The

G20 Research Group

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with the

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at the National Research University Higher School of Economics, Moscow

present the

2014 Brisbane G20 Summit Interim Compliance Report

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"The University of Toronto … produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit … I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what."

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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1. Macroeconomics: Fiscal Strategies

"We will continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path."

G20 Brisbane Leaders' Communiqué

Assessment

	Lack of Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia		0	
Brazil		0	
Canada	−1		
China		0	
France		0	
Germany		0	
India		0	
Indonesia		0	
Italy		0	
Japan		0	
Korea		0	
Mexico		0	
Russia			+1
Saudi Arabia		0	
South Africa	−1		
Turkey		0	
United Kingdom		0	
United States		0	
European Union		0	
Average	−0.05		

Background

On 15-16 November 2014, G20 leaders at the Brisbane Summit acknowledged that recovery from the global financial crisis remains uneven, hampered by "weak cyclical recovery…weakened productive capacity in key economies, and a legacy of vulnerabilities from the financial crisis."[4] G20 leaders reaffirmed the need for a concerted effort towards strong, sustainable and balanced growth, and agreed that implementing flexible fiscal strategies, which take into consideration national economic circumstances, are key to recovery and job creation.

At the 2013 St. Petersburg Summit, G20 leaders agreed to develop "Comprehensive Growth Strategies"[5] to collectively address these challenges. G20 leaders presented peer-reviewed strategies as part of the 2014 Brisbane Action Plan, acknowledging that these strategies represented a key mechanism through which global economic recovery could be achieved. In February 2014, the

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[4] Brisbane Action Plan, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 January 2015. https://g20.org/wp-content/uploads/2014/12/brisbane_action_plan.pdf

[5] G20 Comprehensive Growth Strategies: Macroeconomic and Structural Reforms, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 January 2015. http://www.g20australia.org/official_resources/current_presidency/growth_strategies

finance ministers and central bank governors indicated that adherence to this commitment by G20 countries, rather than reliance on existing macroeconomic policies, would raise the collective gross domestic product (GDP) by more than 2% over the next five years.[6] Subsequent analysis by the International Monetary Fund and the Organisation for Economic Co-operation and Development revealed that this increase in collective GDP would be closer to 2.1%, attributing a quarter of the increase to positive spillovers to the global economy resulting from simultaneous implementation of policies.[7]

In May 2014, a policy note created ahead of the Brisbane Summit stated that "strengthening national economies will result in a marked impact on global growth and prosperity, but given high levels of debt in certain developed economies, fiscal policy can only be used sparingly."[8] Therefore, developing fiscal policies that are flexible, in that they consider national circumstances and prioritize fiscal sustainability, is a critical element to the success of the strategies agreed to last year.

Commitment Features

This commitment is based on achieving fiscal sustainability through the implementation of sound economic policy measures, tailored to the specific objectives and circumstances of each country. Specifically, this commitment recognizes that each country will have different priorities, dictated by their individual economic circumstances. During the 2014 Brisbane Summit, each G20 country submitted individual Comprehensive Growth Strategies, which describe each country's fiscal policy objectives. The objectives outlined in the growth strategies have taken into account each country's near-term economic conditions, which is evident in the variance — in strength and nature — of policy commitments across countries.[9] Moreover, each country's comprehensive growth strategy outlines measures within their fiscal objectives that address putting debt-to-GDP ratios on a sustainable path.

Therefore, for the purpose of this report, the fiscal policy objectives within the individual country Comprehensive Growth Strategies will provide the basis for assessing country compliance. Each individual country report below will begin by identifying the fiscal policy objectives outlined in each comprehensive growth strategy. The report will then assess compliance based on any actions taken by each member country to fulfill the stated fiscal policy objectives. Full compliance will be awarded to G20 members that have taken actions towards implementing all their stated fiscal policy objectives within their individual growth strategies.

[6] Meeting of the G20 Finance Ministers and Central Bank Governors Communiqué, G20 (Sydney) 23 February 2014. Date of access: 29 January 2015. http://www.g20.utoronto.ca/2014/2014-0223-finance.html
[7] Quantifying the Impact of G-20 Members' Growth Strategies, International Monetary Fund (Washington) 2014. Date of Date of access: 27 January 2015. http://www.imf.org/external/np/g20/pdf/2014/growthstrat.pdf
[8] Policy note: Strategies for economic growth, G20 Australia 2014 (Brisbane) May 2014. Date of access: 30 January 2015. https://g20.org/wp-content/uploads/2014/12/Policy%20Note%20Strategies%20for%20Economic%20Growth.pdf
[9] Policy note: Strategies for economic growth, G20 Australia 2014 (Brisbane) May 2014. Date of access: 30 January 2015. https://g20.org/wp-content/uploads/2014/12/Policy%20Note%20Strategies%20for%20Economic%20Growth.pdf

Scoring Guidelines

−1	Member has made NO progress towards implementing fiscal policy measures stated within its comprehensive growth strategy.
0	Member has made SOME progress towards implementing fiscal policy measures stated within its comprehensive growth strategy.
+1	Member has implemented ALL fiscal policy measures stated within its comprehensive growth strategy.

Lead Analyst: Melanie Wallace

Argentina: 0

Argentina has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Argentina has outlined the following fiscal strategies in its comprehensive growth strategy:

- Continue to implement countercyclical policy and maintain a low and manageable debt-to-GDP ratio
- Increase tax revenue through the creation of a more progressive tax structure (increasing the share of income tax) and export duties on sectors with high profitability
- Expand public spending in areas with high multiplier effects, such as social security and investment in infrastructure, especially energy-efficiency projects
- Improve allocation of public spending in productive and social investment, including a gradual reduction of subsidies on energy consumption and public transport.[10]

On 24 December 2014, the government of Argentina announced that it would extend tax amnesty for the sixth time. The program will allow those with undeclared accounts in countries such as Switzerland to legalize their undeclared cash. It is estimated that 4,000 citizens are eligible to participate. According to the decree, "The fiscal amnesty allows [the use of] idle cash resources for productive and social investments that would help [economic growth and industrialization]."[11] The government hopes that its threat of cracking down on individuals with undeclared accounts will increase participation significantly.

On 2 January 2015, the government of Argentina announced that it will "raise the retail price at which luxury tax is applicable on sales of cars, motorbikes, boats and planes."[12] This constitutes an overall tax floor increase of 15%. The government hopes that the initiative will boost sales for the car industry and increase tax revenues.

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[10] Comprehensive Growth Strategy: Argentina, G20 Australia 2014 (Brisbane) 15-16 November 2014. Date of access: 28 February 2015. http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_argentina.pdf

[11] Gov't extends tax amnesty once again, Buenos Aires Herald (Buenos Aires) 24 December 2014. Date of access: 28 February 2015. http://www.buenosairesherald.com/article/177999/gov%E2%80%99t-extends-tax-amnesty-once-again

[12] Gov't raises retail price for tax applied to luxury car sales, Buenos Aires Herald (Buenos Aires) 2 January 2015. Date of access: 28 February 2015. http://www.buenosairesherald.com/article/178524/gov%E2%80%99t-raises-retail-price-for-tax-applied-to-luxury-car-sales

On 14 January 2015, the government of Argentina launched the second phase of the Argentine Northeastern Pipeline (GNEA) initiative. The project requires an investment of ARS11.35 billion and will create about 11,000 jobs. The pipeline will give the provinces of Chaco, Formosa, and the northern Santa Fe access to natural gas.[13]

On 16 January 2015, the 2014 budget of the Argentine government received additional revenue worth ARS9.9 billion. The additional revenue has improved the balance of the 2014 budget. The radio spectrum auction and money from the ANSeS social security agency are the major sources of this revenue.[14]

On 3 February 2015, the Administración Federal de Ingresos Públicos chief Ricardo Echegaray reported that the Argentine government's tax collection had increased by 30.1% in January 2015 to ARS117.5 billion. This increase includes 40.8% increase in income taxes, 34.3% increase in social security contributions and 23.2% increase in value-added tax. The revenue collected in January was ARS1.7 billion above the target set in this year's budget. Tax collections from foreign trade-based revenue brought in only ARS4.3 billion, an 8.5% increase, while import royalties contributed ARS2.8 billion, up by 11.6%.[15]

Argentina has taken various measures to generate tax revenue and balance its budget in line with its stated fiscal policy objectives. For instance, Argentina has increased its tax revenue from ARS101.8 billion on 30 November 2014 to ARS117.46 billion at the beginning of February 2015.[16] However, Argentina has not tackled its spending challenges in unsustainable areas like energy consumption and public transit.

