (PF2) – a new, faster and more transparent approach to securing investment in public infrastructure that addresses past weaknesses of the PFI and responds to recent changes in the economic context. The Education Funding Agency has announced that 46 schools will be rebuilt under PF2.
3. To support the housing sector the Government will: - Invest £3.7 billion between 2013-14 and 2015-16 in England through the Help to Buy equity loan scheme, which will help 74,000 buyers of new build homes over the next three years, by offering a loan worth 20% of a new build home, interest free for 5 years and repayable when the home is sold. - Provide up to £12 billion of guarantees across the UK through the Help to Buy mortgage guarantee scheme, which will increase the availability of mortgages for new and existing properties for those with small deposits. This is a temporary scheme that will run for three years from January 2014. - Support the supply of new housing, through expanding the Build to Rent fund from £200 million to £1 billion and doubling the Affordable Homes guarantee programme to support a further 15,000 new affordable homes in England by 2015. - Make available £5.1 billion of investment to support housing in England from 2015-16 to 2017-18, including £3.3 billion of new funding for affordable housing between 2015-16 and 2017-18 and certainty on social	The Government is taking decisive action to revive the housing market, boost construction and support families, developers and institutions to invest in new homes. **Root and branch reform of the planning system and major support for housing, including through the implementation of guarantees.** Excessive planning regulation is burdensome and costly for business, deterring investment in infrastructure and housing. Investment in the housing system will support those who wish to move into home ownership, as well as help tackle long-term problems in the supply of homes.

rents up to 2025-26, providing a framework to support long-term private investment and over 200,000 new affordable homes by 2018-19. - Radically overhaul the way public land is sold, by centralising disposals in a single agency to ensure land is released efficiently, leading to a step-change in the supply of land for development.	

United States — Update on Past Policy Commitments

Fiscal Policy	
Commitment	**Update on Progress**
Identify between $1.2 and $1.5 trillion in additional federal deficit reduction over the period FY2013-22 to go along with the $900 billion in agreed spending reductions included in the Budget Control Act of August 2, 2011.	On January 2, 2013, the American Taxpayer Relief Act was signed into law. That law, among other things, raised $700 billion in revenue from the highest earners over ten years to reduce the deficit. In addition, in November 2011, an additional $1.2 trillion in federal deficit reduction over the period FY2013-22 was required as part of the Budget Control Act, to be applied through an automatic spending sequester scheduled to take effect in January 2013. The President has proposed replacing the automatic sequester in his FY2014 Budget with a balanced medium-term deficit reduction plan that would stabilize and then reduce debt as a share of the economy beginning in 2015 and continuing through the remainder of the Budget window.
Work to prevent a disruptive fiscal deficit reduction in 2013 that could harm the economic recovery.	On January 2, 2013, the American Taxpayer Relief Act (ATRA) was signed into law. That law, among other things, made permanent, for all but the highest income earners, the 2001 and 2003 temporary tax rate reductions. ATRA also extended for 1 year continued funding for unemployment insurance for the long-term unemployed. As a result, ATRA moderated a potentially sharp fiscal contraction in 2013 of around $500 billion into a contraction of less than $100 billion. Fiscal drag on GDP growth from expiration of the payroll tax cut, high income tax rate increases, and the sequester is expected to be between 1 and 1 ½ percent of GDP this year, down from 3 ¼ percent if the full fiscal cliff had not been avoided.
Monetary and Exchange Rate Policy	
Commitment	**Update on Progress**
Structural Reforms	
Commitment	**Update on Progress**
1. Reduce risk in the financial system through improved practices and reduction in short-term financing markets and reduce tri-party repo market reliance on intraday credit from current level of about $1.6 trillion.	Clearing banks have reduced intraday credit exposure in the tri-party repo market by 30 percent, and are on track to eliminate 90 percent of intra-day credit by the end of 2014. Clearing banks also are on schedule to implement key changes in settlement processes in 2013 and 2014. In addition, there are signs of improvement in broker-dealer liquidity risk management practices, including a reduction in their reliance on short-term funding. Further, policymakers continue to advocate for a solution to prevent asset fire sales.
2. Provide borrowers mortgage relief by enabling them to	As a result of changes made expanding participation in the Home Affordable Refinancing Program (HARP),

