

# **2008 G20 Washington Compliance Report: Macroeconomics**

Prepared by  
Irena Erema  
15 February 2011

G20 Research Group  
[www.g20.utoronto.ca](http://www.g20.utoronto.ca)  
[g20@utoronto.ca](mailto:g20@utoronto.ca)

## **Contents**

Commitment	2
Background	2
Compliance Scores: Macroeconomics	5
Argentina	6
Australia	6
Brazil	8
Canada	9
China	10
France	12
Germany	13
India	15
Indonesia	16
Italy	17
Japan	18
Korea	19
Mexico	20
Russia	21
Saudi Arabia	22
South Africa	22
Turkey	24
United Kingdom	24
United States	26
European Union	27

## **Commitment: Macroeconomics [4]**

“[As immediate steps to achieve these objectives, as well as to address longer-term challenges, we will:] Use fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability.”

G20 Leaders Declaration

## **Background**

The financial crisis began with the collapse of Lehman Brothers on September 15, 2008.<sup>1</sup> While the reverberating global effects prompted extraordinary G7 and G20 finance ministers meetings, United States president George W. Bush did not call the leaders of group of 20 to the first Leaders 20 Summit until after meeting with French president Nicolas Sarkozy.<sup>2 3</sup> All of the leaders of the systematically significant countries attended the summit with Spain, the Netherlands, and the European Commission President representing the European Union.<sup>4</sup> Other attendees included the President of the World Bank, the United Nations Secretary-General, the Chairman of the Financial Stability Forum, and the Managing director of the International Monetary Fund.<sup>5</sup>

The meeting entitled “Summit of Financial Markets and the World Economy” dealt primarily with financial markets and the global economy.<sup>6</sup> During the course of the summit the leaders reviewed the progress of addressing the financial crisis and also advanced a common understanding of the causes. In order to avoid a similar crisis, they agreed on “a common set of principles for reform of the regulatory and institutional regimes for the world’s financial sectors.”<sup>7</sup>

---

<sup>1</sup> President Obama to Deliver Major Speech on the Financial Crisis, the White House (Washington, DC) 10 September 2009. Date of Access: 21 January 2011.

<http://www.whitehouse.gov/the-press-office/monday-president-obama-deliver-major-speech-financial-crisis>

<sup>2</sup> Plans for the First G20 Leaders Meeting, G20 Information Centre (Toronto) 13 November 2008. Date of Access: 21 January 2011.

<http://www.g20.utoronto.ca/g20leadersbook/guebert.html>

<sup>3</sup> Prospects for the G20 Leaders summit on Financial Markets and the World Economy, G20 Information Centre (Toronto) 5 May 2010. Date of Access: 21 January 2011.

<http://www.g20.utoronto.ca/g20leadersbook/kirton.html>

<sup>4</sup> G20 Leaders summit on Financial Markets and the World Economy: Delegations, G20 Information Centre (Toronto) 21 September 2009. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008delegations1115.html>

<sup>5</sup> Statement by Press Secretary Dana Perino, G20 Information Centre (Toronto) 22 October 2008. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008announcement.html>

<sup>6</sup> Statement by Press Secretary Dana Perino, G20 Information Centre (Toronto) 22 October 2008. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008announcement.html>

<sup>7</sup> Statement by Press Secretary Dana Perino, G20 Information Centre (Toronto) 22 October 2008. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008announcement.html>

The declaration issued at the end of the summit included, among others, the leader's commitment to an open global economy, tasks to be taken by ministers and experts, and actions taken and to be taken.<sup>8</sup> In the declaration's concluding section, the leaders provide an 'Action Plan to Implement Principles for Reform;'<sup>9</sup> the plan includes immediate and medium term actions to implement agreed principles of reform.<sup>10</sup>

### **Commitment Features**

This commitment focuses on the immediate stimulation of domestic demand to create a rapid effect and address longer-term global economic challenges. It emphasizes short term investment, while maintaining a fiscally sustainable policy framework.

For the purposes of this compliance cycle: (1) immediate actions will refer to fiscal stimulating measures intended for immediate consequences on domestic demand, implemented by 31 March 2009;<sup>11</sup> (2) fiscal measures will refer to "the use of government taxing and spending powers to affect the behavior of the economy;"<sup>12</sup> (3) appropriate actions will refer to actions "especially suitable or compatible" given the government's economic and political characteristics;<sup>13</sup> (4) policy framework will refer to the basic conceptual structure of a course of action determining present, and future actions;<sup>14 15</sup> and (5) fiscal sustainability will refer to responsible fiscal spending, avoiding unsustainable structural deficits.<sup>16</sup>

The commitment states that fiscal stimulating measures must rapidly effect domestic demand and at the same time conducting long term fiscal sustainability. Member countries will receive full compliance only if both of these conditions are satisfied.

---

<sup>8</sup> Action Plan to Implement Principles of Reform, G20 Information Centre (Toronto) 5 November 2009. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008declaration1115.html#plan>

<sup>9</sup> Action Plan to Implement Principles of Reform, G20 Information Centre (Toronto) 5 November 2009. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008declaration1115.html#plan>

<sup>10</sup> Action Plan to Implement Principles of Reform, G20 Information Centre (Toronto) 5 November 2009. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008declaration1115.html#plan>

<sup>11</sup> Action Plan to Implement Principles of Reform, G20 Information Centre (Toronto) 5 November 2009. Date Accessed: 21 January 2011.

<http://www.g20.utoronto.ca/2008/2008declaration1115.html#plan>

<sup>12</sup> Fiscal Policy, the Canadian Encyclopedia (Ottawa) N.d. Access Date: 21 January 2011. <http://www.thecanadianencyclopedia.com/index.cfm?PgNm=TCE&Params=a1ARTA0002823>

<sup>13</sup> Appropriate, Merriam-Webster Dictionary (Massachusetts) N.d. Access Date: 21 January 2011. <http://www.merriam-webster.com/dictionary/appropriate>

<sup>14</sup> Policy, Merriam-Webster Dictionary (Massachusetts) N.d. Access Date: 21 January 2011.

<http://www.merriam-webster.com/dictionary/policy>

<sup>15</sup> Framework, Merriam-Webster Dictionary (Massachusetts) N.d. Access Date: 21 January 2011. <http://www.merriam-webster.com/dictionary/framework>

<sup>16</sup> Speech from the Throne: Protecting Canada's Future, Office of the Prime Minister (Ottawa) 19 November 2008. Date Accessed: 21 January 2011.

<http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2312>

Please note that the immediate actions deadline of 31 March 2009 coincides with the ending of the summit compliance cycle at the start of the London Summit on 1 April 2009.<sup>17</sup>

### Scoring Guidelines

-1	The member does not undertake fiscal measures to rapidly stimulate domestic demand AND does not maintain a fiscally sustainable policy framework.
0	The member undertakes fiscal measures to rapidly stimulate domestic demand BUT does not maintain a fiscally sustainable policy framework.
+1	The member undertakes fiscal measures to rapidly stimulate domestic demand AND maintains a fiscally sustainable policy framework.

---

<sup>17</sup> G20 Summits, G20 Information Centre (Toronto) 21 January 2011. Date Accessed: 12 February 2011. <http://www.g20.utoronto.ca/summits/index.html>

## Compliance Scores: Macroeconomics

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina			+1
Australia			+1
Brazil			+1
Canada			+1
China		0	
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy		0	
Japan			+1
Korea			+1
Mexico		0	
Russia		0	
Saudi Arabia			+1
South Africa			+1
Turkey		0	
United Kingdom			+1
United States			+1
European Union			+1
Average Score			0.75

## Argentina: +1

Argentina has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 3 December 2008, Argentina's President Cristina Fernandez de Kirchner announced a USD3.8 billion stimulus package to counter the effects of the global financial crisis by spurring the country's exports and domestic consumption.<sup>18</sup> The package aimed to expand public works programs, double the number of jobs in construction, and reduce export taxes on wheat and corn by five per cent.<sup>19</sup> <sup>20</sup> The plan will also provided "low-cost loans to farmers, automakers and other exporters."<sup>21</sup>

Given the limited impact the financial crisis had on Argentina's budget, no significant medium term consolidation was anticipated or necessary.<sup>22</sup>

Argentina has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## Australia: +1

Australia has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 12 December 2008, the Deputy Prime Minister and Treasurer, Honourable Wayne Swan, announced the implementation of a temporary ten per cent investment allowance to encourage capital investment by Australian business.<sup>23</sup> The implementation of this action would spur investment and simultaneously increase domestic demand.