Argentina has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Argentina is awarded a score of 0.

Analyst: Kei Zamaninoor

Australia: 0

Australia has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Australia has outlined the following fiscal strategies in its comprehensive growth strategy:

- Reduce tax and government spending
- Achieve fiscal consolidation at a measured pace without undermining the economy's near-term growth, and achieve average budget surpluses over the progression of the economic cycle by: 1) redirecting spending to investments that boost productivity and participation; 2) reducing the

[13] Gov't launches second phase of gas pipeline, Buenos Aires Herald (Buenos Aires) 15 January 2015. Date of access: 28 February 2015. http://www.buenosairesherald.com/article/179568/gov%E2%80%99t-launches-second-phase-of-gas-pipeline
[14] 2014 budget increases by 9.9 billion pesos, Buenos Aires Herald (Buenos Aires) 16 January 2015. Date of access: 28 February 2015. http://www.buenosairesherald.com/article/179643/2014-budget-increases-by-99-billion-pesos
[15] Tax collection grows 30 percent, Buenos Aires Herald (Buenos Aires) 3 February 2015. Date of access: 28 February 2015. http://www.buenosairesherald.com/article/181066/tax-collection-grows-30-percent
[16] Argentina Tax Revenue, Bloomberg (NYC) 28 February 2015. Date of access: 28 February 2015. http://www.bloomberg.com/quote/ARTXTOTL:IND

government's share of the economy over time through reduction in payments and paying down debt; and 3) improving financial net worth over time

- Follow its Budget Repair Strategy until a strong surplus is achieved. This means all new government spending must be more than offset and all unexpected improvements in receipts and payments must be used to directly improve the budget
- Improve the cash balance deficit from 4.5% of GDP in 2013-2014 to 0.9% of GDP in 2016-2017 en route to a balanced budget around 2018-2019
- Cap tax receipts as a share of GDP
- Reduce company tax rate by 1.5 percentage points in July 2015, offsetting the cost of the government's Paid Parental Leave Scheme.[17]

In December 2014, the Australian government published its Mid-Year Economic and Fiscal Outlook 2014-2015 (MYEFO). The MYEFO determined that both the troubled economy, linked to a decrease in iron ore prices (Australia's top export), and legislation delays in the Senate had a significant impact on tax receipts, payments, and the budget's bottom-line.[18] Overall, tax receipts were lower and government payments had increased more than forecasted.[19] The MYEFO stated that underlying cash balances and fiscal balances had both deteriorated since the introduction of the budget in May. However, despite these setbacks, the government continues to progress on budget repair. The 2015 Intergenerations Report shows that measures already implemented are projected to make a significant contribution towards achieving fiscal sustainability over the long term.

The MYEFO stated that the Government of Australia has "more than offset all of its new spending decisions, other than those decisions taken as part of negotiations with the Senate."[20] The MYEFO also maintained Australia's commitment to improving the long-term sustainability of the budget stating, "the Path of fiscal consolidation and policy settings will be considered comprehensively as part of the normal annual Budget process."[21]

In its MYEFO, the Government of Australia formally announced initiatives aimed at improving efficiency of government agencies and increasing public savings. These smaller government reforms involve (1) abolishment of 138 government bodies; (2) consolidation of 15 government bodies into existing government departments; (3) transfer of two bodies out of the Commonwealth; and (4) merging of 26 governmental bodies (for a net reduction of 20).[22] These reforms build upon previous attempts to decrease government spending.

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[17] Comprehensive Growth Strategy: Australia, G20 Australia 2014 (Brisbane) 15-16 November 2014. Date of access: 28 February 2015. http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_australia.pdf

[18] Mid-Year Economic and Fiscal Outlook 2014-15, Commonwealth of Australia (Canberra) 15 December 2014. Date of access: 1 March 2015. http://www.budget.gov.au/2014-15/content/myefo/html/index.htm

[19] Mid-Year Economic and Fiscal Outlook 2014-15, Commonwealth of Australia (Canberra) 15 December 2014. Date of access: 1 March 2015. http://www.budget.gov.au/2014-15/content/myefo/html/index.htm

[20] Mid-Year Economic and Fiscal Outlook 2014-15, Commonwealth of Australia (Canberra) 15 December 2014. Date of access: 1 March 2015. http://www.budget.gov.au/2014-15/content/myefo/html/index.htm

[21] Mid-Year Economic and Fiscal Outlook 2014-15, Commonwealth of Australia (Canberra) 15 December 2014. Date of access: 1 March 2015. http://www.budget.gov.au/2014-15/content/myefo/html/index.htm

[22] Smaller, More Efficient and Effective Government, Minister for Finance (Canberra) 15 December 2014. Date of access: 1 March 2015. http://www.financeminister.gov.au/media/2014/1215-smaller-gov.html

On 20 February 2015 Treasurer Joe Hockey and Minister of Finance Mathias Cormann issued a joint media release announcing the Australian government had successfully passed the Tax Laws Amendment (Research and Development) Bill 2013. This Bill involves a AUS100 million cap on research and development expenditure that companies can claim in their taxes.[23] Hockey and Cormann say this is an important budget saving tool for the Senate.[24]

On 27 February 2015 Minister of Finance Mathias Cormann released the Australian Government General Sector Monthly Financial Statements for January 2015. The fiscal balance for the year up until 31 January 2015 was a deficit of AUD 31,458 million compared to the revised budget profile deficit of AUD 34,132 million. The difference of AUD 2,674 million is largely related to lower than expected cash payments.[25]

Australia has made multiple efforts aimed at increasing government savings and key tax reforms. Although Australia has not consistently met budget deficit reduction targets outlined in its forecasts, it has identified barriers to this and recommitted to prioritize fiscal consolidation. Australia has not, however, taken any action to lower its company tax rate.

Australia has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Australia is awarded a score of 0.

Analyst: Rebecca Patrick

Brazil: 0

Brazil has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Brazil has outlined the following fiscal strategies in its comprehensive growth strategy:

- Fiscal consolidation to support sustainable economic growth and control inflation
- Fiscal sustainability, with an aim towards reducing debt as a share of GDP
- Rebalancing expenditures from concurrent expenses towards investment
- Expansion of social safety nets so as to reduce poverty and income inequality.[26]

On 26 November 2014, the Brazilian government recorded a primary surplus of BRL4.1 billon for the month of October, a recovery from a deficit of BRL20.4 billion for the month of September. With this result, Brazil had an accumulated deficit of BRL11.6 billion for the year of 2014, and a surplus of BRL31.9 billion for the previous 12-month period on its debt payment account. National Treasury Secretary Arno Augustin stated that the Ministry of Finance was already working with a

[23] Senate Supports Labor's R&D Savings Measure Despite Labor Opposition, Minister for Finance (Canberra) 10 February 2015. Date of access: 1 March 2015. http://www.financeminister.gov.au/media/2015/0210-senate-supports-savings.html

[24] Senate Supports Labor's R&D Savings Measure Despite Labor Opposition, Minister for Finance (Canberra) 10 February 2015. Date of access: 1 March 2015. http://www.financeminister.gov.au/media/2015/0210-senate-supports-savings.html

[25] Australian Government General Government Sector Monthly Financial Statements May 2015, Australian Government Department of Finance, 25 June 2015. Date of access: 27 August 2015. http://www.finance.gov.au/publications/commonwealth-monthly-financial-statements/2015/mfs-may/

[26] Comprehensive Growth Strategy: Brazil. G20 Australia 2014 (Brisbane) October 2014. Date of access: 22 February 2015. http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_brazil.pdf

target of BRL10.1 billion surplus for the central government in 2014, as opposed to the BRL80.8 billion expected on the last budget review decree. He stated the target "is what we consider best for the moment" and emphasized the increase of 41.1% in payments to the Growth Acceleration Program, totalling BRL51.5 billion between the months of January and October.[27]

In his first address to the press on 5 January 2015, new Finance Minister Joaquim Levy emphasized the need for promoting fiscal adjustment and a better control of public expenditures. The changes proposed by Joaquim Levy include modifications to the payment of unemployment insurance and pensions. The measures are an attempt at improving the country's cost expenditure profile.[28]

