Macroeconomic: Fiscal Consolidation and Stimulation of Growth [78]

Commitment [#78]:

"Advanced countries, taking into account different national circumstances, will adopt policies to build confidence and support growth, and implement clear, credible and specific measures to achieve fiscal consolidation, including as set out in the country specific commitments below."

Cannes Action Plan for Growth and Jobs

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina		n/a	
Australia			+1
Brazil		n/a	
Canada			+1
China		n/a	
France	-1		
Germany			+1
India		n/a	
Indonesia		n/a	
Italy	-1		
Japan	-1		
Korea		0	
Mexico		n/a	
Russia		n/a	
Saudi Arabia		n/a	
South Africa		n/a	
Turkey		n/a	
United Kingdom			+1
United States		0	
European Union		n/a	
Average Score		+0.11	

Background:

The G20 leaders, Finance Ministers, and Central Bank Governors have underscored the importance of sustainable public finances since the G20 Finance Ministers and Central Bank Governors' Meeting in Washington in April 2010. Under the G20 Framework for Strong, Sustainable, and Balanced Growth, it was agreed that sustainable growth should be based on sustainable public finances.[155] During the G20 Finance Ministers and Central Bank Governors' Meeting in Busan, Korea in June 2010, the leaders solidified their commitment to fiscal consolidation, stating that recent economic events highlighted the need for sustainable public finances and the need to "deliver fiscal sustainability, differentiated for and tailored to national circumstances.[156]

[155] G20 Finance Ministers and Central Bank Governors' Communiqué, G20 Finance Ministers and Central Bank Governors' Meeting (Washington) 23 April 2010. Date of Access: 2 February 2012. http://www.g20.utoronto.ca/2010/g20finance100605.html.

[156] G20 Finance Ministers and Central Bank Governors' Communiqué, G20 Finance Ministers and Central Bank Governors' Meeting (Busan) 5 June 2010. Date of Access: 2 February 2012. http://www.g20.utoronto.ca/2010/g20finance100605.html.

In the Toronto Communiqué, the leaders affirmed that "sound fiscal finances are essential to sustain recovery, provide flexibility to respond to new shocks, ensure the capacity to meet the challenges of aging populations, and avoid leaving future generations with a legacy of deficits and debt."[157] The leaders established that fiscal plans have to be "credible, clearly communicated, differentiated to national circumstances, and focused on measures to foster economic growth." In addition, the leaders also warned that "failure to implement consolidation where necessary would undermine confidence and hamper growth."[158]

At the G20 Seoul Summit the leaders formulated specific medium-term fiscal consolidation strategies and policy actions tailored to their individual national circumstances under the *Policy Commitments by G20 Members* document.[159] The commitment called on advanced economies to formulate and implement clear, credible, ambitious, and growth-friendly medium-term fiscal consolidation plans in line with the Toronto commitment. The average compliance score of the fiscal consolidation commitment during the Seoul compliance cycle was 0.89. The commitment had the second highest rate of compliance of all commitments profiled by the G20 Research Group during the Seoul compliance cycle.[160]

In the Cannes communiqué, the leaders of advanced economies committed "to adopt policies to build confidence and support growth and implement clear, credible and specific measures to achieve fiscal consolidation."[161] In the *Cannes Action Plan for Growth and Jobs,* the leaders of advanced economies reiterated said commitment by pledging to "adopt policies to build confidence and support growth, and implement clear, credible and specific measures to achieve fiscal consolidation, including as set out in the country specific commitments below" (see Table 6).[162] They vowed to take into account different national circumstances. Each country's specific commitment is assessed allowing for its national circumstances as outlined in the member-specific annex of the *Cannes Action Plan for Jobs and Growth.*

[157]The G20 Toronto Summit Declaration, G20 Toronto Summit (Toronto) 27 June 2010. Date of Access: 2 February 2012. http://www.g20.utoronto.ca/2010/to-communique.html.
[158]The G20 Toronto Summit Declaration, G20 Information Centre (Toronto) 27 June 2010. Date of Access: 2 February 2012. http://www.g20.utoronto.ca/2010/to-communique.html.
[159]Policy Commitments by G20 Members, G20 Information Centre (Toronto) 12 November 2010. Date of Access: 2 February 2012. http://www.g20.utoronto.ca/2010/g20seoul-commitments.pdf.
[160]2010 Seoul G20 Summit Final Compliance Report, G20 Information Centre (Toronto) 6 November 2011. Date of Access: 3 February 2012. http://www.g20.utoronto.ca/compliance/2010seoul-final/index.html.
[161] Communiqué: G20 Leaders Summit, G20 Research Centre (Toronto) 4 November 2011. Date of Access: 3 February 2012. http://www.g20.utoronto.ca/2011/2011-cannes-communique-111104-en.html.
[162] Cannes Action Plan for Jobs and Growth, G20 Research Centre (Toronto) 4 November 2011. Date of Access: 3 February 2012. http://www.g20.utoronto.ca/2011/2011-cannes-action-111104-en.html.

Table 6: Member-Specific Fiscal Consolidation Commitments[163]

Commitment	Objective	Timeframe
AUSTRALIA		
Fiscal Policy		
Return to budget surplus and reduce national debt.	1) Contribute to the sustainability of public finances 2) Increase capacity to respond to unanticipated shocks 3) Help manage the impact of the mining investment boom	The Government has maintained strict fiscal discipline, including limiting real annual expenditure growth to 2%, to ensure the national budget is on track to return to surplus in FY2012-13. The Australian Government net debt is projected to peak at 7.2% of GDP in 2011-12 and fall to zero by 2019-20.
Structural Reforms to Stimulate Growth		
1) Introduce a price on carbon through an emissions trading scheme 2) Tax reforms 3) Workforce training and participation reform	1) Drive sustainable growth through structural change in the economy, moving production towards less emissions-intensive industries, at least cost. Drive investment and provide new job opportunities in clean energy sources and support long-term competitiveness as the world moves to a carbon constrained economy. Social security payments will be increased to assist in the transition to a carbon price, with an increase of 1.7% in the rates of pensions, allowances and family payments in 2012-13. 2) Enhance the efficiency and competitiveness of the tax system to build a stronger economy. These reforms build on the 2010 tax reform package (consisting of new resource tax arrangements and a cut to the company tax rate from 30% to 29%): income tax arrangements have been improved, including a trebling of the tax-free threshold. 3) Increase participation in the Australian workforce and build a stronger economy in the face of capacity constraints and an ageing population. Drive the Vocational Education and Training sector to be more responsive and flexible to the needs of individuals and industry, to meet	1) A carbon price mechanism will commence from 1 July 2012, beginning with a fixed price of A$23 per tonne and increasing by 2.5% a year in real terms, before transitioning to a fully flexible cap-and-trade emissions trading scheme from 1 July 2015. The Government has committed to reduce carbon pollution by 5% from 2000 levels by 2020 irrespective of what other countries do, and by up to 15% or 25% depending on the scale of global action. Meeting targets will require cutting expected pollution by at least 23% in 2020. Social security payment increases will start from May-June 2012. 2) Tax-free thresholds will more than triple in 2012-13 to A$18,200 and to A$19,400 in 2015-16. An extra one million people should be relieved from the need to lodge an income tax return. The cut to the company tax rate applies from 1 July 2012 for small business companies and from 1 July 2013 for all other companies. New resource tax arrangements will start from July 2012. 3) The 2011-12 Budget package announced a A$3 billion investment over six years to reform the training system and develop greater workforce participation.

[163] Annex of Commitments per Member for the Cannes Action Plan for Jobs and Growth, G20 Research Centre (Toronto) 4 November 2011. Date of Access: 3 February 2012. http://www.g20.utoronto.ca/2011/2011-cannes-action-annex-111104-en.pdf.

	the changing needs of the Australian economy resulting from structural adjustment.	The package includes A$558 million in partnership with industry to create up to 130,000 new training places, over A$200 million to support apprentice progression, and A$1.75 billion for reform of the vocational education and training system. The package also supports key groups at risk of falling behind (over A$260 million to build better skills for workforce participation, incentives for employers that provide new opportunities for around 35,000 very long-term unemployed, and better support for 50,000 single parents).
CANADA		
Fiscal Policy		
1) The Government will implement the Deficit Reduction Action Plan, 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 equal to roughly 5% of total federal direct program spending by 2014-2015.	1) Return to balanced budgets	1) Medium-term.
Structural Reforms to Stimulate Growth		
1) Canada is implementing the next phase of the Economic Action Plan with strategic investments focused on enhancing the drivers of growth: supporting job creation; families/communities; supporting research, education and skills development and eliminating tariffs on machinery and manufacturing inputs; and, preserving Canada's fiscal advantage. Canada is also working with the US to establish a new long-term partnership that willaccelerate the legitimate flow of people/goods between both countries.	1) Create the right environment to attract investment and promote productivity growth. Ensure a high quality of life for Canadians.	1) As the private sector moves ahead as the engine of growth and job creation, the government will return its focus toward sustainable actions that create the conditions for long-term economic prosperity.
FRANCE		
Fiscal Policy		

1) Achieve a stronger than previously announced deficit reduction in 2011 & 2012 in order to adhere to the G-20 Toronto commitment despite a lower economic growth. If needed, additional measures will be taken to stick to the announced deficit target. 2) Adopt a constitutional rule, which establishes multi-year budget laws with higher legal status than annual budget laws. 3) Reduce the least efficient tax expenditures and social security exemptions. 4) Complement the 2010 pension reform (which progressively increases both legal age of entitlement — to 62, and age of entitlement to a full pension — to 67) by an increase in the length of the contributory period.	1) Increase fiscal sustainability through mid-term fiscal consolidation. 2) This constitutional reform should reinforce the credibility of the fiscal consolidation strategy. 3) Increase public revenues without any adverse effects on growth or employment. Move toward a growth-friendly tax system. 4) Ensure the sustainability of the pension system in the long run.	1) The deficit target is now 5.7% in 2011 (versus 6% as previously announced), and 4.5% (versus 4.6% as previously announced), in 2012, while keeping the deficit targets of 3% in 2013 and 2% in 2014. 2) The reform, which was passed by both the National Assembly and the Senate, now has to be voted by the Congress (a 3/5th majority is required). 3) An extra €11 billion in 2011-2012 of discretionary tax measures in addition to the efforts already undertaken (€11.6 billion in 2011 and €2 billion in 2012). 4) The contributory period will be extended to 41.5 years. That will apply to people born in 1955. It will continue to be adjusted for the next generations in line with gains in life expectancy.
Structural Reforms to Stimulate Growth		
1) Adopt a law to reinforce competition in consumer services. 2) The government has set out to reinforce alternating work-study mechanisms. Additional incentives will be provided to encourage the hiring of jobseekers aged over 45 on "professionalization" contracts.	1) Increase competition in the following sectors: retail, energy, telecommunication and real estate. 2) Improve labor market efficiency through increasing labor market participation at both extremes of the working population, with the view to achieve an employment rate of 75% by 2020.	1) A first draft of the reform is to be adopted by the Parliament before end 2011. 2) Increasing the number of young people on alternating work-study schemes from 600,000 now to 800,000 in 2015.
GERMANY		
Fiscal Policy		
Increase fiscal sustainability in accordance with the G-20 Toronto commitment.	1) At least halve the fiscal deficit. 2) Stabilize or reduce public debt.	General budget deficit-to GDP ratio will decrease from 4.3% in 2010 to 1.5% in 2011. From 2014 onwards, general government budget will be balanced. Gross government debt-to-GDP ratio will decrease from 84% (2010) to 81% (2011) and 72% (2015).
Structural Reforms to Stimulate Growth		
1) Strengthen further expenditures for education and R&D 2) Increase labour market efficiency and employment opportunities.	1) To increase growth potential and employment. 2) Reducing labour market inefficiencies are of great importance to increase employment. While past re-forms where predominantly about work	Draft law of 3/2011, effective spring 2012, facilitates recognition of qualifications acquired abroad. Since 5/2011, all workers from countries that acceded to the EU in 2004 no longer need a work permit. For occupations where demand

