POLICY COMMITMENTS BY G20 MEMBERS

LOS CABOS SUMMIT, JUNE 18-19, 2012

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Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Primary fiscal result compatible with a decreasing debt-to-GDP ratio	Keep increasing public sector solvency	2011 finished with a primary surplus of 0.3% of GDP. National Public Debt reached 42.7% of GDP in 3rd quarter 2011, 1.4 p.p. below the previous quarter and 4.4 p.p. below the same quarter of 2010. The Provincial Debt Relief Program (created in 2010) has been extended until 2013. This plan allows the most indebted provinces to refinance their debt with the National State in favourable conditions.
Reduce subsidies on household energy consumption and public transportation by means of a focused approach with the aim of protecting lower-income families.	To reduce the fiscal cost of subsidies and free resources for infrastructure investment, as well as to improve the distribution of income by channelling subsidies exclusively to lower-income households.	This policy has begun to be implemented, starting with the elimination of subsidies for higher-income households.
To apply countercyclical fiscal policies in case the international economic situation deteriorates further.	To offset the negative impact of extremely adverse international conditions.	The National Government has a solid fiscal position, as evidenced by its primary surplus and a declining debt/GDP ratio. This fiscal strength would allow it to use fiscal tools in order to preserve employment and production, if necessary.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Provide central bank funding to banks for long-term investment projects by attenuating maturity mismatch. Up to ARS8bn will be allocated (10% of total corporate loans of the banking system). /2011-2013	To increase the financing of both infrastructure and private sector real investment in order to augment the rate of growth of potential output.	In 2011 ARS 4bn were disbursed (representing 5% of total corporate loans).
Increase Financial depth and equality through the diffusion of free savings accounts for low-income households and instant electronic transfers./2012-2015	Increase the private credit to GDP ratio from 11,7% of GDP in 2011 to 16-18% in 2015 and promote a more widespread access to financial services.	In December 2011, the Credit to GDP ratio reached 14.4%, increasing 2.7 pp. on a year-over-year basis. The BCRA has been promoting the use of electronic means of payment through the implementation of a universal free bank account with an associated debit card, and the reduction of inter-bank transfer costs. There was an expansion of 35% of money transfers of small amounts in the last year. 101.400 Universal Free Accounts were created since the implementation of this program in the end of 2010. Under a new regulation that promotes a wider geographical coverage of the financial system, 84 branches were opened through 2011. Most of them (67 branches) were placed in areas where the financial infrastructure is less developed. As an alternative of using cash in transactions for large amounts the BCRA relaunched the so called “Cheque Cancelatorio”. In 2011 2.184 transactions were made totalizing ARS154 millions and 4.244 transactions totalizing USD 241 millions.

Complete the adoption of (Basel II, Basell II.5 and Basel III) the three Pillars in Basel II and the new elements in Basel III.	To increase banking sector soundness and resilience by upgrading the regulatory framework to the best international risk management practices.	The project for the adoption of Basel II is being implemented as from may 2011. The rules on capital requirements for operational risk have been put forward through Com."A"5272 as from January 2012. As regards capital requirements for credit risk an advanced proposal including Basel 2.5 and Basel III modifications is being considered by BCRA Directors and impact studies are well ahead. As regards the provisions of Pillar 3 these will be implemented in 2012 and Pillar 2will be put into effect in the first half of 2013. *As from January 2012 financial institutions must have in place a comprehensive risk management process based on the guidelines established by the Central Bank (Com."A"5203). This comprehensive risk management process must contemplate credit, liquidity, market, interest rate and operational risk.* In line with Basel II and III, the Central Bank of Argentina implemented further steps to strengthen bank solvency standards. A new regulation *set by the Central Bank (com."A"5273), established that banks posting profits (after applying the existing regulatory filters) may only pay dividends if their regulatory capital, following the corresponding allocation, is at least 75% above the minimum regulatory requirement. The purpose of this measure is to reduce the financial system's pro-cyclicality, by having a capital buffer to face potential financial and/or macroeconomic volatility episodes.*
Expand the regulatory scope to include other institutions that directly or indirectly are involved in financial intermediation.	Strengthen financial stability.	The Central Bank Charter was modified in March 2012 by Law 26.739 extending the regulatory scope to the payments system, including clearing houses, and other institutions that directly or indirectly are involved in financial intermediation.
Design incentives in order to channel credit towards productive purposes and certain economic sectors, especially the SMEs, or less developed regions./ 2012-2016	Bolster economic development.	The Central Bank Charter was modified in March 2012 by Law 26.739.
Give authority (power) to the Central Bank to ensure a fair relationship between the financial institutions and consumers.	Protect consumers of financial services and foster competition in the banking system.	The Central Bank Charter was modified in March 2012 by Law 26.739.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Increase food and agricultural output and diversify production and exports, as established in the Agricultural and Food Strategic Plan.	To increase the world´s food supply, improve Argentina´s external sustainability and allow for higher imports of capital goods.	Grain production did not grow in 2011 as a result of unfavourable climatic conditions. In spite of that, total land sown with cereals grew by 770.000 has (2.2%). There was an increase of 440.000 has. (10%) in the area planted with corn and an increase of 405.000 has

		(54%) in the area sown with barley.
Add 3227 mw of new power by 2013, with emphasis on technologies such as hydroelectric, nuclear and gas power stations.	To augment energy supply and increase the share of green technologies in electricity generation.	In 2011 and the first quarter of 2012 ten energy projects have been completed, representing a total added capacity of 1223mw. Moreover, the Yaciretá dam height was raised, allowing for a gradual increase in capacity of up to 1000 mw. The new additions include both hydroelectric and eolic plants. In 2012 the energy supply is expected to augment by 1630 mw, 700 of which correspond to the Nuclear Central Atucha II, and 30 mw to wind energy.
Continue increasing the coverage and the per capita allocation of social programs. Reduce unemployment to 6% by 2015. Increase drinkable water and sewage coverage to 90% and 75%, respectively, by 2015.	To reduce absolute poverty and improve the distribution of income.	The main income transfer program, the "Asignación Universal por hijo", which is directed to children under the age of 18, has achieved an 85% coverage rate for children in a vulnerable situation. In May 2011 the program was extended to pregnant women. During 2011, pensioners of the Argentine Integrated Retirement System increased their income by 37% and the minimum pension was raised by the same percentage. Pensions were further raised by 17.6% in March. The unemployment rate fell from 7.8% in 2010 to 7,2% in 2011. Besides, the rate of informal employment has been reduced in 1 p.p. between 2010 and 2011, to 34.2%. The water and sanitation company (AySA) launched the Strategic Plan 2011-2015. National transfers to this public enterprise reached USD 540 million in 2011, which represents an increase of 229% compared to 2010. Moreover, the "Water and Sanitation Program for Urban and Suburban Centers" is being implemented, with a total cost of USD 250 million. A long-term project to clean up the Matanza-Riachuelo river basin is being implemented.

Fiscal Policy		
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Reduce federal net debt and return budget to surplus by FY2012-13.	Through fiscal consolidation, contribute to sustainability of public finances, and support Australia's capacity to respond to unanticipated events.	The 2012-13 Budget announced an estimated surplus of A$1.5 billion in underlying cash terms in FY2012-13. Australian Federal Government net debt is expected to peak at 9.6% of GDP in 2011-12 and fall to zero by 2020-21.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Introduce a price on carbon through an emissions trading scheme. 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.	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.	In December 2011, legislation was passed to create Australia's Clean Energy laws, delivering a carbon price mechanism. Australia's Clean Energy Laws 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. The transition to a fully flexible cap-and-trade emissions trading scheme will begin from 1 July 2015. Meeting targets will require cutting expected pollution by at least 23% in 2020.
Introduce new resource tax arrangements from 1 July 2012.	Provide a more appropriate return to the Australian community from the exploitation of its non-renewable resources.	Legislation for the new resource tax arrangements was passed in both Houses of Parliament on 19 March 2012. The tax on mining profit at a rate of 22.5% will start from 1 July 2012.
Superannuation reforms: - Progressively increase the superannuation guarantee rate from 9 per cent to 12 per cent from 1 July 2013 to 1 July 2019; - Provide a Low Income Superannuation Contribution worth up to $500 for people with income up to $37,000 from 1 July 2012; - Abolish the maximum age limit (70 years) for the superannuation guarantee from 1 July 2013; and - Provide a higher concessional contributions cap for individuals aged 50 and over with superannuation balances below $500,000.	Help Australians achieve a better standard of living in their retirement Improve the fairness of the concessions provided for contributing to superannuation.	Legislation was enacted on 29 March 2012 for the increase in the superannuation guarantee rate, introduction of the Low Income Superannuation Contribution, and abolition of the maximum age limit for the superannuation guarantee. The 2012-13 Budget deferred the start date of the higher concessional contributions cap for individuals aged 50 and over with superannuation balances below $500,000, from 1 July 2012 to 1 July 2014. This will bring significant synergies and efficiencies, as it will allow implementation to occur in conjunction with changes to superannuation fund reporting and systems that will be occurring under the SuperStream reforms.
Superannuation reforms: - Set up a framework for payslip reporting of superannuation benefits; - Allow for the return of certain excess concessional contributions made from 1 July 2012; - Enable the ATO to disclose superannuation information to regulated superannuation	Make superannuation simpler and fairer. Increase the protection of workers superannuation entitlements. Facilitate the consolidation of superannuation interests.	A new Bill was introduced into Parliament in early March 2012 to legislate the payslip reporting framework, return of certain excess concessional contributions, and disclosure of superannuation information by the ATO to regulated superannuation funds. On payslip reporting, the Government is considering whether to move straight to reporting actual contributions from 1

funds to assist members to consolidate lost and multiple accounts; and - Reduce the tax concession which very high income earners (those with income above $300,000) receive on their contributions into superannuation from 1 July 2012, so it is more in line with the concession received by average income earners.	Improve the fairness of the concessions provided for contributing to superannuation.	July 2013, if feasible in response to a recommendation from a Parliamentary Committee that considered the bill. The reform to reduce the tax concession which very high income earners receive on their contributions into superannuation was announced in the 2012-13 Budget. Legislation is expected to be introduced into Parliament in the Spring sittings.
Telecommunications reform - separation of wholesale and retail activities of the national telecommunications carrier	Achieve greater retail competition for consumers in the telecommunications services market and allow further progression of the rollout of the National Broadband Network (NBN).	The Australian Competition and Consumer Commission (ACCC) accepted the Structural Separation Undertaking (SSU) in February 2012. The SSU came into force on 6 March 2012.
Infrastructure reform to improve transport quality.	These measures invest in high-quality infrastructure projects that will expand capacity and boost productivity	These reforms were announced in the 2012-13 Budget, building on the Nation Building programs, rolling out A$36 billion over six years to 2013-14. Completion of significant upgrade of a major national highway. The duplication of the Pacific highway is expected to be completed by 2016. Reduced congestion on freight rail networks. This project will commence in 2015-16 Development of an intermodal terminal to ease congestion at one of Australia's major ports. This project will commence in 2012 and expected to be completed by 2017.
Tax reforms: - Introduce a one year loss carry-back period in 2012-13 and a two year loss carry-back period from 2013-14, with a A$1 million cap on losses carried-back; - Phase out the Dependent Spouse Tax Offset and consolidate the remaining dependency tax offsets; - Better target the tax concession for living-away-from-home allowances and benefits; - Better target the tax concession for 'golden handshakes'; and - Phase out the Mature Age Workers Tax Offset.	Support companies to invest to be competitive. Encourage greater workforce participation by removing disincentives to participation for dependent spouses and other dependents. Improve the integrity and fairness of the tax system by ensuring tax concessions are well targeted.	The reform to phase out the Dependent Spouse Tax Offset was announced in the 2011- 12 Budget. Legislation has been introduced into the Parliament. The other tax reforms were announced in the 2012-13 Budget. Legislation has not yet been introduced into the Parliament.
Hold a Tax Forum on 4-5 October 2011 at Parliament House in Canberra, which brings together around 180 representatives of the community, business, unions and government, as well as academics and other tax exports.	Continue the national conversation about tax reform that the Government started with the release of the Australia's Future Tax System review in May 2010, and identify the priorities and directions for the next steps of tax reform.	The Government has announced the following bodies and processes to further consider the priorities and directions for the next steps of tax reform identified at the Tax Forum: - Business Tax Working Group - Superannuation Roundtable - Not-for-profit Sector Tax Concession Working Group - State tax reform

Modernising the personal tax system from 1 July 2012	Make the personal tax system more transparent and simpler for users to understand.	The legislative amendments received Royal Assent on 4 December 2011. The tax free threshold will more than triple in 2012-13 to A$18,200 and to A$19,400 in 2015-16; the low income tax offset will be reduced.
Social policy reform - Reform of the Aged Care sector - Introduction of the first stage of a National Disability Insurance Scheme (NDIS).	Relieve growing pressure on the aged care system arising from the ageing of Australia's population. Ensure a more sustainable and fairer system, with more supply, higher quality of care, enhanced access, and is more responsive to the needs of older Australians. To provide care and support for people with a significant and permanent disability in up to four launch locations.	These reforms were announced in the 2012-13 Budget. Funding for the Aged Care Workforce Compact has been allocated in the FY2012-13 Budget and the Compacts are scheduled to begin in July 2013. Additional funding levels for home care packages to be introduced from 1 July 2013. The number of packages for every 1,000 people aged 70 years or over will increase from 113 to 120 by 2016 and to 125 by 2021. The first stage of the NDIS will roll-out to 10,000 recipients in FY2013-14, rising to 20,000 recipients in FY2014-15.
Labour market reform - Assisting mature age workers to maintain their attachment to the workforce. - Helping income support recipients increase their participation by increasing access to child care.	These reforms will reduce labour market barriers to entry and encourage greater workforce participation, boosting capacity and enhancing skills.	These reforms were announced in the 2012-13 Budget and includes an additional A$101 million investment in workforce skills and training. Introduction of a new Job Seeker Assistance Program from 2012-13 onwards to provide job seekers aged 55 and over with intensive job preparation assistance and training: - 10 000 jobs bonuses of $1000 each to employers who employ an eligible mature age jobseeker - 6,700 mature age job seekers will receive a 'silver service' for intensive job preparations From 2012-2016, provide funding of A$225.1 million for the Jobs, Education and Training Child Care Fee Assistance Program.
Workforce training and participation reform.	Increase participation in the workforce and build a stronger economy in the face of an ageing population.	Implementation of the A$3 billion package to reform the training system announced in the 2011-12 Budget is well advanced. In April 2012, the Council of Australian Federal and State Governments agreed the detail of the vocational education and training reform agenda. Up to 130,000 new training places will be created over four years from 2011-12. Incentives for employers that provide new opportunities for around 35,000 very long-term unemployed over four years from 2011- 12, and better support for 50,000 single parents from 1 January 2013.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Public sector primary surplus target of R$ 139.8 billion (compatible with 3.1% of GDP) for 2012, and 3.1% of GDP for the period 2013-15, maintaining a downward trend for the net public debt/2012-2015	Continue to pursue the fiscal target in line with fiscal responsibility principles. Gradual reduction of the net public debt-to-GDP ratio, through coordination between fiscal and monetary policy. Improve the balance between current expenditure and investment by making the latter increasing more than GDP. Maintenance and expansion of the social safety net, focusing on reducing poverty and social inequality.	Primary surplus for 2011 was above the target (3.11% of GDP). In 2012, the ratio also exceeds target (3.11% until April). Fiscal commitment for the period 2012-2015 has been maintained. Net public debt fell from 39.15% of GDP in 2010 to 36.41% in 2011 and had a further reduction to 35.74% in April/2012.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Central Bank has set the path to implement Basel III/2013-2019 Brazil has been using macroprudential tools and may resort to additional measures if necessary.	To counter risks to financial and macroeconomic stability associated with strong and volatile capital inflows and rapid credit expansion.	In February/2012, Central Bank of Brazil submitted the Public Hearing Nº 40, with proposals for resolutions regulating the implementation of the new recommendations of the Basel Committee on Banking Supervision. The new rules improve the capital structure of financial institutions and introduce additional capital requirements, in line with the commitments made in the G-20. Interested parties have 90 days to present their comments. Brazil has been dealing with capital flows in a manner consistent with the Coherent Conclusions on Capital Flow Management.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Infrastructure investment growth by the second edition of the Growth Acceleration Program – PAC2 /2012-2014	Increase investment in six main infrastructure areas: (i) Housing; (ii) Urban development; (iii) Citizen Community; (iv) Water and Electricity for All; (v) Transportation; and (vi) Energy. Investments of US$ 545.7 billion for 2011-2014 and US$ 360.8 billion afterwards.	21% of multiyear budget implemented in 2011.
To prepare Brazil for the Football Confederations' Cup in 2013, FIFA World Cup in 2014 and Olympic games in 2016/2012-2016	Improve infrastructure for these events and the legacy for the host cities. Investments of R$ 64 billion (US$ 36.5 billion) are expected.	US$ 26.3 billion are being invested.
Stimulating social inclusion, research and technology innovation, education, housing sector and infrastructure.	Maintenance and expansion of welfare programs related to income cash transfers such as "Bolsa Família", which expects to include over 800,000 households until 2013. Enhancement of investment climate, industrial	In 2011, 13.3 million households received income transfers by "Bolsa Familia" program, totaling R$ 17.4 billion. Government provided 1,233 scholarships through Science Without Borders in 2011.