---

<sup>18</sup> Argentina Announces\$3.8 Billion in Stimulus, New York Times (New York) 5 December 2008. Date Accessed: 21 January 2011.

<http://www.nytimes.com/2008/12/06/business/worldbusiness/06argentina.html>

<sup>19</sup> Argentina Expands Stimulus, New York Times (New York) 15 December 2008. Date of Access: 21 January 2011. <http://www.ft.com/cms/s/0/fe492a0a-cad4-11dd-87d7-000077b07658.html#axzz1Do7L3cZu>

<sup>20</sup> Argentina stimulus plan worth \$4.9-billion unveiled, Globe and Mail (Toronto) 5 December 2008. Date of Access 21 January 2011.

<http://www.theglobeandmail.com/report-on-business/argentina-stimulus-plan-worth-49-billion-unveiled/article67668/>

<sup>21</sup> Argentina Announces\$3.8 Billion in Stimulus, New York Times (New York) 5 December 2008. Date Accessed: 21 January 2011.

<http://www.nytimes.com/2008/12/06/business/worldbusiness/06argentina.html>

<sup>22</sup>World Economic and Financial Surveys: Fiscal Monitor, International Monetary Fund (Washington, DC) November 2010. Date Accessed: 21 January 2011.

<http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf>

<sup>23</sup>Investment Allowance to Boost Business Investment, Deputy Prime Minister and Treasurer (Canberra) 21 December 2008. Date Accessed: 21 January 2011.

<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/141.htm&pageID=003&min=wms&Year=2008&DocType=0>

On 24 January 2009, the Prime Minister Kevin Rudd announced the establishment of the Australian Business Investment Partnership.<sup>24</sup> The temporary program will provide AUD4 billion of liquidity support to help support Australian jobs, and thus increase demand.<sup>25</sup>

On 3 February 2009, the Rudd Government declared its AUD42 billion Nation Building and Jobs plan supporting Australia's long term economic growth.<sup>26</sup> The plan aims to create domestic demand by providing: (1) targeted bonuses to low and middle income households;<sup>27</sup> (2) temporary business investment tax breaks for small businesses;<sup>28</sup> and (3) increase funding for infrastructure.<sup>29</sup>

The Australian government estimated a AUD22.5 billion deficit for the 2008-2009 fiscal year, or the equivalent of 1.9 per cent of Australia's 2008 GDP.<sup>30</sup> The government reaffirmed its pledge to return to balanced budgets after the economy recovers.<sup>31</sup> To return to sound budgeting the government will: (1) hold real spending growth at two per

---

<sup>24</sup>Building Australia's Future – A \$4 Billion Australian Business Investment Partnership to Support Australian Jobs, Deputy Prime Minister and Treasurer (Canberra) 24 January 2009. Date of Access: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/006.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>25</sup>Building Australia's Future – A \$4 Billion Australian Business Investment Partnership to Support Australian Jobs, Deputy Prime Minister and Treasurer (Canberra) 24 January 2009. Date of Access: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/006.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>26</sup>\$42 Billion Nation Building and Jobs Plan, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/009.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>27</sup>\$42 Billion Nation Building and Jobs Plan, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/009.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>28</sup> \$42 Billion Nation Building and Jobs Plan, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/009.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>29</sup> \$42 Billion Nation Building and Jobs Plan, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/009.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>30</sup> Macroeconomic and Fiscal Outlook, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/010.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>31</sup> Macroeconomic and Fiscal Outlook, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011.  
<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/010.htm&pageID=003&min=wms&Year=2009&DocType=0>



cent per year;<sup>32</sup> and (2) “banking any increase in tax receipts associated with the economic recovery.”<sup>33</sup>

Australia has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **Brazil: +1**

Brazil has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 11 December 2008, Brazil’s Deputy Minister of Finance, Nelson Barbosa was quoted in the Economist stating that the government’s priority is expansionary growth acceleration, and the preservation of its fiscal surplus.<sup>34</sup> As a result Brazil’s fiscal plans to increase domestic demand have been primarily tax reductions: (1) taxes on financial transactions were cut from three to 1.5 per cent,<sup>35</sup> and (2) “personal income tax rates were lowered to favour earning up to USD875 per month.”<sup>36</sup> These fiscal measures amount to 0.5 per cent of Brazil’s GDP.<sup>37</sup>

Given the limited impact the financial crisis has had on Brazil’s budget, no significant medium term consolidation is anticipated or necessary.<sup>38</sup>

Brazil has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

---

<sup>32</sup> Macroeconomic and Fiscal Outlook, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date Accessed: 21 January 2011. <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/010.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>33</sup> Macroeconomic and Fiscal Outlook, Deputy Prime Minister and Treasurer (Canberra) 3 February 2009. Date of Access: 21 January 2011. <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/010.htm&pageID=003&min=wms&Year=2009&DocType=0>

<sup>34</sup> Lula’s Last Lap, The Economist (London) 8 January 2009. Date of Access: 21 January 2011. <http://www.economist.com/node/12891019>

<sup>35</sup> The Limits to Fiscal Stimulus in Latin American and the Caribbean, Brookings (Washington, DC) 20 March 2009. Date of Access: 21 January 2011. [http://www.brookings.edu/articles/2009/0323\\_latin\\_america\\_cardenas.aspx](http://www.brookings.edu/articles/2009/0323_latin_america_cardenas.aspx)

<sup>36</sup> The Limits to Fiscal Stimulus in Latin American and the Caribbean, Brookings (Washington, DC) 20 March 2009. Date of Access: 21 January 2011. [http://www.brookings.edu/articles/2009/0323\\_latin\\_america\\_cardenas.aspx](http://www.brookings.edu/articles/2009/0323_latin_america_cardenas.aspx)

<sup>37</sup> The Limits to Fiscal Stimulus in Latin American and the Caribbean, Brookings (Washington, DC) 20 March 2009. Date of Access: 21 January 2011. [http://www.brookings.edu/articles/2009/0323\\_latin\\_america\\_cardenas.aspx](http://www.brookings.edu/articles/2009/0323_latin_america_cardenas.aspx)

<sup>38</sup> World Economic and Financial Surveys: Fiscal Monitor, International Monetary Fund (Washington, DC) November 2010. Date of Access: 21 January 2011. <http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf>

## Canada: +1

Canada has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 20 November 2008, Prime Minister Harper announced his support for small business by: (1) “raising the small business tax threshold;”<sup>39</sup> (2) “indexing the Lifetime Capital Gains Exemption to Inflation;”<sup>40</sup> and (3) “establishing a new venture capital fund for entrepreneurs.”<sup>41</sup> These actions would increase domestic business investment and hence increase domestic demand.