	incentives, the new reforms are primarily about enhancing labour market participation and better accommodating international labour migration and promote integration.	exceeds supply immigration regulations were relaxed in 6/2011. Expanding scope of child-care will facilitate combining work and family life. Germany considers lowering personal income tax rates in particular for lower and medium incomes effective from January 2013, while respecting fiscal consolidation needs. Further reforms to streamline labour market instruments
ITALY		
Fiscal Policy		
1) To reach a close-to-balance budget by 2013 and a rapidly declining debt to GDP ratio starting in 2012. 2) To amend the Constitution to introduce the balanced budget rule.	1) To accelerate the adjustment of public finances 2) To reinforce the credibility of the fiscal adjustment	1) Full implementation of the 2011 60 billion euro fiscal package approved last September, reinforced by: a) linking the retirement age to life expectancy to set the requirement at a minimum of 67 years by 2026; b) a plan (by November 30, 2011) to sell public assets worth 5 billion euro a year for the next three years; b) (by December 31, 2011) a committee of experts, working with national and international institutions, to draft an action plan to reduce public debt; 2) Being examined by the Parliament. Introduction of the balanced budget rule in the Constitution foreseen by mid-2012.
Structural Reforms to Stimulate Growth		
1) Reduce the North-South dualism by a comprehensive review of European structural funds programme (Eurosud Plan) 2) Undertake a comprehensive public spending review 3) Undertake a reform of the fiscal and welfare systems 4)Increase competitiveness, mainly by boosting liberalization in retail and professional activities, provide incentives to the privatization of local public services and enhance the Antitrust Authority's powers of intervention 5) Reform the labour market, particularly by the support to decentralized (firm level) and	1) To increase the competitiveness of the economy	1) By mid-November 2011 2) Plan to be adopted by December 2011 3) By 2012 4) Partly being implemented in the 2011 fiscal package and partly to be approved in 2012 5) Partly included in the 2010 and 2011 fiscal packages and partly to be approved by May 2012 6) Starting with the reorganization of the courts' geographical distribution, partly agreed in the 2011 fiscal package and to be defined in 2012 7) Partly on-going, also within the fiscal federalism, and partly to be defined in the coming months 8) By December 2011 9) By 2011 10) By 2011

productivity linked wage negotiations, and change in hiring and dismissals rules and procedures 6) Restructure the justice system 7) Reform the public administration, particularly by empowering the local authorities, cutting red tape, reducing unnecessary burden on business activities and through labour flexibility 8) Promote and optimize human capital, particularly by increasing accountability and autonomy of universities and schools 9) Support innovation and entrepreneurship also through tax incentives on capitalization 10) Speed up the infrastructure development, mainly by regulatory measures to facilitate project financing.		
JAPAN		
Fiscal Policy		
Fiscal consolidation	1) 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. 2) From FY 2021, a stable reduction in the ratio of public debt to GDP for both national and local governments shall be maintained. 3) 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 issued. 4) 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	1) Halved from FY 2010 to FY 2015, surplus by FY 2020 2) FY 2021 onwards 3) The latest Framework covers the three-year period between FY 2012 and FY 2014. 4) ——— 5) Submit the bills by the end of FY 2011 to implement the comprehensive reform of the tax system, including consumption tax.

	measures, thereby achieving fiscal sustainability. (note) The total of these fiscal measures is estimated at least 19 trillion yen (equivalent to about 4% of GDP), including fiscal measures already taken, in five years. 5) Flesh out the "Definite Plan for the Comprehensive Reform of Social Security and Tax" which sets out policies including a gradual increase in the consumption tax to 10% by the middle of 2010's and submit the bills by the end of FY2011 to realize these policies.	
Structural Reforms to Stimulate Growth		
Achieve strong growth by accelerating efforts to implement the "New Growth Strategy" formulated last year, and by enhancing the strategy with the formulation of "innovative strategy for energy and the environment" in response to the aftermath of the Earthquake	3% nominal growth rate and 2% real growth rate should be possible.	Average growth rate between now and FY 2020
KOREA		
Fiscal Policy		
Pursue Mid-term Consolidation with the aim to reach a balanced budget excluding social security fund by 2013.	1) According to the Mid-term Fiscal Framework(11-15), the fiscal targets (GDP, %) for 2015 are +2.5% for consolidated budget balance, +0.3% for budget balance excluding social security fund, and 27.9% for government debt. 2) Increase revenue by streamlining exemptions & reductions under national tax exemption rate (13.4% for 2012), and by expanding taxation on omitted tax bases. Expenditure cut (10%) applies to projects lagging behind in performance. 3) Along with these measures, the standard for fiscal statistics will be upgraded from 1986 GFS to 2001 GFS.	1) 2011-2015 * New National fiscal management plan (2011-15) targeting a balanced budget by 2013 was published in September 2011. 2) 2011-2014. 3) Expected to calculate and release fiscal statistics under the new standard from 2012.
Structural Reforms to Stimulate Growth		
1) Enhance service industry deregulation and the market competition for qualified professionals 2) Introduce multiple labor unions and pursue measures to increase women's labor	1) Deregulation will focus on the education and tourism service sectors. Market competition will focus on lowering the entry barrier for certified lawyers, judicial scriveners at this early stage.	1) 2011, Comprehensive plan for hosting foreign education institutions and proposals to boost marine industry. Pursue revision of the Attorney-at-law Act (2011) and Certified Judicial Scriveners Act (2012), and

participation rate 3) Pursue reforms to facilitate green growth	2) Step up various efforts on promotion, guidance and training for a smooth implementation of the recently introduced "Paid Time-off System"(2010) and "Multiple Trade Unions(2011)" Step up various efforts on promotion, guidance and training for a smooth implementation of the recently introduced "Paid Time-off System"(2010) and "Multiple Trade Unions(2011)" 3) Achieve national target to cut green-house gas emissions by 30% below BAU (Business As Usual) levels by 2020. Double R&D investment in green technology from 2008 to 2012.	proposals for advancing accounting services (2011). 2) 2011-12, provide guidance and supervision in key branches countrywide and pursue promotion and training through local governments. 2011, submit a Bill to parliament for improving the holiday and leave system. 3) Introduce green-house gas & energy target management system (2012) and emissions trading system (2015) KRW 1.4 tn(2008) => 2.5 tn(2011) => 2.8 tn(2012) => minimum 2.8 tn(2013)
UNITED KINGDOM		
Fiscal Policy		
1) The UK will implement its planned reductions in public spending as set out in the 2010 Spending Review contributing to the UK's overall fiscal consolidation. 2) The UK will manage long-term fiscal pressures including through accelerating the rise in the State Pension Age (SPA) from 65 to 66 and through reforms to public sector pensions.	1) Achieve a cyclically adjusted current balance by end of the rolling five-year forecast period and set public sector net debt on a falling path by 2015-16. To support confidence, mitigate risks to the recovery and bring down debt and debt interest payments. 2) To underpin sustainable public finances and help restore private-sector confidence, and underpin sustainable economic growth.	1) The plans are being delivered: £6.2 billion of savings announced in May 2010 for FY10-11 were achieved; and Departments have produced detailed business plans to put the consolidation into effect. 2) The UK has committed to bring forward the rise in SPA to 2020 from 2026. This will save c. £30bn between 2016-17 and 2025-26.
Structural Reforms to Stimulate Growth		
1) The UK is undergoing 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.	1) To put the UK on a path to sustainable, long-term economic growth.	1) New financial incentives to promote development locally are already in place, and a new planning framework will aim to be implemented by December 2012.
UNITED STATES		
Fiscal Policy		
Will identify between $1.2 and $1.5 trillion in additional federal deficit reduction to go along with the $900 billion in agreed spending reductions included in the August 2, 2011, Budget Control Act .	Will put government finances on a stronger, more sustainable footing and will fully secure U.S. adherence to the Toronto commitments. The independent Congressional Budget Office estimates that as a result of spending reductions of at least $2.1	1) Caps imposed on discretionary spending from 2012-2021. Additional spending reductions of at least $1.2 trillion will begin FY2013, to be made over the same time period to 2021.

	trillion, the U.S. federal budget deficit will decline by 2015 to between 1.1 and 3.5 percent of GDP depending on which current policies are continued (Bush tax cuts, etc.) Will lead to a more balanced U.S. economy.	
Structural Reforms to Stimulate Growth		
Will require employers who do not currently provide workplace pensions to establish automatic enrolment of employees in direct deposit Individual Retirement Accounts (IRAs).	Will strengthen private pension planning, boost private saving, and help rebalance the U.S. economy.	2012

Commitment Features:
The commitment is composed of two distinguishable features. First, advanced economies, taking into account different national circumstances, are called on to adopt policies to build confidence and support growth. Second, advanced economies, taking into account different national circumstances, are called on to implement clear, credible and specific measures to achieve fiscal consolidation. To register full compliance, advanced countries must comply with both the fiscal consolidation component of this commitment and the growth stimulation component of this commitment. More specifically, each member country must adopt both its nationally differentiated fiscal policies and its nationally differentiated structural reforms to stimulate growth in order to register full compliance for this commitment. Said nationally differentiated fiscal policies and nationally differentiated structural reforms to stimulate growth are laid out in the Annex of Commitments per Member for the Cannes Action Plan for Jobs and Growth.

The advanced economies whose compliance is to be assessed and scored are: Australia, Canada, France, Germany, Italy, Japan, Korea, the United Kingdom and the United States.

Scoring Guidelines:

-1	Member does not implement nationally differentiated policies to build confidence and support growth AND does not implement nationally differentiated clear, credible and specific measures to achieve fiscal consolidation.
0	Member implements nationally differentiated policies to build confidence and support growth OR implements nationally differentiated clear, credible and specific measures to achieve fiscal consolidation.
+1	Member implements nationally differentiated policies to build confidence and support growth AND implements nationally differentiated clear, credible and specific measures to achieve fiscal consolidation.

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Australia: +1
Australia has fully complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Australia has successfully implemented its nationally differentiated policies to build confidence and support growth and implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, Australia has abided by its fiscal commitment to return to budget surplus and to reduce national debt, and has made significant progress in adopting its nationally differentiated structural reforms to stimulate growth which are as follows: (1) the introduction of a price on

carbon through an emissions trading scheme; (2) the implementation of tax reforms; and (3) the implementation of workforce training and participation reform.

Australia's fiscal deficit is projected to return to zero in 2012-2013 only three years after it peaked at 6.4% of GDP in 2008, ensuring Australia a very good fiscal standing.[164] Projections forecast a budget surplus of AUD3.5 billion or 0.2% of GDP in 2012-2013.[165] The Australian government's fiscal strategy is two-fold, consisting of the implementation of a 2% cap on annual real public spending growth until the budget returns to surplus and the upholding of the 2% annual spending cap in time of positive growth until budget surpluses account for at least 1% of GDP.[166] Overall, the return to a balanced budget only three years after the deficit peaked represents an AUD52.9 billion consolidation and said return to surplus will be the fastest in 44 years.[167] The Australian government's fiscal strategy, coupled with more varied sources of tax revenue as well as public and private investments constitute a solid strategy in a climate of global economic uncertainty.[168]

The Australian government's reform of the tax system has strengthened the government's position against tax avoidance and produced several important revenue sources.[169] Specifically, a temporary tax, levied as a result of natural disasters, has completely financed recovery efforts, and is part of a greater fiscal strategy of the Gillard Government to effectively respond to exogenous economic shocks.[170] The Australian Government has also introduced an array of new tax schemes which include: (1) two new resource rent taxes — the Minerals Resource Rent Tax (MRRT) and the Petroleum Resource Rent Tax (PRRT); (2) an emissions tax scheme which propounds a three-year fixed price on emissions of AUD23 per tonne by 1 July 2012 before transitioning to a floating, cap-and trade model which will link Australia to international carbon markets;[171]and (3) a tax on dumping coal and mining dredge spoils into the Great Barrier Reef.[172]

[164]Budget 2011-2012, Australian Government (Sydney) 2011. Date of Access: 19 March 2012. http://www.budget.gov.au/2011-12/content/bp1/html/bp1_bst3-01.htm

[165]Budget 2011-2012, Australian Government (Sydney) 2011. Date of Access: 19 March 2012. http://www.budget.gov.au/2011-12/content/bp1/html/bp1_bst3-01.htm

[166]Budget 2011-2012, Australian Government (Sydney) 2011. Date of Access: 19 March 2012. http://www.budget.gov.au/2011-12/content/bp1/html/bp1_bst3-01.htm

[167]Budget 2011-2012, Australian Government (Sydney) 2011. Date of Access: 19 March 2012. http://www.budget.gov.au/2011-12/content/bp1/html/bp1_bst3-01.htm

[168] Country Notes: Australia, OECD Restoring Public Finances (Paris) 2011. Date of Access: 19 March 2012. http://www.oecd.org/dataoecd/29/30/47840059.pdf

[169] Plan for Tougher Tax Laws Surprises Experts, The Australian (Canberra) 2 March 2012. Date of Access: 19 March 2012. http://www.theaustralian.com.au/business/economics/plan-for-tougher tax-law-surprises experts/story-e6frg926-1226286667247