	competitiveness and research and technological innovation. Strengthening education programs such as “Ciência sem Fronteiras” (Science Without Borders): Goal is to grant 101,000 scholarships (75,000 by government and 26,000 by the private sector).	
Plano Brasil Maior (Bigger Brazil Plan) and incentives to Innovation / 2012-2014	To enhance competitiveness, diversify exports and facilitate internationalization of Brazilian companies.	Tax cuts in the wages bill in the tradable sector. Speeding up the process of taxes reimbursement paid on exported goods and services.
Eradicating extreme poverty and focusing on improving opportunities for vulnerable populations: “Brasil sem Miséria” (BSM) (Brazil Without Misery Plan) / 2012-2014	The BSM plan comprises three main pillars: i) increasing the household per capita income; ii) extending access to public services, citizenship actions and social welfare; and iii) extending employment and income opportunities. - Bolsa Verde” (“Green Grant”) – each household receives R$ 300 (US$ 171) quarterly payment for environmental conservation services. Target is to reach 73,000 households by 2014. Support for small farmers – each household receives R$ 2,400 (USD 1,371) to acquire supplies and equipment. 253,000 households will be enrolled until 2014.	Implementation of “Bolsa Verde” (“Green Grant”) as a part of “Brasil Sem Miséria” (Brazil Without Misery) in November 2011. “*Brasil Carinhoso*” (Caring Brazil), an initiative that will benefit over 2 million households and 2.7 million children, was launched. Coupled with health and education investments aimed at early childhood, it will grant a minimum income of R$ 70 (US$ 35) per person to poor households that have at least one child up to six years and 11 months of age.
New rules for debenture. Special Purpose Vehicles will pay a fixed income tax rate of 15%, (normally is 34%) / 2012-2016	To stimulate private funding for infrastructure projects.	Program established in November 2011. There are already projects under the new legal framework.
Reform of Social Security in the Public Sector – Creation of Funpresp	Reform of social security of civil servants will add a significant amount to private pension funds, rising savings for long-term investments. Public sector pension deficit will be zero in the long run.	Signed into law in May/2012. Awaiting the issuance of the government regulations.
Reform of the state governments’ value-added tax (ICMS) on inter-state transactions/2012-2018	Aiming at resolving a tax incentive battle between state governments which reduced tax collection. The rate of value-added tax applied on inter-state transactions was redefined, assigning the share of tax collection that belongs to the seller and recipient states.	There has already been a reduction on the rate from 12% to 7% and 4% regarding imported goods. The Senate has approved a regulation to go into effect in 2013.
External development policies		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Technical Cooperation / 2012-2014	Approximately US$ 84 million to be implemented in the period 2011-2014.	Between 2006 and 2011, US$ 81 million were disbursed towards approximately 200 projects.
Contributions to International Organizations and Funds	Cooperate with multilateral efforts in favor of global development.	Brazil contributes annually with over US$ 200 million to development-oriented organizations.
Debt relief	Support efforts of developing countries in the area of debt management.	Ongoing debt restructuring process has been accelerated.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
1. The Government will implement the comprehensive review of departmental spending, which will support a return to balanced budgets over the medium term. The Plan will engage with about 70 federal organizations to identify annual savings by 2014-2015 equal to roughly 5% of total federal direct program spending. ***Timeframe:*** Medium Term	Return to balanced budgets over the medium term.	As of FY2011-12, the deficit has been cut in half in just two years. The 2011 departmental spending review has resulted in the identification of annual savings amounting to $5.2 billion by 2014-15, or 6.9% of the review base, exceeding the 5% target. As a result of this and other spending restraint actions implemented since 2010, the Government is on track to eliminate the deficit over the medium term. **Measure of Progress**: Return to balanced budgets over the medium term.
2. Adjusting the Public Service Pension Plan so that public service employee contributions equal, over time, those of the employer. Comparable changes to the contribution rates will be made to the pension plans for the Canadian Forces, the Royal Canadian Mounted Police and Parliamentarians. For employees who join the federal Public Service starting in 2013, the normal age of retirement will be raised from 60 to 65.	Ensure pension plans for Public Servants and Parliamentarians are sustainable, financially responsible, and broadly consistent with pension products offered by other jurisdictions as well as fair and relative to those offered in the private sector.	Adjustments to employee pension contributions will commence following consultations with key stakeholders. Retirement age changes will take effect for new employees who enter the Public Service in 2013. Adjustments to the pension plan of Parliamentarians will take effect in the next Parliament. **Measure of Progress:** Public service employees' contributions will increase, over time, to eventually match those of the employer.
3. Set the future growth path of transfers to provinces and territories to provide sustainable and predictable funding in support of the provision of health care, education and other programs and services for all Canadians.	To ensure the sustainability of our social programs and fiscal position over the longer term.	The Government will introduce legislation to continue the current 6-per-cent annual escalator for the Canada Health Transfer (CHT) will continue for five more years. **Measure of Progress**: Starting in 2017–18, the CHT will grow in line with a three-year moving average of nominal GDP growth, with funding guaranteed to increase by at least 3 per cent per year. Legislation will also continue the 3-per-cent escalator for the Canada Social Transfer (CST) for 2014–15 and subsequent years.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
1. Canada's financial system continues to be recognized as one of the soundest in the world. As part of these efforts, the Government has launched its 5-year review of federal financial institutions legislation to ensure that it is up-to-date and responsive to global and domestic developments. ***Timeframe:*** The current legislative review was launched in September 2010; legislative amendments will be introduced in fall 2011 to ensure that the statutes are renewed before the sunset date of April 20, 2012.	The regular review of all financial sector legislation ensures that the laws and regulations by which our financial systems are governed are current, contribute to stability and growth of the financial sector, and remain responsive to developments in the global financial system.	The most recent legislative review was completed on March 29, 2012 with the Royal Assent of the *Financial System Review Act* and includes measures to: update financial institutions legislation and competition; enhance the supervisory powers of the Financial Consumer Agency of Canada; and improve efficiency by reducing the administrative burden on financial institutions and adding regulatory flexibility.
2. The Government is working on a cooperative basis with willing provinces and	A common securities regulator would create	In its effort to establish a Canadian securities regulator, in May 2010 the Government referred the proposed

territories towards a common securities regulator.	in Canada a more efficient and streamlined securities regulatory system that further reinforces financial stability, strengthens enforcement, better protects investors and is more accountable.	Canadian *Securities Act* to the Supreme Court of Canada for an opinion as to whether Parliament has the constitutional authority to enact the proposed legislation. On December 22, 2011, the Supreme Court determined that the proposed Act as drafted was not constitutionally valid under the general branch of the federal power to regulate trade and commerce. The Court also indicated that "[t]he common ground that emerges is that each level of government has jurisdiction over some aspects of the regulation of securities and each can work in collaboration with the other to carry out its responsibilities". It recognised that federal jurisdiction could include the management of systemic risk and ensuring fair and efficient national capital markets. The Government is consulting with provinces and territories, a number of which have reaffirmed their interest in working towards a common securities regulator.
3. A priority for the Government is reinforcing Canada's financial stability framework through the implementation of over-the-counter (OTC) derivatives markets reform, a key G-20 commitment.	Reduce systemic risk and improve market efficiency, transparency and integrity.	The Government has established an inter-agency OTC Derivatives Working Group to coordinate efforts to meet the G-20 commitment on OTC derivatives markets reform. The Government announced in Budget 2012 that it will introduce legislative amendments to support central clearing of standardized OTC derivative transactions, and to reinforce Canada's financial stability framework. **Measure of Progress:** Passage of legislative amendments
4. The Government strives to continuously strengthen the housing finance system. Residential mortgage default insurance and securitization play an important role in Canada's housing finance system and are dominated by the government-owned Canada Mortgage Housing and Corporation (CMHC). Budget 2012 announced the Government will propose legislative amendments to strengthen the governance and oversight framework for CMHC.	To promote the stability of the financial system.	**Measure of Progress:** Passage of legislative amendments
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
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-	Create the right environment to attract investment and promote productivity growth and economic competitiveness as well as supporting free and open markets.	<u>Research, education & skills:</u> Budget 2012 provides more than \$800 million over five years in new funding to continue Canada's advanced research leadership. This is in addition to the nearly \$8 billion in new funding provided since 2006. <u>Tariff Relief</u>: Canada is eliminating all tariffs on manufacturing inputs and machinery and equipment, becoming the first tariff-free zone for industrial manufacturers among the G20. Since the Cannes

term partnership that will accelerate the legitimate flow of people/goods between both countries. ***Timeframe***: medium term		Summit, Canada has eliminated an additional 72 tariffs on goods used by manufacturers, with annual duty savings estimated at $62 million. In total since 2009, the Government has eliminated tariffs on over 1,800 items, providing annual duty savings of close to $450 million to Canadian manufacturers.
		Long-Term Partnership with US: • On December 7, 2011, the Canada-U.S. *Shared Vision for Perimeter Security and Economic Competitiveness Action Plan* was announced by Prime Minister Harper and President Obama. • Good progress is being made on implementing the Plan's 32 initiatives and a handful of targets have already been reached. Significant work is being done domestically to ensure that all mechanisms are in place to meet Canada's commitments on time.
2. Budget 2012 commits to increase the eligibility age for Old Age Security (OAS) and Guaranteed Income Security (GIS) benefits from 65 to 67.	To ensure the sustainability of our social programs and fiscal position over the longer terms.	Starting on July 1, 2013, there will be flexibility to defer the OAS pension for a maximum of five years and to receive an actuarially increased pension. **Measures of Progress:** Measures to take effect in 2023 with full implementation by January 2029.
3. Budget 2012 announced a number of structural changes such as: i) Modernizing the regulatory system for major economic projects; ii) Implementing a new approach to support business innovation; iii) Reforming the immigration system such that it meets Canada's labour market needs; iv) Improving incentives to work while receiving Employment Insurance benefits, aligning benefit calculation with local labour market conditions, enhancing the content and timeliness of labour market information provided to EI claimants, and clarifying what is required of claimants who are receiving regular benefits and are looking for work. and, v) Expanding opportunities for Aboriginal peoples to fully participate in the economy.	To raise Canada's long-term economic potential	Legislation has been introduced to give effect to most of these Employment Insurance measures. **Measures of Progress:** Changes will begin to take effect in 2012.
4. Budget 2012 announced that the Government will introduce amendments to the *Telecommunications Act* to lift foreign investment restrictions for telecom companies that hold less than a 10 per cent share of the total Canadian telecom market.	To promote productivity and innovation, as well as creating the right environment to attract investment.	**Measures of Progress:** Passage of amendments with changes to take effect in 2012-13.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Continue to implement a proactive fiscal policy. Strengthen efforts to manage local government debts and prevent risks.(2011, 2012)	Reduce the fiscal deficit to around -1.5% of GDP. (2012) Further improve the structural tax reduction policies. Strictly control new debts of local governments. (2011, 2012)	**In 2011, the national fiscal deficit accounted for -1.8 % of GDP.** **Implementing the structural tax reduction policies**: 1) raising the individual income tax threshold on salaries from 2000 yuan to 3500 yuan per month and adjusted the tax rate structure. Based on static calculation, the revenue of individual income tax was reduced by 53 bn yuan in 2011; 2) continuing to implement preferential income tax policy for some small businesses with low profits, and initiating a series of relief and exemption policies for tax and fee, such as raising thresholds of VAT and business tax, with the aim to promote the development of small businesses with low profits; 3) putting into effect lower provisional import tariffs on over 700 resource products, basic raw materials and key components in 2012, a coverage which is bigger than that of 2011.
Significantly enhance the ability of fiscal macro-regulation, further optimize the structure of fiscal revenue and expenditure, make further progress in fiscal and taxation reform, improve the scientific and meticulous management of public finance, and build a fiscal and taxation system conducive to the transformation of economic development pattern. (2011-2015)	Further improve the fiscal macro-regulation system, effectively control fiscal risks, strengthen fiscal sustainability; Maintain the stable growth of fiscal revenue and further rationalize its structure; optimize the expenditure structure with priority in agriculture, rural development and farmers, education, science and technology, culture, health care, social security and employment, low-income housing, environmental protection, energy conservation and emission reduction; Further improve the fiscal and taxation system, deepen the reform of budget management system and enhance the management system of public funds. (2011-2015) Increase policy support to strengthen agriculture and benefit farmers; Implement more proactive employment policies, and raise the income of urban and rural residents, particularly those in low and middle income brackets; Ensure budgetary expenditure on education nationwide account for 4% of GDP; Achieve full coverage of the new pension insurance system for rural and urban residents; Consolidate and expand the coverage of basic medical insurance and enhance the capability to provide and manage basic medical services; continue to develop low-income housing, and start construction of	**Continuing to expand household consumption**: 1) implementing more pro-active employment policy; 2) increasing incomes of the rural and urban residents; 3) continuing to implement policies on providing subsidies for rural residents to purchase home appliances and subsidies for trading in old home appliances for new ones; 4) supporting the improvement of the infrastructure for goods distribution. **Supporting to improve people's living standards.** The fiscal expenditures in areas that have a direct bearing on people's wellbeing, namely education, medical and health care, social security, low income housing and culture increased by 30.3% in 2011 over the previous year. **Advancing the fiscal and taxation reform.** 1) devising a pilot plan for replacing business tax with VAT to promote development of the service sector; 2) reforming the individual income tax system; 3)carrying out the pilot reform of property tax on residential houses and adjusting the business tax policy for trading them; 4)implementing a nationwide reform of resource tax on crude oil and natural gas on the ad valorem basis, and integrating the resource tax systems on crude oil and natural gas for domestic and foreign-

	over 7 million units of this kind; Ensure that the growth rate of government spending on cultural development exceeds that of the regular fiscal revenue; Increase input in science and technology, optimize expenditure structure in this area; Actively promote energy conservation and emission reduction, and accelerate development of new, renewable and clean energy; Vigorously support the development of strategic emerging industries and high-tech industries, promote faster development of the modern service industry and support the development of small and medium-sized enterprises; Put into effect the fiscal and tax policies that promote balanced regional development; Improve the revenue-sharing system and the system of transfer payment, increase the scale and proportion of general transfer payments; Improve the consumption tax system, comprehensively deepen the reform of resource tax, and steadily advance the pilot reform of property tax on residential houses; Work steadily to make the budgets and final accounts of local governments more transparent and explore the way to incorporate debt-generated revenue and debt repayments into budget management based on their type. (2012)	funded enterprises; 5) continuing to improve the structure of transfer payment, and increasing general transfer payment; 6) eliminating all off-budget funds and incorporating all government revenues into budget management; 7) improving the budget management system, actively advancing performance-based budget management; 8) promoting transparency of the central government budgets and final accounts, and opening the item-by-item final accounts of public finance to the general public.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Implement a prudent monetary policy and keep AFRE (Aggregate Financing to the Real Economy) at an appropriate level. (2011, 2012)	Broad money supply (M2) increases by 16% in 2011 and 14% in 2012.	**Monetary policy remained prudent in 2011.** The PBC raised reserve requirement ratio 6 times and policy interest rates 3 times in the first three quarters in 2011, and cut the reserve requirement ratio on Dec 5, 2011 and Feb 24, 2012, each by 0.5 percentage points. The PBC also used the mechanism for adjusting the differentiated reserve requirement on a continuous and case-by-case basis, drawing on its counter-cyclical adjustment role to ensure a stable credit growth. **Goals for monetary policy are met.** CPI dropped for 5 months in a row since Aug 2011, and rose by 5.4 percent for 2011 as a whole, and 3.2 percent in Feb 2012. Money and credit growth slowed down steadily, with yoy M2 growth subduing to 13.6 percent in end-Dec 2011, and further moderating by 0.6 percentage points to 13 percent in end-Feb, 2012. New RMB lending recorded 1.45 trn yuan in the first two months in 2012, down by 115.2 bn yuan yoy. Aggregate financing to the real economy remained at a reasonable level, totaling 12.83 trn yuan in 2011, down by 1.11 trn from 2010.
Improve conduct of Monetary Policy. (Medium-term to long-term)	Optimize monetary policy target system, improve the transmission mechanism and environment of monetary policy,	The PBC introduced a new indicator, aggregate financing to the real economy, and adopted the mechanism for adjusting the differentiated reserve requirement on a continuous and case-by-case basis. **Continuous efforts are made to lay a stronger foundation for market-based interest rate reform.** This includes efforts to foster money market benchmark interest rates, encourage stronger pricing ability at