refinance in the current low interest rate environment. Wind down the retained mortgage portfolios of the Government-Sponsored Enterprises (GSEs). Establish national mortgage servicing standards.	refinancing applications increased by 50 percent over the prior year. As of March 2013, 2.5 million HARP refinances had been completed. In August 2012, the pace at which GSEs are required to reduce their retained mortgage portfolios was increased from 10% to 15% per year. In February 2012, nationwide reforms to servicing standards were enacted that protect borrowers from potential abuses and establish appropriate foreclosure guidelines. In January 2013, the Consumer Financial Protection Bureau issued final rules implementing certain provisions of Dodd-Frank relating to mortgage servicing that enhance protections for borrowers and establish baseline servicing requirements.

United States - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *See separate fiscal strategy.*	
Other fiscal Commitments	**Objective**
Monetary and Exchange Rate Policies	
Commitment	**Objective**
Structural Reforms	
Commitment	**Objective**
1. Improve U.S. infrastructure, both through enhanced public investment and through greater encouragement of private investment in infrastructure assets.	The Administration will continue to seek to advance the President's proposal to deploy $50 billion in immediate infrastructure investment to support critical "fix it first" infrastructure projects that will improve America's roads, bridges, transit systems, border crossings, railways, and runways and help spur State and local innovation in infrastructure development. In addition, the Administration will improve the attractiveness of U.S. infrastructure to private investors by implementing a commitment to substantially reduce infrastructure permitting timelines and prudently administer the recently expanded TIFIA loan program.
2. Improve the strength and resilience of the housing market by implementing reforms to help responsible homeowners refinance, cut red tape and reform the housing finance system to reduce tax-payer risk and ensure widespread access to safe, responsible home financing.	The Administration will build on progress already made to stabilize the U.S. housing market. Steps include helping responsible families save an average of $3,000 a year by refinancing; clarifying the Federal Housing Administration's indemnification rules and reducing overlapping regulations in order to expand access to credit for qualifying families; and expanding the use of "Hardest Hit Funds" for demolition and greening of blighted properties. In addition the Administration will seek to reform the U.S. housing finance system based on four core

	principles: putting private capital first; ending the failed Fannie/Freddie business model and protecting the taxpayers; ensuring broad access to the 30-year fixed rate mortgage in good times and bad; and preserving the opportunity for affordable homeownership for all qualifying borrowers in every community while at the same time ensuring sustainable rental options are widely available.
3. Enhance the growth potential of the U.S. economy and continue to make progress on the recovery of the labor market, in particular for the long-term unemployed, by investing in the training and skills of U.S. workers.	The Administration is working to achieve this objective with existing grant funding, including several programs administered by the Department of Labor. These include the Trade Adjustment Assistance Community College Training grants, including $500 million in funding this year for the development of community college training programs. These grants reward community colleges that have forged strong partnerships with employers that result in work-based learning opportunities for students and are committed to tracking their own performance and sharing the value of their programs with potential students. The Administration will make the final round of these grants in 2014.

Spain — Update on Past Policy Commitments

<table>
<tr><td colspan="2">Fiscal Policy</td></tr>
<tr><td>Commitment</td><td>Update on Progress</td></tr>
<tr><td>Progressive deficit reduction towards budget equilibrium in 2016 Reversion of public debt growing trend in 2014,
Approval of a law to develop and implement the principle of budgetary stability now enshrined in the Constitution after Constitutional reform
Approval of a public expenditure rule limiting public expenditure growth rates to the medium term growth rate as a maximum
Reduction in health expenditure by 1.333 M € in 2012 and 2.667M € in 2013
Reduction in education expenditure by 3.600 M € in 2012 and 3600 M € in 2013
Improvement of transparency in the regions and local entities' budgets.</td><td>The deficit path reduction has been revised by the 2013 stability program, because of cyclical factors. Around two thirds of the structural deficit registered in 2011 will be corrected in 2013, reaching in 2017 the balanced structural deficit for the general government. As a result, the public debt will enter a downward trajectory. The slower pace of consolidation in nominal terms envisaged in the revised program is an adaptation to the new cyclical environment. However, the foreseen structural efforts (measured by the reduction in the structural deficits year by year) are not inferior to those included in the previous update of the Stability Program, being higher in 2014 and 2015.