[170]Budget 2011-2012, Australian Government (Sydney) 2011. Date of Access: 19 March 2012. http://www.budget.gov.au/2011-12/content/bp1/html/bp1_bst3-01.htm

[171] Kevin Rudd Carbon Plans 'A Threat to the Budget', says Treasury Modelling, The Australian (Sydney) February 27, 2012. Date of Access: 19 March 2012. http://www.theaustralian.com.au/national-affairs/climate/kevin-rudd-carbon-plans-a-threat-to-budget-says-treasury-modelling/story-e6frg6xf-1226282104201

[172] Reef Levy a Risk to Jobs, Warn Ports, as Tony Burke Defends Dumping Charges, The Australian (Sydney) 2 March 2012. Date of Access: 19 March 2012. http://www.theaustralian.com.au/national-affairs/reef-levy-a-risk-to-jobs-warn-ports-as-tony-burke-defends-dumping-charges/story-fn59niix-1226286730668

Australian Treasurer Wayne Swan also plans to raise the tax-free threshold to at least AUD21, 000 and to eliminate Australia's Low Income Tax Offset program; two measures which aim to boost work incentives.[173] The new tax measures implemented by the Australian Government and the increased revenue they will generate make it all the more likely that Australia will register its projected AUD3.5 billion surplus in the 2012-2013 fiscal year, thus complying with its fiscal consolidation commitment.[174]

The 2011-2012 Australian Federal Budget inducted the reform of apprenticeships with its provision of AUD200 million to be allocated to increased mentoring and to the modernisation of the apprenticeship system.[175] The Budget also laid down the foundation for the reform of the vocational education and training sector by committing AUD7 billion in funding to the states and territories over five years from 2012-13 and AUD1.75 billion in additional funding over this timeframe for states and territories willing to sign up to even more ambitious reforms of the vocational education and training sector.[176] What is more, the 2011-2012 Budget complements the reforms by investing AUD558 million in a National Workforce Development Fund, which will set up 130, 000 high quality training places tailored to the needs of various industries.[177] Aiming to increase workforce participation, the Budget also allocates AUD263 million to help Australians develop better reading, writing and numeracy skills.[178]

Moreover, the Australian government has implemented a multitude of significant pro-growth measures which collectively aim to offset federal budget cut. Said pro-growth measures include (1) the injection of hundreds of millions of dollars into high-tech and everyday infrastructure maintenance, redevelopment and expansion;[179](2) the issuance of exploration permits for offshore

[173] Modernizing and Improving The Personal Tax System, A Tax Plan for Our Future (Sydney) 2011. Date of Access: 19 March 2012. http://www.futuretax.gov.au/content/Content.aspx?doc=FactSheets/personal_tax_system.htm

[174] Strong Growth in Company, Super and PAYG Revenue, The Australian (Sidney) 24 February 2012. Date of Access: 19 March 2012. http://www.theaustralian.com.au/national-affairs/treasury/strong-growth-in-company-super-and-payg-revenue/story-fn59nsif-1226279955360

[175]I nvesting now to create a high-skilled workforce, 2011-2012 Australian Federal Budget (Canberra) Date of Access: 1 April 2012. http://www.budget.gov.au/2011-12/content/glossy/skills/html/skills_overview_10.htm

[176] Investing now to create a high-skilled workforce, 2011-2012 Australian Federal Budget (Canberra) Date of Access: 1 April 2012. http://www.budget.gov.au/2011-12/content/glossy/skills/html/skills_overview_10.htm

[177] Investing now to create a high-skilled workforce, 2011-2012 Australian Federal Budget (Canberra) Date of Access: 1 April 2012. http://www.budget.gov.au/2011-12/content/glossy/skills/html/skills_overview_10.htm

[178] Investing now to create a high-skilled workforce, 2011-2012 Australian Federal Budget (Canberra) Date of Access: 1 April 2012. http://www.budget.gov.au/2011-12/content/glossy/skills/html/skills_overview_10.htm

[179] Cash Injection for State's Biggest Infrastructure Projects, Office of the Minister for Infrastructure and Transport (Sydney) 17 November 2011. Date of Access: 19 March 2012. http://www.minister.infrastructure.gov.au/aa/releases/2011/November/AA209_2011.aspx

petroleum which attracted investments totaling AUD380 million;[180] (3) the December 2011 set up of a renewable energy venture capital fund designed to support companies in the renewable energy sector and to foster growth in the green economy;[181](4) the 24 February 2012 announcement of a AUD5 million grant to James Cook University to develop a macro-algae to biofuels project and the opening of applications under the new AUD15 million Advanced Biofuels Investment Readiness (ABIR) Program; (5) the AUD100 million investment in carbon capture in the Latrobe Valley whose aim is to stimulate growth in the renewable resource economy; and (6) the AUD1 billion in funding for transition to environmentally-friendly and non-polluting practices as prescribed by the Clean Technology Investment Program.[182]

The Government of Australia's sustained fiscal consolidation efforts compounded by its implementation of sound pro-growth reforms spanning many different fields guarantee the country a good standing. The Government of Australia has fully complied with its commitment to implement its nationally differentiated policies to build confidence and support growth as well as implement its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. It has thus been awarded a score of +1.

Analysts: Milosz Zak, Brandon Bailey and Krystel Montpetit

Canada: +1

Canada has fully complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Canada has successfully implemented its nationally differentiated policies to build confidence and support growth and implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, Canada has abided by its fiscal commitment to implement the Deficit Reduction Action Plan, which will support a return to balanced budgets over the medium term, and has made significant progress in adopting the next phase of its Economic Action Plan.

The IMF, in its Fiscal Monitor Update published on 24 January 2012, stated that Canada's cyclically adjusted fiscal deficit continues to fall since it reached its projected peak of 5.6% in 2010.[183] The IMF projects a fiscal deficit of 4.4% and 3.6% of GDP in 2012 and 2013

[180] New Offshore Petroleum Exploration Investment Worth $380M, Office of the Minister for Resources and Energy Minister for Tourism (Sydney) 18 November 2011. Date of Access: 19 March 2012. http://minister.ret.gov.au/MediaCentre/MediaReleases/Pages/NewOffshorePetroleumExploratioInvestment380M.aspx

[181] $200m Renewable Energy Venture Capital Fund Launched, Office of the Minister for Resources and Energy Minister for Tourism (Sydney) 15 December 2011. Date of Access: 19 March 2012. http://minister.ret.gov.au/MediaCentre/MediaReleases/Pages/200mRenewableEnergyVentureCapitalFundLaunched.aspx

[182] $1 Billion to Help Australian Manufacturing Move to a Cleaner Future, Office of the Minister for Climate Change and Energy Efficiency (Sydney) 16 February 2012. Date of Access: March 19 2012. http://www.climatechange.gov.au/minister/greg-combet/2012/media-releases/February/mr20120216.aspx

[183] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012.http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

respectively, ascertaining Canada's steady progress towards a balanced budget.[184] The Canadian national debt is expected to fall to 84.7% of GDP in 2013.[185]

In the Federal Government's last fiscal update delivered on 29 March 2012, the Canadian government projected a deficit of CAD24.9 billion in 2011-2012 and a return to surplus of CAD3.4 billion a year earlier than planned in 2015-2016.[186] The earlier-than-projected return to surplus has "in part been facilitated by the sizeable further reductions in departmental spending which represented the realization of the Deficit Reduction Action Plan"[187] whose implementation the Government of Canada committed to at the 2011 G20 Cannes Summit. The budget indicates that the Canadian government has identified "CAD5.2 billion in ongoing savings in the out-years of the fiscal projection"[188], thus making significant progress in its commitment to comply with its Deficit Reduction Action Plan.

At the 2011 Cannes G20 Summit, Canada pledged to continue to move forward with the next phase of its Economic Action Plan. Prior to the 2011 Cannes Summit, the Canadian Parliament passed the 2011 Budget, allowing for the allocation of resources which are instrumental in the next phase of Canada's Economic Action Plan.[189] This new phase seeks to "support job creation," "support families and communities," "invest in innovation, education and training," and "preserve Canada's fiscal advantage."[190]

The next phase of Canada's Economic Action Plan, which Canada lists as an integral portion of its *Cannes Action Plan* commitments, seeks to support job creation by "helping businesses and entrepreneurs succeed, keeping taxes low, investing in projects of national importance, and maintaining Canada's brand as one of the best places to invest."[191] The plan's priorities to support job creation include: (1) the provision of a temporary hiring credit for small businesses; (2) the extension of the work-sharing program and the Targeted Initiative for Older Workers; (3) the support of the manufacturing and processing sector by extending the accelerated capital cost allowance treatment for investments in manufacturing and processing machinery and equipment; (4) the renewal of the Best 13 Weeks and Working While on Claim EI projects; (5) the extension of the temporary 15% Mineral Exploration Tax Credit; (6) the provision of renewed funding of almost CAD100 million over two years for research and development of green energy; and (7)

[184] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012.http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[185] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012.http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[186] 2012 Federal Budget, RBC Economics Research (Toronto) 29 March 2012. Date of Access: 1 April 2012. http://www.rbc.com/economics/market/pdf/fedbud12.pdf
[187] 2012 Federal Budget, RBC Economics Research (Toronto) 29 March 2012. Date of Access: 1 April 2012. http://www.rbc.com/economics/market/pdf/fedbud12.pdf
[188] 2012 Federal Budget, RBC Economics Research (Toronto) 29 March 2012. Date of Access: 1 April 2012. http://www.rbc.com/economics/market/pdf/fedbud12.pdf
[189] Government of Canada Re-introduces the next phase of Canada's Economic Action Plan – A Low-Tax Plan for Jobs and Growth, Canada's Economic Action Plan (Ottawa) 6 June 2011. Date of Access: 14 March 2012. http://www.actionplan.gc.ca/eng/media.asp?id=4181
[190] Government of Canada Re-introduces the next phase of Canada's Economic Action Plan – A Low-Tax Plan for Jobs and Growth, Canada's Economic Action Plan (Ottawa) 6 June 2011. Date of Access: 14 March 2012. http://www.actionplan.gc.ca/eng/media.asp?id=4181
[191] The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth, the Government of Canada (Ottawa) 6 June 2011. Date of Access: 25 March 2012. http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf

the contribution of CAD150 million toward construction of an all-season road between Inuvik and Tuktoyaktuk.[192] Canada has made concrete progress on each of these priorities.

On 8 November 2011, the Canadian government made available extensions of up to 16 weeks for employers with new, active and recently ended work-sharing agreements.[193] In doing so, it achieved its goal to extend the program, which offers employment insurance income support to employees willing to work a reduced work-week while their employer recovers from temporary slowdowns that would otherwise induce lay-offs.[194]

On 15 December 2011, legislation to implement an extension of the mineral exploration tax credit received Royal Assent. This credit allows for flow-through share investors to claim a 15% credit for expenses that are flowed through to them in mineral exploration.[195]

On 16 December 2011, legislation to implement the hiring credit for small businesses received Royal Assent. Small businesses can qualify for a credit of up to CAD1000.[196] This represents an attempt by the Canadian government to facilitate job creation and economic growth in accordance with their growth-friendly commitments under the *Cannes Action Plan.*

On 29 December 2011, Canadian Minister of Finance Jim Flaherty announced the final stage of the Canadian government's incremental reduction in federal corporate income tax would come into effect shortly. It did on 1 January 2012, completing a lowering of the tax rate from 22.12% in 2007 to 15% in 2012.[197]

On 21 March 2012, the Canadian government announced that CAD50 million had been allocated to extend the Targeted Initiative for Older Workers program until 2013-2014.[198] The program is a federal-provincial-territorial employment program that "provides employment activities for

[192] The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth, the Government of Canada (Ottawa) 6 June 2011. Date of Access: 25 March 2012. http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf
[193] Extending the Work-Sharing Program (Update of Economic & Fiscal Projections 2011), Canada's Economic Action Plan (Ottawa) 13 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=336
[194] Extending the Work-Sharing Program (Update of Economic & Fiscal Projections 2011), Canada's Economic Action Plan (Ottawa) 13 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=336
[195] Extending the Mineral Exploration Tax Credit (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=331
[196] Hiring Credit for Small Business (Budget 2011), Canada's Economic Action Plan (Ottawa) 13 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=191
[197] Harper government provides more tax relief to create jobs and growth in 2012 and beyond, Canada's Economic Action Plan (Ottawa) 29 December 2011. Date of Access: 25 March 2012. http://actionplan.gc.ca/eng/media.asp?id=4636
[198] Extending the Targeted Initiative for Older Workers (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=332

unemployed older workers in vulnerable communities with populations of less than 250 000 to help them stay in the workforce."[199]