On 29 January 2015, the National Treasury announced the fiscal results of the central government, showing a primary surplus of BRL1 billion in December 2014. From January to December the results showed a cumulative deficit of BRL17.2 billion, which represented -0.3% of the GDP. According to a statement by National Treasury Secretary Marcelo Barbosa Saintive, a frustrated revenue collection of 1.7% and an increase in expenses of 0.4% impacted those results, which he believes helps explain the disparity in projections made in November to the presented results. Mr. Saintive also announced the creation of a task force formed by the Ministries of Planning, Finance, Civil House, and Comptroller General of the Union to examine public expenditures, in order to address "the need for fiscal robustness and a greater control of expenditure."[29]

On 11 February 2015, the National Treasury Secretary (STN) Annual Report revealed that the federal public debt's stock closed 2014 at BRL2.295 trillion, within the range established by the Annual Financing Plan (PAF).[30] On the same day, the STN also released the PAF for 2015, fixing a higher limit for the public debt's stock from BRL2.450 trillion to BRL2.6 trillion.[31]

During an event organized by the Chamber of Commerce France-Brazil held on 23 February 2015 in São Paulo, Joaquim Levy defended the fiscal adjustment measures highlighting that there was a fiscal imbalance in 2014, which led to an increase in the country's debt-to-GDP ratio.[32] Included in the measures announced by the government are limitations to social benefits, such as unemployment insurance, an increase in the interest charged by the Brazilian Development Bank, the increase in

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[27] Governo Central tem superavit primário de R$ 4,1 bilhões em outubro. Ministry of Finance (Brasilia) 26 November 2014. Date of access: 25 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2014-1/novembro/governo-central-tem-superavit-primario-de-r-4-1-bilhoes-em-outubro

[28] Joaquim Levy acredita em retomada da economia sem parada brusca, Ministry of Finance (Brasilia) 5 January 2015. Date of access: 25 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/joaquim-levy-diz-acreditar-em-reequilibrio-da-economia-sem-parada-brusca

[29] Vamos cumprir meta de superavit e recuperar credibilidade, diz Saintive. Ministry of Finance (Brasilia) 29 January 2015. Date of access: 25 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/janeiro/201cvamos-cumprir-meta-de-superavit-e-recuperar-credibilidade201d-diz-saintive

[30] Dívida pública encerra 2014 dentro da meta do governo, Ministry of Finance (Brasilia) 11 February 2015. Date of access: 26 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/divida-publica-encerra-2014-dentro-da-meta-do-governo

[31] Limite para estoque da Dívida Pública será de R$ 2,600 trilhões em 2015, Ministry of Finance (Brasilia) 11 February 2015. Date of access: 26 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/limite-para-estoque-da-divida-publica-sera-de-r-2-600-trilhoes-em-2015

[32] Levy defende ajuste fiscal em apresentação para empresários em São Paulo, Ministry of Finance (Brasilia) 23 February 2015. Date of access: 26 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/levy-defende-ajuste-fiscal-em-apresentacao-para-empresarios-em-sao-paulo

taxing of fuel, automobiles, credit operations, cosmetics, and the end of transfers to the Energy Development Account.[33]

Following the announcement on 26 February 2015 that the federal public debt had diminished in January to BRL2.29 trillion, mostly affected by a seasonal movement according to José Franco Medeiros de Moraes, coordinator of the Public Debt Operations, the government published decree nº 8.412.[34] The decree brought about a reprogramming of various financial obligations of the Executive Power for the period of January to April. National Treasury Secretary Marcelo Saintive stated the government was rescheduling its payments in order to give a greater predictability to the ministries.[35]

In January, the central government recorded a primary surplus of BRL10.4 billion, the lowest result for the month of January since 2009.[36] The twelve-month accumulated results showed a deficit of BRL19.9 billion. Compared to January of the previous year, revenue increased 0.3%, from BRL125 billion to BRL125.4 billion.[37] Expenditures increased 2.8%, from BRL90 billion to BRL92.5 billion, caused mainly by an increase in social security expenses, which rose 8.4%, from BRL29.1 billion to BRL31.5 billion, resulting from the minimum wage increase. The Secretary also highlighted the reduction of 34.5% of the expenses related to the Growth Acceleration Program (PAC), from BRL7.2 billion in January 2014 to BRL4.7 billion in January 2015.[38] The government's economic team also imposed a reduction of 23.7% on the expenses of the PAC until April.[39]

Brazil has taken steps that are in line with the country's commitment to implement fiscal policies to promote sustainability. These steps include a tightening of fiscal policies and a greater emphasis on the control of public expenditure. The rising debt-to-GDP ratio in 2014 is recognized as having resulting from a fiscal imbalance during the year. With the re-election of President Dilma Rousseff, a new economic team was formed and changes to the current fiscal policies have been announced. These changes are understood to trade short-term economic contraction in favour of medium-term sustainable economic growth.[40]

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[33] Governo lança programação para gastos e não descarta novas medidas, Globo (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://g1.globo.com/economia/noticia/2015/02/governo-lanca-programacao-para-gastos-e-nao-descarta-novas-medidas.html

[34] Dívida pública federal caiu 2,09% em janeiro para R$ 2,24 trilhões, Ministry of Finance (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/divida-publica-federal-caiu-2-09-em-janeiro-para-r-2-24-trilhoes

[35] Governo reprograma gastos para atingir meta fiscal, Ministry of Finance (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/governo-reprograma-gastos-para-atingir-meta-fiscal

[36] Governo lança programação para gastos e não descarta novas medidas, Globo (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://g1.globo.com/economia/noticia/2015/02/governo-lanca-programacao-para-gastos-e-nao-descarta-novas-medidas.html

[37] Governo reprograma gastos para atingir meta fiscal, Ministry of Finance (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/governo-reprograma-gastos-para-atingir-meta-fiscal

[38] Governo reprograma gastos para atingir meta fiscal, Ministry of Finance (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://www.fazenda.gov.br/divulgacao/noticias/2015/fevereiro/governo-reprograma-gastos-para-atingir-meta-fiscal

[39] Equipe econômica fixa redução de 23,7% em gastos do PAC até abril, Globo (Brasilia) 26 February 2015. Date of access: 27 February 2015. http://g1.globo.com/economia/noticia/2015/02/equipe-economica-autoriza-reducao-de-237-em-gastos-do-pac-ate-abril.html

[40] Putting Brazil's Political Risk in Perspective, Forbes (NYC) 13 Mar 2015. Date of access: 13 Mar 2015. http://www.forbes.com/sites/kenrapoza/2015/03/13/putting-brazils-political-risk-in-perspective/

Brazil has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Brazil is awarded a score of 0.

Analyst: Artur Pereira

Canada: −1

Canada has not complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Canada has outlined the following fiscal strategies in its comprehensive growth strategy:

- Balanced federal budgets from 2015 and the introduction of balanced budget legislation
- Federal debt-to-GDP ratio of 25% GDP by 2021.[41]

More generally, Canada's proposed strategy for economic growth formulated for the G20 Australian Summit consisted of five key commitments: (1) infrastructure investment; (2) enhanced job matching service and a modernized national job bank; (3) reduced barriers to entry and promotion of competition in telecommunications sector; (4) new funding for research and innovation; and (5) Canada-EU comprehensive economic and trade agreement and the Canada-Korea free trade agreement.[42]

On 24 November 2014, Prime Minister Stephen Harper announced new investments that will continue to build and renew government infrastructure, from harbours and shipbuilding yards to national defence facilities across Canada. The Canadian government has pledged CAD5.8 billion in investments towards these projects — the majority of which to take place in the next three years.[43]

On 19 February 2014, Prime Minister Harper announced that Canada is cutting taxes on liquefied natural gas projects in order to spur growth in the industry. Under this tax cut, liquefied natural gas assets acquired over the next decade will enjoy a capital cost allowance rate of 30% for equipment, and 10% for buildings as compared to 8% for equipment and 6% for structures before the cut.[44]

On 1 March 2015, Finance Minister Joe Oliver announced that Canada would extend its 15% mineral exploration tax credit for one more year to support small mining companies. The credit, now scheduled to expire 31 March 2016, has "helped keep investment flowing" in the extractive sector, according to the Canadian government.[45]

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[41] Comprehensive Growth Strategy: Canada. G20 Australia 2014 (Brisbane) October 2014. Date of access: 22 February 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_canada.pdf
[42] Comprehensive Growth Strategy: Canada, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 January 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_canada.pdf
[43] Harper unveils $5.8 billion in infrastructure spending, The Globe and Mail (Toronto) 24 Nov 2014. Date of access: 2 March 2015. http://www.theglobeandmail.com/news/politics/harper-unveils-58-billion-in-infrastructure-spending/article21736451/
[44] "Canada to reduce taxes for LNG projects, Stephen Harper says," Financial Post (Toronto) 19 Feb 2015. Date of access: 2 March 2015. http://business.financialpost.com/2015/02/19/canada-to-reduce-taxes-for-lng-projects-stephen-harper-says/?__lsa=3a9c-1926
[45] Canada to extend 15% mineral exploration tax credit to 2016, Bloomberg Business (Ottawa) 1 Mar 2015. Date of access: 2 March 2015. http://www.bloomberg.com/news/articles/2015-03-01/canada-to-extend-15-mineral-exploration-tax-credit-to-2016

Canada has implemented fiscal policies in infrastructure investment and tax reform. However, Canada has not taken action to achieve the two principle aspects of its comprehensive growth strategy: balanced budget legislation and reducing its debt-to-GDP ratio.