On 26 January 2009, Canada’s Governor General, Michaëlle Jean, delivered the Speech from the Throne.<sup>42</sup> She expressed the Government’s proposed action against the global financial crisis.<sup>43</sup> Among other actions the Canadian federal government would: (1) stimulate the economy through government action and private expenditure,<sup>44</sup> (2) invest in infrastructure,<sup>45</sup> and (3) economically protect families and communities.<sup>46</sup> The preliminary stimulus actions would inject immediate funds into the economy and promote long-term growth while avoiding permanent deficits.<sup>47</sup>

On 27 January 2009, the Harper Government presented its 2009 budget titled ‘Canada’s Economic Action Plan.’<sup>48</sup> The Government’s actions in the budget aimed to “fulfill Canada’s commitments at the recent G20 leaders’ summit to provide timely stimulus to domestic demand, while maintaining long-run fiscal stability.”<sup>49</sup> The Economic Action Plan provides CAD30 billion of government expenditure to: (1) strengthen the Canadian

---

<sup>39</sup> Strong leadership to protect Canada’s future, Office of the Prime Minister (Ottawa) 20 November 2008. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2314>

<sup>40</sup> Strong leadership to protect Canada’s future, Office of the Prime Minister (Ottawa) 20 November 2008. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2314>

<sup>41</sup> Strong leadership to protect Canada’s future, Office of the Prime Minister (Ottawa) 20 November 2008. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2314>

<sup>42</sup> An economic action plan for Canada, Office of the Prime Minister (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2401>

<sup>43</sup> An economic action plan for Canada, Office of the Prime Minister (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2401>

<sup>44</sup> An economic action plan for Canada, Office of the Prime Minister (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2401>

<sup>45</sup> An economic action plan for Canada, Office of the Prime Minister (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2401>

<sup>46</sup> An economic action plan for Canada, Office of the Prime Minister (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2401>

<sup>47</sup> Speech from the Throne 2009, Government of Canada (Ottawa) 26 January 2009. Date of Access: 21 January 2011. <http://www.sft.gc.ca/eng/media.asp?id=1384>

<sup>48</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>49</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

financial system;<sup>50</sup> (2) “help Canadians and stimulate spending;”<sup>51</sup> (3) stimulate housing construction,<sup>52</sup> and (4) build infrastructure.<sup>53</sup>

Included in the actions to “help Canadians and stimulate spending,” the Harper Government provides CAD8.3 billion for Canadian Skills and Transition Strategy to help Canadians who have lost their jobs.<sup>54</sup> Additionally, the plan further stimulates demand by providing CAD20 billion of personal income tax relief.<sup>55</sup>

On 28 January 2009, Prime Minister’s Office announced the implementation of the Home Renovation Tax credit proposed in Canada’s Economic Action Plan.<sup>56</sup> The tax credit aimed to increase domestic construction demand by providing CAD1.35 thousand.<sup>57</sup>

On 29 January 2009, Prime Minister Stephen Harper pronounced his CAD12 billion investment in infrastructure.<sup>58</sup> The improved infrastructure aims to increase investment and stimulate demand.

The Government’s Economic Action Plan is temporary, and will be phased out once the economy recovers, thus avoiding long-term structural deficits.<sup>59</sup>

Canada has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **China: 0**

China has partially complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

---

<sup>50</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>51</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>52</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>53</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>54</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>55</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

<sup>56</sup> Harper Government’s new Home Renovation Tax Credit to take effect today, Office of the Prime Minister (Ottawa) 28 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2403>

<sup>57</sup> Harper Government’s new Home Renovation Tax Credit to take effect today, Office of the Prime Minister (Ottawa) 28 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2403>

<sup>58</sup> PM highlights building investments that will create jobs, Office of the Prime Minister (Ottawa) 29 January 2009. Date of Access: 21 January 2011. <http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=2407>

<sup>59</sup> Canada’s Economic Action Plan Budget 2009, Department of Finance (Ottawa) 27 January 2009. Date of Access: 21 January 2011. <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>

On 10 November 2008, China's State Council announced a USD586 billion stimulus package.<sup>60</sup> The spending initiative would unfold over two years and inject funds into ten important sectors.<sup>61</sup> While the stimulus plan was initiated prior to the G20 Leaders Summit in Washington, at that time of its proposals few details of the spending were provided;<sup>62</sup> the official declaration and implementation of the plan occurred after the summit's close.<sup>63</sup>

On 6 March 2009, the National Development and Reform Commission, (NDRC) provided a revised stimulus package of that first announced in November 2008.<sup>64</sup> NDRC chief Zhang Ping stated that while the total stimulus amount remained unchanged, funds had been reallocated with greater emphasis provided to rural public works and social welfare projects.<sup>65</sup>

The largest portions of the stimulus package are allocated to: (1) public infrastructure development receiving CNY1.5 trillion;<sup>66</sup> (2) reconstruction in devastated regions receiving CNY1 trillion;<sup>67</sup> and (3) rural development and technology advancement receiving CNY370 billion.<sup>68</sup> The aforementioned funding aims to increase domestic demand and business investment.

On November 2010, the International Monetary Fund published its Fiscal Monitor report, stating that China has not published any medium-term fiscal consolidation targets.<sup>69</sup>

---

<sup>60</sup> China Seeks Stimulation, The Economist (London) 10 November 2008. Date of Access: 21 January 2011. [http://www.economist.com/node/12585407?story\\_id=12585407&source=features\\_box2](http://www.economist.com/node/12585407?story_id=12585407&source=features_box2)

<sup>61</sup> China Seeks Stimulation, The Economist (London) 10 November 2008. Date of Access: 21 January 2011. [http://www.economist.com/node/12585407?story\\_id=12585407&source=features\\_box2](http://www.economist.com/node/12585407?story_id=12585407&source=features_box2)

<sup>62</sup> China Seeks Stimulation, The Economist (London) 10 November 2008. Date of Access: 21 January 2011. [http://www.economist.com/node/12585407?story\\_id=12585407&source=features\\_box2](http://www.economist.com/node/12585407?story_id=12585407&source=features_box2)

<sup>63</sup> China Seeks Stimulation, The Economist (London) 10 November 2008. Date of Access: 21 January 2011. [http://www.economist.com/node/12585407?story\\_id=12585407&source=features\\_box2](http://www.economist.com/node/12585407?story_id=12585407&source=features_box2)

<sup>64</sup> China's Stimulus Package: A Breakdown of Spending, Economic Observer (Beijing) 7 March 2009: Date of Access: 21 January 2011. [http://www.eeo.com.cn/ens/finance\\_investment/2009/03/07/131626.shtml](http://www.eeo.com.cn/ens/finance_investment/2009/03/07/131626.shtml)

<sup>65</sup> China's Stimulus Package: A Breakdown of Spending, Economic Observer (Beijing) 7 March 2009: Date of Access: 21 January 2011. [http://www.eeo.com.cn/ens/finance\\_investment/2009/03/07/131626.shtml](http://www.eeo.com.cn/ens/finance_investment/2009/03/07/131626.shtml)

<sup>66</sup> China's Stimulus Package: A Breakdown of Spending, Economic Observer (Beijing) 7 March 2009: Date of Access: 21 January 2011. [http://www.eeo.com.cn/ens/finance\\_investment/2009/03/07/131626.shtml](http://www.eeo.com.cn/ens/finance_investment/2009/03/07/131626.shtml)

<sup>67</sup> China's Stimulus Package: A Breakdown of Spending, Economic Observer (Beijing) 7 March 2009: Date of Access: 21 January 2011. [http://www.eeo.com.cn/ens/finance\\_investment/2009/03/07/131626.shtml](http://www.eeo.com.cn/ens/finance_investment/2009/03/07/131626.shtml)

<sup>68</sup> China's Stimulus Package: A Breakdown of Spending, Economic Observer (Beijing) 7 March 2009: Date of Access: 21 January 2011. [http://www.eeo.com.cn/ens/finance\\_investment/2009/03/07/131626.shtml](http://www.eeo.com.cn/ens/finance_investment/2009/03/07/131626.shtml)

<sup>69</sup> World Economic and Financial Surveys: Fiscal Monitor, International Monetary Fund (Washington, DC) November 2010. Date of Access: 21 January 2011. <http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf>

While this report is outside the summit cycle, it confirms the lack of published information on Chinese fiscal consolidation following the stimulus package.<sup>70</sup>

While China has undertaken stimulating fiscal measures, within the summit cycle it has not adopted a policy framework for fiscal sustainability, thus it is awarded a score of 0.