	keep the overall level of prices basically stable. Promote the market-based reform of interest rates in an orderly manner.	financial institutions, and improve the interest rate management system at the central bank. The PBC also made assessments on future paths to further reforms, and reviewed ways to encourage innovation and development of market-priced alternative financial products.
Further promote the reform of RMB exchange rate regime. (Medium-term to long-term)	Improve the RMB exchange rate regime, and increase the RMB exchange rate flexibility in both directions while keeping it basically stable at a rational and equilibrium level.	**RMB exchange rate moves in both directions with notably stronger flexibility,** supported by a stronger fundamental role of market supply and demand. As of Mar 30, 2012, the central parity of RMB/USD exchange rate appreciated by 5.22 percent since end-2010, and 31.49 percent since July 2005, when the recent round of reform was launched. As of Feb 2012, RMB REER appreciated by 30. 28 percent since July 2005, ranking 4th in the 58 currencies monitored by the BIS in terms of appreciation. Effective from April 16, 2012, the floating band of RMB's exchange rate against the U.S. dollar in the interbank spot foreign exchange market is widened from 0.5 percent to 1 percent around central parity.
Promote foreign exchange management regime reform. (Medium-term to long-term)	Improve the management of reserve assets.	**Foreign reserve grows at a slower pace, and even declines in late 2011.** Following a slowdown in the first 8 months in 2011, the outstanding value of foreign reserve decreased by 60.8 bn U.S. dollars in Sep, the first monthly decline in 16 months, and dropped further by 52.9 bn in Nov and 39.8 bn in Dec.
Expand the use of RMB in cross-border trade and investment. (Medium-term to long-term)	Support the use of RMB by more enterprises in cross-border trade and investment, develop plans for RMB businesses for retail customers, and facilitate cross-border RMB flows through retail businesses. Gradually make the RMB convertible under capital account.	**Cross-border use of RMB**: in Dec 2011, RQFII (RMB Qualified Foreign Institutional Investor) scheme was launched, allowing HK-based subsidiaries of mainland fund management companies and securities companies to use RMB raised in HK to invest in securities in the mainland. In Mar 2012, all qualified enterprises were allowed to settle exports in RMB. **Capital account convertibility**: With regard to RMB FDI, the process of capital verification inquiry and reinvestment is streamlined, and the approval process for purchase and payment in foreign exchange is removed. Both domestic and foreign funded enterprises are allowed to use foreign currency receipts as collateral to obtain RMB loans.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Further promote financial sector reform. (2011-2015)	Deepen the reform of financial institutions, optimize modern financial corporate system, strengthen internal governance and risk management. Accelerate the development of multi-level financial market system. Promote the	**Financial sector reform is advanced in an orderly manner.** The PBC is reviewing plans for further reforming large commercial banks and policy financial institutions, developing assessment methodology, regulatory requirements as well as recovery and resolution plans for D-SIFIs, formulating regulatory rules for financial holding companies, improving systems for the pre-warning, assessment and resolution of systemic financial risks, and strengthening coordination on financial regulation. **Pilot projects in Wenzhou city on financial reforms**: encourage and support private sector's participation in starting or holding shares of micro-financing institutions; design and carry out the pilot program of exploring legitimate and efficient channels for outward direct investment by individuals; encourage innovation and development of

	establishment of a counter-cyclical macro-prudential policy framework. Strengthen financial regulation and supervision, and improve financial supervision coordination.	financial products and services for small- and micro-sized enterprises, and for the agriculture sector, the rural area and the farmers. **Banking:** implementation of Basel III is underway. The China Banking Regulatory Commission (CBRC) has set requirements on leverage ratio in commercial banks, and strengthened liquidity risk management by implementing Basel III liquidity standards. The framework for identification and supervision of G-SIBs and D-SIBs is improved, and D-SIBs are required to develop recovery and resolution plans. The CBRC is intensifying efforts to monitor and identify systemic risk, and improve the counter-cyclical supervision mechanism. **Securities:** additional requirements on counter-cyclical adjustment are incorporated into the risk control indicators. The Main board and the SME board continue to expand, with market cap totalling 17.91 trn and 2.74 trn yuan respectively at end-2011, while market cap for Growth Enterprise Board reached 743.4 bn yuan. Work is underway to build an OTC market. **Insurance:** The China Insurance Regulatory Commission (CIRC) has taken a series of measures to improve the insurance market, including enhancing risk prevention through stronger solvency supervision, encouraging institutional improvement by setting higher standards for corporate governance, insurance groups and transparency, and taking tough actions against market irregularities and violations.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Promote the strategic adjustment of economic structure. (2011-2015)	·The household consumption rate increases. ·Promote a basically balanced BOP account. ·Accelerate the development of the service sector and raise its value-added contribution to GDP by 4 percentage points. ·Increase the urbanization rate by 4 percentage points. ·Increase spending on R&D to 2.2% of GDP.	**Industrial restructuring and upgrading is accelerating.** Restructuring and reviving plans for key industries are being implemented, and further policies are being developed to support strategic emerging industries. Modern services, including consultancy and e-commerce, and transportation are expanding rapidly. **Urbanization rate exceeds 50 percent** as of end-2011, representing a historic change in China's social structure. **BOP account becomes more balanced.** Trade surplus falls to a six-year low, deceasing by 48 percent from 2008 to 2011, from 6.7 percent of GDP to 2.6 percent accordingly. Current account surplus as a percent of GDP drops from the record high of 10.1 percent in 2007 to 2.76 percent in 2011, an appropriate level. **Demand structure becomes more balanced** among investment, consumption and export. In 2011, domestic demand contributed 106 percent to growth. In particular, contribution of final consumption rose to 52 percent, compared with 42 percent in 2010. **This progress is facilitated by policy adjustments** that remove barriers, including encouraging the use of foreign exchange by institutions and individuals, encouraging imports (imports growth outpaced exports since 2008), and accelerating the Going Global strategy (outward investment averaged 39.1 bn USD annually from 2006 to 2010, up 870 percent from the average level in the 2001-2005 period). In particular, **measures have been taken to promote trade balance.** In 2011, China announced zero tariff treatment for imports under 97% items from least developed countries that have diplomatic relations with China, as a process within the South-south cooperation framework. China also started talks on FTA agreements, and sent many trade and investment promotion missions to a large number of countries.

Comprehensively improve the people's wellbeing. (2011-2015)	·Create an extra 45 million urban jobs and keep registered urban unemployment no higher than 5%. ·The per capita disposable income of urban residents and the per capita net income of rural residents will rise by an average annual rate of over 7% in real terms. ·Increase the proportion of expenses for medical treatment paid out of the medical insurance fund to over 70% in accordance with relevant policies. ·Low-income housing will be made available to around 20% of the country's urban households.	**Urban registered unemployment rate stayed at a low level of 4.1 percent at end-2011**. In 2011, a total of 12.21 mn new jobs were created in urban areas, 530,000 more than the number in 2010. **Household income keeps increasing in 2011,** with net per capita income of rural residents up by 11.4 percent in real terms, the highest rate since 1985, and per capita disposable income of urban residents up by 8.4 percent in real terms, representing a closing income gap between rural and urban residents for the past two years. **Social security system is improved**, with a significant rise in the number of people covered by urban basic pension and unemployment insurance programs. **Universal coverage of medical insurance is achieved**, with over 1.3 bn rural and urban residents are covered by basic medical insurance programs for urban employees and residents and the New Cooperative Rural Medical Insurance scheme. **Government subsidy for medical insurance keeps increasing**. Annual subsidy for each urban and rural residents covered by the programs was raised to 200 yuan in 2011 from 120 yuan in 2010, and is set to further increase to 240 yuan in 2012. **Benefit under the medical insurance programs increases steadily**, with over 75 percent of hospitalization costs is now covered for urban employees, and 70 percent for urban and rural residents treated at designated hospitals at or below level two. **Spending on affordable housing project is increased**. In 2011, spending on affordable housing project by the central government rose by 220 percent yoy to 171.3 bn yuan, with 4.32 mn units completed and another 10.43 mn units being built.

Economic Governance		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Address the sovereign debt crisis in the euro area by a comprehensive set of measures (decisions by euro-area Leaders of 21 July and 26 October).	**-Provide necessary financing to euro-area Member States in difficulty under strict conditionality and together with the IMF.** **-For Greece, the objective is to ensure that the public debt ratio is brought on a downward path reaching at most 120.5% of GDP by 2020.** **-Significant optimisation of the firewall resources.**	-**Programmes** are ongoing – until 2013 for Ireland and 2014 for Portugal. -For **Greece**, euro-area Finance Ministers approved financing of the second Greek economic adjustment programme until 2014. Under a baseline scenario, the debt-to-GDP ratio would decline to below 117% in 2020 and would keep declining to below 90 % in 2030. -The **European Stability Mechanism** (ESM) will become the main instrument for financing programmes as of its entry into force (expected for July 2012, upon ratification of the ESM Treaty, and one year earlier than originally planned).
Further strengthen economic governance and policy coordination in the EU and the Euro Area.	**-Strengthen policy coordination in the EU and the euro area.** **-Strengthen budgetary discipline,** including strengthening the Stability and Growth Pact. **-Reinforce the sovereign firewalls.** **-Prevent and correct macroeconomic imbalances within the EU.**	**-Legislation entered into force in December 2011 and is currently being applied.** It strengthens the preventive and corrective arm of the Stability and Growth Pact, and sets minimum standards for national fiscal frameworks. It also introduced a procedure to prevent/correct macro-economic imbalances. For euro area Member States, it significantly strengthens enforcement mechanisms, in particular through a gradual system of sanctions. **-On 23 November 2011, the Commission proposed two legislative acts to further strengthen budgetary and economic surveillance in the Euro Area.** An agreement has already been reached on both texts within the Council. It is aimed to have these two legislative proposals in force in 2012. **The Treaty on Stability, Coordination, and Governance in EMU was signed on 2 March 2012 by 25 EU Member States.** It may enter still into force at end-2012, depending on progress made in ratification. -The cumulative lending ceiling of the EFSF and ESM has been **increased to €700bn**. Both will coexist on the markets until 30 June 2013, with the EFSF continuing to service its existing commitments under current programmes (EL, IE, PT). Payment of the ESM paid-in capital has been accelerated (with final tranche to be paid in 2014). **-Progress in reducing imbalances has been seen in many Member States.** First in-depth reviews were issued on 30 May 2012. The findings are reflected in the country-specific recommendations put forward by the European Commission on 30 May 2012. The recommendations will help Member States to prepare and adopt their national economic policies and budgets for 2012-2013.

		Implementation of the recommendations will be monitored closely and on an ongoing basis by the European Commission. A formal assessment of each EU Member State's performance will take place in May/June 2013.
Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Implement the common budgetary framework to ensure a continuous reduction of Member States' budget deficits.	**-Pursue a differentiated fiscal consolidation, taking into account country-specific fiscal and macro-financial risks.** **-Putting emphasis on growth-friendly composition of consolidation: Pursue an expenditure-based consolidation while prioritizing public spending towards investments in human capital, research and innovation.**	-Conditional on the current macroeconomic forecast, the **current fiscal consolidation strategy** would allow achieving a budget deficit of 3% of GDP for the euro area aggregate and 3½% of GDP for the EU in 2012. The deficits would then decline to below 1% of GDP in the EU and to ¾% of GDP in the euro area in 2015. This consolidation path would contribute to stabilising the increase in government debt-to-GDP ratio in 2013 and to putting it on a declining path afterwards. In case of economic shocks, the flexibility embedded in the Stability and Growth Pact allows modulating the consolidation. -Ongoing.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The primary objective of monetary policy in the euro area is on maintaining price stability in the medium term for the euro area as a whole. The euro is a floating currency.	**The Governing Council of the ECB has defined price stability as an annual increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below, but close to, 2% over the medium term.**	The ECB's Governing Council has kept an accommodative monetary policy stance and has taken a number of non-standard monetary policy measures in response to financial market tensions. Two three-year long term refinancing operations (LTROs) were carried out in December 2011 and February 2012, totalling over EUR 1 trillion, to forestall a curtailment of credit supply to the euro area economy.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Comprehensive package to restore confidence in the banking sector.	**-Facilitate access to longer term funding** through a coordinated approach at EU level. **-Temporary increase in the capital position of 71 banks to 9% of Core Tier 1 capital including a buffer on sovereigns.** Banks should first use private sources of capital. If necessary, national governments should provide support. In certain cases where this is not feasible, the sovereign firewall (in the case of euro-area Member States) could be used.	-Repayment of LTRO only allowed one year after accessing it. -Compliance with capital requirements of the European Banking Authority (EBA) capital exercise by end June 2012; preliminary aggregate report published in February by the EBA on the capital exercise was positive with an excess buffer of 26% and mostly capital-generating measures.
Enhancing financial sector stability through several legislative packages.	Improvements to existing legislation in the area of Markets in Financial Instruments Directive (MiFID), Credit Rating Agencies	The proposals are now in the European Parliament and the Council (Member States) for negotiation and adoption. The implementation date for CRA is 2013. For OTC derivatives, the implementation is