Canada has made no progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Canada is awarded a score of −1.

Analyst: Luke Tianxing Li

China: 0

China has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

China has outlined the following fiscal strategies in its comprehensive growth strategy:

- To stabilize near-term growth
- To further boost consumption
- To allow the market to play its basic role and promote private sector involvement
- To support growth and employment
- To reform its fiscal and financial sector.[46]

On 2 February 2015, the State Council announced a new guideline on transfer payments to streamline administrative management, reduce unnecessary spending, and promote equal development in China. According to the Chinese government, this guideline "will allow the market to play a decisive role, and will gradually restrict special [transfer payments] in competitive businesses and industries, to maintain a fair environment for market competition."[47]

On 10 February 2015, Chinese President Xi Jinping participated in the ninth meeting of the Central Leading Group on Financial and Economic Affairs and demanded stable urbanization in China. President Xi urged faster reform and innovation in investment and financing to better engage public infrastructure construction.[48]

On 25 February 2015, the State Council pledged to pursue a proactive fiscal policy with measures to introduce more tax cuts and lower administrative fees to better support small and micro-sized businesses and to encourage entrepreneurship and innovation. The new policies will expand the range of beneficiaries to include higher income groups, lower unemployment insurance fees, and shift to requiring installment payments rather than one-time payments on taxes from actual investment interest from non-monetary assets.[49]

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[46] Comprehensive Growth Strategy: China, G20 Australia 2014 (Brisbane) November 2014. Date of access: 2 March 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_china.pdf

[47] Transfer payment guideline to promote equal development, The State Council of The People's Republic of China (Beijing) 2 Feb 2015. Date of access: 2 March 2015.
http://english.gov.cn/policies/latest_releases/2015/02/02/content_281475049185334.htm

[48] Xi stresses implementing central economic policies, Xinhuanet (Beijing) 10 Feb 2015. Date of access: 2 March 2015.
http://news.xinhuanet.com/english/china/2015-02/10/c_127481077.htm

[49] Quick view: The State Council executive meeting on Feb 25, The State Council of The People's Republic of China (Beijing) 26 Feb 2015. Date of access: 2 March 2015.
http://english.gov.cn/policies/infographics/2015/02/26/content_281475061970428.htm

On 3 March 2015, China's Vice Finance Minister Zhu Guangyao made declared that China's fiscal policy will continue to be proactive going forward. Minister Zhu made the comments at the opening of the Chinese People's Political Consultative Conference, stating that the finance ministry is making fiscal reforms to address the root cause to mounting local government debt.[50]

China has begun to make progress towards fiscal sustainability, including through promoting equal development and reducing growth of local government debt. However, there has been little evidence demonstrating that China's debt-to-GDP ratio has changed in a manner that places the country on a more sustainable path.

China has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, China is awarded a score of 0.

Analyst: Luke Tianxing Li

France: 0

France has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product on a sustainable path.

France has outlined the following fiscal strategies in its comprehensive growth strategy:

- Lowering the cost of factors of production to stimulate employment and business competitiveness
- Lightening the tax burden of low-income households to boost purchasing power and increase incentives to take up a job
- Modernizing markets to allow for productivity gains, lower prices for consumers and boost companies' competitiveness gains
- Supporting productive investment to increase long-term growth
- Reducing red tape, which will in turn reduce production costs and help rein in public expenditures.[51]

The growth strategy referenced EUR50bn in savings between 2015 and 2017 needed to reduce expenditure growth into line with inflation: an effort that would lead to further deficit reduction without raising taxes.

On 18 December 2014, the French parliament approved President François Hollande's revised 2015 budget. The budget included measures to cut spending, but still carried a sizeable deficit, in contradiction of EU budget constraints.[52] On 26 March 2014, the French government cuts its deficit targets, indicating stronger economic recovery than was reflected in the 2015 budget.[53]

On 17 February 2015, a package of economic reforms known as Macron Law, passed the National Assembly. The reforms are designed to revive the economy, to improve legislative efficiency and to boost growth by loosening restrictive practices to promote energy and confidence in the French

[50] Update 2 – China will keep fiscal policy proactive – vice finmin, Reuters (Beijing) 3 Mar 2015. Date of access: 3 March 2015. http://www.reuters.com/article/2015/03/03/china-parliament-idUSL4N0W53E720150303

[51] Comprehensive Growth Strategy: France, G20 Australia 2014 (Brisbane) 14 November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_france.pdf

[52] France 2015 Budget to Curb Spending, Wall Street Journal (Paris) 1 October 2014. Date of access: 28 February 2015. http://www.wsj.com/articles/france-2015-budget-to-curb-spending-1412150641

[53] France cuts 2015 deficit target, eyes economic recovery, Reuters (Paris) 26 March 2015. Date of access: 28 February 2015. http://www.reuters.com/article/2015/03/26/us-france-economy-idUSKBN0MM0NN20150326

economy.[54] Specific measures of the reforms include the selling of 5% to 10% of the EUR100 billion portfolio of state-owned assets over the next 18 months, deregulating medical, legal and notary practices, allowing stores to be open on Sunday 12 times a year (compared to five), and liberalizing the inter-city coach industry. Macron Law was praised in a joint statement of euro zone finance ministers that read, "We welcome the commitments of France to address the structural weaknesses of the economy and encourage the implementation of the ambitious and wide-ranging reform agenda."[55]

On 10 March 2015, EU finance ministers approved a two-year extension for France to bring its budget deficit in line with EU rules, while calling for additional efforts to reduce spending.[56] The previous 2015 deadline to reduce its deficit below the 3% threshold was extended to 2017. The new agreement requires France's budget deficit to be at 4% by 2015, 2.4% by 2016, and 2.8% by 2017. Valdis Dombrovskis, European Commission VP for the euro, indicated that the deadlines are fixed and that the European Commission would reassess France's fiscal performance in the next two to three months. This is the seventh consecutive year France has exceeded the EU's target deficit.

France faces significant economic challenges. It has now experienced its third year of near-zero growth and has failed again to meet the EU's target budget deficit threshold. The French government has passed new economic reforms and there are signals indicating that the French economy is in a stage of recovery and is setting itself on a trajectory of growth.

France has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, France is awarded a score of 0.

Analyst: Luke Tianxing Li

Germany: 0

Germany has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Germany has outlined the following fiscal strategies in its comprehensive growth strategy:

- Recommit to complying with all international fiscal commitments at the EU and G20 level
- Balance the federal budget (in nominal terms) in 2015
- Decrease debt ratio to below 65% by 2018 from 76.9% of GDP in 2013
- Preserve a balanced budget while scaling up infrastructure investment.[57]

On 28 November 2014, the Bundestag approved Germany's 2015 budget. For the first time since 1969, Germany recorded a balanced budget, owing largely to an increase in tax revenues and low

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[54] France's Socialist Party pushes free-market deregulation with Macron Law, WSWS (Paris) 17 December 2014. Date of access: 28 February 2015. https://www.wsws.org/en/articles/2014/12/17/macr-d17.html

[55] Macron Seeks Blair Moment in France for Hollande's Economic Push, Bloomberg Business (Paris) 8 December 2014. Date of access: 28 February 2015. http://www.bloomberg.com/news/articles/2014-12-08/macron-seeks-blair-moment-in-france-for-hollande-s-economic-push

[56] France Gets Respite on Budget Deficit as More Reforms Demanded, Bloomberg (Brussels) 10 March 2015. Date of access: 10 March 2015. http://www.bloomberg.com/news/articles/2015-03-10/france-gets-respite-on-budget-deficit-as-more-reforms-demanded

[57] Comprehensive Growth Strategy: Germany, G20 Australia 2014 (Brisbane) 14 November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_germany.pdf

interest rates, as well as a 2.2 billion-euro rebate from the EU.[58] In 201,4 the government attained EUR11.9 billion (USD13.9 billion) budget surplus, representing 0.4% of GDP.