The Budget Stability Law entered into force on May 1st 2012. It incorporates strict deficit and debt limits and a framework to deal with local and regional governments budgets in a coordinated and more transparent way.

The committed expenditure reductions in health and education for 2012 have been achieved and those for 2013 are on track.</td></tr>
<tr><td colspan="2">Structural Reforms</td></tr>
<tr><td>Commitment</td><td>Update on Progress</td></tr>
<tr><td>1. Measures to remove restrictions to Competition in products and services markets and simplify procedures and regulatory frameworks.</td><td>Trade and services liberalization measures:

Draft Law on Entrepreneurship and Internationalisation: Approved by the Council of Ministers on May 24th. Parliamentary approval expected by the end of 2013.

Principles: promoting entrepreneurship (by reducing the minimum required capital and developing an electronic platform to create a business in one or two days), encouraging business growth and hiring (by implementing tax and Social Security breaks, easing financing and encouraging access to public procurement) and fostering the internationalization of Spanish companies.

The draft Law deepens on the liberalization process implemented by the Law 12/2012 (the replacement of prior authorizations for responsible declarations). It extends its scope, by increasing the threshold of the establishment's surface from 300 m^2 to 500 m^2 and adding a list of new activities.

This project also establishes a red tape reduction including the "one in-one out" rule for administrative burdens, which implies that every new administrative burden that is included in the regulation must be preceded by the</td></tr>
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	removal of an older one. ***Law for the reform of household rental framework:*** **The Law has been approved by the Parliament on 23rd May 2013.** It aims at making rentals more flexible both for the tenant and for the landlord (liberalizing prices and terms of the contracts). It also includes some incentives to foster rental supply. ***Measures to promote efficiency in the energy sector:*** – **Royal Decree Law 2/2013 (February 2013)** establishes that all regulated system costs will take as a reference for their indexation formulae the new CPI at constant taxes, excluding energy and non-processed foodstuff (0.2% in 2012) instead of General CPI (2.9% in 2012) **Draft Law to reduce non-mainland extracosts**: approved by the Government in March 2013, pending of parliamentary approval. The Draft Law aims at increasing the efficiency of power generation and easing the access of new power producers.
2. *Encourage the activity of SMEs and entrepreneurs by improving the business environment and access to financing instruments*	***Access to finance:*** Spanish authorities are implementing a comprehensive strategy aimed at restoring the credit flow to the real economy based on two pillars: restructuring the part of the Spanish financial system which required public capital and fostering non-bank intermediation in order to diversify Spanish firms' funding sources. **In the field of non-bank intermediation a whole set of initiatives are being implemented:** – **The public guarantee system** (based on regional mutual guarantee societies and CERSA, a public counter-guarantee society) has been reinforced. CERSA's capital base was increased in EUR 13m and its budget assignation was improved up to EUR 32m. – **A comprehensive reform of legal and institutional framework of the Spanish venture capital industry** is currently under way. A National Business Incubator System is being designed and two public funds have been launched.