On 21 March 2012, the Canadian government reiterated its commitment to extend the temporary accelerated capital cost allowance treatment for investment in machinery and equipment in the manufacturing and processing sector for an additional two years and added that a 50% straight-line rate will be provided for eligible assets acquired before 2014.[200] While the extension is projected to reduce federal revenues by CAD65 million between 2012 and 2016,[201] the Canadian government asserts it will "help businesses make additional investments needed to improve their productivity and create jobs."[202]

On 26 March 2012, Canadian Minister of Natural Resources Joe Oliver outlined the government's commitment to "balance economic growth with environmental protection."[203] Citing Canada's Economic Action Plan, he noted the Canadian government had created "a better climate for investment" but that the Canadian government must monitor "big projects with the most significant impacts on the environment and work to mitigate those impacts" to create "a regulatory system that protects Canadians and promotes environmental stewardship while supporting Canada's competitive advantage."[204]

On 27 March 2012, Canadian Minister of State for Science and Technology noted that "Canada's long-term economic competitiveness depends on support for innovative businesses that create jobs and growth."[205] He pledged to review business research and development in Economic Action Plan 2012 to facilitate the transfer of "innovative ideas into the marketplace where they can generate jobs, growth, and prosperity."[206]

[199] Extending the Targeted Initiative for Older Workers (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=332

[200] Extending Assistance for Canada's Manufacturing and Processing Sector (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=330

[201] Extending Assistance for Canada's Manufacturing and Processing Sector (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=330

[202] Extending Assistance for Canada's Manufacturing and Processing Sector (Budget 2011), Canada's Economic Action Plan (Ottawa) 21 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=330

[203] Minister Oliver: Natural Resources Powering Canada's Economy, Marketwatch New York), 26 March 2012. Date of Access: 27 March 2012. http://www.marketwatch.com/story/minister-oliver-natural-resources-powering-canadas-economy-2012-03-26

[204] Minister Oliver: Natural Resources Powering Canada's Economy, Marketwatch (New York), 26 March 2012. Date of Access: 27 March 2012. http://www.marketwatch.com/story/minister-oliver-natural-resources-powering-canadas-economy-2012-03-26

[205] Economic Action Plan 2012 to help Canadian Businesses Become Innovation Leaders, Marketwire (New York) 27 March 2012. Date of Access: 28 March 2012. http://www.marketwatch.com/story/economic-action-plan-2012-to-help-canadian-businesses-become-innovation-leaders-2012-03-27

[206] Economic Action Plan 2012 to help Canadian Businesses Become Innovation Leaders, Marketwire (New York) 27 March 2012. Date of Access: 28 March 2012. http://www.marketwatch.com/story/economic-action-plan-2012-to-help-canadian-businesses-become-innovation-leaders-2012-03-27

Funding for the construction of the all-season road between Inuvik and Tuktoyaktuk was guaranteed by the 2011 budget, but construction is not slated to begin in 2012-2013.[207]

Furthermore, in order to "promote research in leading-edge technologies," the next phase of the Economic Action Plan seeks to: (1) provide CAD80 million in new Industrial Research Assistance Program funding over three years; (2) establish ten new Canada Excellence Research Chairs; (3) increase the budgets of all three federal granting councils by CAD47 million annually; (4) improve commercialization and supporting demonstration of new technologies in the marketplace; (5) enhance and expand eligibility for the Canada Student Loan and Grant Program; and (6) help apprentices in the skilled trades and workers in regulated professions by making occupational, trade, and professional examination fees eligible for the Tuition Tax Credit.[208]

Since the November 2011 Cannes Summit, Canada's Economic Action Plan has championed a large number of projects that target growth in ways prescribed by Canada's commitments in the *Cannes Action Plan for Jobs and Growth.*[209]Following his 5 March 2012 meeting with Canada's leading private sector forecasters to examine the Economic Action Plan, Canadian Finance Minister Jim Flaherty reiterated that the government seeks to improve "the well-being of Canadians over the long term by securing the recovery, eliminating the deficit, and investing in the drivers of long-term economic growth."[210]

On 17 April 2012, the IMF Fiscal Monitor noted that in the post-recession recovery "provincial revenues are rising again, by an estimated 5.2% in 2010-11 and by a projected 4.2% in 2011-2012."[211] It described the Economic Action Plan as "expansionary at both the federal and subnational level" as the CDN60.2 billion stimulus package was "set to be largely channelled through provinces."[212] The Fiscal Monitor forecasts Canada's general government net debt for 2012 will be 35.4% of Canada's GDP and will peak at 37.5% in 2014 before being reduced to 35.6% by 2017.[213]

The Government of Canada has fully complied with its commitment to implement its nationally differentiated policies to build confidence and support growth as well as implement its nationally

[207] Completing Canada's highway from coast to cast to coast (Budget 2011), Canada's Economic Action Plan (Ottawa) 19 March 2012. Date of Access: 27 March 2012. http://actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=219
[208] The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth, the Government of Canada (Ottawa) 6 June 2011. Date of Access: 25 March 2012. http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf
[209] News, Canada's Economic Action Plan (Ottawa) 4 November 2012-15 March 2012. Date of Access: 17 March 2012. http://www.actionplan.gc.ca/eng/media.asp?category=1&featureId=27&page=1
[210] Minister of Finance meets with private sector forecasters on the economic, Canada's Economic Action Plan (Ottawa) 5 March 2012. Date of Access: 17 March 2012. http://www.actionplan.gc.ca/eng/media.asp?category=1&featureId=27&id=5063
[211]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf
[212]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf
[213]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

differentiated clear, credible and specific measures to achieve fiscal consolidation. It has thus been awarded a score of +1.

Analysts: Brandon Bailey and Krystel Montpetit

France: -1

France has not complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Despite making significant progress against its policy commitments, France has not fully implemented nationally differentiated policies to build confidence and support growth nor has it fully implemented nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, France has thus far complied with three out of four fiscal policy commitments and one out of two structural reform commitments, not registering full compliance for either the fiscal consolidation component or the growth stimulation component.

The French government propounded fiscal measures for 2012-2016, which were subsequently approved by the French Parliament, with the aim of keeping "the planned fiscal adjustment profile consistent with the Toronto commitment."[214] The new medium-term fiscal package includes the following Cannes commitments: (1) the reduction of the least efficient tax expenditures and social security exemptions and (2) the increase in the length of the contributory period as a complement to the 2010 pension reform which progressively increases both legal age of entitlement to 62 and the age of entitlement to a full pension to 67.[215] However, this fiscal package does not include the adoption of a constitutional rule which establishes multi-year budget laws with higher legal status than annual budget laws.[216] Thus, despite making significant progress against its fiscal policy commitments laid out in the G-20 Cannes Action Plan by complying with three out of four of them, France has, as of 1 April 2012, yet to comply with the fourth outstanding one.[217]

At the G20 Deputies meeting held in Mexico on 19-20 January 2012, the International Monetary Fund, in its Global Economic Prospects and Policy Changes document, contended that "while French policies were well aligned, projected outcomes however relied on optimistic assumptions, especially regarding economic growth over the 2012–2016 period."[218]

As for recent policy developments against France's commitments to implement structural reforms to boost growth, on 25 January 2012, the International Monetary Fund bemoaned the fact that the French Parliament had yet to adopt the law to reinforce competition in consumer services, not

[214] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[215] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[216] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[217] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[218] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

complying with one of its G20 structural reform commitments.[219] The bill which aims to increase competition in the business, energy, telecommunications and real estate sectors was slated to be adopted by the French Parliament before the end of 2011.[220] However, since the French Senate expressed its intent to significantly alter the bill in December 2011, the process was considerably delayed and the bill has yet to be adopted as of 1 April 2012.[221]

On January 19-20 2012, the International Monetary Fund however reported that the French government had set out to increase the number of young people on alternating work-study schemes from 600,000 now to 800,000 in 2015 as well as provide additional incentives to encourage the hiring of jobseekers aged over 45 on "professionalization" contracts, thus confirming that France has complied with the second structural reform to boost growth it committed to.[222]

Clear fiscal consolidation targets as outlined by Former French Finance Minister François Baroin maintain that the French 4.5% of GDP deficit target for 2012 will be achieved.[223] France's real quandary lies in stunted growth, which contributes to enlarging the fiscal deficit every year: French GDP growth forecasts slipped from a previously expected 0.6% to 0.4% in 2012.

On 29 January 2012, Former French President Nikolas Sarkozy announced a EUR13billion cut in France's labour costs via the proposed reformed value-added tax (VAT), asserting that the VAT increase constitutes "a form of social VAT," whereby the rate is increased to fund a cut in labour taxes, thus enabling France to improve its global attractiveness to international investment and foster the creation of jobs.[224]

In February 2012, the French Government officially introduced adjustments to the value-added tax (VAT), increasing the standard rate of the VAT to 21.2%, which is similar to the VAT rate in other EU countries.[225] The VAT increase represents a rise from the previous 19.6% rate and was

[219] Le FMI déplore le retard de la loi "conso", Le Figaro (Paris) 25 January 2012. Date of Access : 1 April 2012. http://www.lefigaro.fr/flash-eco/2012/01/25/97002-20120125FILWWW00603-le-fmi-deplore-le-retard-de-la-loi-conso.php

[220] Le FMI déplore le retard de la loi "conso", Le Figaro (Paris) 25 January 2012. Date of Access : 1 April 2012. http://www.lefigaro.fr/flash-eco/2012/01/25/97002-20120125FILWWW00603-le-fmi-deplore-le-retard-de-la-loi-conso.php

[221] Le FMI déplore le retard de la loi "conso", Le Figaro (Paris) 25 January 2012. Date of Access : 1 April 2012. http://www.lefigaro.fr/flash-eco/2012/01/25/97002-20120125FILWWW00603-le-fmi-deplore-le-retard-de-la-loi-conso.php

[222] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[223] Le Projet de Loi de Finances Rectificative Pour 2012 Présenté en Conseil des Ministers, La Communication en Conseil des Ministres (Paris) 9 February 2012. Date of Access: March 19 2012. http://www.gouvernement.fr/gouvernement/le-projet-de-loi-de-finances-rectificative-pour-2012-presente-en-conseil-des-ministres

[224] France to raise VAT rate in 2012, TMF Group (Amsterdam) 29 January 2012. Date of Access: 28 March 2012. http://www.tmf-vat.com/tmf-in-the-media/france-to-raise-vat-rate-in-2012.html

[225] France- Financial transactions tax, increased VAT rate, and reporting requirements for foreign accounts are included in new finance law, KPMG (Washington) 6 March 2012. Date of Access: 28 March 2012.
http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/france-financial-transactions-tax-increased-vat-rate-foreign-accounts.aspx

part of a wider package called *The first corrective Finance Law for 2012*, which also (1) introduced a tax on financial transactions; (2) increased the rate of social contributions on capital income to 15.5%; (3) increased the penalties for taxpayers who fail to report an interest on foreign accounts and life insurance contracts purchased from foreign insurance companies; (4) and increased penalties with respects to tax fraud.[226] The package marks an attempt to reform the economy and reduce the government deficit.[227]

What is more, the 2012 French budget introduced new taxes on sugary drinks, increased taxes on the wealthy, and attempted to close tax loopholes while simultaneously vowing to cut over 30 000 jobs in the public sector.[228]

On 2 March 2012, Former French President Nicolas Sarkozy along with German Chancellor Angela Merkel was the driving force behind the ratification of the fiscal compact by 25 of the 27 EU member states.[229] The fiscal compact was ratified by all member states of the EU, except the Czech Republic and the United Kingdom. Said fiscal compact requires all signatories to have national budgets in balance or surplus within a year of ratification lest the European Court of Justice fine the country up to 0.1% of their national GDP.[230] A bailout from the euro zone's rescue scheme will only be available to countries who have committed to the new regime.[231] At the signing ceremony on 2 March 2012, President of the European Council Herman Von Rompuy declared that the Fiscal Compact would "help prevent a repetition of the sovereign debt crisis."[232] The fiscal compact will be legally binding after ratification by 12 of the 17 euro area member states;[233] the European Council hopes this will be achieved within five years.[234]

[226] France- Financial transactions tax, increased VAT rate, and reporting requirements for foreign accounts are included in new finance law, KPMG (Washington) 6 March 2012. Date of Access: 28 March 2012. http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/france-financial-transactions-tax-increased-vat-rate-foreign-accounts.aspx