On 2 March 2015, German government officials reached a final agreement on how the funds from the EUR10 billion investment package proposed by Minister Schäuble will be allocated. The group decided that between 2016 and 2018, a total of EUR7 billion in federal government spending will be targeted in five key areas: public transportation infrastructure, energy efficiency, digital infrastructure, combating climate change, and urban development. The remaining EUR3 billion will be directed toward government ministries according to the amount that each ministry has paid to finance the recently introduced supplementary child care benefits.[59]

In a 4 March 2015 press release, the federal government announced it would go ahead with measures to support financially weak local authorities. The federal government committed to investing EUR1.5 billion to local authorities in 2017, in additional to the EUR1 billion already invested. The federal government also committed to establishing a fund for the exclusive purpose of boosting investment by local authorities with inadequate financial resources. It plans to endow the fund with a total of EUR3.5 billion up to the year 2018.[60]

Germany has recorded its first balanced budget in over four decades, committed to substantial investment in infrastructure, and is poised to meet many of its fiscal objectives in 2015. However, there is no indication that Germany is reducing its debt-to-GDP ratio.

Germany has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Germany is awarded a score of 0.

Analyst: Vitali Selivanov

India: 0

India has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

India has outlined the following fiscal strategies in its comprehensive growth strategy:

- Medium-term fiscal consolidation, deficit-to-GDP targets of 4.1% in 2014-15, 3.6% in 2015-16, and 3% in 2016-17
- Create a stable tax regime with measures for reduced litigation and dispute resolution
- Fiscal consolidation through enhanced revenue mobilization and rationalized expenditures
- Provide more targeted subsidies (e.g. food, petroleum, and a new urea subsidy), while ensuring full protection to the poor
- Establish an expenditure management commission to oversee the operational efficiency of governmental spending.[61]

[58] Bundestag approves 2015 budget with no new debt, DW (Berlin) 28 December 2014. Date of access: 28 February 2015. http://www.dw.de/bundestag-approves-2015-budget-with-no-new-debt/a-18099625
[59] http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Financial_markets/Articles/2015-03-04-investment.html
[60] http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Financial_markets/Articles/2015-03-04-investment.html
[61] Comprehensive Growth Strategy: India, G20 Australia 2014 (Brisbane) 14 November 2014. Date of access: 10 March 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_india_01.pdf

On 28 February 2015, Minister of Finance Arun Jaitely announced the Union Budget for 2015-2016. In his budget announcement, Minister of Finance Jaitely recommitted to a fiscal deficit target for this fiscal year (ending 31 March 2016) of 4.1% of GDP. Minister of Finance Jaitely also revealed that the Indian government would postpone its 2015-2016 budget deficit target of 3.6% to 3.9% of GDP in order to make greater space for infrastructure development in the country. To this end, Finance Minister Jaitely also announced an increase in INR700 trillion (USD11.4 billion) in road and rail investments and power generation projects in the next year.[62,63]

The debt policy in India emphasizes maintaining a stable, sustainable, low-cost and prudent debt structure. The government of India is in process of introducing necessary legislation and setting up its own Public Debt Management Agency. The "Middle Office" has been established in the meantime. One major change is the 10% increase of the states' share in the net proceeds of union tax revenues to 42%. The decentralization of revenue has "significantly constrained the Centre's fiscal resources," the minister was quoted as saying.[64]

The Union Budget revealed that the government of India will be implementing a Goods and Services Tax that will come into effect 1 April 2016. The Minister of State for Finance Jayant Sinha stated that the new tax will "fundamentally change the taxing power of the states, local governments and the Centre," and through the devolution to the states, it will transform the "fiscal architecture" of the Indian government.[65]

India has made progress towards its fiscal sustainability, including through reforms to taxes and creating fiscal space for much-needed infrastructure development. However, it has yet to take definitive steps towards key subsidy reforms, such as its urea subsidy.

India has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, India is awarded a score of 0.

Analyst: Anna Roach

Indonesia: 0

Indonesia has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Indonesia has outlined the following fiscal strategies in its comprehensive growth strategy:

- A recognized need for sound, effective and sustainable fiscal policy
- Commitment to keep the current account deficit to a maximum of 3% of GDP through revenue optimization and improving the quality of spending

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[62] Fiscal Policy Strategy Statement, Union Budget of India 2015 (New Delhi) 28 February 2015. Date of access: 1 March 2015. http://indiabudget.nic.in/ub2015-16/frbm/frbm3.pdf

[63] Jaitley goes for growth, delays cut in fiscal deficit, Government of India (New Delhi) 28 February 2015. Date of access: 1 March 2015. http://www.thehindubusinessline.com/economy/budget/jaitley-unveils-budget-for-growth-investment/article6944653.ece?homepage=true

[64] Budget 2015 not pro-rich, it has something for all: Jayant Sinha, India Times (New Delhi) 10 March 2015. Date of access: 1 March 2015. http://economictimes.indiatimes.com/news/economy/policy/budget-2015-not-pro-rich-it-has-something-for-all-jayant-sinha/articleshow/46469289.cms

[65] GST will transform India's fiscal architecture: Jayant Sinha, India Times (New Delhi) 5 March 2015. Date of access: 6 March 2015. http://economictimes.indiatimes.com/news/economy/finance/gst-will-transform-indias-fiscal-architecture-jayant-sinha/articleshow/46468367.cms

- Financing infrastructure projects to improve Indonesia's supply chain in order to drive economic growth
- Energy subsidy reform to minimize growing burden to the government budget
- Broadening its tax base and modernizing tax administration to increase government revenue.[66]

Effective 1 January 2015, Indonesian President Joko Widodo implemented a fixed diesel subsidy system to replace the traditional petroleum subsidy program.[67] Prior to this move, subsidies would comprise 13% of total expenditure in 2015 but has been reduced to as little as 1%. The government expects about IDR200 trillion in savings from these subsidy cuts.[68]

On 9 January 2015, President Joko Widodo submitted a revised state budget for 2015. The draft fiscal plan increased its expenditure on infrastructure development to IDR281.1 trillion.[69] The World Bank has considered a lack of adequate infrastructure to be a barrier to Indonesia's ability to improve economic growth. The President aims to improve the interconnectivity issue in Indonesia and to enhance its domestic economy with the increase in infrastructure budget.

On 13 February 2015, the Indonesian People's Representative Council approved the final version of its revised state budget 2015.[70] The new state budget targets higher tax revenue through tax administration reform and expanding its taxpayer base. The Indonesian government aims to introduce a tax amnesty and expects the resulting tax revenue to reduce its current budget deficit.

Indonesia has eliminated petroleum subsidies and invested in improved infrastructure. However, it has not taken any action to keep its current account deficit to the self-imposed 3% maximum.

Indonesia has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Indonesia is awarded a score of 0.