	(CRA) and OTC derivatives.	to start from January 2013. For MiFID, the objective is to reach an agreement between the EU Council and the European Parliament by December 2012.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Further integrating the Single Market.	**To support growth and employment.** Ensure agreement on the 12 priority proposals set out in the Single Market Act (SMA); complete implementation of the Services Directive; and complete the Digital Single Market (DSM).	-Following agreement on the Single Market Act proposals, the EU aims to adopt key actions for each lever in the SMA by the end of 2012. A first wave of key actions is well-advanced. **The European Commission will in 2012 propose a second set of actions to further reduce market fragmentation in the case of the Single Market of services and network industries.** **-Completion of the DSM by 2015.**
Foster further integration in the Single Market for financial services.	The European Commission proposed a directive (CRD IV) and a regulation (CRR) intended to enshrine a "single rule book" for financial institutions in the EU and maximum harmonization of prudential legislation in all Member States. The proposals will further foster integration in the single market for financial services. Moreover new legislation is being developed in the area of bank crisis management and resolution.	**CRR/CRD IV to be implemented gradually as of 2013.**
Mobilising labour markets	The **global EU targets** set in the Europe 2020 Strategy **are to: (i) raise to 75% the employment rate, and (ii) improve education levels.**	EU2020 specific targets refer to the **2010- 2020** timeframe. Ongoing.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
France commits to reduce its deficit to 4.5% in 2012 and to 3% in 2013, balance its budget by 2017.	Increase fiscal sustainability through mid-term fiscal consolidation	Corrective measures will be taken in the event of deviations, as identified by a report of the independent Court of Auditors available by the end of June.
Adopt a tax reform in a supplementary budget law this summer and reduce the least efficient tax expenditures and social security exemptions.	Ensure short term public finances objective are met by increasing public revenues as needed while reducing inequalities and avoiding adverse effects on growth.	
Complement the budget law for 2013 with a multi-year budget law this autumn.	Secure mid term public finances objectives by defining governance rules over the five years of the parliamentary term.	
Launch a global consultation with the social partners on the pension system this summer in a sustainable and balanced financial framework.	Ensure the sustainability and fairness of the pension system in the middle run.	The on-going reform to allow workers who started their professional life early and have reached the required contributory period to retire at the age of 60 will be integrally financed. Both legal age of entitlement (62) and age of entitlement to a full pension (67) remain unchanged for other workers. The COR (Pension advisory Council) is reviewing the financial situation of the pension system till 2018 and beyond.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Please refer to Euro area contribution		
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Implement internationally agreed standards on banks including Basel II, Basel II-5, Basel III and the G-SIFIs framework according to the EU timeline	Ensure that all financial markets, products and participants are regulated or subject to oversight	EU Capital Requirements Directive IV (Basel III) to be adopted in the course of 2012. Coming EU proposal of a common framework for crisis resolution.
Reform of clearing and trading obligations for OTC derivatives according to the EU timeline		The text of EMIR has been adopted by European Council and Parliament in February 2012. The European Supervisory Authorities (ESAs) will submit technical standards to the Commission by 30 September 2012. The Commission is due to adopt the standards by the end of 2012. CCPs will have to apply for authorization within six months after the standards adoption.
Increase oversight and regulation of the shadow banking system according to the EU timeline		EU Directive on Alternative Investment Fund Managers (AIFM) and UCITS IV are

		being implemented. A consultation on the regulation of the shadow banking system has been launched by the Commission with a view to taking European regulatory initiatives in this area
Ensure regular and efficient activity of the Council for Financial Regulation and Systemic Risk, where all authorities responsible for financial stability meet to assess systemic risk and propose macro-prudential measures	Ensure that the financial system does not generate excessive risk for the economy, with emphasis on remuneration supervision, systemic risk taxation and housing markets risk	Created in late 2010, the Council is already working on these issues. Three meetings took place in 2011 and one so far in 2012
Implement a structural reform of the banking sector in liaison with the EU timeline	Strengthen the resilience of the banking sector	The European Commission will advice EU Member States on potential ways forward at Autumn 2012.
Launch a Public Investment Bank	Correct market failures to boost innovating small and medium companies (SMEs) and incentivize private investment in the tradable sector	The Public Investment Bank will be created in early 2013. A mission led by the Minister of Economy will make its recommendations in late July 2012.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Launch a large consultation with the social partners this summer to define the content and timeline of a set of labor market reforms including a "generation contract" to increase the employability of young and senior workers	Improve the labor market functioning and boost employment among young and senior workers	Progress should be assessed through employment rate of the young and the senior workers
Reform the corporate tax system to smooth implicit tax rates, which are actually higher for the SMEs than for the large corporations and implement various measures in favor of the development of SMEs	Boost external competitiveness and employment by increasing the density of the network of innovative SMEs through removing barriers preventing them to grow	The tax aspects of the reforms will be addressed at autumn 2012, complemented with a dedicated legislative package

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Increase fiscal sustainability in accordance with the G-20 Toronto commitment. From 2014 onwards, general government budget will be balanced. General gross government debt-to-GDP ratio will decrease from 83.2% (2010) to 76% (2015). Reduce the structural general government deficit to a maximum of 0.5% of GDP by 2012 and in the medium-term (German medium-term objective according to the EU Stability and Growth Pact).	At least halve the fiscal deficit. Stabilize or reduce public debt ratio. Achieve a structurally balanced general government budget.	Consolidation progress fully on track: in 2011 general government deficit decreased from 4.3% in 2010 to 1.0% of GDP and general government debt ratio (Maastricht) decreased to 81.2
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Implement Basel III. Implementation of EU Capital Requirements and Regulation Directive IV until end of 2012.	Implementation of the agreed reforms remains key to make the system more resilient, to avoid regulatory arbitrage and to increase financial stability. A stable financial sector is a prerequisite for strong, sustainable and balanced growth.	Negotiations at EU level ongoing.
Increase oversight and regulation of all relevant shadow banking activities including hedge funds. FSB proposals for enhanced regulation due in second half of 2012. Implementation of EU Directive on Alternative Investment Fund Managers until 7/ 2013. Implementation of reviewed EU Market Abuse Directive and Markets in Financial Instruments Directive when an agreement is reached.		FSB work ongoing according to schedule. EU consultation process launched in March 2012. National implementation will follow expeditiously once international/ European agreement has been reached, as necessary.
Identification of G-SIFIs, increasing their loss absorbency and their effective resolution. Implementation of FSB recommendations on G-SIFIs according to agreed timetable. Extension of framework for G-SIFIs to domestic SIBs (D-SIBs) and systemically important non-bank financial entities in 2012.		Resolvability assessments, resolution planning, cooperation agreements underway; implementing Key Attributes of Effective Resolution Regimes following EU Crisis Management Directive. FSB, BCBS submitted progress report on D-SIBs in April, final report to be submitted in November; (provisional) methodology to identify systemically important insurance companies just launched by IAIS for public consultation and to be submitted by FSB and IAIS by February 2013; methodology to identify other non bank financial institutions to be submitted by FSB and SBBs by end 2012.
Increase transparency of financial markets by implementing a global Legal Entity Identifier (LEI) in accordance with the G20-Cannes commitment.		FSB work is ongoing according to schedule.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Strengthen further expenditures for education and R&D. Additional expenditures of 12 bn € from the federal budget in the period up to 2013.	Increase growth potential and employment.	On track for federal 12 bn. € spending. According to the EU-2020 strategy, the target of the federal government, the Länder and the private sector is to increase national spending on R&D to 3% of GDP by 2020. Another national target in the education sector is to reduce the drop-out rate to 10%, while increasing the share of the population aged 30-34 having completed tertiary or equivalent

		education to at least 40%. Number of students with federally funded grants has doubled since 2005.
Build infrastructure for energy supply.	Change to renewable energies ensuring security of energy supply, affordability and sustainability.	Energy Package of summer 2011 contains several initiatives. 7 acts and 1 ordinance have been introduced and are now being implemented.
Modernize competition framework (merger control, unbundling, consumer rights). Improve railway-regulation.	Increase competition, including in the railway market.	Amendment of the Act against Restraints of Competition in preparation. New Act on Railway Regulation in preparation.
Increase labour market efficiency and employment opportunities. Further reforms to streamline labour market instruments. 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 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. With the “Skilled Workers Strategy” the Federal Government will promote the availability of skilled workers in Germany along five specific paths: Labour market mobilization and safeguarding of jobs; combining family and career; education for all from the outset; skills development; integration and qualified immigration. The Federal Government expects that, on the basis of the current annual projection 2012, the contribution rate to the statutory pension insurance could be lowered again at the beginning of 2013.	Reducing labour market inefficiencies are of great importance to increase employment. While past reforms where predominantly about work incentives, the new reforms are primarily about enhancing labour market participation and better accommodating international labour migration and promote integration. Assure the availability of skilled workers in Germany by increasing Germany’s attractiveness for highly skilled workers. Lower labour costs, boost competitiveness and raise employment via the specific measures in the German programme of action for the Euro Plus Pact.	The main changes of labour market policy instruments to improve labour market integration opportunities and to facilitate recognition of professional qualifications acquired abroad entered into force on 1 April 2012. Further relaxations for the admission of Romanian and Bulgarian workers took effect as of January 2012 (work permits not required for academics, trainees and seasonal workers for seasonal employment of not more than 6 months). From 1 August 2013, every child from the age of one year will be legally entitled to daycare. By 2013, the federal government will have paid a third of the costs of the expansion, totaling €4 billion. From 2014, the federal government will support the Länder by contributing €770 million annually. The legislation process on lowering personal income tax rates has not been completed yet. A respective act on the “Skilled Workers Strategy has been introduced already. Legislation will be under preparation in autumn 2012 as soon as relevant facts and figures will be available.

Increase support for developing countries.	Help developing countries become new poles of growth.	Increase of ODA/GNI from 0.35% (2009) to 0.39% (2010). In addition, Germany increases incentives to mobilise additional private investments for development and for partner countries to mobilise national resources. The merger of three technical cooperation agencies into one new organization in 2011 will make Germany's development cooperation more effective and responsive to the needs of its partners.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Central Government is committed to fiscal consolidation roadmap to reduce Fiscal deficit to 3.9% of GDP and Public Debt to 41.9 % of GDP *Timeframe*: By 2014 -15.	Prudent fiscal management to provide conducive environment for investment without undermining growth.	Fiscal Deficit and Public Debt estimated at 5.9% and 45.7% to GDP respectively in FY 2011-12. Fiscal deterioration has been conditioned by deceleration in growth coupled with persistently high inflation that has hit revenue. Fiscal consolidation remains medium-term priority of the Government.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Market determined exchange rate with no predetermined target *Timeframe*: On continuing basis.	To help minimise external imbalances.	This commitment has already been substantially achieved. This is however making the exchange rate very volatile, mirroring the volatility in capital flows. The exchange rate of the Indian rupee against US dollar witnessed a sharp fall during August-December 2011.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Improve financial sector laws, rules and regulations, and to improve inter-regulatory agency coordination. *Timeframe*: Ongoing process with no specific timeline.	To promote financial stability for strong and sustainable growth by streamlining the financial sector laws, rules and regulations and bring them in harmony with the requirements of a modern financial sector.	Government constituted the Financial Sector Legislative Reforms Commission on the 24th March 2011 to evolve a set of principles for governance of financial sector regulatory institutions and also to examine the case for greater convergence of regulations and streamline the regulatory architecture of financial markets. The commission is expected to submit its report by end of March 2013. Government has set up an apex-level Financial Stability and Development Council (FSDC) under the Chairmanship of the Finance Minister with a view to strengthen and institutionalise the mechanism for maintaining financial stability and enhancing inter-regulatory coordination.
To implement Basel III capital standards *Timeframe*: As per agreed timeline.		The RBI issued draft guidelines for implementation of Basel III Capital Regulation in India in December 2011 with, *inter alia*, an accelerated timeline for implementation by March 31, 2017 as against the BCBS timeline of January 1, 2019.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Prioritize infrastructure investment and increase the role of PPP. *Timeframe*: Ongoing process with no specific timeline.	Promote environment for strong and sustainable Growth	While this is an ongoing objective, we expect to mobilise about $ 1 trillion of infrastructure investment during 2012 to 2017. About half of this is expected to come from the private sector.
Introduce a general goods and services tax (GST). *Timeframe*: Ongoing process with no specific timeline.	Improve efficiency and reduce distortions in tax collection, and reduce compliance costs.	The Constitutional Amendment Bill, a preparatory step in the implementation of GST was introduced in Parliament in March 2011. It is right now before the Parliamentary Standing Committee.
UID. Over five years starting 2010-11, the UID Authority plans to issue 600 million UID. *Timeframe*: Ongoing process	Make growth more inclusive and better targeting of public programmes.	The enrolments into the UID system have already crossed 200 million.
Improve environment for FDI *Timeframe*: On continuing basis.	To promote strong and sustainable growth	FDI in single brand retail sector and in cash and carry wholesale trade permitted to the extent of 100 per cent.

Fiscal Policy		
Commitment/Timeframe	**Objective**	**Update on Progress**
Maintaining consistently low budget deficits (less than 3%) and debt to GDP ratio, and focusing government financing on domestic sources.	To improve fiscal sustainability and reducing impact from external shock.	Budget deficit was (1.3%)* to GDP in 2011, and debt to GDP ratio decreased to (25%)* in 2011. Domestic investors are holding around 70% of the Government bond (by March 2012) *(The state finance law limits the budget deficit the government can take for that particular year not more than 3%)*
Improving design and effectiveness of spending (including revisiting subsidy mechanism and focusing budget more on capital spending), and improving the quality of fiscal decentralization.	Increasing spending efficiency and supporting stronger and more balanced growth across regions.	The budget structure has changed (having much larger allocation for capital spending). The Government is now allowed to adjust fuel price if the current price increases by 15% in six month average and provide compensation to the poor to offset adverse impacts of high oil price. *(The progress is assessed through mandatory quarterly report of expenditure disbursement by line agencies and regional governments)*
Accelerating the disbursement process for capital expenditures	To achieve financing targets for development projects and to improve the quality of spendings of the budget both at national and regional levels.	All budget executing agencies and regional governments are required to provide quarterly reports on their capital expenditures with reward and punishment put in place.
Monetary and Exchange Rate Policies		
Commitment/Timeframe	**Objective**	**Update on Progress**
Continuing flexible exchange rate policy and implement a policy mix consisting of monetary and macroprudential policies to manage inflation and capital flows volatility.	To achieve the medium term target of disinflationary path by gradually bringing down inflation rate to level with the regional figures and curbing massive capital flows to put in place macroeconomic stability as a fundamental for growth.	Bank Indonesia has been conducting accommodative MP since Q4-2011 (by keeping the BI rate at low level of 5.75%) in response to anticipated global economic slowdown. It allows GDP to grow above 6% (year on year) in Q4-2011 and Q1-2012. Meanwhile, it successfully kept the inflation rate below 4.5% in Oct 2011 – May 2012. On macroprudential policy, BI has issued regulation (1) to require all export-proceeds be remitted through domestic banks and (2) to implement loan to value (LTV). The implementation of export-proceed remittances is aimed at strengthening (deepening) domestic foreign exchange market to reduce XR volatility and improve monitoring on international trade. The LTV is aimed to manage credit expansion as well as to enhance prudent lending activities. Regarding that those measures were just implemented, the impact on forex market volume (related to export proceed repatriation), credit growth (related to LTV). To strengthen monetary operation, Bank Indonesia introduced forex term deposit which is aimed to provide forex investment outlet for domestic banks, to support forex market deepening which eventually would enhance monetary policy.

Financial Sector Policy (Bank and Non-Bank)		
Commitment/Timeframe	**Objective**	**Update on Progress**
Strengthening capital base of all banks in Indonesia as stipulated in the *Indonesian Banking Architecture (IBA) blue print*	To strengthen bank capital and liquidity standard to support financial sector stability.	Currently, all banks in Indonesia have met the minimum requirement to have paid-up capital of at least 100 billion Indonesian rupiahs.
Completing implementation of Basel II and commence observation on Basel III liquidity standards(LCR and NSFR)	To strengthen bank capital and liquidity standard to support financial sector stability	Implementation of Basel II regime has commenced since January 2012. And for Basel III, Bank Indonesia is now undertaking observation of LCR and NSFR.
Enhancing financial system stability through the Financial System Safety Net Law.	Providing legal foundation for crisis management, and securing financial system to support macroeconomic stability as a fundamental for growth.	The operational structure of the National crisis management protocol framework (CMP) has been established that involves the Ministry of Finance, Bank Indonesia and the Deposit Insurance Agency.
Establishing The National Strategy for Financial Inclusion (NSFI)	To promote full access of unbanked people to financial services. Also to improve financial deepenings and intermediation to support growth.	The NSFI draft is expected to launch by mid 2012.
Publishing the details assessment results (DARs) of the Financial Sector Assessment Program (FSAP).	To strengthen adherence to international standards.	DARs of FSAP have been published since January 2012. See the websites of IMF and the World Bank
Implementing Basel III capital regime	To strengthen bank capital and liquidity standards as well as to mitigate pro-cyclicality	Preparation of Basel III implementation has commenced since January 2012. Bank Indonesia is now drafting a consultative paper for Basel III.
Developing secondary market for corporate bond and Sukuk (Islamic Sharia-based bond)	To increase the market liquidity aimed at increasing more transparency and attractiveness of corporate bond and Sukuk	• Developing Global Master Repo Agreement (GMRA) for repurchase agreement market. • Enhancing market surveillance system for secondary market, and optimizing the role of Bond Pricing Agencies (BPA)
Developing Capital Market Infrastructure (i.e. Single Investor Identity/SID, Integrated Securities Trading System/Straight Through Processing/STP, Separation of Investor's Asset Account from Securities Companies Account, and e-reporting system for issuers to report the disclosure information)	To implement a stable, resilient and liquid industry, in accordance with international standards, for increasing public confidence in the integrity of the industry.	• In 2012, SID program will be introduced for Custodian Bank and Share registrar script clients. • STP has been in progress for risk engine and pre deal check system. The integration of SRO system with participants' back office system is targeted to implement in 2012. • Enhancing securities companies' back office system part of the initiative to separate Investors' asset accounts from the securities companies' accounts.
Improving the quality of Insurance services and increase the tranparency of insurance market.	To increase consumer protection, proportionally and on target	The Government is proposing a new insurance law to be submitted to Parliament for approval by the end of 2012.
Adapting domestic regulations on counter financing of terrorism to comply with international standards and best practices	To meet the recomendation of FATF on combating the financing of terrorism in Indonesia	The Government is in the final stage of submitting the counter financing of terrorism law to Parliament for approval.