[227] France to raise VAT rate in 2012, TMF Group (Amsterdam) 29 January 2012. Date of Access: 28 March 2012. http://www.tmf-vat.com/tmf-in-the-media/france-to-raise-vat-rate-in-2012.html

[228] France unveils slashed 2012 budget, Belfast Telegraph (Belfast) 28 September 2011. Date of Access: 28 March 2012. http://www.belfasttelegraph.co.uk/news/world-news/france-unveils-slashed-2012-budget-16056395.html

[229] 25 EU Leaders Sign Fiscal Compact Treaty, EurActiv (Brussels) March 5 2012. Date of Access: 19 March 2012. http://www.euractiv.com/future-eu/25-eu-leaders-sign-fiscal-compact-treaty-news-511260

[230] The fiscal compact ready to be signed, European Council (Brussels) 31 January 2012. Date of Access: 28 March 2012. http://european-council.europa.eu/home-page/highlights/the-fiscal-compact-ready-to-be-signed-(2)?lang=en

[231] Pact for budget discipline signed by 25 EU states, Reuters (Brussels) 2 March 2012. Date of Access: 28 March 2012. http://www.reuters.com/article/2012/03/02/us-eu-fiscal-idUSTRE8210GP20120302

[232] Pact for budget discipline signed by 25 EU states, Reuters (Brussels) 2 March 2012. Date of Access: 28 March 2012. http://www.reuters.com/article/2012/03/02/us-eu-fiscal-idUSTRE8210GP20120302

[233] Pact for budget discipline signed by 25 EU states, Reuters (Brussels) 2 March 2012. Date of Access: 28 March 2012. http://www.reuters.com/article/2012/03/02/us-eu-fiscal-idUSTRE8210GP20120302

[234] The fiscal compact ready to be signed, European Council (Brussels) 31 January 2012. Date of Access: 28 March 2012. http://european-council.europa.eu/home-page/highlights/the-fiscal-compact-ready-to-be-signed-(2)?lang=en

Throughout the first quarter of 2012, Former President Sarkozy has repeatedly voiced his support for a financial transactions tax (FTT) as a key element of overall financial stability and a measure to enable faster fiscal consolidation.[235] On 29 January 2012, Former President Sarkozy announced plans to unilaterally introduce a 0.1% financial transaction tax (FTT) in France in an attempt to set an example for other European countries.[236] The tax will apply to share purchases including high frequency trading and credit-default swap (CDS) transactions but will not, unlike the European Commission proposal, apply to bond trading.[237] Former President Sarkozy hopes the tax will generate EUR1billion in new income but the Bank of France has already questioned the feasibility of a unilateral tax and the nation's financial sector has been vocally opposed.[238] On 29 February 2012, the FTT legislation was officially adopted by the French Parliament, and it is slated to take effect on 1 August 2012.[239]

On 6 May 2012, France elected Francois Hollande as the new President of the French Republic. President-elect Hollande has stated that "austerity can no longer be the only option" and has pledged to renegotiate the EU fiscal pact aimed at slashing government debt.[240] He campaigned on including growth as an ECB mandate such that "the central bank favours growth over inflation."[241] It is too early for President-elect Hollande to have achieved anything concrete, but there is disagreement over whether renegotiation of the fiscal pact is achievable or desirable.

President-elect Hollande's electoral platform included the following policy promises: (1) a return to a balanced budget by 2017 rather than Former President Sarkozy's 2016, a reduction of the deficit to 3% by the end of 2013 and a return to the retirement age of 60 for those who started working at 18 and have contributed at least 41 years.[242]He also aims to introduce two new tax rates, most notably a 75% marginal tax rate on incomes above EUR1 million and a new 45% tax band on people with annual incomes above EUR450 000.[243]

[235] Moraliser le Secteur Financier par la Taxe sur les Transactions Financières, Ministre du Budget, des Comptes Publics et de la Réforme de l'Etat (Paris) 30 January 2012. Date of Access: 19 March 2012. http://www.porte-parole.gouv.fr/?p=5997

[236] French president announces unilateral financial transaction tax, Deutsche Welle (Berlin) 30 January 2012. Date of Access: 28 March 2012. http://www.dw.de/dw/article/0,,15701290,00.html

[237] France plans Tobin tax on financial transactions, The Guardian (London) 30 January 2012. Date of Access: 28 March 2012. http://www.guardian.co.uk/business/2012/jan/30/france-tobin-tax-nicolas-sarkozy

[238] France plans Tobin tax on financial transactions, The Guardian (London) 30 January 2012. Date of Access: 28 March 2012. http://www.guardian.co.uk/business/2012/jan/30/france-tobin-tax-nicolas-sarkozy

[239] French Financial Transaction Tax; French Parliament Adopts Proposed Legislation on Financial Transaction Tax with Few Amendments, Sullivan & Cromwell LLP (New York) 6 March 2012. Date of Access: 28 March 2012. http://www.sullcrom.com/French-Financial-Transaction-Tax-03-06-2012/

[240] End of Austerity?, BBC (London) 7 May 2012. Date of Access: 7 May 2012. http://www.bbc.co.uk/news/business-17980926

[241] France: Sarkozy v Hollande on the economy, BBC (London) 2 May 2012. Date of Access: 7 May 2012. http://www.bbc.co.uk/news/business-17811579

[242] France: Sarkozy v Hollande on the economy, BBC (London) 2 May 2012. Date of Access: 7 May 2012. http://www.bbc.co.uk/news/business-17811579

[243] France: Sarkozy v Hollande on the economy, BBC (London) 2 May 2012. Date of Access: 7 May 2012. http://www.bbc.co.uk/news/business-17811579

On 11 May 2012, the European Commission forecasted that France will fail to meet its 2013 deficit target of 3% of GDP if there are no policy changes. The European Commission's spring forecast started that "under the usual no-policy-change assumption, the expected outcome remains significantly above the official target of 3% of GDP." According to the European Commission's forecasts, the deficit will narrow to 4.5% of GDP in 2012 from 5.2% in 2011, and reach only 4.2% in 2013, overshooting its deficit target by 1.2%.[244]

Despite making significant progress against its policy commitments, France has thus far not implemented its nationally differentiated policies to build confidence and support growth in full nor has it implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation in full. France has thus been awarded a score of -1.

Analysts: Milosz Zak, Brandon Bailey and Krystel Montpetit

Germany: +1

Germany fully complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Germany has successfully implemented its nationally differentiated policies to build confidence and support growth and implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, Germany has abided by its fiscal commitment to increase fiscal sustainability in accordance with the G-20 Toronto commitment and has made significant progress in strengthening further expenditures for education and R&D as well as increasing labour market efficiency and employment opportunities.

At the G20 deputies meeting held in Mexico City on 19-20 January 2012, the International Monetary Fund independently confirmed that the "fiscal consolidation plan announced by the German government and supported by the national fiscal rule is in line with the Toronto commitment."[245]

The IMF Fiscal Monitor Update published on 24 January 2012[246] asserted that Germany is the main contributor to deficit reduction in the Eurozone with a fall of 2.25% of GDP in its cyclically adjusted deficit in 2011. The IMF projects a German fiscal deficit of 0.7% and 0.1% of GDP in 2012 and 2013 respectively. Gross Government Debt to GDP is expected to decline to 79.8% of GDP in 2013, exceeding the expectations of the latest IMF forecast which put forth a Gross Government Debt to GDP of 81.6% in 2012.[247]

What is more, the German Federal Ministry of Finance publishes a monthly report which provides key statistics and trends on the federal budget as well as the government's fiscal policy

[244] Spring forecast: towards a slow recovery Economic and Financial Affairs (Brussels) 11 May 2012. Date of Access: 19 May 2012. http://ec.europa.eu/economy_finance/eu/forecasts/2012_spring_forecast_en.htm

[245] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[246] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

[247] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

and fiscal consolidation plan. The latest report, which was released in February 2012,[248] reveals that actual net borrowing for 2011 was EUR17.3 billion, down from EUR44 billion in 2010. The estimated 2012 net borrowing is EUR26.1 billion, with a strong probability that the German Government's actual borrowing will be lower than its targeted borrowing programme, a clear sign of a successful fiscal consolidation.[249]

On 12 December 2011, the German Federal Ministry of Finance announced that the deficit in 2011 will be EUR17.3 billion lower than expected, down from a target of EUR48.4 billion. The major shortfall in the targeted deficit is primarily accounted by cyclical components of tax revenues, spending reductions in the labour market as well as lower interest dues and warranties.[250]

In conjunction with its spending reduction efforts, the German Government has shown progress in reforming its rigid labour market to boost employment and growth. Starting 1 January 2012, the German Government added doctors and specialized engineers to a list of professions that will now benefit from an easier, unencumbered access to the labour market.[251] Furthermore, it announced that skilled workers from new EU member countries no longer require a work permit as of 1 January 2012, eliminating barriers which breed inefficiency and reducing distortions in the labour market.[252]

According to the OECD Economic Policy Reforms 2012 blueprint, the German Government has taken concrete measures to reform its economy and boost growth. Said measures include: (1) the shift from labour income taxation to property and consumption taxation which began in 2007 and continued onto 2011; (2) the ongoing abatement of regulatory barriers to competition and the ongoing thrust to improve educational outcomes; and (3) the increased public childcare access for

[248] Abstract of the Federal Ministry of Finance's Monthly Report, Federal Ministry of Finance (Berlin) September 2011. Date of Access: 3 March 2012.
http://www.bundesfinanzministerium.de/nn_103424/DE/BMF__Startseite/Publikationen/Monatsbericht__des__BMF/2012/02/english/translated-abstracts/120222agmb001,templateId=raw,property=publicationFile.pdf
[249] Abstract of the Federal Ministry of Finance's Monthly Report, Federal Ministry of Finance (Berlin) September 2011. Date of Access: 3 March 2012.
http://www.bundesfinanzministerium.de/nn_103424/DE/BMF__Startseite/Publikationen/Monatsbericht__des__BMF/2012/02/english/translated-abstracts/120222agmb001,templateId=raw,property=publicationFile.pdf
[250] Deficit in 2011 will turn out with 17.3 billion euros significantly lower than expected; consolidation policy of the Federal Government will continue, Federal Ministry of Finance (Berlin) 1 December 2012. Date of Access 3 March 2012.http://www.bundesfinanzministerium.de/nn_54090/DE/Presse/Pressemitteilungen/Finanzpolitik/2012/01/20120112-PM03.html?__nnn=true
[251] Foreign Workers Cabinet Approves rules, Federal Ministry of Labour and Social Affairs (Berlin), 22 June 2011. Date of Access: 3 March 2012.
http://www.bmas.de/DE/Themen/Arbeitsmarkt/Auslaenderbeschaeftigung/zulassung-in-engpassberufen.html
[252] Foreign Workers Cabinet Approves rules, Federal Ministry of Labour and Social Affairs (Berlin), 22 June 2011. Date of Access: 3 March 2012.
http://www.bmas.de/DE/Themen/Arbeitsmarkt/Auslaenderbeschaeftigung/zulassung-in-engpassberufen.html

working mothers by 2013, which aims to eliminate the main bottleneck to full-time female labour participation.[253]

Finally, the IMF, in its Global Economic Prospects and Policy Changes which was presented at the Meeting of G-20 Deputies on 19-20 January 2012, stated that the German government's tax reform agenda is "generally aligned with the objective of making tax regime more employment friendly, but specific measures are still to be adopted."[254] It also acknowledged that the German government's identification of education, research and development and innovation as policy priority areas was in line with its first Cannes structural reform commitment.[255]

On 17 April 2012, the latest IMF Fiscal Monitor stated that Germany's cyclically adjusted deficit fell significantly in 2011 owing to the "expiration of one-off financial sector measures implemented in 2010" including fiscal tightening from consolidation measures, the removal of stimulus spending, and structural changes in the labour market which had led to lower payments of unemployment benefits.[256] In 2012, the lowering of the headline deficit is expected is to be moderate.[257]

On 18 April 2012, the German Federal Ministry of Finance announced it adopted the 2012 update of the German Stability Programme.[258] This programme is an apparent indicator that Germany will be able to meet with all fiscal consolidation measures laid down by the EU while still promoting growth. The program, having been adopted by Germany, will now move forward to the European Commission and the ECOFIN Council. This program will take the government debt from 82% of GDP at the end of this year to 73% in 2016 when the stability programme's term ends.