Analyst: Freda Zhang

Italy: 0

Italy has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Italy has outlined the following fiscal strategies in its comprehensive growth strategy:

- Support recovery and raise Italy's growth rate while complying with European budgetary rules
- Adjust timeframe for convergence with Medium Term Objective from 2015 to 2017

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[66] Comprehensive Growth Strategy: Indonesia, G20 Australia 2014 (Brisbane) 16 November 2014. Date of access: 2 March 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_indonesia1.pdf
[67] Widodo Makes Biggest Change to Indonesia Fuel Subsidies: Economy, Bloomberg Business (NYC) 30 December 2014. Date of access: 27 February 2015. http://www.bloomberg.com/news/articles/2014-12-31/widodo-makes-biggest-change-to-indonesias-fuel-subsidy-system
[68] Budget 2015: Indonesia's revised fiscal plan envisages substantial rise in infrastructure spending, but implementation constraints remain, iHS (United States) 28 January 2015. Date of access: 27 February 2015. https://www.ihs.com/country-industry-forecasting.html?ID=1065997790
[69] Budget 2015: Indonesia's revised fiscal plan envisages substantial rise in infrastructure spending, but implementation constraints remain, iHS (United States) 28 January 2015. Date of access: 27 February 2015. https://www.ihs.com/country-industry-forecasting.html?ID=1065997790
[70] Indonesian 2015 Budget Targets Higher Revenue, The Global Business Network (Portsmouth) 19 February 2015. Date of access: 1 March 2015. http://tgs-global.com/news/indonesian-2015-budget-targets-higher-revenue/

- Implement tax reforms to promote a more equitable, transparent, simplified and growth-oriented tax system (e.g., the 2015 Stability Law)
- Streamline government spending in areas of public administration, justice system, social welfare, and privatization and dismissal of state-owned real estate.[71]

On 28 November 2014, the European Commission postponed its decision on whether to put Italy under a disciplinary process for failing to tackle their high and rising public debt.[72] Italy, along with France and Belgium, then pledged structural reforms and other fiscal steps to comply with the commission requirements.[73] However, the European Commission ultimately decided against penalizing Italy.[74]

On 30 December 2014, following results showing improvements to employment levels, Italy's Economy Minister Pier Carlo Padoan said that the "slowdown in the Italian economy had ended."[75] Italy's economy had not experienced a quarter of growth in the previous three years, and the government forecasted a decrease of 0.3% in economic output for 2014 followed by an increase in economic output of 0.6% for 2015. He also stated that the country's public debt, second only to Greece in the euro zone, would start to fall in 2016.[76]

On 2 January 2015, the Ministry of Economy and Finance announced that based on the preliminary data for the month of December, the public sector borrowing requirement in 2014 was expected to grow to EUR76.8 billion, an increase of more than EUR3.5 billion compared to 2013. The statement also showed an estimated surplus of EUR5.1 billion, as compared to an estimate of EUR15.58 billion made in December of 2013. This result is seen as a consequence of a reduction in tax receipts along with an increase in withdrawals from the treasury accounts. These withdrawals resulted from the payment of debts of the public administration, higher interest payments on the public debt, which was due to a different scheduling of deadlines, and contributions to the EU budget.[77]

On 19 February 2015, the Organisation for Economic Co-operation and Development (OECD) reevaluated Italy's prospective growth for 2015 from an initial 0.2% prediction made in November to 0.6%. According to the OECD, this increase would be attributed to the "European Central Bank's expansionary measures, the depreciation of the euro, the fall of oil prices, and less restrictive fiscal

[71] Comprehensive Growth Strategy: Italy. G20 Australia 2014 (Brisbane) October 2014. Date of access: 22 February 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_italy.pdf
[72] EU puts off French and Italian budget rulings until March, Reuters (Brussels) 28 November 2014. Date of access: 26 February 2015. http://www.reuters.com/article/2014/11/28/us-eu-budgets-idUSKCN0JC0R620141128
[73] France, Italy, Belgium promise reform in letters to EU-Dombrovskis, Reuters (Brussels) 28 November 2014. Date of access: 26 February 2015. http://www.reuters.com/article/2014/11/28/eu-budgets-dombrovskis-letters-idUSL6N0TI1UW20141128
[74] EU gives France until 2017 to cut deficit; Italy, Belgium in clear, Reuters (Brussels) 25 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/25/us-eu-budgets-idUSKBN0LT1QU20150225
[75] UPDATE 1-Slowdown in Italian economy has ended - Econmin to Corriere, Reuters (Brussels) 30 December 2014. Date of access: 27 February 2015. http://www.reuters.com/article/2014/12/30/italy-economy-growth-idUSL6N0UE0C320141230
[76] UPDATE 1-Slowdown in Italian economy has ended - Econmin to Corriere, Reuters (Brussels) 30 December 2014. Date of access: 27 February 2015. http://www.reuters.com/article/2014/12/30/italy-economy-growth-idUSL6N0UE0C320141230
[77] Fabbisogno statale 2014: 76,8 miliardi, in miglioramento di 3,5 miliardi sul 2013, Ministry of Economy and Finance (Rome) 2 January 2015. Date of access: 27 February 2015. http://www.mef.gov.it/ufficio-stampa/comunicati/2015/comunicato_0001.html

policies by the government."[78] The OECD report differed from the Italian government's prediction on the expected public debt-to-GDP ratio, stating that it would reach 132.8% for 2015 and 133.5% for 2016. As part of its recommendations, the OECD included the adoption of structural reforms to Italy's labour market and judicial systems, an increase in competition, and a simplification of the legislation as well as being combative with corruption.[79]

On 21 February 2015, Italy's Ministry of Economy and Finance, together with the Treasury Department, presented a document displaying the structural reforms the country had undertaken since September 2014. The document outlined the planned reforms and their implementation timetables, along with their macroeconomic impacts. The government policy measures included the Jobs Act, as part of the labour market reform, increased efficiency of the public administration, reforms to the civil justice system, deregulation of credit and improved access to capital markets, simplification of the tax system, and the reform of the educational system.[80] Included in the reforms to the tax system was the 2015 Stability Law, effective beginning 1 January 2015, which was aimed at reducing the tax wedge on labour and introducing fiscal incentives for firms who hired workers with open ended contracts.[81]

In the European Commission's Country Report on Italy, presented on 18 March 2015, the Italian economy's growth was predicted to turn positive in 2015 (but still remain below the EU average), and its debt-to-GDP ratio was set to increase. The commission stated that although Italy's fiscal adjustment measures had "helped avert immediate sustainability risks,"[82] high government debt still remained a heavy burden for the Italian economy and was a major source of its vulnerability. The report also highlighted Italy's efforts to considerably reduce the tax burden on labour over the past year, but emphasized that it is still high. The report concluded that Italy had made some progress in addressing the recommendations presented in 2014, however, it saw "limited, and sometimes delayed" progress in several areas.[83]

Italy has taken some steps towards the improvement of its fiscal position. Following a three-year recession, Italy's economic prospects have shown improvements with better results on employment levels. However, Italy has failed to maintain a stable debt-to-GDP ratio, with mixed reports on possible improvements for the 2016 fiscal year. The government's adjustment of its Medium Term Objective plan will slow the pace of fiscal reform, but is designed to ultimately generate momentum for growth in Italy's future.

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[78] OECD raises Italy 2015 GDP forecast to 0.6 percent, Reuters (Rome) 19 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/19/us-italy-economy-oecd-idUSKBN0LN0TN20150219

[79] OECD raises Italy 2015 GDP forecast to 0.6 percent, Reuters (Rome) 19 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/19/us-italy-economy-oecd-idUSKBN0LN0TN20150219

[80] 2014: A turning point for Italy: Structural reforms in Italy since September 2014. Ministry of Economy and Finance (Rome), 21 February 2015. Date of access: 2 April 2015. http://www.mef.gov.it/inevidenza/documenti/riforme_strutturali.pdf

[81] 2014: A turning point for Italy: Structural reforms in Italy since September 2014, Ministry of Economy and Finance (Rome) 21 February 2015. Date of access: 2 April 2015. http://www.mef.gov.it/inevidenza/documenti/riforme_strutturali.pdf

[82] Country Report Italy 2015 including an In-Depth Review on the prevention and correction of macroeconomic imbalances, European Commission (Brussels) 18 March 2015. Date of access: 2 April 2015. http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_italy_en.pdf

[83] Country Report Italy 2015 including an In-Depth Review on the prevention and correction of macroeconomic imbalances, European Commission (Brussels) 18 March 2015. Date of access: 2 April 2015. http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_italy_en.pdf

Italy has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Therefore, Italy is awarded a score of 0.