Spain - New Policy Commitments (since Los Cabos)

<table>
<tr><th colspan="2">Fiscal Policy</th></tr>
<tr><th>Medium-term fiscal strategy</th><th>Objective</th></tr>
<tr><td colspan="2">1. Strategy for achieving a sustainable debt-to-GDP ratio: The pillars for our debt sustainability strategy were set in the Organic Law for Sustainability and Budgetary Stability (2012) which defines a new framework for a rigorous budget control of all actors in the public sector and a strict fiscal rule that enforces a balanced structural budget and a limit of general government debt to GDP of 60%. However, the enter into force of this fiscal rule incorporates some exceptions due to cyclical factors and a transitional period to allow for the adjustment, in particular, deficit and debt limits will not be fully binding until 2020.</td></tr>
<tr><td colspan="2">2. Intermediate objectives: There are no specific intermediate objectives, but the need to adjust gradually in order to comply with the limits set by the legislation by 2020.</td></tr>
<tr><td>3. Expenditure and revenue reforms:
Additional levies established in 2012 have been prolonged in 2013, such as those regarding personal income tax, corporate tax and property tax. Also, indirect taxes and environmental excises established in 2012, aiming at fulfilling the shift of the tax burden from labor to consumption, will be operative in 2013.
Some legislative changes are to be made in the VAT regime applicable for SMEs and self-employed, in order to allow for a more a deferral of the financial burden.
Expenditure reforms:
Public service reform that includes measures of general government efficiency, such as a minimum 37.5 hour working week for public employees and the reduction of union leaves, among others.
Reform of local government that involves a significant effort in terms of reorganization of powers between different administrative levels and removal of inefficiencies.

Autonomous Regions are also planning a major effort in reducing expenditure, mainly concentrated in education and health, which account for the major share of CCAA expenses.</td><td>Estimated impact on relevant fiscal variables:
Revenue reforms: these taxation measures will allow an additional income of 17.005 million in 2013, 4.708 million in 2014 and 562 million in 2015, with an increased participation of indirect and environmental taxation.

Public service reform: with an expected impact on all public sector of 3,700 M € in 2013 and additional 1,650 in 2014,

Reform of the local government: impact of the reform is crucial, with expected savings of 6,000 M € in 2013 and 8,000 M € in 2014 to 2015, years in which the greatest impact is concentrated.

Autonomous regions expenditure cuts: this effort accounts for an expenditure reduction of about 2,000 million per year.</td></tr>
<tr><td colspan="2">4. Reforms to strengthen the fiscal framework: the government has presented draft legislation for the creation of an independent authority for fiscal responsibility. This will mean that Spain will have an independent institution with functional autonomy to guarantee the compliance of all Administrations with the principles of budgetary stability and financial sustainability.</td></tr>
</table>

Structural Reforms	
Commitment	**Objective**
1. Promoting Entrepreneurship and Internationalisation of companies, with a focus on SMEs.	**Draft Law on Entrepreneurship and Internationalisation**: Approved by the Council of Ministers on May 24th. Parliamentary approval expected by the end of 2013. **Main goals:** – **Measures to foster entrepreneurship**. Creation of new legal provisions concerning the entrance and exit of SMEs (i.e., the so called entrepreneur of limited liabilities and other measures to ease the starting a business process; and "second chance" facilities for entrepreneurs). – **Fiscal support for entrepreneurs**. Among others: VAT according to cash, not accrual, principles, deduction for profit reinvestment and for R+D expenditure and fiscal incentives for informal entrepreneurship. – **Measures to improve entrepreneurship financing.** More flexible conditions for refinancing agreements in the context of bankruptcies and improvement of facilities for internationalization financing. – **Measures to spur entrepreneurial growth**. Reduction of business administrative burden (elimination of binding municipal licenses and elimination of obstacles for public tender participation). Possibility of setting up limited liability companies with a capital of less than €3,000, electronic processing system for the establishment and implementation of a business in the 3 levels of the public administration – **Measures to foster internationalization**. New visa and residential authorization system to attract international talent and investment; and periodical Spanish internationalization strategies.
2. Limiting indexation in the public sector	**Price moderation is essential to regain competitiveness**. Collective wage bargain is no longer referenced to CPI thanks to the social partner's agreement for 2012-14, and the Public Administration is expected to follow suit. A new law has been drafted to substitute CPI in periodical actualizations for a wider reference that comprises revenues, income, tariffs and prices of Public Administrations. That reference will take into account the 2% inflation target of the ECB. The main goal of the draft law aims at preventing second round effects on price setting mechanisms so that inflation will be closer to the economy´s fundamentals. **Results:** The new law, to be sent by the Government to the Parliament in the coming weeks, is aimed at reducing inflation and regaining competitiveness. A 0.13% GDP