## **France: +1**

France has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 4 December 2008, President Nicolas Sarkozy announced his recovery plan in his speech at Douai.<sup>71</sup> The drafted plan will be presented to Parliament in early January and will include housing and additional state investment measures.<sup>72</sup>

On 19 December 2008, French Finance Minister Christine Lagarde stated that the economic support plan would stimulate demand by stimulating private and public investment instead of consumption, since tax cuts have a higher propensity of being saved.<sup>73</sup>

On 2 February 2009, Prime Minister Francois Fillon met the Interministerial Committee for Development and Competitiveness in Lyon and presented the stimulus package proposed by the President on 4 December 2008.<sup>74</sup> The plan to revive the economy was presented to Parliament by Patrick Devedjian and Eric Woerth, and was passed on 30 January 2009.<sup>75</sup>

---

<sup>70</sup> World Economic and Financial Surveys: Fiscal Monitor, International Monetary Fund (Washington, DC) November 2010. Date of Access: 21 January 2011.

<http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf>

<sup>71</sup> Le Premier ministre à réuni un séminaire gouvernemental consacré à la mise en œuvre du Plan de relance, Portail du Gouvernement (Paris) 5 Décembre 2008. Date of Access: 21 January 2011. <http://www.gouvernement.fr/presse/le-premier-ministre-a-reuni-un-seminaire-gouvernemental-consacre-a-la-mise-en-oeuvre-du-plan>

<sup>72</sup> Le Premier ministre à réuni un séminaire gouvernemental consacré à la mise en œuvre du Plan de relance, Portail du Gouvernement (Paris) 5 Décembre 2008. Date of Access: 21 January 2011. <http://www.gouvernement.fr/presse/le-premier-ministre-a-reuni-un-seminaire-gouvernemental-consacre-a-la-mise-en-oeuvre-du-plan>

<sup>73</sup> French plan second stimulus package, Financial Times (London) 19 December 2009. Date of Access: 21 January 2011. <http://www.ft.com/cms/s/0/b5ee3216-cdb6-11dd-8b30-000077b07658.html#axzz1Do7L3cZu>

<sup>74</sup> Le Premier ministre a réuni le Comité Interministériel d'Aménagement et de Compétitivité des territoires consacré au plan de relance de l'économie, Portail du Gouvernement (Paris) 2 February 2009. Date of Access: 21 January 2011. <http://www.gouvernement.fr/presse/le-premier-ministre-a-reuni-le-comite-interministeriel-d-amenagement-et-de-competitivite-des->

<sup>75</sup> Plan de relance adopté par le Parlement, Ministère de la Relance (Paris) 20 January 2009. Date of access 21 January 2011. <http://www.relance.gouv.fr/Plan-de-relance-adopte-par-le.html>

The package consists of over EUR26 billion, and prioritizes spending for stimulation of economic activity and employment.<sup>76</sup> The plan to revive the economy contains bills to accelerate investment and construction programs as well as a supplementary budget to further stimulate domestic demand.<sup>77</sup>

On 8 February 2009, the French Prime Minister demanded the abolition of business taxes on productive investments.<sup>78</sup> The removal of the business would correspond to EUR11.4 billion in savings.<sup>79</sup>

On 29 March 2009, the European Commission proposed deadlines for correction of budget deficits for member countries already above the three per cent threshold in 2008. France being among the respective countries was proposed to solve its macroeconomic imbalances and financial conditions by 2012. This deadline imposes a primitive policy framework for fiscal sustainability.

France has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **Germany: +1**

Germany has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 8 January 2009, the German Chancellor Angela Merkel introduced a second investment package of EUR50 billion to complement the initial package EUR30 billion package adopted in November.<sup>80</sup> Whereas the first recovery package focused on branch-specific measures, the second recovery package embraces systematic solutions stipulated in five measures<sup>81</sup>: (1) promoting investments to modernize the country;<sup>82</sup> (2) tax cuts;<sup>83</sup>

---

<sup>76</sup> Le Premier ministre a réuni le Comité Interministériel d'Aménagement et de Compétitivité des territoires consacré au plan de relance de l'économie, Portail du Gouvernement (Paris) 2 February 2009. Date of Access : 21 January 2011. <http://www.gouvernement.fr/presse/le-premier-ministre-a-reuni-le-comite-interministeriel-d-amenagement-et-de-competitivite-des->

<sup>77</sup> Plan de relance adopté par le Parlement, Ministère de la Relance (Paris) 20 January 2009. Date of access 21 January 2011. <http://www.relance.gouv.fr/Plan-de-relance-adopte-par-le.html>

<sup>78</sup> Communiqué du Premier ministre sur la suppression de la taxe professionnelle, Portail du Gouvernement (Paris) 8 February 2009. Date of Access : 21 January 2011. <http://www.gouvernement.fr/presse/communique-du-premier-ministre-sur-la-suppression-de-la-taxe-professionnelle>

<sup>79</sup> Communiqué du Premier ministre sur la suppression de la taxe professionnelle, Portail du Gouvernement (Paris) 8 February 2009. Date of Access : 21 January 2011. <http://www.gouvernement.fr/presse/communique-du-premier-ministre-sur-la-suppression-de-la-taxe-professionnelle>

<sup>80</sup> Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket_en.html)

<sup>81</sup> "New World, New capitalism," Die Bundesregierung (Berlin) 8 January 2009. Date of Access: 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-07-kolloquium-maerkte-finanzen-paris\\_en.htm](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-07-kolloquium-maerkte-finanzen-paris_en.htm)

(3) promoting the automobile industry;<sup>84</sup> (4) adopt a labour market policy to prevent job losses;<sup>85</sup> and (5) create a constitutional break on government borrowing.<sup>86</sup>

On 13 February 2009, Federal Finance Minister Peer Steinbrück explained that the government's goal remains to reduce the country's debt as soon as the economy recovers.<sup>87</sup> The brake on borrowing included in the second recovery package will place a ceiling on federal government borrowing such that it may not exceed 0.35 per cent of the GDP – natural or economic exceptions are exempt.<sup>88</sup> The inclusion of the constitutional break on borrowing fulfills the need for a fiscally consolidating policy framework stipulated by the commitment.

On 2 March 2009, as implementation of the recovery packages, Chancellor Angela Merkel declared heavy investments in information and communication technologies.<sup>89</sup> The Chancellor aims to have nationwide broadband access by 2010.<sup>90</sup>

Germany has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1

---

<sup>82</sup>Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>83</sup> Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>84</sup>Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>85</sup> Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>86</sup> Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>87</sup> Germany Bundestag approves second recovery package, Die Bundesregierung (Berlin) 13 February 2009. Date of Access 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/01/2009-01-13-zweites-konjunkturpaket__en.html)

<sup>88</sup> Europe Helps draft a new global financial architecture, Die Bundesregierung (Berlin) 22 February 2009. Date of Access: 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/02/2009-02-22-g20-eu-vorbereitungsgipfel\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/02/2009-02-22-g20-eu-vorbereitungsgipfel__en.html)

<sup>89</sup> CeBIT: Germany puts its money on broadband, Die Bundesregierung (Berlin) 2 March 2009. Date of Access: 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/03/2009-03-02-bk-cebit-eroeffnung\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/03/2009-03-02-bk-cebit-eroeffnung__en.html)

<sup>90</sup> CeBIT: Germany puts its money on broadband, Die Bundesregierung (Berlin) 2 March 2009. Date of Access: 22 January 2011. [http://www.bundesregierung.de/nn\\_919412/Content/EN/Artikel/2009/03/2009-03-02-bk-cebit-eroeffnung\\_\\_en.html](http://www.bundesregierung.de/nn_919412/Content/EN/Artikel/2009/03/2009-03-02-bk-cebit-eroeffnung__en.html)

## India: +1

India has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 7 December 2008, the Government of India passed the first stimulus package. This initial package consists of INR20,000 crore.<sup>91</sup> The stimulus will support exports, infrastructure financing, and textiles production.<sup>92</sup> The monetary funds are meant to re-assure people of the stability of the Indian economy and the financial system, thus aiming to increase domestic demand.<sup>93</sup>

On 2 January 2009, the Government of India passed its second stimulus package. The second package includes further liquidity thus aiming to increase spending and investment.<sup>94</sup> The package aims to: (1) remove all-in-cost ceilings on borrowing;<sup>95</sup> (2) facilitate access to housing sector funds;<sup>96</sup> and (3) facilitate borrowing for small, medium and micro enterprises.<sup>97</sup>