Analyst: Artur Pereira

Japan: 0

Japan has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Japan has outlined the following fiscal strategies in its comprehensive growth strategy:

- Fiscal consolidation against a backdrop of very high public debt, in line with fiscal targets
- Halving the primary deficit-to-GDP ratio from FY2010 in FY2015 in order to achieve a primary surplus by FY2020
- Growth-oriented corporate tax reform, aimed at reducing corporate tax rates (to be offset by broadening its overall tax base)
- Increasing consumption tax to 10%, taking various economic and other situations into account.[84]

On 27 December 2014, the Japanese government introduced the Immediate Economic Measures for Extending Virtuous Cycles to Local Economies. This package targets vulnerable areas of the economy, with the intent (1) to stimulate consumption while considering different economic conditions among regions; (2) to revitalize local economies facing structural challenges through effective initiatives such as job creation; and (3) to accelerate post-disaster recovery and other emergency responses, and reconstruction from the Great East Japan Earthquake.[85]

On 12 January 2015, the Japanese cabinet approved its FY2015 Budget of JPY96.34 trillion. The FY2015 budget aimed to achieve both economic revitalization and fiscal consolidation through: (1) its economic stimulus package, (2) FY2014 supplementary budget, and (3) FY2015 tax reform. The budget signalled a JPY2.79 trillion increase to spending from FY2014, with notable increases directed towards social security and national defence. In efforts to further reduce its debt, the government reduced bond issuance by JPY4.4 trillion, the third consecutive decrease and lowest in six years.[86] The budget also indicated that Japan is on target to halve its deficit-to-GDP ratio from -6.6% (FY2010) to -3.3% by FY2015.[87]

On 14 January 2015, the Japanese government released the cabinet's decision on its 2015 Tax Reform. The decision highlighted corporate tax reductions from 25.5% to 23.9% in FY2015 and 23.9% in FY2016, as well as international harmonization of taxations related to cross-border transactions, such as automatic exchange of information on financial accounts held by non-residents. Lastly, the

[84] Comprehensive Growth Strategy: Japan, G20 Australia 2014 (Brisbane) 16 November 2014. Date of access: 2 March 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_japan.pdf
[85] Immediate Economic Measures for Extending Virtuous Cycles to Local Economies, Ministry of Finance (Japan) 27 December 2014. Date of access: 25 March 2015. http://www5.cao.go.jp/keizai1/keizaitaisaku/2014/141227_economic_measures_all.pdf
[86] Japan readies record $800 billion 2015-16 budget: sources. Takaya Yamaguchi, Reuters (Tokyo) 11 January 2015. Date of access: 25 March 2015. http://www.reuters.com/article/2015/01/11/us-japan-economy-budget-idUSKBN0KK08J20150111
[87] Highlights of the Draft Budget for FY2015, Ministry of Finance (Japan) 14 January 2015. Date of access: 27 February 2015. http://www.mof.go.jp/english/budget/budget/fy2015/01.pdf

reform indicated a postponement of the consumption tax hike until 1 April 2017 after a decrease in demand following last year's consumption tax hike.[88]

On 12 February 2015, the cabinet released its Fiscal 2015 Economic Outlook and Basic Stance for Fiscal and Economic Management.[89] The document identified a modest recovery in FY2014 owing to the implementation of the administration's "three arrows" strategy, which emphasizes sound fiscal policy, bold monetary policy, and growth that promotes private investment. Despite the implementation of the Immediate Economic Measures package and an increase in social security-related costs, government spending is expected to decrease approximately 2.1% in FY2015.

On 12 February 2015, Japanese Minister of Finance Taro Aso outlined the Supplementary Budget for FY2014 at the 189rd Session of the National Diet.[90] The supplementary budget for FY2014 is a part of the "Immediate Economic Measures for Extending Virtuous Cycles to Local Economies," which aims to address the vulnerable areas of the Japanese economy. The budget will allocate a total of JPY3.5059 trillion to various sections of the "Immediate Economic Measures," including: (1) Livelihood and Lifestyle Support, (2) Revitalization of Local Communities, (3) Disaster and Emergency Response, (4) Special Account for Reconstruction from the Great East Japan Earthquake, and (5) local tax grants.

Despite its enormous public debt, Japan has implemented some fiscal strategies flexibly and in alignment with the fiscal objectives outlined in its comprehensive growth strategy. Such measures included growth-oriented tax reforms and spending towards certain vulnerable regions of Japan's economy. Japan also appears to be on track to halve its debt-to-GDP ratio by the end of FY2015. However, it is not clear that the cost of corporate tax reforms to the Japanese government have been entirely offset by broadening of the tax base.

Japan has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Japan is awarded a score of 0.

Analyst: Freda Zhang

Korea: 0

Korea has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

Korea has outlined the following fiscal strategies in its comprehensive growth strategy:

- Introduce a stimulus package worth KRW40.7 trillion to raise GDP growth by 0.1-0.2% in 2014 and by 0.3% in 2015
- Introduce tax schemes to support household income and boost domestic consumption
- Revise Fund Expenditure Plan to support low-income family housing, increase access to financing for small businesses, tourism, and distribution of agricultural and fishery products

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[88] FY2015 Tax Reform (Main Points), Ministry of Finance (Japan) 14 January 2015. Date of access: 27 February 2015. http://www.mof.go.jp/english/tax_policy/tax_reform/fy2015/tax2015a.pdf

[89] Fiscal 2015 Economic Outlook and Basic Stance for Economic and Fiscal Management, Cabinet Office (Government of Japan) 12 February 2015. Date of access: 1 March 2015. http://www5.cao.go.jp/keizai1/2015/0212mitoshi-e.pdf

[90] Speech on Fiscal Policy by Minister of Finance Aso at the 189rd Session of the National Diet, Ministry of Finance (Japan) 12 February 2015. Date of access: 28 February 2015. http://www.mof.go.jp/english/public_relations/statement/fiscal_policy_speech/e20150212.html

- Increase budget execution to expand central and local government spending by KRW2.8 trillion in 2014
- Create a 2015 budget that is expansionary but will not compromise mid-term fiscal soundness.[91]

On 26 December 2014, the Korean government announced 14 tax enforcement decrees, including three tax packages to boost household income and a derivatives capital gains tax. These tax packages are aimed at boosting earned income, increasing dividend income and strengthening the link between corporate earnings and household income.[92] These three tax packages were implemented 1 January 2015.

On 9 February 2015, President Park Geun-hye made statements against plans to increase taxes to finance an expansion of the welfare system. President Park highlighted that "what is most important is to seek ways to offer welfare to the people, while minimizing the burden laid on them" during a regular meeting with her senior secretaries. Park urged the National Assembly and the government to focus on working to revive the economy in order to increase tax revenue rather than relying on tax hikes, arguing that raising taxes would be an act of betraying the people.[93]

On 25 February 2015, President Park Geun-hye stated during a secretarial meeting that the South Korean government should place economic revival as its top priority in managing state affairs this year. President Park emphasized that increasing domestic consumption and instituting reforms in the labour, public, finance and educational sectors could accomplish this. Executive Office Cheong Wa Dae also stressed the urgency of the core reform agenda and the importance of the reforms to "improve conditions across the Korean economy and society to promote sustainable growth."[94]

Korea has made progress towards changes to its tax measures and reforms to its key sectors. It is unclear as of yet what impact this will have on Korea's debt-to-GDP ratio.

South Korea has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Korea is awarded a score of 0.

Analyst: Luke Tianxing Li

Mexico: 0

Mexico has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

Mexico has outlined the following fiscal strategies in its Comprehensive Growth Strategies:

- Secure a downward trend of public debt through a comprehensive fiscal consolidation strategy, while anticipating public debt to GDP to peak in 2015-16

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[91] Comprehensive Growth Strategy: Republic of Korea, G20 Australia 2014 (Brisbane) November 2014. Date of access: 2 March 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_south_korea.pdf

[92] 2014 Decree Revision Focuses On Boosting Income, Ministry of Strategy and Finance (Seoul) 26 December 2014. Date of access: 2 March 2015. http://english.mosf.go.kr/pre/view.do?bcd=N0001&seq=3752&bPage=1

[93] Park rebuffs call for tax increase, The Korean Times (Seoul) 9 February 2015. Date of access: 2 March 2015. http://www.koreatimes.co.kr/www/news/nation/2015/02/116_173289.html

[94] President prioritizes economic revival, Korea.net (Seoul) 24 February 2015. Date of access: 2 March 2015. http://www.korea.net/NewsFocus/Policies/view?articleId=125801

- Continue the implementation of the National Infrastructure Program 2014-2018 (NIP) to promote economic growth through investment in infrastructure
- Strengthen the fiscal responsibility law
- Improve the efficiency and quality of public spending in infrastructure, health, and welfare programs.[95]