Structural Reforms		
Commitment/Timeframe	**Objective**	**Update on Progress**
Implementing the 2nd phase of tax administration reform, and custom administration reform.	To improve business climate and facilitating trade.	The Government is developing PINTAR (the Tax Administration Reform Project) aims to: (i) increase taxpayer voluntary compliance by lowering the compliance costs; and (ii) improve integrity and governance in tax administration. *(The progress is assessed by a Tax Oversight Commission based on the target achievement and tax complaints by public)*
Accelerating infrastructure development, and promoting private sector involvement in infrastructure projects.	Addressing supply bottlenecks, improve competitiveness and improve private sector participation in the economy.	The Government has introduced a Master Plan for acceleration of economic development (MP3EI) to boost national connectivity, and capabilities in technology, and has stipulated the land acquisition process law to provide certainty to private investors in infrastructure development. *(National coordinating body for monitoring implementation of the Masterplan (MP3EI)*
Strengthening and expand poverty reduction program under 4 Clusters: family-based social assistance; community empowerment; economic opportunities for low-income households; providing basic needs with affordable price for low income people.	Reduce poverty level, creating stronger foundation for growth, and facilitate broader economic activities particularly among the most vulnerable	The Government has introduced PNPM (The National Program for Community Empowerment) which is a community based development program to help poor community, and has stipulated the new social saftey net law No. 24/2011 where its transformation process has started since Jan 2012 and its full implementation will commence in 2014. *(The Government has established the National Team for the Acceleration of Poverty Reduction)*

***Unaudited figures**

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Full implementation of the fiscal consolidation strategy and strengthening of the fiscal framework, in order to ensure sound public finances and reinforce the credibility of the fiscal framework.	a) Achievement of a structural balanced budget and a rapidly declining debt-to-GDP ratio. b) Introduction and implementation of the balanced budget rule in the Constitution.	a) In December 2011, a supplementary fiscal package worth 1,3 per cent of GDP was approved, bringing the total fiscal consolidation approved in second semester to about 5 per cent of GDP. The supplementary package also introduced measures that are structural (a landmark reform of the pension system), growth-friendly (shift of taxation from production to unearned income, reduction of the tax wedge on labour) and equitable (fight against tax evasion). Therefore, the net borrowing is expected to be significantly below 3 per cent of GDP in 2012 and the medium-term objective, a balanced budget in structural terms, is expected to be achieved in 2013. The debt-to-GDP ratio is set to decline accordingly, starting in 2013. b) Approved through Constitutional Law n.1/2012 (dated April 2012). By February 2013, adoption of the implementing legislation.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The resilience of the financial system and its ability to finance the real economy.	a) To support the adoption of Basle III by the EU and its timely domestic implementation. b) To strengthen banks' capital.	a) The general approach on the Basel III package was approved by the EU Council on 15 May 2012. By 1° January 2013, national rules are expected to enter into force. b) The Italian banks are raising their capital adequacy ratios (EBA's recommendations).
To strengthen the regulatory framework to enhance investor protection, increase financial stability and ensure the orderly functioning of the markets.	a) To adopt the EU Directives on: 1) financial services sectorial legislation; 2) Undertakings for Collective Investment in Transferable Securities; 3) prospectus and transparency; 4) Alternative Investment Fund Managers. b) Full implementation of the new EU regulatory framework on OTC derivatives (EMIR), Short-selling and CDS and Credit Rating Agencies. c) To support the timely adoption of the Mortgage credit Directive by the EU.	a) Work is on-going and set to be completed by, respectively, 2012 (n. 1), July 2012 (3) and July 2013 (4). The UCITS Directive has already been implemented by Italy. b) By end 2013 at the latest following the calendar agreed at EU level. c) By 2012.
To facilitate access to medium-long term funding by banks.	A guarantee scheme for banks liabilities in line with EU regulations.	The scheme was introduced in December 2011 for a six months period. A review is scheduled to take place by mid-2012. The Ministry of Economy and Finance and the Bank of Italy will monitor half-yearly the results of the scheme.
To reduce costs and enhance consumers participation.	Full implementation of the EU recommendations on basic payments account.	The legislative provision was approved last December, and so was last March the implementing convention among the Ministry of Economy and Finance, the Bank of Italy and the private sector involved. Payment services providers will provide a reliable and comprehensive set of information on accounts and charges on an annual basis.

Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
To increase the competitiveness of the economy.	a) reduction of the North-South dualism, by a comprehensive review of European structural funds program (Eurosud Plan); b) a comprehensive public spending review; c) a reform of the fiscal and welfare systems; d) liberalization in retail and professional activities and in the energy sector, privatization of local public services, enhancement of consumer protection and Antitrust Authority's powers of intervention, establishment of the Transport Authority. e) reforming the labor market, particularly by the support to decentralized (firm level) and productivity linked wage negotiations, and change in hiring and dismissals rules and procedures; f) restructuring of the justice system; g) reforming the public administration, particularly by empowering the local authorities, cutting red tape, reducing unnecessary burden on business activities and through labor flexibility; h) promoting and optimizing human capital, particularly by increasing accountability and autonomy of universities and schools; i) supporting innovation and entrepreneurship also through tax incentives for capitalization; j) speeding up the infrastructure development, mainly by regulatory measures to facilitate project financing.	a) Action Plan approved in November 2011 to reprogram the use of the European Structural Funds to support education, digital agenda, railways, employment. In the period 2014-2020, €3.7 billion of structural funds will be used; b) The kick-off report was published in January 2012 and specific measures were legislated in May. The process is on-going on each expenditure program. A Commissioner has been appointed and a Ministerial Committee has been established. The target is to achieve €4.2 billion savings in the period June-December 2012 (€7.2 on yearly basis). c) Partly included in the December fiscal package and in the draft bill on labor market, expected to be approved shortly, and draft enabling act on tax reform, adopted by the Council of Ministers in April 2012. d) a broad package of measures has been approved on liberalization in local public services, retail activities, pharmacies, professions, fuel distribution, banks and insurances. On the energy sector, the Prime Minister decree approved on May 2012 defines modalities and timeframe for the ownership unbundling between the service and network operator in the gas sector. By 18 months the gas incumbent will have to surrender its share (52%) in the gas network. Antitrust powers have been strengthened, while the establishment of the Transport Authority is expected by summer 2012. On consumer protection legislated measures have been approved to make class actions more effective, to introduce protection from deceptive and aggressive trade practices (also for businesses with less than 10 employees), as well as on bank deposits and car insurance regulation; e) partly included in the 2010 and 2011 fiscal packages and partly in the draft bill on labor market, expected to be approved shortly by the Parliament. Key features include the revision of: non-standard contracts, by strengthening the vocational training component; unemployment benefits, with the introduction of a new form of income support; dismissal rules and procedures; f) Legislated measures on the reorganization of the courts geographical distribution, with the aim of raising the efficiency of the system. Special courts for businesses have been set up. A specific action to reduce the burden of litigation has been adopted with the mandatory conciliation attempt (*tentativo obbligatorio di conciliazione*) in civil and commercial fields; g) A braod package of simplification measures have been adopted, together with measures for the speeding up of late payments by the public administration to firms. An SMEs' Envoy has been appointed, in order to ensure the administrative burden simplification for SMEs. h) the 'Merit Fund' for loans to students and the system of

		excellence for university professors have been legislated, together with the accountability and autonomy of schools; i) Legislated measures on the tax allowance for corporate equity (ACE), a credit facility for SMEs and tax credits for R&D investments, together with the Italian Digital Agenda; j) Legislated measures so as to attract private investments, though regulatory simplification, the speeding up of authorizations and the introduction of the 'project bonds'.

Fiscal Policy		
Commitment/Timeframe/Measure	**Objectives**	**Update on Progress**
- For the national and local governments' primary balance, the deficit ratio to GDP shall be halved from the ratio in FY 2010 by FY 2015 at the latest, and the surplus shall be achieved by FY 2020 at the latest. - From FY 2021, a stable reduction in the ratio of public debt to GDP for both national and local governments shall be maintained. - Flesh out the "Definite Plan for the Comprehensive Reform of Social Security and Tax" which sets out policies including gradual increase in the consumption tax to 10% by the middle of 2010's and submit the bills by the end of FY2011 to realize these policies.	Fiscal consolidation	- Aiming at simultaneous achievement of securing stable resources for social security and consolidating public finances, the Cabinet decided on "the Outline of the Comprehensive Reform of Social Security and Tax" that includes the staged increase of the consumption tax (from 5% to 8% in April 2014, and to 10% in October 2015) on 17th February, and submitted the requisite bill on tax reform to the Diet on 30th March of FY 2011.
- The Medium-term Fiscal Framework is to be formulated every year to provide fiscal framework for the subsequent three years, thereby taking measures both on revenue and expenditure sides as well as restraining the amount of new government bonds issue. (The Framework decided in August 2011 covers the three-year period between FY 2012 and FY 2014.)		- The FY 2012 budget complied with the Medium-term Fiscal Framework decided in August 2011.
- While implementing substantial fiscal measures for reconstruction from the earthquake, necessary fiscal resources shall be secured partly through efforts to economize on expenditures and to secure non-tax revenues. The remaining gap shall be filled by temporary taxation measures, thereby achieving fiscal sustainability. (note) The volume of these fiscal measures are estimated at least 19 trillion yen (equivalent to about 4% of GDP), including fiscal measures already taken, in five years.		- Approximately 18 trillion yen of fiscal measures for reconstruction from the earthquake has been appropriated by the first, second and third FY 2011 supplementary budgets and by the FY 2012 budget. The necessary fiscal resources were secured, not through issuances of deficit-financing bonds, but through raising individual and corporate income taxations temporarily as well as cutting expenditures and securing non-tax revenues.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
- Implement OTC derivatives market reforms including mandatory CCP clearing, as well as mandatory storing and reporting of OTC derivatives trade information. Enforce the amended Financial Instruments and Exchange Act and relevant Cabinet Ordinances by November 2012, and take other necessary actions.	Implement the internationally agreed financial regulatory reforms	- The government issued for public consultation on 27th April 2012 the draft Cabinet Ordinances that specify details for mandatory CCP clearing, as well as mandatory storing and reporting of OTC derivatives trade information. The consultation period ended on 28th May. The Ordinances are under preparation for proclamation by this summer. - The government submitted to the Diet on 9th March the amendment to the Financial Instruments and Exchange Act that requires using electronic trading platform for eligible OTC derivative trades.

- Proceed with phased-in implementation of Basel III following the schedule agreed by the Basel Committee on Banking Supervision, starting in 2013.		- To implement Basel III from the end of fiscal year 2012 (end of March 2013), the revised administrative notice on the capital adequacy rules for internationally active banks was published on 30th March 2012.
- Implement other financial regulatory reforms agreed by the G20 according to the agreed schedule.		- The government is taking necessary steps to implement agreed financial regulatory reforms, including the work on the resolution of G-SIFIs such as the development of the recovery and resolution plans in line with FSB "Key Attributes of Effective Resolution Regimes".
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
- 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, thereby realize the average growth rate between FY 2011 and FY 2020. - By steadily proceeding with the "New Growth Strategy" and the "Strategy for Rebirth of Japan", implement structural reforms such as: > pursue strategic and multifaceted economic partnerships with a wide variety of countries > create new industries and new markets through innovation in the areas such as environment and healthcare > develop human resources of the next generation and create society which further facilitates labour force participation by women etc. > expand the supply of growth money - With a view to developing the new strategy for rebirth of Japan by the middle of 2012, prepare specific policy actions together with numerical goals, target dates, time schedules and so on. - Building on the lessons learnt from the earthquake and nuclear incident, the new "Strategy for Energy and the Environment" will be formulated around this summer.	About 3% nominal growth rate and about 2% real growth rate	- Efforts to implement policy measures included in the "New Growth Strategy" have been accelerated. Facing new challenges brought about by the Great East Japan Earthquake, the Cabinet decided on the "Strategy for Rebirth of Japan" on 24th December 2011. - In May this year, a follow-up of all 376 measures included in the "New Growth Strategy" was conducted to strictly examine their effects and outcomes. The measures to address the problems identified through this exercise will be reflected in the new strategy for rebirth of Japan to be developed by the middle of 2012. - To prepare for the formulation of the "Strategy for Energy and Environment", the "Basic Principles towards Proposing Options for the Strategy for Energy and the Environment" was decided on 21st December 2011, which include the following: > less dependence on nuclear power generation > measures against global warming in a way that contributes to reduce global emissions > development of green growth strategy

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Achieve balanced budget and reduce public debt to GDP ratio(2011-2015)	Reach balanced budget by 2013, excluding social security fund. Reduce public debt-to-GDP ratio to pre-crisis level by 2015.	Consolidation progress on track. In 2011, fiscal deficit and public debt to GDP ratio dropped to 1.1% and 34.0%, respectively.
	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.	Expanded tax revenue in line with government's taxation policy direction of 'broad base and low rates'. i) Reached national tax exemption rate of 13.7% by reducing non-taxable and tax-exempt sources worth 1.3 trillion KRW in 2011. ii) Strengthening transparency of tax base. iii) Ongoing efforts to create new tax bases with outcomes such as imposing tax on new financial products (Jan 2012). Promoting expenditure efficiency including by cutting 10% of budget for 145 under-performing projects after assessment of all fiscal projects of 2010.
	Along with these measures, the standard for fiscal statistics will be upgraded from 1986 GFS to 2001 GFS.	To enhance credibility of statistics, implemented 2001GFS Manual and will publish fiscal statistics under the new standard from end-2012.
Prepare against risk factors of public finance (medium-term)	Prepare a long-term fiscal outlook toward 2060 by 2013, in which areas that heavily affect long-term finance (such as pension, health insurance) will be incorporated. Manage fiscal sustainability of local governments including by implementing the Local Finance Early Warning System.	Established a Long-term Fiscal Outlook Council (Dec 2011) Set up Local Finance Early Warning System (Sep 2011)
Anchor short-term recovery	Strengthen automatic fiscal stabilizers while maintaining medium-term fiscal soundness	Temporarily increase level of employment maintenance subsidies when labor market deteriorates with incidence of massive job losses (temporary shutdown, leave of absence allowance 2/3 → 3/4). Front load 60% of budget in the first half of 2012 as a means for fine-tuning.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Pursue capital market development plan (2011-2012)	The plan aims to foster domestic investment banks, reform capital market infrastructure, and improve market conditions for corporate finance.	Submitted to National Assembly newly revised Capital Market Consolidation Act (in Nov 2011) containing additional reform measures for the advancement of financial system.
Reduce capital flow volatility (Flexible basis)	Under limited circumstances agreed at the Seoul Summit, use macro-prudential measures that are carefully designed.	i) Established ceiling on bank FX derivatives positions (took effective on Sep. 2010) ii)Imposed Bank levy on bank's non-deposit foreign currency liabilities (took effective on Aug 2011) iii) Restoring withholding tax on foreign holders of KTBs and MSBs (took effective on Jan 2011)
Expand financial aid to vulnerable groups with low-income and low-credit	Expand the scope of beneficiaries of government's 3 major microcredit programs (Smile Microcredit, Sunshine Loan, New Hope Loan) to lower the financial costs of the low-income class and strengthen financial safety nets. Step up efforts to help credit recovery of vulnerable groups such as through debt restructuring and transfer loans that switch the	Comprehensive Measures to Strengthen the Foundation for Microfinance (Apr 2011)