On 24 February 2009, the Government of India passed its third stimulus package, which further pursued an increase in domestic demand.<sup>98</sup> The package focused on tax reduction including: (1) reduction of sales tax from 12 to ten per cent;<sup>99</sup> (2) reduction of central

---

<sup>91</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>92</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>93</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>94</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>95</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>96</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>97</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>98</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>99</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)



excise tax from ten to eight per cent;<sup>100</sup> (3) reduction of excise duty on cement from eight to two per cent.<sup>101</sup>

During the duration of the crisis, the Government of India allowed the state to deviate from its fiscal consolidation targets of 0.5 per cent.<sup>102</sup> However, once the crisis is finished the state is expected to return to the three year rolling target for prescribed fiscal indicators as outlined in the Fiscal Responsibility and Budget Management Bill of 2001.<sup>103</sup>

India has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **Indonesia: +1**

Indonesia has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 6 January 2009, President Susilo Bambang Yudhoyono stated that the government had allocated USD4.9 billion to tackle the domestic consequences of the financial crisis.<sup>104</sup> The President added that this figure will increase with additional funds coming from the higher than expected 2008 government revenue.<sup>105</sup>

On 27 January 2009, Finance Minister Sri Mulyani Indrawati proposed a USD6.32 billion economic stimulus package to Parliament.<sup>106</sup> The Finance Minister stated that the package would aim to sustain consumer spending, strengthen business, and develop labour intensive infrastructure projects.<sup>107</sup>

---

<sup>100</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>101</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>102</sup> Different Economic Stimulus Packages for Easing Difficulties of Micro, Small and Medium Sector Enterprises, Government of Rajasthan (New Delhi) 26 February 2009. Date of Access: 22 January 2011. [http://rajind.rajasthan.gov.in/Stimulus\\_Packages.pdf](http://rajind.rajasthan.gov.in/Stimulus_Packages.pdf)

<sup>103</sup> The Fiscal Responsibility and Budget Management Bill, Department of Finance (New Delhi) 2001. Date of Access: 22 January 2011. <http://indiabudget.nic.in/es2000-01/chap26.pdf>

<sup>104</sup> Government to spend RP50T to stimulate growth, Republic of Indonesia (Jakarta) 6 January 2009. Date of Access: 22 January 2011. [http://www.indonesia.go.id/en/index.php?option=com\\_content&task=view&id=7747&Itemid=701](http://www.indonesia.go.id/en/index.php?option=com_content&task=view&id=7747&Itemid=701)

<sup>105</sup> Government to spend RP50T to stimulate growth, Republic of Indonesia (Jakarta) 6 January 2009. Date of Access: 22 January 2011. [http://www.indonesia.go.id/en/index.php?option=com\\_content&task=view&id=7747&Itemid=701](http://www.indonesia.go.id/en/index.php?option=com_content&task=view&id=7747&Itemid=701)

<sup>106</sup> Indonesia fin min proposes \$6.3 bln stimulus package, Reuters (London) 28 January 2009. Date of Access: 22 January 2011. <http://in.reuters.com/article/2009/01/28/indonesia-economy-stimulus-idINJAK26619920090128>

<sup>107</sup> Indonesia fin min proposes \$6.3 bln stimulus package, Reuters (London) 28 January 2009. Date of Access: 22 January 2011. <http://in.reuters.com/article/2009/01/28/indonesia-economy-stimulus-idINJAK26619920090128>

On 4 February 2009, the Government of Indonesia will provide tax incentives to five domestically important industries.<sup>108</sup> Deputy for Industry and Trade of Ministry Coordinating Economic Affairs, Edy Putra Irawady stated that “textiles, shoes, electronics, ships industry, and trains sectors,” would all be eligible for income incentives provided in the new economic stimulus package.<sup>109</sup>

Given the limited impact the financial crisis has had on Indonesia’s budget, no significant medium term consolidation is anticipated or necessary.<sup>110</sup>

Indonesia has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## Italy: 0

Italy has partially complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 28 November 2008, Italian Economy Minister Giulio Tremonti unveiled an economic stimulus package of EUR80 billion.<sup>111</sup> For consumers the package includes: (1) a EUR2.4 billion tax cut for poor families and pensioners;<sup>112</sup> (2) a delay in the payment of VAT;<sup>113</sup> (3) “a reduction in advance tax payments and speedier reimbursements of excess tax payments;”<sup>114</sup> (4) a freeze on road tolls for six months;<sup>115</sup> and (5) a reduction on regulated

---

<sup>108</sup> 5 Industries have a chance to get incentive on income tax, Republic of Indonesia (Jakarta) 4 February 2009. Date of Access: 22 January 2011. [http://www.indonesia.go.id/en/index.php?option=com\\_content&task=view&id=7787&Itemid=701](http://www.indonesia.go.id/en/index.php?option=com_content&task=view&id=7787&Itemid=701)

<sup>109</sup> 5 Industries have a chance to get incentive on income tax, Republic of Indonesia (Jakarta) 4 February 2009. Date of Access: 22 January 2011. [http://www.indonesia.go.id/en/index.php?option=com\\_content&task=view&id=7787&Itemid=701](http://www.indonesia.go.id/en/index.php?option=com_content&task=view&id=7787&Itemid=701)

<sup>110</sup> World Economic and Financial Surveys: Fiscal Monitor, International Monetary Fund (Washington, DC) November 2010. Date of Access: 21 January 2011. <http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf>

<sup>111</sup> Italy’s economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

<sup>112</sup> Italy’s economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

<sup>113</sup> Italy’s economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

<sup>114</sup> Italy’s economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

<sup>115</sup> Italy’s economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

prices of gas and electricity.<sup>116</sup> This stimulus plan was never enacted due to abundant criticism that it was recycling funds already allocated.<sup>117</sup>

On 11 December 2008, Italian Prime Minister Silvio Berlusconi stated that he was too constrained by the large public debt, and the risk of default to provide substantial stimulus to counter the global financial crisis.<sup>118</sup> In 2008, Italy's public debt was the world's third biggest, equivalent to 104 per cent of Italy's GDP.<sup>119</sup>

On 22 February 2009, the Economist reported that despite Italy's large public debt the Italian government did approve of a EUR5 billion fiscal stimulus package.<sup>120</sup> The package provides income relief to poor households, and improves Italy's weak unemployment benefit system.<sup>121</sup> Half of the stimulus package is aimed at encouraging consumers to purchase durable goods.<sup>122</sup>

Given Italy's high public debt, the modest stimulus package is all that is appropriate. Although the modest package adequately fulfills the commitment's initial specification, no fiscal consolidation policy framework was identified.

Italy has undertaken stimulating fiscal measures, within the summit cycle it has not adopted a policy framework for fiscal sustainability, thus it is awarded a score of 0.

## **Japan: +1**

Japan has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 12 December 2008, the Ministry of Economy, Trade and Industry (METI) approved tax revisions.<sup>123</sup> The revisions would support small and medium sized enterprises with

---

<sup>116</sup> Italy's economic stimulus package, Reuters (London) 28 November 2008. Date of Access: 22 January 2011. <http://www.reuters.com/article/2008/11/28/financial-italy-idUSLS70193820081128>

<sup>117</sup> Rome's EUR8 billion package attacked, Financial Times (London) 18 November 2008. Date of Access: 22 January 2011. <http://www.ft.com/cms/s/0/f29ded0e-b511-11dd-b780-0000779fd18c.html#axzz1DsckrPGW>

<sup>118</sup> Italy's Public debt, The Economist (London) 11 December 2008. Date of Access: 23 January 2011. <http://www.economist.com/node/12780815>

<sup>119</sup> Italy's Public debt, The Economist (London) 11 December 2008. Date of Access: 23 January 2011. <http://www.economist.com/node/12780815>

<sup>120</sup> Italy's debt burden, The Economist (London) 11 February 2009. Date of Access: 23 January 2011. <http://www.economist.com/node/13096792>

<sup>121</sup> Italy's debt burden, The Economist (London) 11 February 2009. Date of Access: 23 January 2011. <http://www.economist.com/node/13096792>