As per the Stability and Growth Pact, which requires each EU Member State to set a medium-term budgetary objective under which the state's structural deficit remains below 1% of GDP, Germany will meet its medium-term objective of a structural deficit no higher than 0.5% of GDP as early as 2012.[259] Furthermore, by reducing its general government deficit by 3.3 percentage points to 1.0 percent of GDP by the end of 2011, Germany had achieved compliance with the

[253] Germany Economic Policy Reforms 2012: Going for Growth, OECD, 2012. Date of Access: 3 March 2012. http://www.oecd.org/dataoecd/33/16/49655560.pdf

[254] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[255] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[256]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

[257]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

[258]Germany adopts 2012 Stability programme, Federal Ministry of Finance (Berlin) 18 April 2012. Date of Access 29 May 2012. http://www.bundesfinanzministerium.de/nn_103466/EN/Topics/Fiscal-policy/Articles/20120418-Germany-adopts-2012-Stability-Programme.html?__nnn=true

[259] Germany adopts 2012 Stability programme, Federal Ministry of Finance (Berlin) 18 April 2012. Date of Access 29 May 2012. http://www.bundesfinanzministerium.de/nn_103466/EN/Topics/Fiscal-policy/Articles/20120418-Germany-adopts-2012-Stability-Programme.html?__nnn=true

financial balance requirements set out under the Stability and Growth Pact's corrective arm while also fulfilling its voluntary commitment under last year's Euro Plus Pact to reduce its deficit below the 3% threshold two years earlier than required under the Stability and Growth Pact's excessive deficit procedure.

On 20 April 2012, the German Federal Ministry of Finance announced its latest fiscal figures which showed that the actual financial deficit of EUR24.040 million was lower than the estimated deficit for this period of EUR35.163 million showing continued performance by Germany in reducing its fiscal deficit.[260]

The information provided by both the German Ministry of Finance as well as the OECD and the IMF prove that Germany is firmly committed to fiscal consolidation and the stimulation of growth through a reduction in its targeted borrowing programme and the implementation of labour market liberalization measures as well as increased investments in education and R&D.

Germany has thus fully complied with its commitment to implement nationally differentiated policies to build confidence and support growth and to implement its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. It is thus awarded a score of +1.

Analysts: Faiyyad Hosein and Krystel Montpetit

Italy: -1

Italy has not complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Despite making significant progress against its policy commitments, Italy has not implemented nationally differentiated policies to build confidence and support growth in full nor has it fully implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation.

The Italian government has partially complied with its fiscal policy commitment to reach a close-to-balance budget by 2013 and a rapidly declining debt to GDP ratio starting in 2012. The IMF Fiscal Monitor Update published on 24 January 2012[261] revealed that Italy's fiscal balance is showing modest improvements. The IMF projects a fiscal deficit of 2.8% and 2.3% of GDP in 2012 and 2013 respectively, confirming that Italy is moving closer to a balanced budget. However, Gross Government debt to GDP is expected to rise to 126.6% of GDP in 2013, marginally up from the forecasted figure of 125.3% in 2012.[262]

In respect to Italy's second fiscal policy commitment to amend the Constitution to introduce a balanced budget obligation to Article 81 of the Italian constitution, which was approved by the Italian Lower House on 7 September 2011 and which will come into effect in 2014, the Constitution has yet to be amended as of 20 May 2012.

[260] Federal Budget and fiscal policy key figures, Federal Ministry of Finance (Berlin) 20 April 2012. Date of Access 29 May 2012. http://www.bundesfinanzministerium.de/nn_103466/EN/Press-and-publications/Publications/Articles/2012-04-federal-budget.html?__nnn=true

[261] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

[262] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm

As for Italy's commitment to the implementation of structural reforms to stimulate growth, the new technocrat government under the leadership of Mario Monti has thus far passed a sizeable number of measures to foster sustainable growth in conjunction with severe austerity measures, heeding talk that the success of austerity measures in Italy depends on the compounded implementation of robust measures to stimulate growth. Said measures to kick-start the Italian economy include: (1) the introduction of a tax relief for businesses that reinvest their profits in their sector or other sectors; and (2) the 20 January 2012 formal adoption of a package of measures to reform the Italian labour market. More specifically, the Italian Government under the leadership of Mario Monti will liberalize certain professions such as taxi drivers, pharmacists, doctors, lawyers and notaries by means of reforming their licensing systems and abolishing minimum tariffs for their services in order to allow competition. The Italian Government will further undertake to reform Article 18 of Italy's labour code, which mandates companies which employ 15 or more workers to re-hire rather than to compensate any employee whose licensing had no justifiable ground. The planned reforms to Article 18 strive to ease the dismissal of employees so that it goads companies into hiring more permanent employees instead of short-term temporary employees[263]; and (3) the implementation of an Enterprise Finance Guarantee (EFG) scheme for small and medium sized enterprises (SMEs) which lack an adequate security for a normal commercial loan. The Government provides the lender with a guarantee for which the borrower pays a premium.[264]

On 17 April 2012, the latest IMF Fiscal Monitor stated that Italy has been progressing with reforms in the areas of investments in infrastructure, the liberalization of product markets, and reducing the complexity of administration.[265] The Italian government also intends to further liberalize the labour market through a series of reforms that have been submitted to parliament. The Fiscal Monitor notes that a legislative package intended to work toward fiscal consolidation was approved in December 2011 will be "enough to bring the budget into balance in cyclically adjusted terms next year."[266]

The Fiscal Monitor also notes that Italy is aggressively reforming pensions.[267] As part of a three-year austerity and growth package passed in January, the retirement age for women will be increased to 62 from 60 and men will be required to work 42 years rather than the previous 40 to receive a full pension.[268] The structural budget balance rule is currently making progress in the Italian parliament.

Despite its staunch commitment to reforming various rigid systems, mechanisms and markets to promote growth in Italy, the Mario Monti government still falls short of its commitments to conduct a comprehensive public spending review, to restructure the justice system, to reduce the

[263] Italy vs. the unions, Financial Post (London) 27 December 2011. Date of Access: 21 March 2012. http://business.financialpost.com/2011/12/27/italy-vs-the-unions/
[264] Mario Monti's austerity measures lack the Innovation Italy needs, The Guardian (UK) 5 December 2011. Date of Access: 3 March 2012.
http://www.guardian.co.uk/commentisfree/2011/dec/05/mario-monti-austerity-measures-italy
[265] IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf
[266] IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf
[267] IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf
[268] Italian labor unions protest pension overhaul, Press TV (Tehran) 13 April 2012. Date of Access: 4 May 2012. http://www.presstv.ir/detail/236012.html

North-South dualism by a comprehensive review of European structural funds programme (Eurosud Plan) and to increase the accountability and the autonomy of Italian universities and schools.

The Financial Stability report published by the Bank of Italy in April 2012 states that Italy is making significant progress to improve its public finances and expects the Debt-to-GDP ratio to fall in 2013.[269] It shows that Italian government bonds forward rates are lower given that the market is taking their consolidation efforts as realistic.

Italian Prime Minister Mario Monti announced on 18 April 2012 that Italy should shift priority from austerity to growth. This was due to a belief that further consolidation could lead to a deeper and more protracted recession. He has now shifted his deficit goals to balance the budget to 2014 instead of 2012.[270] Italian bond yields only rose slightly, given the market's credible belief in the Monti administration and that Italy's main problem is a weak economy and not fiscal slippage.[271]

Despite making significant progress against its policy commitments, Italy has thus far not fully implemented nationally differentiated policies to build confidence and support growth nor has it implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation in full. It is thus awarded a score of -1.

Analysts: Faiyyad Hosein and Krystel Montpetit

Japan: -1

Japan has not complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Japan has not made sufficient progress in implementing nationally differentiated policies to build confidence and support growth nor has it been fully successful in implementing nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, Japan has not made sufficient progress in updating its medium-term fiscal consolidation plan following the worsening of the budget and debt deficits nor has it sufficiently accelerated efforts to implement "the New Growth Strategy" and enhanced the strategy with the formulation of "innovative strategy for energy and the environment" in response to the aftermath of the Earthquake.

The Highlights of FY 2012 budget published by the Japanese Ministry of Finance show targeted expenditures to amount to JPY90, 333 billion in 2012, down from JPY92, 411 billion in 2011.[272] The Japanese Government's medium-term fiscal framework for fiscal consolidation precludes the issuance of new sovereign bonds to exceed that of FY2011, except for the issuance of reconstruction bonds. Fiscal discipline is entrenched in the budget with a maximum of JPY 38,335 billion in new special-deficit financing bond issuance. A special amount of JPY 5,909.0 billion has been aside for the issuance of reconstruction bonds in the FY2012 budget, reaffirming

[269] Financial Stability Report No. 3, Bank of Italy, (Rome) April 2012. Date of Access: 29 April 2012. http://www.bancaditalia.it/pubblicazioni/stabilita-finanziaria/rapporto-stabilita finanziaria/2012/rsf_2012/en_stabfin_3_2012/1-Financial-Stability-Report.pdf

[270] Italy shifts priority from austerity to growth, Reuters (Rome) 18 April 2012. Date of Access: 29 April 2012. http://news.yahoo.com/italy-shifts-priority-austerity-growth-144834094--business.html

[271] Italy shifts priority from austerity to growth, Reuters (Rome) 18 April 2012. Date of Access: 29 April 2012. http://news.yahoo.com/italy-shifts-priority-austerity-growth-144834094--business.html

[272] Highlights of the Budget for FY2012, Ministry of Finance, Japan – December 2011. Date of Access: 3 March 2012.http://www.mof.go.jp/english/budget/budget/fy2012/e20111224a.pdf

Japan's commitment to rebuilding the economy devastated by the 2011 natural disasters. In December 2011, Japan's draft 2012 budget forecasted the total outstanding long-term debt of central and local governments to rise to 195% in 2012 from an overestimated 192% in 2011, clearly indicating a worsening of the overall Japanese debt situation.[273]

The IMF Fiscal Monitor Update published on 24 January 2012[274] stated that the Government of Japan must imperatively clarify its medium-term debt reduction strategy to quell concerns following the marginal increase in the country's fiscal deficit in 2011. The IMF projects a fiscal deficit of 10.2% and 8.8% of GDP in 2012 and 2013 respectively, up from 8.2% of GDP and 8.5% of GDP in 2010 and in 2011 respectively. Gross Government debt to GDP is expected to rise to 246.8% of GDP in 2013, up from the forecasted figure of 241% of GDP in 2012.[275]
On 22 June 2010, the Japanese government unveiled a fiscal plan set to tackle the burgeoning public debt by reducing yearly budget deficits.[276] The fiscal plan calls for a surplus in the primary budget balance by 2020-21 and a reduction of the debt-to-GDP ratio starting 2021-22.[277] This fiscal plan is in line with the G20 country specific fiscal consolidation mandate for Japan, but since the March disasters, the Japanese government has failed to outline and release an updated and credible plan to meet the June 2010 fiscal plans' objectives.

Despite the Japanese Government's proposal to raise the consumption tax rate from the current level of 5% to 8% in 2014, and to 10% in late-2015, as part of a social security and tax reform plan, the Diet — the Japanese parliament — has yet to approve this measure. What is more, an outline of the consumption tax increases beyond 2015 and reforms to entitlement spending are still needed. The Government of Japan has thus far failed to implement a comprehensive reform of the tax reform including the much-awaited consumption tax.

In terms of measures to boost private domestic demand, the Japanese government has announced that Japan would join negotiations for the Trans Pacific Partnership (TPP) regional free trade agreement. Beyond boosting exports, the TPP could revive domestic services through greater market liberalization, deregulation, and inward foreign direct investment. More progress is however needed in labor market reforms to raise participation by the young, elderly, and women.

Despite the previously mentioned shortcomings, it however noted that the Government of Japan has been focused on rebuilding its economy and has now a clear mandate to limit its new bond issuance.

Since Japan has made insufficient progress in implementing nationally differentiated policies to build confidence and support growth and has not successfully implemented nationally

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[273] Japan's Fiscal Condition, Ministry of Finance, Japan – December 2011. Date of Access: 3 March 2012. http://www.mof.go.jp/english/budget/budget/fy2012/e20111224b.pdf
[274] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[275] IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[276]FACTBOX-Budget deficits of richer G20 nations, Reuters (Washington) 27 June 2010. Date of Access:
27 October 2010. www.reuters.com/article/idUSN2412302520100627
[277]FACTBOX-Budget deficits of richer G20 nations, Reuters (Washington) 27 June 2010. Date of Access:
27 October 2010. www.reuters.com/article/idUSN2412302520100627

differentiated clear, credible and specific measures to achieve fiscal consolidation, it has thus been awarded a score of -1.