	interest rates of outstanding loans to lower ones.	
Strengthen resilience of banking sector including by implementing Basel III (2012-2019)	Reduce bank liquidity risks and prepare to implement Basel III including through revised Provision of Banking Supervision.	Enforced regulation of banks' loan-to-deposit ratio to 100% and under from July 2011 Completed the revision of Enforcement Decree of the Banking Act (Dec 2011)
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Enhance productivity in service industry (2011-2012)	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. Develop package deal to reduce disparities between service and manufacturing sectors with institutional improvements. Develop comprehensive plan to facilitate R&D in service industry.	Service sector deregulation in progress for permitting foreign educational institutions to conduct business in Korea and developing marine tourism industry. Spur competition in professional service market by revising Attorneys-at-Law Act and establishing measures to advance accounting services.
Introduce multiple labor unions (2011)	Step up various efforts on promotion, guidance and training for implementation of the recently introduced "Paid Time-off System" and "Multiple Trade Unions."	Enhanced labor efficiency via improved labor-management relationship, reduction in labor disputes (121 cases in 2009 → 65 cases in 2011) and working days lost (626,000 days in2009 → 429,000 days in 2011) with smooth implementation of those systems.
Pursue measures to increase women's labor participation rate (medium-term)	Improve holiday and leave system for a balanced work-child rearing life, actively promote use of childcare facilities in workplaces, enhance support for women's employment and job training.	Expanded supply and demand of women's employment by supporting part-time job creation (2010-) and through revised law on supporting gender equality in employment, work-life balance (Dec 2011)
Reduce labor market dualism by strengthening protection for non-regular workers (medium-term)	Strengthen protection for non-regular workers by reinforcing social safety nets, enforcing non-discrimination guideline, and increasing opportunities to convert to regular employment. Ensure successful anchoring of these measures by providing guidance, supervision, training and consultation.	i) Announced Comprehensive Measures for Non-regular workers(Sep 2011) ii) Announced Measures for Non-regular workers in Public Sector(Nov 2011) iii)Developed Guideline for Reducing Discrimination in Salary and Working Conditions(Nov 2011)
Job creation (medium-term)	Boost youth employment by supporting youth business start-ups, strengthening tax and other incentives for companies employing youths and mitigating employment mismatches.	Launched business start-up funds exclusively for young entrepreneurs More internship opportunities on public firm and SMEs Reinforced job training including in Meister Schools
Pursue reforms to facilitate green growth (2011-2020)	Achieve national target to cut green house gas emissions by 30% below BAU (Business As Usual) levels by 2020. Develop institutional grounds to enforce emissions trading system, including the fees and quotas of trading rights allocation.	Set GHG emission cut targets by sector and industry to reach national target (July 2011) Phasing in implementation of GHG & Energy Target Management Scheme (launched in 2012). Expand applicable firms from firms emitting over 20,000tons (2012) to those emitting at least 15,000tons (2014).
	Double R&D investment in green technology from 2008 to 2012.	Delivered on commitment to double R&D investment in green technologies by 2012, upgrading 27 green technologies.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
At the end of 2009, a fiscal consolidation strategy for 2010 – 2012 was announced and it has been implemented. In light of revisions to expectations of global and domestic growth during 2011, the consolidation objective was maintained but adjusted to have a more gradual convergence to a balanced budget. Looking ahead, if the economy performs as expected, the pace of gradual fiscal consolidation will continue. The measure will be ratified at end 2012 when the budget for 2013 is approved.	To provide a fiscal stimulus to economic activity as output remains below its potential level, while simultaneously guaranteeing the sustainability of public finances.	A gradual fiscal consolidation has been taking place since 2010. Continuing with the strategy, the budget which was approved at the end of last year for 2012 implies that the Federal Government will have a lower deficit in 2012 compared with the one in 2011. However, it will not go all the way to a balanced budget as originally envisaged given that the output gap will not have closed as previously projected. This effectively ensures the operation of automatic fiscal stabilizers. The balanced and gradual consolidation strategy will continue in 2013 given current growth perspectives. Progress is to be measured on the basis of the evolution of the Public Sector Deficit as a percent of GDP excluding Pemex's investment, consistent with Mexico's fiscal rule.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Maintain a flexible exchange rate regime and an inflation targeting framework for monetary policy.	Assure price stability and freely floating exchange rates.	Currently in place. They can be assessed by the classifications of exchange rate (floating exchange rate regime) and monetary policy regimes (inflation targeting framework) prepared by the IMF.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The early adoption of several components of the Basel III accord, the adoption of Solvency II consistent with EIOPA guidelines, and an acceleration of the strategy to increase access to credit for housing, small and medium sized firms, agriculture and infrastructure through the development bank system. By end 2012, commercial banks should be fully compliant with the new capital requirements and credit by development banks should have increased significantly. Continue with the implementation of the elements in the international reform agenda. New requirements on liquidity and leverage rules consistent with Basel III will be implemented according to the timeline established by the BIS and FSB. New regulation on OTC derivatives is expected by end 2012; the proposal will include standardization and central clearing of some OTC derivatives, and enacting regulation for repositories.	To strengthen the stability of the Mexican financial system, and channel financial resources to strategic sectors in terms of financial inclusion, job creation and poverty reduction to contribute to achieve sustainable growth.	A detailed regulatory proposal for new capital requirements consistent with the Basel III accord has been completed and is expected to be published by mid 2012. At end-2011 and the first quarter of 2012, credit programs of development banks were enhanced. Direct and induced credit by development banks grew by 5.6% in real annual terms as of December 2011, compared with a rate of growth of 0.5% in 2010. On the regulatory measures, progress should be measured by the degree of compliance of commercial banks with the new capital requirements. On the expansion of credit by development banks, progress should be measured by the annual rate of growth of direct and induced credit by development banks at end-2012.

Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
In addition to those already carried out or submitted to Congress, such as the approved changes to the competition law, the following actions will take place: increase investment in the energy sector, policies to deregulate and reduce the costs of starting and operating a business, increase competition and continue with a unilateral strategy of reducing trade barriers. The tariff reduction process is currently in place, the rest of the measures will be implemented in the second half of 2012. Investment in infrastructure will continue to be promoted both through budget prioritization and through changes to the regulatory and legal framework. The social safety network will also be reinforced. Enactment of the reforms will take place during 2012.	To increase the growth potential of the Mexican economy by adopting policies which enhance productivity growth and increase investment. Facilitating private sector participation in infrastructure projects and providing legal certainty for all parties, promoting the development and construction of infrastructure projects. Promote investment and efficiency in the energy sector. Strengthen the effectiveness of the social security network and increase the attractiveness of formal employment for workers.	In January 2012, PEMEX announced a second auction of contracts with the private sector that includes 6 fields to be allocated in 3Q-2012. PEMEX will continue and further accelerate the use of new contracts with the private sector in order to increase investment in the energy sector. Regarding trade policy, during 2012, the tariff reduction process has continued: the average tariff for final goods decreased by 4.4 percentage points with respect to 2011, accumulating a reduction of 15.1 percentage points with respect to 2008. In 2012 a new Law on Public-Private Partnerships was approved. It envisages: i) integrating all the relevant regulations in a single instrument; ii) includes comprehensive contract awarding (for construction and operation), and iii) speeds up permits procedures. Reform to the housing subaccount of the social security system: workers would be entitled to receive resources in their housing subaccount upon their retirement, if they did not receive a mortgage during their active lifetime; eliminates the restriction of one mortgage per worker during the lifetime, for workers who have repaid their initial mortgage; allows partnerships between Infonavit and the private sector for co-financing a worker´s second mortgage. Progress on higher investment in the energy sector should be measured by a successful auction of contracts by PEMEX during the second half of 2012 and by additional increases in investment and use of contracts in 2013. Policies to deregulate and reduce the costs of starting and operate a business can be measured using the World Bank's Doing Business Report. Progress on tariffs can be measured through the evolution of the average MFN tariff.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Gradual decrease and restriction of the Government budget deficit (2013-2015)	Approximately “minus” 1,5-2,0% of GDP	In 2011 the federal budget completed with a slight surplus 0,8% of GDP mainly because of unexpected high oil windfalls; in the current and forthcoming years we expect the budget deficit to meet the targeted level.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Reducing inflation and maintaining it at a level ensuring conditions for long-term sustainable economic growth (2011-2013)	Reducing and maintaining inflation (CPI) at the level of 5-7%	In 2011 inflation was reduced to 6,1% (on December to December basis). The Bank of Russia is planning to gradually reduce this indicator to 5% or below by 2014.
Increasing the flexibility of exchange rate	Expanding the floating band of fluctuation of the ruble with regard to the bi-currency basket (euro – US dollar)	Russia has been pursuing transition to more flexible exchange rate regime since February 2009. The Bank of Russia decided to abandon practices of setting up exchange rate targets and fixed corridors. Exchange rate policies have been carried out in the framework of so called “operational interval” for the bi-currency (euro-dollar) basket, its borders being adjusted in accordance with the interventions performed by the Bank of Russia. In 2011 the Bank of Russia widened the floating operational band of ruble’s fluctuation with regard to the bi-currency basket from 4 to 6 rubles (initial value was 2 rubles) and increased its flexibility by reducing from $650 million to $500 million the cumulative amount of its interventions, which results in a 0,05 rubles shift of the operational band limits.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Stimulating development of the banking sector (till 2016)		As of January 1, 2012 the current dynamics of key banking sector parameters was in line with the target (except for the slowed pace of banks capitalization).
	Increasing credit volumes to non-financial organizations and individuals: 55-60% of GDP	*Currently* - credit volumes to non-financial organizations and individuals: 42,8% of GDP
	Increasing banking sector assets: more then 90% of GDP	*Currently* - banking sector assets: 76,6% of GDP
	Increasing banking sector capitalization: 14-15% of GDP	*Currently* - banking sector capital: 9,6% of GDP. The Russian Government and the Bank of Russia are taking measures to increase the national banking system’s capital base. Since January 1st, 2012 the Federal Law No. 391-FZ, dated December 3, 2011, “On Amending Federal Law on Banks and Banking Activities” has come into force the minimum authorised capital for a newly registered banks is determined at 300 million rubles (about USD 10 million) and the minimum equity capital for the former banks at 300 million rubles beginning from January 1, 2015.

		This measure is enhancing financial stability of the banking system as a whole and, along with other measures promoting capitalization, aimed at implementation of provisions provided by the Russian Banking Sector Development Strategy until 2015.
Improvement of legislation in terms of raising standards for disclosure of information by financial institutions, consolidated supervision, strengthening financial markets' infrastructure and regulation, etc. (medium-term run)	Adoption and addition of relevant laws and regulations	The following laws were adopted in 2011: 414-FZ "On Central Depository" (determined the status of central depository and specifics of its regulation); 7-FZ "On Clearing and Clearing Activities" (introduced the concept of central clearing counterparty and determined specific requirements for it); 325-FZ "On Organized Trading" (established the uniform regulatory arrangements for the organized trading in all segments of the Russian financial market); 161-FZ "On National Payment System" (established the regulation for the payment service market including activities of electronic money systems); 122-FZ "On modifying Legislation on Securities Market and Provisions 214.1 and 310 of Part 2 of the Tax Code" (simplified the procedure for obtaining income on securities subject to mandatory centralized custody). In view of instability in global economy and potential risks of financial markets' turmoil and to continue implementation of preventive anti-bankruptcy policy by the Bank of Russia and the Deposit Insurance Agency, the Federal Law No. 175-FZ, "On Additional Measures to Strengthen Stability of the Banking System until December 31, 2011" was extended till the end of 2014.
NSIB (national systemically important banks) and SIFMI (systemically important financial market infrastructures) regulation improvement (2012-2013)	Specifics of regulation proposals	Ongoing
	Development of recovery plans by NSIB and SIFMI	To be developed during the second half of 2012
	Development of NSIB and SIFMI resolution plans by the Bank of Russia	To be completed in the first half of 2013
	Determination of required changes in national legislation	Interagency agreement will be initiated in the second half of 2012; final proposals will be prepared in early 2013.
Strengthening cross-border cooperation	Development of amendments to financial legislation for strengthening cross-border cooperation between the Bank of Russia and foreign supervision authorities in the area of information exchange	To be completed by the end of 2012
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Labour market		Labour market recovery has been stronger than expected. Seasonally adjusted unemployment rate has reached 5,9% in March 2012 though regional differences persist. Employment Promotion Programme has been being developed since late 2011 which will effectively set final targets and policies for the mid- and long-term labour market development. Programme is expected to be finalized in late 2012.
Reduction in unemployment rate	Unemployment rate reduced from 7,7% in 2010 to 6,3% in 2013 and to 5.6% in 2015	
Increased labour mobility and reduction of unemployment spells	Unemployment spell is expected to go down	

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Continue implementing the enhanced investment program, which entails significant expenditures on the social sectors and infrastructure. In addition, continue implementing the package of measures announced in early 2011 aimed at strengthening the social safety net, creating job opportunities for the youth, and meeting demand needs for housing.	The main objective is to support public spending on productive sectors such as education, health, infrastructure, housing, as well as on strengthening the social safety net. This expansion in public spending, in line with fiscal sustainability considerations, is aimed at achieving sustained high economic growth.	The National Budget for 2012 continues to focus on enhancing the development process and ensure that the investment programs remain conducive to strong and sustainable economic growth. The budget puts emphasis on optimizing the use of available resources and giving priority to projects that ensure balanced development as well as more employment opportunities and job creation.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The Saudi Arabian Monetary Agency (SAMA) is committed to pursuing accommodative monetary policy.	To ensure adequate liquidity in the banking system.	Saudi Banking system is well capitalized and highly liquid.
Financial Sector Policy		
Commitment	**Objectives**	**Update on Progress**
Regulatory reforms to further strengthen existing risk-based banking supervision are continuing. SAMA is committed to implement the Basel III Reforms on timelines agreed by the Basel Committee. Work is ongoing to support the development of the insurance sector, which includes: issuing regulations, enforcing compulsory insurance, supervising insurance companies, building capacity and expertise of insurance industry professionals, and enhancing public awareness.	These measures will ensure continued strengthening of a sound, profitable and well capitalized financial sector. The full implementation of the Basel III framework should further strengthen the risk management, liquidity and capital adequacy framework in the banking sector. Growth in the insurance sector provides greater efficiency in the overall allocation of capital and mix of economic activities, and increases productivity.	SAMA has continued to enhance its Risk based Supervisory system by adopting and implementing the regulatory standards issued by the Basel Committee and other standard setters. SAMA has fully implemented all three Pillars of Basel II. For Basel II.5 SAMA has a plan to complete its implementation before the end of 2012. On Basel III implementation SAMA has introduced a capital leverage ratio in 2011 and the Liquidity Coverage and Net Stable Funding Ratios in January 2012. Various steps have been taken to further support the on-going development of the insurance market in the Kingdom. In terms of issuing regulations, SAMA has continued issuing insurance-related regulations, the latest of which include: 1. Intermediaries Regulations, 2. Online Insurance Activities Regulation, and 3. Investment Regulation SAMA also updated the Anti-Money Laundering and Combating Terrorist Financing Rules (that are applicable to the insurance market). On the issue of enforcing compulsory insurance, SAMA updated the Unified Compulsory Third Party Liability Policy and it will be applied in the market in March 2012. With respect to supervision, SAMA continued strengthening its capabilities to cover all supervisory

		aspects using offsite as well as onsite tools. SAMA has also continued to work with the Institute of Banking and the insurance market (through a dedicated committee) to strengthen training available to the insurance market which will help develop the capacity and expertise of the insurance professionals.
Strengthening of market infrastructure by undertaking new initiatives is continuing.	Strengthening of market infrastructure requires specific initiatives in the following areas:	
	● OTC derivatives	As regards Over the Counter Derivatives (OTC), Banks in Saudi Arabia deal primarily in plain vanilla derivative products which are used for risk management purposes, and the size of the OTC Derivatives market within the Kingdom is nominal at 0.03% of the global outstanding Notional values of OTC Derivatives Contracts. A self-assessment survey was completed and submitted to FSB in 2011.
	● Compensation	FSB principles for sound compensation practices and their implementation Standards have been fully implemented in Saudi banking system.
	● Reducing reliance on CRAs	Given the minimum reliance on credit ratings in the first place, there are no new initiatives required to reduce reliance on External Credit Ratings. However, SAMA is encouraging Saudi Banks to move towards internal ratings based systems for credit risk and carryout more due diligence in trading and investment activities.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Support access to credit by the Small and Medium-Sized Enterprise (SME) sector. Ongoing process.	The main objective is to further stimulate job creation for Saudi nationals in the private sector.	While the process is ongoing, SAMA has taken several measures to encourage Saudi Banks to actively provide banking services to the SME sector. These include encouraging all banks to create SME Departments and collecting data for SME Program. Furthermore, government and commercial banks have contributed to the creation of an SME credit guarantee program called Kafala. Until recently, 3000 guarantees have been provided, which amount to SR 1.4 billion to finance projects. In addition, the ratio of guarantee has been increased recently to cover 80% of the total finance for the SME and the scope of coverage has been extended to cover any enterprise with sales up to SR 30 million. Also, another SME program has been launched through the Saudi Credit & Saving Bank, which has already extended loans of SR 4 billion. These measures are expected to contribute to the growth of SME program and stimulate job creation.
Increase economic integration within the GCC and deepen trade relations with	The main objective is to further stimulate economic	Recently, the GCC summit announced the transformation of the GCC relation from cooperation to

emerging partners.	activity.	union, which will include further and accelerated work in all aspects of economic integration within the GCC.
Improve incentives in the labor market.	The main objective is to further stimulate job creation for Saudi nationals in the private sector.	The recent initiatives, including Nitaqat, Hafiz, and Liqaat, are aimed at improving the incentives to hire more Saudi citizens in the private sector, providing unemployment benefits to persons who are actively searching for jobs, and matching jobs seekers with employers.
Approve the draft mortgage law.	The new mortgage law will improve the housing finance framework and help meet the rising demand for housing.	Banks are continuing to develop their residential real estate finance and mortgage portfolios to supplement funding allocated by the government to the housing sector. The draft mortgage law is expected to be approved in the near future.
Other commitments		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Continue to play its systemic role in stabilizing the global oil market.	To support global economic growth and development	Saudi Arabia recently announced its readiness to mobilize more of its 2.5 million barrels per day of spare capacity in order to satisfy the oil market needs.