<sup>122</sup> Italy spurs new car sales, CNN (Atlanta) 6 February 2009. Date of Access: 23 January 2011. <http://edition.cnn.com/2009/BUSINESS/02/06/italy.stimulus/index.html>

<sup>123</sup> FY 2009 Tax Revision Concerning the Ministry of Economy, Trade and Industry, Ministry of Economy, Trade and Industry (Tokyo) 12 December 2008. Date of Access: [http://www.meti.go.jp/english/press/data/nBackIssue20081212\\_03.html](http://www.meti.go.jp/english/press/data/nBackIssue20081212_03.html)

reduced tax rates for a temporary period of time.<sup>124</sup> Additionally, the revisions would help achieve autonomous growth driven by domestic demand.<sup>125</sup>

On 24 December 2008, the METI publishes a draft of the 2009 economic budget.<sup>126</sup> The budget includes a two supplementary budgets of JPY427 billion and JPY518.4 billion respectively.<sup>127</sup> The two supplementary budgets are entitled “Comprehensive Immediate Policy Package to Ease Public Anxiety” and “Measures to Support People’s Daily lives.”<sup>128</sup>

A target for fiscal consolidation was set on 24 December 2008.<sup>129</sup> The Japanese government aims to achieve a surplus “in the primary balance of the central and local government combined by fiscal year 2011,”<sup>130</sup> this would decrease the debt-to-GDP ratio in a stable manner by the mid-2010s.<sup>131</sup>

Japan has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **Korea: +1**

Korea has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 21 November 2008, the Republic of Korea published in its monthly economic bulletin that its government would adopt expansionary fiscal policies to counter the economic crisis.<sup>132</sup> The fiscal stimulus package would amount to KRW14 trillion including: (1)

---

<sup>124</sup>FY 2009 Tax Revision Concerning the Ministry of Economy, Trade and Industry, Ministry of Economy, Trade and Industry (Tokyo) 12 December 2008. Date of Access: [http://www.meti.go.jp/english/press/data/nBackIssue20081212\\_03.html](http://www.meti.go.jp/english/press/data/nBackIssue20081212_03.html)

<sup>125</sup> FY 2009 Tax Revision Concerning the Ministry of Economy, Trade and Industry, Ministry of Economy, Trade and Industry (Tokyo) 12 December 2008. Date of Access: [http://www.meti.go.jp/english/press/data/nBackIssue20081212\\_03.html](http://www.meti.go.jp/english/press/data/nBackIssue20081212_03.html)

<sup>126</sup> Outline of METI’s draft budget for FY2009, Ministry of Economy, Trade and Industry (Tokyo) December 2008. Date of Access: 23 January 2011. [http://www.meti.go.jp/english/press/data/pdf/081224\\_Budget.pdf](http://www.meti.go.jp/english/press/data/pdf/081224_Budget.pdf)

<sup>127</sup> Outline of METI’s draft budget for FY2009, Ministry of Economy, Trade and Industry (Tokyo) December 2008. Date of Access: 23 January 2011. [http://www.meti.go.jp/english/press/data/pdf/081224\\_Budget.pdf](http://www.meti.go.jp/english/press/data/pdf/081224_Budget.pdf)

<sup>128</sup> Outline of METI’s draft budget for FY2009, Ministry of Economy, Trade and Industry (Tokyo) December 2008. Date of Access: 23 January 2011. [http://www.meti.go.jp/english/press/data/pdf/081224\\_Budget.pdf](http://www.meti.go.jp/english/press/data/pdf/081224_Budget.pdf)

<sup>129</sup> Second Supplementary Budget for FY2009, Ministry of Finance (Tokyo) December 2008. Date of Access: 23 January 2011. <http://www.mof.go.jp/english/budget/09sb02b.pdf>

<sup>130</sup> Second Supplementary Budget for FY2009, Ministry of Finance (Tokyo) December 2008. Date of Access: 23 January 2011. <http://www.mof.go.jp/english/budget/09sb02b.pdf>

<sup>131</sup> Second Supplementary Budget for FY2009, Ministry of Finance (Tokyo) December 2008. Date of Access: 23 January 2011. <http://www.mof.go.jp/english/budget/09sb02b.pdf>

<sup>132</sup> Republic of Korea Economic Bulletin Nov 2008, Government of Korea (Seoul) 21 November 2008. Date of Access: 23 January 2011. <http://www.korea.net/library.do>

KRW11 trillion in public expenditures;<sup>133</sup> and (2) KRW3 trillion in tax reductions.<sup>134</sup> Of the public expenditures 90 per cent will be spent on local infrastructure to invigorate local economies and domestic demand.<sup>135</sup>

On 13 December 2008, the National Assembly approved the budget and “Public Fund Operations Plan to Overcome Difficulties.”<sup>136</sup> The net budget totals KRW217.5 trillion. In comparison to the previous year’s budget the major expenditure increases are in finance support, and the stabilization of the livelihood of the general populace.<sup>137</sup>

Korea has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## **Mexico: 0**

Mexico has partially complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 22 November 2008, President Felipe Calderon attended the Asia-Pacific Economic Cooperation Forum Session and stated that investment in infrastructure is crucial for boosting domestic demand and business investment.<sup>138</sup> He stated that the Mexican government is increasing infrastructure from three to five percent of Mexico’s annual GDP.<sup>139</sup>

On 7 January 2009, President Calderon announced that the National Agreement to Promote Families’ Economies aims at protecting Mexican’s jobs and stimulating

---

<sup>133</sup> Republic of Korea Economic Bulletin Nov 2008, Government of Korea (Seoul) 21 November 2008. Date of Access: 23 January 2011. <http://www.korea.net/library.do>

<sup>134</sup> Republic of Korea Economic Bulletin Nov 2008, Government of Korea (Seoul) 21 November 2008. Date of Access: 23 January 2011. <http://www.korea.net/library.do>

<sup>135</sup> Republic of Korea Economic Bulletin Nov 2008, Government of Korea (Seoul) 21 November 2008. Date of Access: 23 January 2011. <http://www.korea.net/library.do>

<sup>136</sup> Aggressive fiscal policies to overcome economic difficulties, Ministry of Strategy and Finance (Seoul) 17

December 2008. Date of Access: 23 January 2011. [http://english.mosf.go.kr/news/pressrelease\\_view.php?sect=news\\_press&pmode=&cat=&sn=6115&page=36&SK=ALL&SW=](http://english.mosf.go.kr/news/pressrelease_view.php?sect=news_press&pmode=&cat=&sn=6115&page=36&SK=ALL&SW=)

<sup>137</sup> Aggressive fiscal policies to overcome economic difficulties, Ministry of Strategy and Finance (Seoul) 17

December 2008. Date of Access: 23 January 2011. [http://english.mosf.go.kr/news/pressrelease\\_view.php?sect=news\\_press&pmode=&cat=&sn=6115&page=36&SK=ALL&SW=](http://english.mosf.go.kr/news/pressrelease_view.php?sect=news_press&pmode=&cat=&sn=6115&page=36&SK=ALL&SW=)

<sup>138</sup> Urgent need to Assume Leadership in Asia-Pacific Region to Deal with global Economic Crisis, President of the Republic of Mexico (Mexico City) 22 November 2008. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=40393>

<sup>139</sup> Urgent need to Assume Leadership in Asia-Pacific Region to Deal with global Economic Crisis, President of the Republic of Mexico (Mexico City) 22 November 2008. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=40393>

domestic demand.<sup>140</sup> The Plan aims to: (1) support worker's employment;<sup>141</sup> (2) support families' economies;<sup>142</sup> (3) Supporting SMEs;<sup>143</sup> (4) develop investment and infrastructure;<sup>144</sup> and (5) encourage more efficient public spending.<sup>145</sup>

On 23 February 2009, the Mexican president announced a temporary employment program to benefit over 250,000 families.<sup>146</sup>

On 13 September 2010, The World Bank published a report detailing Mexico's fiscal reform; the report outlined that fiscal consolidation had not been introduced in budget policies until the 2011 budget.<sup>147</sup> While this information is outside the summit cycle it confirms the lack of data on Mexican fiscal consolidation in 2009.