Analysts: Faiyyad Hosein and Krystel Montpetit

Korea: 0

Korea has partially complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. Korea has not fully implemented its nationally differentiated policies to build confidence and support growth, but it has fully implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, Korea has abided by its fiscal commitment to pursue mid-term consolidation with the aim to reach a balanced budget excluding social security fund by 2013. It has also made substantial progress in introducing multiple labor unions and pursuing measures to increase women's labor participation rate as well as pursuing reforms to facilitate green growth, but it has not made sufficient progress in enhancing service industry deregulation and the market competition for qualified professionals since the Cannes Summit.

According to the Korean Ministry of Strategy and Finance and his publication on "The results of 2011 economic policies and Main Tasks for 2012,"[278] Korea has experienced sound progress in fiscally consolidating, speeding the deregulation of the service industry, reforming the labour market and facilitating green growth as mandated by its G20 Cannes Summit differentiated approach to growth-friendly fiscal consolidation. The 2012 budget shows government revenues exceeding total expenditures by 4% albeit both saw 5.5% increase in both since the 2011 budget. This is line with the country's fiscal policy commitment to reach fiscal balance in 2013.

The Korean Ministry of Strategy and Finance has persistently reiterated the strength of Korea's fiscal position, asserting that the country was within reach of a balanced budget. The Ministry stressed that its 2012 budget will focus "[….] on job creation while pursuing fiscal balance in 2013," and that it will keep its spending increases to the lowest possible level until the country achieves a balanced budget in 2013. The budget deficit stood at 2% in 2011 and is projected to be 1% in 2012 and 0% by 2013, thus returning the Korean budget to balance.[279]According to the Korean Ministry of Finance, the consolidated fiscal accounts registered a surplus of KRW27.1 trillion Won as of the end of November 2011. This is a real testimony to Korea's excellent fiscal standing and commitment to balanced finances.[280]

In keeping with its structural reformcommitment to facilitate green growth, a special multi-party committee of the Korean National Assembly on climate change pushed forward the enactment of the Greenhouse Gas Emission Trade Act on 8 February 2012.[281] In doing so, the government would overcome industry opposition to begin structuring the third emissions-trading program in

[278] Results of 2011 Economic Policies and Main Tasks for 2012, Korean Ministry of Strategy & Finance, 30 December 2011. Date of Access: 3 March 2012 http://english.mosf.go.kr/

[279]2012 Budget Centers on Job Creation while Pursuing Fiscal Balance in 2013, Korean Ministry of Strategy & Finance, 27 September 2011. Date of Access: 7 October 2011. http://english.mosf.go.kr/

[280]Consolidated Fiscal Account Posts Surplus of 27.1 Trillion Won as of End-November, 2011, Korean Ministry of Strategy & Finance, 30 January 2012. Date of Access: 3 March 2012. http://english.mosf.go.kr/

[281] South Korean Lawmakers Vote for Limits on Greenhouse-Gas Emissions, Bloomberg (New York) 8 February 2012. Date of Access: 27 March 2012. http://www.bloomberg.com/news/2012-02-08/south-korea-moves-closer-to-setting-limits-on-carbon-emissions.html

the Asia-Pacific region.[282] The bill was scheduled to be presented to the Assembly's Plenary Session on 16 February 2012,[283] but its appearance before the plenary has been indefinitely postponed.[284] Government sources told Reuters News Agency that the delay was caused by "domestic political issues" and not by "continuing disagreement over the emissions trading bill."[285] The bill has faced numerous delays over the past two years, with its 8 February 2012 committee clearance having been hailed as a major milestone.[286]The government is optimistic that it can pass the legislation before elections scheduled in April.[287] If introduced, the legislation will adhere to the Korean government's *Cannes Action Plan* commitment to introduce greenhouse gas and energy target management by establishing a full cap-and-trade scheme by 2015.[288] The proposed scheme holds that participating firms would receive 95% of the carbon allowances they need to hold for free during the first five years, but it does not detail neither how many firms will be covered by the scheme nor how the market will operate.[289]

The Korean Ministry of Environment is also very committed to fostering green growth; his five-year action plan includes the following objectives: (1) the development of green technologies; (2) a reduction in fossil fuel use; and (3) the mitigation of greenhouse emissions amongst many other green targets. The Korean Ministry of Environment's 2020 objective is to create a national greenhouse gas inventory system in which major players begin reporting emissions. This five-year plan proposes the development of the following green technologies: (1) solar cells; (2) bio energy; and (3) light water reactors.[290] On 30 December 2011, the Korean Ministry of Environment released its 2012 Annual Policy Report in which it emphasized its objective to significantly reduce greenhouse gases through the allotment of a green card and the delivery of

[282] South Korean Lawmakers Vote for Limits on Greenhouse-Gas Emissions, Bloomberg (New York) 8 February 2012. Date of Access: 27 March 2012. http://www.bloomberg.com/news/2012-02-08/south-korea-moves-closer-to-setting-limits-on-carbon-emissions.html
[283] South Korean Lawmakers Vote for Limits on Greenhouse-Gas Emissions, Bloomberg (New York) 8 February 2012. Date of Access: 27 March 2012. http://www.bloomberg.com/news/2012-02-08/south-korea-moves-closer-to-setting-limits-on-carbon-emissions.html
[284] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[285] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[286] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[287] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[288] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[289] South Korean carbon trading bill faces further delay, BusinessGreen (London) 16 February 2012. Date of Access: 28 March 2012. http://www.businessgreen.com/bg/news/2152958/south-korean-carbon-trading-delay
[290] Five Year Action Plans, Korean Ministry of Environment, Date of Access: 3 March 2012 http://eng.me.go.kr/content.do?method=moveContent&menuCode=pol_gre_strategies

2,500 new green vehicles.[291] The Korean Ministry of Environment also laid out its vision to be the world's 7th green growth and 5th green power by 2050.[292]

As for pursuing measures to increase women's labour participation, the Korean Ministry of Gender Equality and Family has since 2010 undertook a project whose aim is to increase the job opportunities for women with child-related career interruptions. The Ministry reports than from January 2011 until December 2011, "21 career courses were set up, with 411 people completing their training, and the employment rate after the training was 62.3%, with 256 people given the chance to continue their career. On 28 February 2012, the Ministry reported that, in 2012, the program will aim to "achieve qualitative rather than quantitative advancement, by providing education which satisfies the needs of the consumer and reforming the tools of employment support."[293]Pursuant to the Trade Union and Labor Relations Adjustment Act amended on January 1, 2010, multiple unions have been allowed in Korean workplaces since 1 July 2011.[294] The number of multiple unions in Korean workplaces has steadily increased since 1 July 2011 with the creation of 167 new unions in the first ten days after the implementation of the system of multiple unions alone.[295]

Since the Cannes Summit and as of 1 April 2012, Korea has still not taken any specific measure to enhance its service industry deregulation. A recent study by the Mckinsey Global Institute confirms that Korea has failed to deregulate its services sector and estimates that if the Korean government does not take any measure to liberalize the service industry, unemployment could rise to 12% in the near future.[296]

On 17 April 2012, the latest IMF Fiscal Monitor stated net consolidated debt declined in Korea due to the substantial accumulation of central bank net foreign assets.[297] This report also further confirms that the government is expected to balance its budget in 2013.[298]

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[291] MOE releases 2012 annual policy report, Korean Ministry of Environment, 30 December 2011. Date of Access: 26 March 201. http://eng.me.go.kr/board.do?method=view&docSeq=9705&bbsCode=new_infocus&currentPage=1&searchType=&searchText=

[292] Vision and goals of green growth, Korean Ministry of Environment, Date of Access: 26 March 2012

[293]Giving wings of hope to highly educated women with career interruptions, Ministry of Gender Equality and Family, Republic of Korea (Seoul) 28 February 2012. Date of Access: 1 April 2012. http://english.mogef.go.kr/sub03/sub03_21.jsp?menuID=euc0200&id=euc0200&cate=&key=&search=&order=&desc=asc&syear=&smonth=&sdate=&eyear=&emonth=&edate=&deptcode=&menuID=euc0200&pg=1&mode=view&idx=6867

[294]167 new unions created under new multiple union system, The Hankyoreh (Seoul) 12 July 2011. Date of Access: 1 April 2012. http://english.hani.co.kr/arti/english_edition/e_national/486965.html

[295]167 new unions created under new multiple union system, The Hankyoreh (Seoul) 12 July 2011. Date of Access: 1 April 2012. http://english.hani.co.kr/arti/english_edition/e_national/486965.html

[296]Debt and deleveraging: Uneven progress on the path to growth, Report, McKinsey Global Institute, January 2012. Date of Access: 14 April 2012. http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Uneven_progress_on_the_path_to_growth

[297]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

Korea has partially complied with its commitment to fiscal consolidation and the stimulation of growth. Korea is in an excellent fiscal position and is expected to balance its budget by 2013. However, since Korea has thus far only implemented reforms in two of the three key areas outlined in its differentiated mandate, the country has not fully complied with its structural reform commitments. Korea is thus awarded a score of 0.

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United Kingdom: +1

The United Kingdom has fully complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. The United Kingdom has successfully implemented its nationally differentiated policies to build confidence and support growth and implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. More specifically, the United Kingdom has abided by its fiscal commitments to implement its planned reductions in public spending as set out in the 2010 Spending Review as well as to accelerate the rise in the State Pension Age (SPA) from 65 to 66 and to reform public sector pensions to manage long-term fiscal pressures. It has also adopted its nationally differentiated structural reforms to stimulate growth including the housing and land planning reform.

In its Global Economic Prospects and Policy Changes presented at the G20 Deputies Meeting held in Mexico on 19-20 January 2012, the International Monetary Fund deemed the British Government's fiscal consolidation plan credible and confirmed that the United Kingdom remains committed to putting the government debt-to-GDP ratio on a downward path by 2016. In light of recent downgrades to the growth outlook — the deficit is forecast to fall only from 9.3 to 6.0% of GDP between 2011-2014-, the U.K. authorities no longer project to halve the overall public-sector deficit during this time period. However, the British Government has budgeted additional consolidation in 2015–2017 to maintain its medium-term fiscal goals. Said fiscal consolidation includes the following growth-friendly measures: (1) the reduction of the main corporate tax from 28% to 26% and the gradual reduction to 23% by 2014; (2) modest cuts in spending with low multipliers such as public employee wages to fund higher spending on items with high multipliers such as infrastructure spending; and (3) the announcement of the raise of the state pension age to 67 between 2026 and 2028, which is expected to save GBP60 billion at today's prices and clearly denotes the British government's commitment to welfare reform.[299]

Since the United Kingdom Treasury released the Comprehensive Spending review 2010 in October 2010, progress has been registered.[300] The 2011 budget in which the Office of Budget Responsibility for the United Kingdom forecasted that net public sector borrowing will decline from its peak of 11.1% of GDP in 2009-2010 to 1.5% of GDP in 2015-2016 is emblematic of this progress.[301] This fiscal consolidation trend was also evident on 22 November 2011 as newly released Office for National Statistics data showed that public sector net borrowing totaled

[298]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

[299] Autumn Statement: 'Longer wait' for state pension, BBC (UK) 29 November 2011. Date of Access: 3 March 2011. http://www.bbc.co.uk/news/business-15940392

[300]Spending Review 2010, HM Treasury (London) 20 October 2010: Date of Access: October 21 2010. cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

[301] Budget 2011, HM Treasury (London) 23 March 2011. Date of Access: 24 March 2011. http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf

GBP68.3 billion in the first seven months of the 2011-12 financial year compared with GBP78.7 billion at the same period in 2010-11.[302]

The IMF Fiscal Monitor Update published on 24 January 2012[303] revealed that the UK's cyclically adjusted fiscal deficit fell. The IMF projects a fiscal deficit of 7.8% and 6.5% of GDP in 2012 and 2013 respectively; a substantial fall since the 8.8% of GDP in 2011, clearly demonstrating that the United Kingdom continues to move towards the achievement of a balanced budget. Gross Government debt to GDP is expected to rise to 90.3% of GDP in 2013, up from the forecasted figure of 86.6% in 2012. The IMF World Economic outlook update, which was published on 24 January 2012,[304] projects that the United Kingdom will experience negative rates of growth in 2012 and 2013: -1.0% and -0.4% respectively. Despite the forecasted slight recession plaguing the British economy in 2012 and 2013, the British government will nevertheless experience a decline in its fiscal deficits in 2012 and 2013, a true testament to the success of its fiscal consolidation policies.