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Reduce fiscal deficit from 5.5% of GDP in 2011-12 to 3.3% by 2014-15, in line with the economic recovery. Net debt stabilises at 40% of GDP in 2015-16 if the recovery continues. ***Timeframe:*** *Fiscal deficit and net debt figures updated twice yearly at MTBPS (October) and Budget (February)*	Close the current deficit by 2013-14 in order to borrow only for capital expenditure. Rebalance the composition of expenditure away from consumption and toward capital.	Actual fiscal deficit of 4.5% of GDP in 2011-12, now projected to decline to 3% in 2014-15 (Budget 2012). Net debt expected to stabilise at 38.5% of GDP in 2014-15.
Develop fiscal guidelines informed by counter-cyclicality, long-term debt sustainability, and intergenerational equity. Publish a long-term fiscal report in 2012. ***Timeframe:*** *Long term fiscal report to be published by the end of 2012*	Make explicit the costs of existing and new programmes requiring long-term commitment.	Fiscal guidelines included in Budget 2011 and shaped fiscal decisions in Budget 2012. Terms of reference developed for long term fiscal report.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Implement a "twin-peak" model of financial regulation with the central bank responsible for both macro and micro prudential regulation and the market conduct regulator for market conduct regulation. Process is coordinated by Financial Regulatory Reform Steering Committee (FRRSC). Implementation date depends on progress in various working groups. Aim is 2013 for the overarching legislation. Implement Basel III, Solvency 2 and Treat Customer Fairly (TCF) for banks, insurers and financial service providers within committed timelines. Establish the central bank as the crisis resolution authority. Expand scope of regulation to include credit ratings agencies, OTC derivatives, and private pools of capital. ***Timeframe:*** *Drafting and tabling in Parliament of new Act in 2013, giving effect to twin peaks model of financial regulation and enhance crisis resolution framework.* *Amendments to the Banks Act and the Regulations relating to Banks by 2013, as required for the implementation of the Basel III framework.* *Enactment and implementation of the Financial Markets Bill and the Credit Ratings Services Bill in 2012.*	Explicit focus on financial stability and systemic crisis resolution according to Financial Stability Board principles to reduce the cost of a financial crisis. Strengthen and improve co-ordination between prudential and market conduct regulators to improve efficiency. Establish an effective regulatory framework based on best international practices, which includes countercyclical characteristics reduce systemic risks and prevent a build-up of excessive asset price and credit bubbles, thereby contributing to more sustainable growth in the long term and more moderate short term growth cycles.	The FRRSC has prepared a detailed roadmap document. The first draft of legislation being prepared, to be tabled in Parliament in 2013. Basel 2.5 regulations implemented in Jan. 2012. Draft 1 of the revised bank regulations to implement Basel III was published at the end of March 2012 and comments are currently processed into Draft 2. Industry consultations and impact assessments are continuing. Training for Basel III has also started. Discussion papers, consultations and QIS exercises on implementing Solvency 2 and TCF are underway. The Credit Ratings Services Bill 2012 and the Financial Markets Bill 2012 have been tabled in Parliament. The Financial Markets Bill proposes requirements for central reporting, clearing and settlement of OTC derivatives.

Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Public sector investment on roads, rail, ports, electricity and water. Budgeted public sector expenditure of R802 billion up to 2014- 15 (7.3% of GDP per year). ***Timeframe:*** *2012/13 to 2014/15*	Public sector investment in network infrastructure to improve the economy's underlying cost structure and competitiveness.	Real public sector investment was 7.1% of GDP in 2011. Budgeted spend of R845 billion (7.6% of GDP) up to 2014/15. ***Measure of Progress:*** *Real public sector investment (Quarterly figures).* *Annual figures on infrastructure investment by sector and state owned entities (Budget, February)*
Increased focus on community work programme (CWP) in existing public works programmes (EPWP); co-financing for job creation initiatives. Budgeted expenditure on EPWP of R73 billion over 3 years Jobs Fund launched in June 2011 with budget of R9 billion over 3 years. ***Timeframe:*** *2012/13 to 2014/15*	Guaranteed work opportunities for the vulnerable and disadvantaged. The Jobs Fund targets sustainable job creation through four funding windows: work-seeker support, enterprise development, infrastructure and institutional capacity building.	R6.1 billion allocated to CWP over next three years to raise annual participant numbers to 332 000 in 2014-15. Jobs Fund committed R1.054 billion in 2011/12 with R929million in matched funding. ***Measure of Progress:*** *Quarterly figures on work opportunities created through the CWP* *Committed funds, matched funding, short term jobs and sustainable jobs for the Jobs Fund.*
Health financing reform with ultimate aim of establishing some form of National Health Insurance (NHI) to improve quality and coverage of health service. ***Timeframe:*** *A White Paper and NHI legislation will be introduced within the next 1-2 years.* *This is an on-going reform to be implemented in three phases over a 14-15 year period.*	Improve resourcing of public health services Establish some form of purchaser provider split; Introduce some contracting with private providers starting with general practitioners; Strengthen public health services; Better performance on R10bn pa investment programme, Increase training of doctors; Institutionalise and strengthen Office of Standards Compliance (OSC).	Green paper on NHI published NHI conditional grant established to support NHI pilot sites in ten selected districts from April 2012. Budget of R1.05bn over three years allocated for NHI pilot sites. Set of reforms to be tested in each pilot district and mechanisms of monitoring and evaluation still to be finalised. ***Measure of Progress:*** *National Treasury to release a health financing and tax discussion paper in July 2012.* *New models of primary health care delivery tested in pilot sites including contracting with general practitioners;* *OSC established as a public entity and doing quality testing in public hospitals*
Establish an expanded Tripartite free trade area encompassing COMESA, EAC and SADC (26 countries). ***Timeframe:****To be completed in June 2013.*	Promote market integration, infrastructure and industrial development in Africa.	On-going negotiations, expected to be completed in June 2013. Initial focus on trade in goods. Negotiations on trade in services began in April 2012. ***Measure of Progress:*** *Completion of specific rounds of negotiations*

Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Progressive deficit reduction towards budget equilibrium in 2016 Reversion of public debt growing trend in 2014,	***Yearly deficit objectives 2012-2015: -5,3%, -3%, - 2,2%, -1,1*** Approval of a law to develop and implement **the principle of budgetary stability now enshrined** in the Constitution after Constitutional reform **Approval of a public expenditure rule** limiting public expenditure growth rates to the medium term growth rate as a maximum ***Reduction in health expenditure by 1.333 M € in 2012 and 2.667M € in 2013*** ***Reduction in education expenditure by 3.600 M € in 2012 and 3600 M € in 2013*** ***Improvement of transparency in the regions and local entities' budgets.***	***2012 Budget approved including a reduction of -16,9% of Ministerial expenditures.*** ***Revenues measures undertaken (including measures on Corporate tax, rises on taxes on tobacco and temporary increases in personal income tax and in tax on property)*** The Budget Stability Law entered into force on May 1st; tighter control on regional governments has been incorporated into the main body of the Law. Now, the Government has up to three months to decide on methodological issues which will be very much along the line of the European rule.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Strengthening of the financial regulatory framework	**1. Transposition of EU regulatory rules:** Process of transposition of listed companies Directive and amendment to the Securities Markets Law completed. UCITS Directive and Alternative Investment Fund Managers Directive in the process of transposition. New EU rules foreseen for Market Infrastructures, Capital Requirements Directive IV (Basel III implementation); Crisis Management, Markets in Financial Instruments Directive, Deposit Guarantee Schemes and the modification of Financial Conglomerates Directive and certain provisions of the Capital Requirements Directive and the Insurance Mediation Directive. **2. Follow up of the new regime of remuneration policies** introduced in the Second and Third reform of the Capital Requirements Directive.	**1**-Ongoing work at national level on transposition of UCITS (almost completed), Alternative Investment Fund Managers and Financial Conglomerates Directive. -Ongoing work at EU level on Market Infrastructures, Capital Requirements Directive IV (Basel III implementation); Crisis Management (Provisional version of Commission proposal published on June 6th), Markets in Financial Instruments Directive, Deposit Guarantee Schemes. **2.** - Follow up of the new CRD regime: Completed. New provisions on remunerations policies on entities with public support have been included in RDL 2/2012. Regulatory development of RDL 2/2012 on remuneration policies to be approved shortly.
Completing banking sector strengthening and restructuring measures: consolidation, restructuring and recapitalisation	**1. Consolidation and restructuring of Spanish savings banks**: a) Consolidation b) Completing restructuring plans for entities which have received public support (cost cutting programs, balance sheet repair, disinvestments plans approved by the	**1. a) Consolidation**: Ongoing (savings banks already reduced to 9). All but 2 savings banks have transferred their operational activities to a bank. It can continue further given the additional provisioning requirements imposed by RDL 2/2012 and RDL 18/2012 that can be complied with integration procedures.

	Bank of Spain); c) adjustment to new corporate structures (savings banks transferring business to banks) and new governance rules. **2. Increase banks' capital ratios in accordance to new solvency requirements** (RDL 2/2011). Priority given to private capital sources. Fund for Orderly Bank Restructuring available if public money is required, under strict conditionality.	**b) Restructuring plans**: In place. Close implementation monitoring of the new provisions and capital requirements Decree Law (RDL 2/2012). c**) Governance rules:** In force. Implementation ongoing. The RDL 2/2011 introduces important rules on corporate governance. The RDL 2/2012 has also made further progress on simplifying saving banks' structure. **2- RDL 2/2011:** In force. 5 Spanish banks subject to EBA's recapitalization exercise. Recapitalization plans presented in time. Now under implementation.
Continue reinforcing the overall confidence in banks, clean up of balance sheets and state capital support where necessary	**1.** Close implementation and monitoring of the reform (RDL 2/2012) whose objective is balance sheet cleanup and the subsequent restructuring process which is currently in place. **2.** Government guarantees to bank issuances (Orden ECC/149/2012): up to EUR 100 billion to be granted during 2012 to guarantee bank issuances with a maturity between 1 and 5 years. The scheme was approved by the EC for the first half of 2012. **3.** Close implementation and monitoring of the RD 18/2012, whose objective is further balance sheet clean up of RE performing loans and putting aside problem assets from bank's balance sheets.	**1. RD Law 2/2012** 31st of March of 2012: each entity presented a plan to comply with the measures (including or not an integration process) and BdE has approved some of them under certain conditions. ▪ If there is not integration process, the entity must comply by year-end 2012. ▪ If, on the other hand, there is integration process, the entity must comply by 12 months after the approval of the integration plan. **3. RD Law 18/2012.** June 11th 2012: deadline to present the compliance plans for new provisions. the following 15 working days: assessment of plans by the Banco de España (BdE) → if the plans entail a shortfall of own funds or capital: ▪ BdE will require new measures to avoid shortfalls and an execution plan within the next five months ▪ If BdE considers compliance is unlikely → additional measures will be required, including financial support from the FROB. For all institutions: independent AMC will be compulsory created by each institution to get rid of problem RE assets that will be sold at a reasonable value. **Transparency exercise: two private and independent evaluations of the 14 main Spanish banking groups, representing 90% of the financial system, are being performed.** The Eurogroup has stated its willingness to provide a loan for financing for the recapitalisation of the weakest financial institutions.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Administrative reforms including: -Institutional reform of sector regulators towards a multisector	- Increase efficiency in the allocation of public resources, reducing expenses and avoiding overlapping.	Public Sector Reorganization Plan and the review of public entities executive's salary regime was approved in March 2012. Draft law

regulator approach. -Public Sector Reorganization Plan, rationalizing the number of entities and their structure and executive pay.	-Improve legal certainty and quality of supervision. - Removal of inappropriate competences in territorial administrations - Rationalization of the number of local entities - Increase of the productivity of public employees, and reduction of absenteeism - Improve the efficiency of the administration of justice	on transparency, public information and good governance Creation of the National Market and Competition Authority: ongoing
Measures to remove restrictions to competition in products and services markets and simplify procedures and regulatory frameworks.	-Remove restrictions to retail distribution activities and increase opening hours. -Tackling barriers to competition and market segmentation associated to the regulated professions. Reinforce the principle of freedom of access and exercise in all professional activities - Guarantee the unity of the national Internal Market - Correct the imbalances of the energy sector - Improve the efficiency of the education system to generate a competitive human capital base -Reform on licence for retail sales approved on May 2012.	-Reform on household rental framework, draft law approved, pending on parliamentary approval. -Reform of education: ongoing.
Encourage the activity of SMEs and entrepreneurs by improving the business environment and access to financing instruments	-Create incentives for business creation and SME development and growth; -Reduce the number of procedures and time taken to set up a business.	Removal of licenses to open stores of less than 300m2 for retail and other services innocuous activities
Approval and implementation of the labour market reform to address the main rigidities in the labour market.	To improve workers' employability, to provide firms with more flexibility so that they can more easily adapt to the economic cycle and to contribute to faster creation of more stable employment.	The labour market reform entered into force on February 12th 2012.

Fiscal Policy		
Commitment/ Timeframe	**Objective**	**Update on Progress**
The Medium Term Program (MTP) for 2012-2014 was announced on October 13, 2011. According to the MTP: - General government deficit to GDP ratio will gradually go down to 0.4% by end 2014 from 2.9% in 2010, - EU-defined public debt to GDP ratio is projected to decline to 32% by end of 2014 from 42.2% in 2010.	This program will ensure the continuation of improvement in fiscal balances as well as the downward trend in public sector indebtedness. This will also help to improve saving-investment imbalances of the economy.	EU-defined public debt to GDP ratio declined to 39.4% in 2011, which was targeted at 39.8% in MTP (2012-2014).
Monetary and Exchange Rate Policies		
Commitment/ Timeframe	**Objective**	**Update on Progress**
Inflation targeting and flexible exchange rate regimes will continue to be the main pillars of monetary policy. Inflation target is set as 5 percent for 2012, 2013 and 2014.	Achieving price stability, while safeguarding financial stability.	The target variable is the year-end inflation rate, which is calculated as the 12-month change of the Consumer Price Index (CPI). The Monetary Policy Committee forecasts the year-end inflation to be at 6.5 percent in 2012 and converge to the target by mid-2013. Cumulative increases in the exchange rate and commodity prices coupled with adjustments in administered prices pushed inflation higher in 2011. The tight monetary policy stance pursued by the CBRT since October 2011 will facilitate a sharp decline in inflation particularly in the last quarter of 2012.
Financial Sector Policy		
Commitment/ Timeframe	**Objective**	**Update on Progress**
Compliance with EU regulations and international standards in financial sector regulation and supervision will be improved. (2012-2014)	This commitment will help to achieve strong and sustainable growth supported by a more resilient financial system.	BRSA has already prepared Basel II draft regulations by taking into consideration the provisions of Capital Requirement Directive. The Basel 2.5 regulations are also prepared and the views of the related parties will be received shortly. The Draft Capital Market Law taking into account the EU regulations and international standards has been prepared. The CMB launched a public consultation on the new Draft Capital Market Law (March, 2012).
Basel II regulations will fully be implemented by June 30, 2012. During this period, banks are required to report their data according to current and future regulations and supervision process will take place. Transition to Basel III will be done in line with the G-20 commitment.	This commitment will help continuous improvement of risk-based prudential regulation and supervision	Since July 2011 banks in Turkey have implemented Basel II regulation as a parallel run practice.