Mexico has undertaken stimulating fiscal measures, within the summit cycle it has not adopted a policy framework for fiscal sustainability, thus it is awarded a score of 0.

## **Russia: 0**

Russia has partially complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 20 November 2008, Vladimir Putin announced a USD20 billion economic stimulus package. The package consists of four and ten per cent point reductions in corporate tax, and business income respectively.<sup>148</sup>

---

<sup>140</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>141</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>142</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>143</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>144</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>145</sup> Agreement a Major Step towards protecting Employment and ensuring Economic Stability, President of the Republic of Mexico (Mexico City) 7 January 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=41240>

<sup>146</sup> President Calderon Announces Temporary Employment Program, President of the Republic of Mexico (Mexico City) 23 February 2009. Date of Access: 23 January 2011. <http://www.presidencia.gob.mx/en/press/?contenido=42473>

<sup>147</sup> Country brief, World Bank (Washington, DC) 13 September 2010. Date of Access: 23 January 2011. <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/MEXICOEXTN/0,,contentMDK:22252113~pagePK:1497618~piPK:217854~theSitePK:338397,00.html>

<sup>148</sup> Russian Federation, United Nations ESCAP (New York) March 2009. Date of Access: 23 January 2011. <http://www.unescap.org/pdd/publications/survey2009/notes/russian.asp>

On 13 March 2009, at the Second Meeting of BRIC Finance Ministers, the members agreed to implement anti-crisis measures in such a way that they do not hamper mid-term and long term macroeconomic sustainability.<sup>149</sup> Finance Minister Alexi Kudrin, stated that Russia would have its first budget deficit in a decade; the deficit would not be covered from borrowing but rather from the government's existing funds.<sup>150</sup> No mention of future fiscal consolidation if fiscal stimulus should create debt over more than one year.

Russia has undertaken stimulating fiscal measures, within the summit cycle it has not adopted a policy framework for fiscal sustainability, thus it is awarded a score of 0.

### **Saudi Arabia: +1**

Saudi Arabia has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 23 December 2008, King Abdullah unveiled a SAR225 billion budget.<sup>151</sup> The budget includes a SAR475 billion economic stimulus for fiscal year 2009.<sup>152</sup> The economic stimulus package consists of: (1) infrastructure improvements on waterways, communication, and transportation;<sup>153</sup> and (2) poverty reduction programs.<sup>154</sup>

On 24 December 2008, Saudi Arabia's continued fiscal surpluses have built large reserves which will "pay off outstanding debt instead of expanding expenditure substantially."<sup>155</sup> Because of the large fiscal surpluses, no policy framework for fiscal consolidation is necessary.

Saudi Arabia has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

### **South Africa: +1**

South Africa has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

---

<sup>149</sup> BRIC Finance Minister's Communiqué, Ministry of Finance of the Russian Federation (Moscow) 16 March 2009. <http://www1.minfin.ru/en/news/index.php?pg4=7&id4=7173>

<sup>150</sup> Crisis will not sink Russian Economy, Reuters (London) 20 November 2008. Date of Access: 3 February 2011. <http://www.reuters.com/article/2008/11/20/financial-russia-party-idUSLK36695720081120>

<sup>151</sup> King unveils visionary budget, Arab News (Riyadh) 23 December 2008. Date of Access: 3 February 2011. <http://archive.arabnews.com/?page=6&section=0&article=117431&d=23&m=12&y=2008>

<sup>152</sup> King unveils visionary budget, Arab News (Riyadh) 23 December 2008. Date of Access: 3 February 2011. <http://archive.arabnews.com/?page=6&section=0&article=117431&d=23&m=12&y=2008>

<sup>153</sup> King unveils visionary budget, Arab News (Riyadh) 23 December 2008. Date of Access: 3 February 2011. <http://archive.arabnews.com/?page=6&section=0&article=117431&d=23&m=12&y=2008>

<sup>154</sup> King unveils visionary budget, Arab News (Riyadh) 23 December 2008. Date of Access: 3 February 2011. <http://archive.arabnews.com/?page=6&section=0&article=117431&d=23&m=12&y=2008>

<sup>155</sup> [http://www.qcc.org.sa/qcc\\_files/doc\\_man/saudi\\_arabias\\_2009\\_budget\\_report.pdf](http://www.qcc.org.sa/qcc_files/doc_man/saudi_arabias_2009_budget_report.pdf)

On 20 February 2009, the Government has pledged ZAR10 billion as a job saving initiative against the global economic crisis.<sup>156</sup> The report titled “Framework for South Africa’s Response to the International Economic Crisis” proposes the injection of funds in important sectors which have experienced job losses.<sup>157</sup> These sectors include textiles and footwear, as well as mining and capital equipment.<sup>158</sup>

Overall the proposal aims to: (1) protect the poor;<sup>159</sup> (2) sustain employment growth and expand training opportunities;<sup>160</sup> (3) build economic capacity and promote investment;<sup>161</sup> (4) address barriers to competitiveness;<sup>162</sup> and (5) maintain a sustainable debt level that does not constrain tomorrow’s development.<sup>163</sup>

The proposal also aims to expand public works programs by investing in infrastructure such as a rapid bus transit system, or freeway improvements.<sup>164</sup> Additionally there will be an increase in the threshold for the VAT for small businesses and individual tax payers.<sup>165</sup>

The fifth principle within the economic stimulus package is sustainability of public finances;<sup>166</sup> this action outlines that debt will remain moderate over the three years following the plan’s implementation after which they will be capped at 2.5 per cent of GDP.<sup>167</sup>

South Africa has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

---

<sup>156</sup> Govt announces R10bil job-saving initiative, Bua News (Pretoria) 20 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09022012451002>

<sup>157</sup> Govt announces R10bil job-saving initiative, Bua News (Pretoria) 20 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09022012451002>

<sup>158</sup> Govt announces R10bil job-saving initiative, Bua News (Pretoria) 20 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09022012451002>

<sup>159</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>160</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>161</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>162</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>163</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>164</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>165</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>166</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>

<sup>167</sup> Budget Speech 2009 by the Minister of Finance, Trevor A Manuel, Bua News (Pretoria) 11 February 2009. Date of Access: 3 February 2011. <http://www.buanews.gov.za/news/09/09021115451001>



## Turkey: 0

Turkey has partially complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 18 February 2009, Turkey's Parliament approved a fiscal stimulus package to counter the financial crisis.<sup>168</sup> The package enables Prime Minister Tayyip Erdogan to reduce corporate tax on investments, and textiles and clothing manufacturers.<sup>169</sup> Additional measures include stimulating domestic demand of automobiles by including incentives to scrap old cars. The stimulus package totals to USD10 billion.<sup>170</sup>

Overall the package emphasizes public sector infrastructure investment and the stimulation of aggregate domestic demand.<sup>171</sup>

The stimulus package will be funded by an IMF loan.<sup>172</sup> The government announced medium-term fiscal programmes after the end of the summit cycle;<sup>173</sup> however, the state news agency declared that the “fiscal loosening in 2009 will disappear in the medium term.”<sup>174</sup> This statement is not enough to provide a policy framework for fiscal sustainability

Turkey has undertaken stimulating fiscal measures, within the summit cycle it has not adopted a policy framework for fiscal sustainability, thus it is awarded a score of 0.