On 12 January 2012,[305] the United Kingdom implemented a new legislation to block tax avoidance, which will contribute to increasing government revenues and reducing the budget deficit. The British government was quoted as saying that tax avoidance is unacceptable at a time when governments strive to reduce their fiscal deficit. The David Cameron government also presented a new tax legislation draft that, if implemented in the Finance Bill 2012, would increase the competitiveness of the British economy.[306]

In regard to its commitment to the implementation of structural reforms to stimulate growth, the United Kingdom has undertaken to reform cumbersome land planning regulations, implemented the 2011 draft National Planning Policy Framework which will expedite the planning process and ratified the New Homes Bonus which aim to incentivize local communities and boost economic development.[307]

The United Kingdom's 2012 budget states that public sector net borrowing is expected to fall to 4.3% in 2014-2015 and 1.1% in 2016 — 2017.[308] It further states that cyclically adjusted primary balance has been halved over the last two years from 7% to 3.4% and by the end of 2011 — 2012 and that almost 40% of the fiscal consolidation plan under the 2010 comprehensive spending

[302] Osborne on course to hit deficit reduction targets, The Guardian (UK) 22 November 2011. Date of Access: 4 March 2012. http://www.guardian.co.uk/business/2011/nov/22/osborne-on-course-deficit-reduction
[303]IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012.http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[304] World Economic Outlook Update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012. http://www.imf.org/external/pubs/ft/weo/2012/update/01/
[305]Government takes action to block tax avoidance involving post-cessation trade relief, HM Treasury (London) 12 January 2012. Date of Access: 4 March 2012.http://www.hm-treasury.gov.uk/press_02_12.htm
[306]Draft tax legislation gives greater predictability and clarity, HM Treasury (London) 6 December 2011. Date of Access: 4 March 2012.http://www.hm-treasury.gov.uk/press_139_11.htm
[307] UK Economic Policy Reforms 2012: Going for Growth, OECD, 2012. Date of Access: 4 March 2012. http://www.oecd.org/dataoecd/34/14/49654269.pdf
[308] Executive Summary 2012 Budget, HM Treasury (London) 21 March 2012. Date of Access: 29 April 2012. http://cdn.hm-treasury.gov.uk/budget2012_executive_summary.pdf

review will have been achieved.[309] The budget shows the government is committed to a simpler, fairer and more efficient tax system that will support growth. The government wishes to target growth in conjunction with fiscal consolidation and expect its total policy decision will yield positive GBP470 million in 2012 — 2013, before moving to negative GBP1.710 million in 2013 — 2014 and then turning positive again until 2017.[310]

Despite slipping back into recession after numbers confirmed that the British GDP had contracted by 0.2% in the first quarter of 2012 and 0.3% in the last quarter of 2011, UK Prime Minister David Cameron stressed that the country would nevertheless abide by the tenets of its austerity plan.[311]

The United Kingdom has successfully implemented its nationally differentiated policies to build confidence and support growth and implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation. It has thus been awarded a score of +1.

Analysts: Faiyyad Hosein and Krystel Montpetit

United States: 0

The United States has partially complied with its commitment to implement its G20 differentiated approach to fiscal consolidation and to the stimulation of growth. The United States has successfully implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation, but it has not implemented its nationally differentiated policies to build confidence and support growth. More specifically, the United States has identified between USD1.2 trillion in additional federal deficit reduction to go along with the USD900 billion in agreed spending reductions included in the 2 August 2011 Budget Control Act, but, as of 1 April 2012, it has not passed any legislation compelling employers who do not currently provide workplace pensions to establish automatic enrolment of employees in direct deposit Individual Retirement Accounts (IRAs).

American President Barack Obama's Plan for Economic Growth and Deficit Reduction unveiled in September 2011 meets both the deficit and debt Toronto objectives.[312] Furthermore, since the Congressional Joint Select Committee on Deficit Reduction failed to reach consensus on a medium term consolidation plan on 22 November 2011, the August Budget Control Act triggered USD1.2 trillion in automatic spending cuts, which will primarily apply to the defence and domestic components of the U.S. budget.[313]

[309] Executive Summary 2012 Budget, HM Treasury (London) 21 March 2012. Date of Access: 29 April 2012. http://cdn.hm-treasury.gov.uk/budget2012_executive_summary.pdf

[310] Executive Summary 2012 Budget, HM Treasury (London) 21 March 2012. Date of Access: 29 April 2012. http://cdn.hm-treasury.gov.uk/budget2012_executive_summary.pdf

[311] UK PM: Must redouble efforts to deliver policies, Wall Street Journal (London), 29 April 2012. Date of Access: 29 April 2012. http://online.wsj.com/article/SB10001424052702303916904577374651557219984.html?mod=googlenews_wsj

[312] Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf

[313] US Supercommitee fails to reach agreement as Across the Board cuts loom, Bloomberg, 21 November 2011. Date of Access: 4 March 2012. http://www.bloomberg.com/news/2011-11-21/supercommittee-fails-to-reach-agreement-on-1-2-trillion-deficit-reduction.html

However it is noted that the International Monetary Fund contents that further measures are needed to ensure medium-term fiscal sustainability and more progress is needed in the areas of revenue-raising measures as well as health and pension entitlements.[314]The IMF Fiscal Monitor Update published on 24 January 2012[315] argues that the United States must imperatively clarify its mid-term debt reduction strategy and outline a plan which cuts entitlement spending and raises revenues. The IMF projects a fiscal deficit of 8% and 6.4% of GDP in 2012 and 2013 respectively, confirming that the United States is moving towards the achievement of a balanced budget. Gross Government debt to GDP is however expected to rise to 112% of GDP in 2013, up from the forecasted figure of 107.6% in 2012.

In respect to structural reforms to boost growth, the United States has thus far taken no measure to compel employers who do not currently provide workplace pensions to establish automatic enrolment of employees in direct deposit Individual Retirement Accounts (IRAs).[316]

The United States' 2013 Budget puts forth a reduction in discretionary spending from 8.7% of GDP in 2011 to 5% of GDP in 2022. Other key facts about the 2013 budget include: (1) a USD4 trillion in balanced, deficit reduction, which will be incremental to the USD1 trillion in discretionary cuts prescribed by the Budget Control Act and will beget a deficit of less than 3% of GDP by 2018[317]; (2) a commitment that the Budget will impose USD2.50 in spending cuts for every USD1 in revenue from individuals who earn more than USD250 000 per year and from closing corporate loopholes. The spending cuts must include the deficit reduction enacted in 2011;[318](3) USD24 billion in savings cuts in 2013 and a total of USD520 billion in savings cuts through 2022[319]; (4) a projection that the deficit will narrow to USD1.3 trillion or 8.5% of GDP in 2012; USD901 billion or 5.5% of GDP in 2013; 3.4% in 2015; USD575 billion or 2.7% of GDP in 2018; and USD704 billion or 2.8% of GDP in 2022.[320] The deficit projections put forth by the American Office of Management and Budget are in line with the United States' Cannes G20 Summit mandate to bring its deficit between 1.1 and 3.5 percent of GDP by 2015.[321]

On 13 February 2012, President Obama submitted the United States federal budget request for 2013. The United States 2013 budget intends to foster growth through several growth stimulating measures. These measures seek to "jumpstart growth" by extending the payroll tax cut, extending 100% first-year depreciation deduction for certain property, providing a temporary 10% tax credit

[314]Global Economic Prospects and Policy Changes, prepared by Staff of the International Monetary Fund, Meeting of G20 Deputies (Mexico City) January 19-20 2012. Date of Access: 1 April 2012. http://www.imf.org/external/np/g20/pdf/012012.pdf
[315]IMF Fiscal Monitor update, International Monetary Fund (Washington) 24 January 2012. Date of Access: 3 March 2012.http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm
[316]Supplemental Materials, Budget of the US Government, 13 February 2012. Date of Access: 4 March 2012. http://www.whitehouse.gov/omb/budget/Supplemental
[317] Budget Overview, Office of Management and Budget, 13 February 2012. Date of Access: 4 March 2012. http://www.whitehouse.gov/omb/overview
[318]Budget Overview, Office of Management and Budget, 13 February 2012. Date of Access: 4 March 2012. http://www.whitehouse.gov/omb/overview
[319] Fiscal Year 2013, Cuts, Consolidations and Savings, Budget of the US Government, 13 February 2012. Date of Access: 4 March 2012.
http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/ccs.pdf
[320] Budget Overview, Office of Management and Budget, 13 February 2012. Date of Access: 4 March 2012. http://www.whitehouse.gov/omb/overview
[321]Budget Overview, Office of Management and Budget, 13 February 2012. Date of Access: 4 March 2012. http://www.whitehouse.gov/omb/overview

for new jobs and wage increases, and providing temporary tax credits for domestic clean energy manufacturing.[322] The payroll tax cut dates back to a package passed in 2010 that reduced the payroll tax rate from 6.2% to 4.2% for 2011; its extension to the end of 2012 is projected by the United States government to provide a total of USD1000 in tax relief for a household earning USD50000. The budget estimates the extension will "provide USD94 billion in benefits over the next 10 years."[323]

On the growth front, President Obama claims the 2013 budget's extension of the 100% first-year depreciation deduction for certain property, which acts as a "powerful incentive for businesses to invest for an additional year," will provide USD58 billion in benefits this year.[324]

Furthermore, the provision of a 10% tax credit for new jobs and wage increases will provide a new income tax credit for employers who increase their payroll up to USD5 million. According to the budget, the credit will provide USD18 billion in benefits over the next decade.[325]

What is more, temporary tax credits for domestic clean energy manufacturing will extend tax credits in an attempt to facilitate nearly USD20 billion of investment in clean energy manufacturing. These investments are projected to include windmills and solar panels.[326] In previous years, this Advanced Energy Tax Credit was "oversubscribed more than three times over."[327] The budget projects nearly USD20 billion will be leveraged by the additional USD5 billion in tax credits.[328]

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[322] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[323] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[324] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[325] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[326] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[327] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[328] Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

In order to stimulate American innovation and manufacturing, the United States will allocate USD140.8 billion for overall Research & Development, USD2.2 billion for manufacturing Research & Development, and tax incentive for manufacturers who create jobs in the United States.[329]

Finally, the 2013 budget proposes the enhancement of the infrastructure of America through the implementation of a National Infrastructure Bank to fund projects of national importance, the set-up of a next generation wireless broadband network for public safety users as well as a six-year surface transportation reauthorization bill for USD476 billion to enhance transportation and job creation.[330] Thus the 2013 budget has targeted key areas in order to enhance the overall growth of the United States moving forward.

To present a "credible and plan to address budget deficits,"[331] the 2013 budget proposes to allow the 2001 and 2003 income tax cuts to expire for households earning above USD250 000 and limit tax expenditures for the richest Americans by installing a cap for itemized deductions at 28%.[332] Furthermore, the budget asserts efforts to eliminate the interest loophole for hedge fund managers could raise more than USD13 billion over the next decade and that closing a loophole concerning the special depreciation rules for purchases of corporate jets and other airplanes will raise USD2 billion over the next decade.[333] Combined, these measures represent clear goals to increase total revenue in an attempt to achieve fiscal consolidation.

On 17 April 2012, the most recent IMF Fiscal Monitor stated headline terms the United States deficit in 2012 is expected to be reduced by 1.5%.[334]However, in its assessment of policy implementation relating to fiscal institutions, the Fiscal Monitor noted that "efforts to define a credible medium-term adjustment program are still lagging in the United States."[335] Further fiscal consolidation of 1.5% of GDP is in the working for 2013, inclusive of the automatic spending cuts due to the lack of success of the Congressional Supercommitee to agree on a deficit reduction plan.[336]

[329]2013 Budget Overview, Office of Management and Budget (Washington). Date of Access: 26 March 2012. http://www.whitehouse.gov/omb/overview

[330] 2013 Budget Overview, Office of Management and Budget (Washington). Date of Access: 26 March 2012. http://www.whitehouse.gov/omb/overview

[331]Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[332]Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[333]Administration's FY2013 Budget Proposes Tax Policy to Boost Growth, Create Jobs and Improve Opportunity for Middle Class, U.S. Department of the Treasury (Washington) 13 February 2012. Date of Access: 28 March 2012. http://www.treasury.gov/press-center/press-releases/Pages/tg1414.aspx

[334]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

[335]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

[336]IMF Fiscal Monitor, International Monetary Fund (Washington) 17 April 2012. Date of Access: 6 May 2012. http://www.imf.org/external/pubs/ft/fm/2012/01/pdf/fm1201.pdf

The United States has successfully implemented its nationally differentiated clear, credible and specific measures to achieve fiscal consolidation, but it has not implemented its nationally differentiated policies to build confidence and support growth. It has thus been awarded a score of 0.

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