Structural Reforms		
Commitment/ Timeframe	**Objective**	**Update on Progress**
Enhance labor market flexibility and participation rates, and implement Active Labor Market Policies (2012-2014)	- Increasing non-agricultural employment by 1,5 million people during the program period. - Reducing unemployment rate to 9.9 by end 2014 from 11,9% in 2010.	Non-agricultural employment increased by 1,056 thousand people in 2010-2011 period and non-agricultural unemployment rate decreased from 14.8% in 2010 to 12.4% in 2011. Unemployment rate realized as 9.8% in 2011. On the other hand, an important increase has been achieved in the participation to the active labour market programs. National Employment Strategy, which has been prepared to address structural problems in the labour market, will be published.
Education Reform Provide equal opportunity in education and improve technology in our schools with the efficient use of Information and Communication Technologies (ICT) tools. We will provide tablets to all students and in all 40.000 schools will be equipped with LCD Smart Boards (FATIH Project) (2013).	According to reform bill, currently 8 years of compulsory primary education will be lengthened by four years to 12 with the inclusion of high school education. With this project, ICT will be one of the main instruments of the education process and it will also help teachers and students use these technologies effectively.	The education reform bill was enacted by the Parliament (March 30, 2012). As of February 2012; 51 schools in 17 cities with an enrollment of 10,000 students are benefiting from this facility under the pilot implementation phase.
Investment Environment Reform Program (2012-2014)	Improving the investment and business environment will eventually enhance competitiveness	Structure of the Coordination Committee for the Improvement of the Investment Environment has been renewed as of January 16, 2012, in order to increase its efficiency. Draft law regarding the promotion of business angel investments has been prepared.
A new investment incentive regime was announced.	Support the investments in the high external deficit sectors as well as to support the reduction of regional development differences.	Implementation details are to be announced.
A new incentive mechanism for private pension system was announced. The new incentive mechanism will replace the current tax deduction for pension contributions with a matching direct state contribution equivalent to 25% of individuals' contribution to the system.	The new incentive mechanism will be more attractive especially for the citizens who are not income tax payers thus do not benefit from the current system. Survey results and international experience show that new incentive mechanism will significantly increase the number of participants and boost the household savings ratio, which eventually help bring the current account deficit down and contribute to	

	the strong, sustainable and balanced growth.	
Industrial Strategy for Mid- and High-tech Goods, National Recycling Strategy, Input Supply Strategy, and Diversification of Export Markets Strategy (2012-2014)	Increasing competitiveness, securing sustainability and reducing dependency of production on imports of intermediate goods.	We evaluate and monitor the progress of the Turkish Industrial Strategy every six months. According to the 2011 results, considerable progress in our Industrial Strategy is made (that is 85% of the actions are completed in a successful way and 11 % of the actions are implemented partially). "The Input Supply Strategy" and the respective Action Plan will be completed and put in place in 2012.
Energy Sector Reforms (2012-2014)	Improving current account balance through greater use of renewable and domestic energy resources and increasing energy efficiency.	The Energy Efficiency Strategy was approved by the High Planning Council on February 20, 2012. The strategy aims to reduce Turkey's energy intensity by at least 20 percent by 2023 in comparison to its level in 2011.
The Strategy and Action Plan for Istanbul Finance Center Project (2012-2014)	This initiative will contribute to making Istanbul one of the most important financial centers.	As of December 2011, 12 of 71 actions included in the Strategy and Action Plan have been finalized and important progress has been made in the realization of 24 actions.
The Strategy to fight against informal economy (2012-2013)	The strategy will help to level the playing field for all enterprises and increase productivity. This will improve current account balance. Our main targets are: i) increasing voluntary compliance, ii) improving audit capacity, iii) increasing deterrence of the sanctions, iv) sharing databases of different public institutions, and v) increasing public awareness	We published our Strategy on December 21, 2011. With this strategy we have 47 actions under five main targets.

Fiscal Policy		
Commitment/Timeframe/Measure	**Objectives**	**Update on Progress**
The UK will continue to implement its planned reductions in public spending as set out in Spending Review 2010. At Autumn Statement 2011, the UK set plans for the spending restraint under the 2010 Spending Review to continue for a further two years in 2015-16 and 2016-17. To deliver fiscal consolidation that targets achieving cyclically adjusted current balance by the end of the rolling five-year forecast period and sets public sector net debt as a percentage of GDP on a falling path by 2015-16.	To return the public finances to a sustainable position, support confidence, mitigate risks to the recovery and bring down debt and debt interest payments.	By the end of 2011–12, almost 40 per cent of the annual fiscal consolidation planned for the Spending Review 2010 period will have been achieved. The independent Office for Budget Responsibility forecasts that departments will exceed savings targets and deliver under-spends of c. £6bn in 2011–12. By the end of April 2012, the UK will have implemented measures to deliver almost three-quarters of the total savings expected from reforms to the welfare system.
The UK will continue to take action on long-term fiscal challenges, including through accelerating the rise in the State Pension Age (SPA) from 65 to 66 and through reforms to public sector pensions.	To underpin sustainable public finances and help restore private-sector confidence and underpin sustainable economic growth.	Pension contributions increased for most public servants from April 2012, with protection for the lower paid. 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.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The Bank of England Monetary Policy Committee will increase the size of its asset purchase programme, financed by the issuance of central bank reserves, by tranches of £75 billion and £50billion to a total of £325 billion.	To achieve the Bank of England's price stability objective, defined by the Government's 2% target for annual CPI inflation.	The announced programme of asset purchases was completed in May. CPI inflation fell back to 3.0% in April. The Monetary Policy Committee's latest assessment is that CPI inflation will decline to 2% by early 2013.
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The UK will introduce legislation to reform the regulatory system for financial services, including establishing regulatory bodies with focused objectives and clear responsibilities; and delivering macro-prudential regulation through a Financial Policy Committee (FPC) of the Bank of England.	To protect and enhance the resilience of the UK financial system. To ensure the financial sector has the capacity to contribute to the growth of the UK economy in the medium or long term.	The Financial Services Bill is currently undergoing Parliamentary scrutiny in the House of Commons. New regulators, including the FPC, will be established following the Bill's passage through Parliament. The interim FPC has made recommendations and published two Financial Stability Reports. The Committee has also recommended macro-prudential tools for the Statutory FPC's toolkit.
The UK has committed in principle to implement the recommendations set out in the report of the Independent Commission on Banking (ICB).	To improve financial stability by making banks better able to absorb losses, make it easier and less costly to sort out banks that get into trouble, and to curb incentives for excessive risk-taking.	The Government will publish a White Paper on the recommendations of the ICB on 14th June. This will have a legislated timetable alongside. Legislation related to the ring-fence will be completed by May 2015 and banks will be expected to be compliant as soon as practically possible thereafter.

The UK will put in place a package of credit easing schemes for small businesses. The scheme runs for 2 years and will end March 2014.	To address the issue of viable small businesses facing higher costs of finance, as bank funding remains constrained.	On 20th March 2012 the Government launched the National Loan Guarantee Scheme, allowing small businesses to borrow at a cheaper rate. Almost £5 billion of the £20 billion scheme to participating banks have been allocated so far.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
The UK is implementing a wide range of structural reforms. In particular, the Government will reform national planning policy to ensure land is released where houses are needed and is providing strong new financial incentives for local councils to promote house building. The Plan for Growth, Autumn Statement 2011 and the National Infrastructure Plan 2011 (published alongside the Autumn Statement in November) announced a wide-ranging programme of over 250 economic reforms and investments in infrastructure to help build a stronger and more balanced economy in the medium term.	To put the UK on a path to sustainable, long-term economic growth.	The Government has published the National Policy Planning Framework (NPPF). The NPPF will refocus planning to better support growth, including a powerful presumption in favour of sustainable development. Work is well underway on all commitments, and as part of Budget 2012, the Government published an update of progress on all measures announced through the Growth Review so far. Updates on infrastructure measures announced in the National Infrastructure Plan and Autumn Statement 2011 were published alongside Budget 2012 in an Infrastructure Delivery Update.
The UK is taking action to improve public sector efficiency, including reduced budgets for spending on administration within central government by at least 33%.	To put the UK on a path to sustainable, long-term economic growth.	The Government has created the Efficiency and Reform Group to support efficiency savings, including through reducing non-essential discretionary spend and smarter procurement.
The UK is committed to implementing far reaching reforms to the benefits system including: - Universal Credit is a fundamental reform replacing the majority of working age means tested benefits and tax credits from 2013/14. It will simplify the existing benefit system and improve incentives to work. - From 2013, Disability Living Allowance will be replaced with a new benefit, Personal Independence Payment. Entitlement to Personal Independence Payment will depend upon the outcomes of a new fairer, more accurate and objective assessment. The reform will save £1.5bn p.a. by 2016-17. Total benefit payments will be capped at around the median income for working families from 2013/14 onwards.	The Government's vision for the tax, benefit and pensions system is that it should be fair, simple and reward work.	From April 2012, contributory Employment and Support Allowance (ESA) claimants in the Work Related Activity Group have their entitlement time-limited to one year. Since April 2011 Incapacity Benefit claimants are being reassessed for ESA. The Government has announced its intention to remove funding for Remploy (sheltered employment for disabled people). Funding will be redirected to more efficient programmes such as Access to Work. The Government has introduced a package of housing benefit reforms which will reduce spending by £1.8bn by 2014-15.

The UK will continue to implement a wide range of reforms announced in 2010 to improve the UK schools system –including an increase to the autonomy of a large number of schools (known as "Academies"), introduction of the Pupil Premium to narrow the attainment gap between rich and poor pupils, and increasing the accountability of the schools through greater transparency of performance and expenditure.	To raise educational outcomes for all pupils, and to ensure that children have equal access to educational opportunities regardless of their parents' income.	1,776 UK schools are now Academies – compared to 203 in July 2010. The Government has introduced the Pupil Premium – extra funding per deprived child (£600 per child in 2012/13).

Commitment/Timeframe	Objectives	Update on Progress
Fiscal Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Identify between $1.2 and $1.5 trillion in additional federal deficit reduction over the period FY2013-22 to go along with the $900 billion in agreed spending reductions included in the Budget Control Act of August 2, 2011.	To help put the federal budget on a more sustainable path, increase national saving, and contribute to a more balanced pattern of U.S. economic growth.	In November 2011, an additional $1.2 trillion in federal deficit reduction over the period FY2013-22 was required as part of the Budget Control Act, to be applied through an automatic spending sequester scheduled to take effect in January 2013. The President's FY2013 Budget proposes further deficit reduction measures (including a more balanced mix of spending cuts than would occur under sequester) that would bring total deficit reduction over the next 10 years to more than $4 trillion. These cuts would stabilize the debt-to-GDP ratio by 2015 and reduce the deficit to less than 3% of GDP by FY2017. Progress concerning deficit reduction is to be assessed with respect to the U.S. federal budget, measured against a baseline that continues current tax and budget policies over the period FY2013-22. The debt-to-GDP ratio is to be measured using as the numerator federal debt held by the public.
Work to prevent a disruptive fiscal deficit reduction in 2013 that could harm the economic recovery.	To prevent a sharp drop or even contraction in the pace of economic growth.	Measured against estimates that if current law prevails, the budget deficit could contract by 4 percentage points of GDP or more in 2013.
Monetary and Exchange Rate Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Financial Sector Policy		
Commitment/Timeframe	**Objectives**	**Update on Progress**
(1) Support recovery of the housing market by removing barriers to refinancing mortgages and helping "underwater" borrowers delever – 3 to 12 months.	Increase the number of borrowers eligible to refinance housing loans into lower interest rates; and reduce the strain of negative home equity on households and local economies.	Announced changes to HARP program in fall 2011 that reduced barriers to refinancing for borrowers with GSE-guaranteed loans and little to no equity in their homes. Working to enact legislative proposal to further improve and expand that program, including incentives for underwater borrowers to take shorter-term loans to speed up the rate at which they pay down principal. Increased incentives for lenders to write down principal through Treasury loan medication program (HAMP) and made these incentives available to GSEs (an offer still under consideration by their conservator).
(2) Develop alternative strategies for the disposition of distressed assets of the Federal Housing Authority (FHA) and GSEs – 3 to 12 months.	Ease pressure on the housing supply overhang.	Treasury and the Federal Housing Finance Agency (FHFA) announced a pilot program in which regionally targeted GSE REO inventory will be sold in bulk. FHA announced that it will begin an expanded NPL note sale program in which they will sell notes in

(3) Further reform housing finance and servicing markets over 2012-14 timeframe by: increasing loan guarantee fees for GSEs; increasing the amount of risk-absorbing private capital; winding down GSE investment portfolios; and establishing national mortgage servicing standards.		bulk to investors willing to provide greater alternatives to foreclosure for borrowers struggling with default. Legislation passed by Congress in December 2011 required that Fannie Mae and Freddie Mac increase their 2012 guarantee fees by an average of 10 basis points. FHFA has announced that increases would begin April 1, 2012. FHFA also announced that increased up front and annual insurance premiums will be fully implemented by June 2012. Up front premiums will increase by 75 basis points and annual premiums will increase 10 basis points for conforming loans and 35 basis points for jumbo loans. A mortgage servicing settlement between the Justice Department, HUD, and 49 state attorneys general and the five largest servicers was filed in March 2012. The consent judgments provide the details of the servicers' financial obligations under the agreement, which include payments to foreclosed borrowers and more than $20 billion in consumer relief; new standards the servicers will be required to implement regarding mortgage loan servicing and foreclosure practices; and the oversight and enforcement authorities of the independent settlement monitor.
(4) Reduce risk in the financial system through improved practices and enhanced oversight of the short-term financing markets	Sharply reduce tri-party repo market reliance on intraday credit from current level of about $1.6 trillion. Additionally, improve market participants' risks management and increase the availability of public data on outstanding risk.	Daily unwind moved from early morning to 3:30 PM; automated collateral substitution capabilities introduced; 3-way trade confirmations for all TPR transactions implemented; final progress report of Industry Task Force issued; and market size, collateral composition, and margining statistics reported monthly. Despite these accomplishments, the amount of intraday credit provided by clearing banks has not been meaningfully reduced. The FRBNY is intensifying direct oversight of market participants' reform efforts including infrastructure changes and exploring additional changes to reduce risks. To be assessed by the incremental reduction of intra-day credit extensions. Freeform efforts are a multiyear initiative requiring technology and business process changes.
Structural Reforms		
Commitment/Timeframe	**Objectives**	**Update on Progress**
Require employers that do not provide workplace pensions to establish automatic enrolment of employees in direct deposit Individual Retirement Accounts (IRAs).	Boost private saving and help rebalance the U.S. economy.	Commitment is included in the President's FY2013 budget proposal; awaiting Congressional action. Progress is to be measured with respect to whether the proposed legislation is passed by Congress and

		signed into law in CY2012.
Work to implement investments that connect American workers with job openings and skill building opportunities, including through partnerships between community colleges and businesses, and investments to support summer and year-round jobs for low-income youth; and connect the long-term unemployed and low-income adults to work-based training opportunities.	Improve labor skills and reduce unemployment.	Progress is to be measured with respect to whether the President's legislative proposals (e.g., the Community College to Career Fund and the Pathways Back to Work Fund) are passed by Congress and signed into law in CY 2012.