## United Kingdom: +1

United Kingdom has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 24 November 2008, the Pre Budget Report entitled “Facing global challenges: supporting people through difficult times,” presented how the UK government planned to

---

<sup>168</sup> Turkey Parliament approves stimulus package, Reuters (London) 19 February 2009. Date of Access: 3 February 2011. <http://in.reuters.com/article/2009/02/18/turkey-economy-package-idINLI34137920090218>

<sup>169</sup> Turkey Parliament approves stimulus package, Reuters (London) 19 February 2009. Date of Access: 3 February 2011. <http://in.reuters.com/article/2009/02/18/turkey-economy-package-idINLI34137920090218>

<sup>170</sup> Turkey Parliament approves stimulus package, Reuters (London) 19 February 2009. Date of Access: 3 February 2011. <http://in.reuters.com/article/2009/02/18/turkey-economy-package-idINLI34137920090218>

<sup>171</sup> Turkey stimulus to cost 17 bln lira, World Bulletin (London) 6 March 2009. Date of Access: 3 February 2011. <http://www.worldbulletin.net/index.php?aType=haberArchive&ArticleID=37772>

<sup>172</sup> Turkey stimulus to cost 17 bln lira, World Bulletin (London) 6 March 2009. Date of Access: 3 February 2011. <http://www.worldbulletin.net/index.php?aType=haberArchive&ArticleID=37772>

<sup>173</sup> Turkey stimulus to cost 17 bln lira, World Bulletin (London) 6 March 2009. Date of Access: 3 February 2011. <http://www.worldbulletin.net/index.php?aType=haberArchive&ArticleID=37772>

<sup>174</sup> Turkey stimulus to cost 17 bln lira, World Bulletin (London) 6 March 2009. Date of Access: 3 February 2011. <http://www.worldbulletin.net/index.php?aType=haberArchive&ArticleID=37772>

support the economy through the financial crisis.<sup>175</sup> The Pre Budget Report provided economic relieve in the form of: (1) temporary reductions of VAT to 15 per cent;<sup>176</sup> (2) “bringing forward EUR3 billion of capital spending;<sup>177</sup> (3) restricting income tax personal allowances;<sup>178</sup> (4) increasing alcohol and tobacco duties;<sup>179</sup> (4) providing EUR5 billion to stimulate spending growth;<sup>180</sup> and (5) an additional EUR1.3 billion for unemployment support.<sup>181</sup>

On 3 December 2008, the government announced the Homeowner Mortgage Support Scheme allowing homeowners who experience significant temporary loss of income to defer portion of interest payments for up to two years.<sup>182</sup> This measure is meant to increase overall liquidity of homeowners and thus increase domestic demand.

On 3 March 2009, the Chief Secretary of the Treasury announced that despite the financial crisis, government infrastructure investments will continue as planned.<sup>183</sup> These projects will support jobs and increase domestic demand as well as business investment.

The Pre Budget Report presented the end of the discretionary fiscal policy in 2010-2011 when the sustained fiscal consolidation period would begin.<sup>184</sup>

---

<sup>175</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>176</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>177</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>178</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>179</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>180</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>181</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

<sup>182</sup> New Scheme to help people at risk of repossession, HM Treasury (London) 3 December 2008. Date of Access 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/press\\_132\\_08.htm](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/press_132_08.htm)

<sup>183</sup> New Scheme to help people at risk of repossession, HM Treasury (London) 3 December 2008. Date of Access 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/press\\_132\\_08.htm](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/press_132_08.htm)

<sup>184</sup> Pre-Budget Report, HM Treasury (London) November 2008. Date of Access: 3 February 2011. [http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08\\_chapter1\\_379.pdf](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/d/pbr08_chapter1_379.pdf)

United Kingdom has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## United States: +1

The United States has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 13 February 2009, Congress passed the “American Recovery and Reinvestment Act of 2009.”<sup>185</sup> President Barack Obama signed the act into law four days later. The Recovery Act aims to achieve immediate actions: (1) create new jobs while saving existing ones,<sup>186</sup> (2) spur economic activity and invest in long-run growth,<sup>187</sup> and (3) create more transparent government spending.<sup>188</sup>

These goals will be achieved by: (1) providing USD288 billion in tax cuts;<sup>189</sup> (2) providing USD224 billion in federal funds for education, healthcare, and unemployment programs;<sup>190</sup> (3) providing USD 275 billion in federal grants, and loans;<sup>191</sup> and (4) funding infrastructure programs such as broadband wireless service.<sup>192</sup> The aforementioned actions will increase domestic demand by providing greater liquidity in the economy.

On 26 February 2009, Barack Obama presented Congress with the 2009 Budget. The 2009 Budget expanded the Child Tax Credit while proposing the replacement of fiscal recklessness with fiscal responsibility.<sup>193</sup> In the 2009 budget Obama proposed halving the deficit to half of its inherited value on 20 January 2009 by the end of the Obama’s first term.<sup>194</sup> This measure provides a preliminary policy framework for fiscal consolidation.

---

<sup>185</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>186</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>187</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>188</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>189</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>190</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>191</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>192</sup> The Recovery Act, Recovery (Washington, DC) N.d. Date of Access: 1 February 2011. [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

<sup>193</sup> A New Era of Responsibility: Renewing America’s Promise, Office of Management and Budget (Washington, DC) 26 February 2009. Date of Access: 1 February 2011. <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf>

<sup>194</sup> A New Era of Responsibility: Renewing America’s Promise, Office of Management and Budget (Washington, DC) 26 February 2009. Date of Access: 1 February 2011. <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf>

The United States has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

## European Union: +1

The European Union has fully complied with its commitment to use fiscal measures to rapidly stimulate domestic demand while maintaining a fiscally sustainable policy framework.

On 26 November 2008, the Commission of the European Communities announced the European Economic Recovery Plan which aimed to stimulate demand and confidence, save thousands of European jobs, and “keep large and small businesses at work while awaiting economic growth to return.”<sup>195</sup> The European Economic Recovery plan is based on two key pillars and one underlying principle;<sup>196</sup> the first pillar is stimulating demand and confidence through the injection of immediate purchasing power into the economy;<sup>197</sup> the second pillar is direct short-term action to reinstate Europe’s longer term competitiveness.<sup>198</sup> The Recovery Plan aims to achieve these two pillars with an underlying principle of solidarity and social justice.<sup>199</sup>

The Plan proposes counter-cyclical macroeconomic response to the global economic crisis while ensuring long term economic stability.<sup>200</sup> The immediate budgetary impulse will amount to EUR400 billion.<sup>201</sup> This budgetary impulse is temporary, and all member states must reverse its effects as per the Stability and Growth pact and the Lisbon Strategy for Growth and Jobs.<sup>202</sup>

---

<sup>195</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>196</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>197</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>198</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>199</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>200</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>201</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

<sup>202</sup> Communication from the Commission to the European Council, European Union (Brussels) 26 November 2008. Date of Access: 1 February 2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:HTML>

The Commission of the European Cities “calls for the budgetary stimulus package to be timely, targeted, temporary, and coordinated.”<sup>203</sup> It should also use a mixture of revenue and expenditure instruments.<sup>204</sup>

To ensure that stimulus packages are kept temporary the European Commission proposed deadlines for the correction of budget deficits for all member countries which in 2008 already exceeded the three per cent budget deficit levels.<sup>205</sup> This type of policy framework to remove macroeconomic imbalances is conducive of fiscal consolidation and thus fulfills the commitment’s needs.

The European Union has undertaken sustainable and stimulating fiscal measures and has therefore been awarded a score of +1.

---

<sup>203</sup> Commission adopts European Economic Recovery Plan, European Commission (Brussels) 26 November 2008. Date of Access: 1 February 2011. [http://ec.europa.eu/economy\\_finance/articles/eu\\_economic\\_situation/article13502\\_en.htm](http://ec.europa.eu/economy_finance/articles/eu_economic_situation/article13502_en.htm)

<sup>204</sup> Commission adopts European Economic Recovery Plan, European Commission (Brussels) 26 November 2008. Date of Access: 1 February 2011. [http://ec.europa.eu/economy\\_finance/articles/eu\\_economic\\_situation/article13502\\_en.htm](http://ec.europa.eu/economy_finance/articles/eu_economic_situation/article13502_en.htm)

<sup>205</sup> Commission takes further steps under the excessive deficit procedure for France, Greece, Ireland, Spain and the UK, European Commission (Brussels 29 March 2009. Date of Access: 1 February 2011. [http://ec.europa.eu/economy\\_finance/articles/sgp/article14582\\_en.htm](http://ec.europa.eu/economy_finance/articles/sgp/article14582_en.htm)