	growth increase in 2014 is expected as a result of higher export growth rates.
3. Ensuring market unity across the Spanish territory	**Draft Law of Guarantee on Market Unity:** **The draft Law has been submitted to public consultation. The Council of Ministers** will send it to Parliament before summer 2013 and parliamentary approval is expected before the end of 2013. It establishes the basic legal framework that will ensure the market unity on economic regulation across regions, based on: the principle of effectiveness of public authorities' acts in the national territory and a cooperation mechanism for a quick resolution of conflicts and removal of barriers that may affect operators. Ensuring domestic unity will boost competition, productivity, investment and competitiveness adding GDP growth of 1.52% in the long run (or an increase in GDP of about 0.15 p.p. per year in the next 10 years). Parallel to the Law, the Government has implemented a Regulatory Rationalization Plan which is a comprehensive review of the existing regulatory framework for economic activity.

Switzerland - New Policy Commitments (since Los Cabos)

Fiscal Policy	
Medium-term fiscal strategy	**Objective**
1. *Strategy for achieving a sustainable debt-to-GDP ratio:* Maintain and expand a rules-based fiscal policy	
2. *Intermediate objectives:* -Balanced cyclically adjusted budget -Reduction of debt-to-GDP ratio -Limiting the development of central government expenditure to nominal GDP growth	
3. *Expenditure and revenue reforms:* Consolidation and evaluation of tasks package 2014 (package of measures to relieve central government spending for the years 2015-2016)	*Estimated impact on relevant fiscal variables:* Reducing central government expenditure by 1%.
4. *Reforms to strengthen the fiscal framework:* Introduction of fiscal rules in further areas of social security, e.g. the old-age pension system (a fiscal rule for the unemployment insurance was introduced in 2003)	
Other fiscal Commitments	**Objective**
Comply with International Public Sector Accounting Standards (IPSAS)	Adjustment of the accounting model due to newly introduced standards; elimination of existing deviations until 2016
Monetary and Exchange Rate Policies	
Commitment	**Objective**
In September 2011, after having reduced policy rates to zero, the SNB introduced an exchange rate floor as an emergency measure to prevent unwarranted tightening of monetary conditions, to avoid a recession and to contain deflation risks. The SNB remains committed to this policy, as inflation and the output gap continue to be negative, and the risk of renewed safe haven inflows significant. Once confidence in global financial markets takes hold and the situation normalizes, the SNB will return to a free float.	To ensure price stability (CPI-inflation between 0 and 2% p.a.) and, in so doing, to take due account of economic developments.
Structural Reforms	
Commitment	**Objective**
1. Continued reduction of federal stamp duties levied on the issuance of securities	To foster investments (also by SMEs) by reducing obstacles to financing and by strengthening the competitiveness of the Swiss capital market in general. To this end, the issue tax on equity capital is to be abolished (the issue tax on debt capital was already eliminated in 2012). This is part of a general overhaul of corporate taxation in Switzerland in the upcoming years.

2. Continued reform of the health care sector	To enhance productivity in this growing sector of the domestic economy by • implementing reforms that exercise pressure on hospitals with departments where certain treatments do not reach an adequate frequency, • implementing a quality strategy for the health care sector which is relying to a considerable extent on the efficient use of ICT. Efficiency and productivity gains should moderate the increase of health insurance per capita premia – and thus reduce transfer payments to households and lower the growing burden for public finances.
3.Continued reform of the agricultural sector	To enhance productivity and international competitiveness of this domestic sector and to improve the efficiency of the use of public finances, by implementing a package of measures in the years 2014-2017, including: • aligning incentive structures e.g. through better linking of payments to farmers to output produced, • improving production structures and productivity e.g. through a better targeting of investment credits, with a view to opening up the sector to international competition.