On 14 November 2014, the Mexican Chamber of Deputies approved the Federation's Budget Expenditures for the Fiscal Year of 2015 at MXN4.695 billion, which represented an increase of 1.6% compared to the approved budget in 2014. The government allocated MXN65.833 million to investments in road infrastructure, regional development projects in states and municipalities, infrastructure for schools in rural regions of the country, as well as social programs. The approved budget contributes to the completion of the National Goals from the National Development Plan 2013-2018, and is designed to promote structural reforms.[96]

On 18 November 2014, the Mexican government performed a debt issuance in the international market for a total of USD2 billion in Global Stocks with maturity in 2025. This issuance included improvements in contracts of foreign debt following recommendations from the International Capital Market Association, the International Monetary Fund (IMF), and the G20.[97]

On 26 November 2014, the Secretariat of Finance and Public Credit (SHCP) and the Central Bank declared that the IMF's Executive Board had approved the renewal of the Flexible Credit Line (LCF) for Mexico. The approval of this credit line requires that the country show a sustainable trajectory of the public debt and healthy public finances, low and stable inflation expectations, a well-capitalized financial system, and effective monitoring of the financial sector.[98]

On 16 December 2014, the SHCP presented the Annual Financing Plan for 2015, which contained the objectives of the public credit policies for the fiscal year and the strategies necessary for its achievement. A net federal government debt of 3.1% of GDP was estimated for 2015, a decrease of 0.4% from 2014. The President's administration reaffirmed their commitment to maintaining prudent management of the public debt, emphasizing the need for macroeconomic stability, resulting from fiscal and monetary discipline, and a stable financial system that allows for long-term savings.[99]

The central objectives of Mexico's public debt policy, in line with the National Development Plan and the National Development Financing Program, include: addressing the federal government's financing needs with the lowest costs and risks consistent with a long-term plan, while accounting for

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[95] Comprehensive Growth Strategy: Mexico, G20 Australia 2014 (Brisbane) October 2014. Date of access: 22 February 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_mexico.pdf

[96] SE APRUEBA PRESUPUESTO DE EGRESOS DE LA FEDERACION PARA EL EJERCICIO FISCAL DE 2015, Secretariat of Finance and Public Credit (Mexico City) 14 November 2014. Date of access: 26 February 2015.
http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/noviembre/comunicado_098_2014.pdf

[97] El Gobierno de Mexico Introduce un Nuevo Estandar Internacional en los Contratos de Deuda Externa y Emite un Nuevo Bono de Referencia a 10 Años en Dólares, Secretariat of Finance and Public Credit (Mexico City) 18 November 2014. Date of access: 26 February 2015.
http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/noviembre/comunicado_100_2014.pdf

[98] El Fondo Monetario Internacional renueva la Línea de Crédito Flexible para México resaltando la fortaleza de su economía, Secretariat of Finance and Public Credit (Mexico City) 26 November 2014. Date of access: 26 February 2015.
http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/noviembre/comunicado_103_2014.pdf

[99] LA SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO PRESENTA EL PLAN ANUAL DE FINANCIAMIENTO 2015, Secretariat of Finance and Public Credit (Mexico City) 16 December 2014. Date of access: 26 February 2015.
http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/diciembre/comunicado_110_2014.pdf

possible extreme scenarios; preserving the diversity and access to credit in different markets; and ensuring that the public debt policy facilitates access for financing to an ample array of Mexican economic agents, both public and private.[100]

On 30 December 2014, the SHCP presented the results of public expenditures and the public debt for the month of November 2014. The results showed an increase in the public sector's net expenditure, and specifically an increase of 8.2% from January to November relative to the same period last year. The balance for the internal public debt saw an increase of MXN420.8 billion and the external debt increased by USD14.5 billion, both in comparison to December 2013. These results were consistent with the approved goals by the Union's Congress for the year of 2014.[101]

On 30 January 2015, the SHCP announced measures to demonstrate improved fiscal responsibility that will enhance the pursuit of economic stability. The announcement highlighted that the public finances were poised to handle international volatility for the year 2015, including an adjustment of the federal government's expenditures in order to deal with medium-term volatility.[102] This adjustment is targeted at the federal government's current expenditure, which corresponds to 65% of its total department and agency costs. The predicted adjustment to public expenditure corresponds to an increase of MXN124.3 billion, which represents 0.7% of the GDP. Included in the announcement was the statement that the government had initiated a revision of the expenditure budget for the fiscal year of 2016.[103]

On the same day, the SHCP also announced the results for the fourth quarter of 2014. The results showed a total public debt of MXN545 billion, 3.2% of the GDP, which was lower than the annual target approved by the Union's Congress. With these results, the debt of the Federal Public Sector amounted to 38.3% of the GDP.[104]

Mexico has taken several steps to maintain a sustainable trajectory and to adopt measures that are necessary for a sustainable public debt ratio, however it has not taken any action to strengthen its fiscal responsibility law, as outlined in its comprehensive growth strategy.

Mexico has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Mexico is awarded a score of 0.

Analyst: Artur Pereira

[100] LA SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO PRESENTA EL PLAN ANUAL DE FINANCIAMIENTO 2015, Secretariat of Finance and Public Credit (Mexico City) 16 December 2014. Date of access: 26 February 2015. http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/diciembre/comunicado_110_2014.pdf
[101] LAS FINANZAS PÚBLICAS Y LA DEUDA PÚBLICA A NOVIEMBRE DE 2014, Secretariat of Finance and Public Credit (Mexico City) 30 December 2014. Date of access: 27 February 2015. http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2014/diciembre/comunicado_113_2014.pdf
[102] LA SHCP ANUNCIA MEDIDAS DE RESPONSABILIDAD FISCAL PARA MANTENER LA ESTABILIDAD, Secretariat of Finance and Public Credit (Mexico City) 30 January 2015. Date of access: 27 February 2015. http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2015/enero/comunicado_007_2015.pdf
[103] LA SHCP ANUNCIA MEDIDAS DE RESPONSABILIDAD FISCAL PARA MANTENER LA ESTABILIDAD, Secretariat of Finance and Public Credit (Mexico City) 30 January 2015. Date of access: 27 February 2015. http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2015/enero/comunicado_007_2015.pdf
[104] INFORMES SOBRE LA SITUACIÓN ECONÓMICA, LAS FINANZAS PÚBLICAS Y LA DEUDA PÚBLICA, Secretariat of Finance and Public Credit (Mexico City) 30 January 2015. Date of access: 27 February 2015. http://www.shcp.gob.mx/SALAPRENSA/doc_comunicados_prensa/2015/enero/comunicado_008_2015.pdf

Russia: +1

Russia has fully complied with the commitment on fiscal strategies.

According to the Russian comprehensive growth strategy adopted at the Brisbane Summit and the St. Petersburg fiscal template, Russia's strategy mid-term for debt sustainability provides for maintaining a low overall debt burden, moderate budget deficits and targeting increased size of fiscal buffers.[105]

Russian external debt, as reported by the Bank of Russia, decreased from USD729 billion on 1 January 2014 to USD559 billion as of 1 April 2015.[106]

On 5 March 2015, Russian finance minister Anton Siluanov declared that optimization measures implemented by the government, mainly cuts in spending, allowed lowering the projections for the budget deficit in 2015 from 5.2 to 3.8% of GDP.[107]

The minister also mentioned that by the end of 2015 financial authorities plan to spend more than RUB3 trillion from the RUB5 billion Reserve Fund. However, to address this increase in fiscal buffers, the government started developing measures aimed at achieving the balanced federal budget by 2016-2017 and increasing the volume of the Reserve Fund later on.[108]

During the compliance period Russia has not managed to achieve all its fiscal targets provided for by the comprehensive growth strategy adopted at the G20 Brisbane Summit. At the same time, it has taken measures to accommodate its fiscal policies following the recent economic shock caused by the fall in oil prices and exchange rates volatility. Thus, Russia is given a score of +1.

Analyst: Andrey Shelepov

Saudi Arabia: 0

Saudi Arabia has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

Saudi Arabia has outlined the following fiscal strategies in its comprehensive growth strategy:

- Increase public spending in order to stimulate economic activity through investment in increasing production capacities to enhance supply, as well as increasing government consumption
- Increase non-oil public revenue from 10.1% in 2014 to 13.9% in 2019
- Continue to increase the capital of government credit institutions in line with demand for loans
- Manage budget surplus in a manner that achieves high and growing economic return.[109]

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[105] Comprehensive Growth Strategy: Russia, G20 Australia November 2014. Access date: 14 May 2015. http://g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_russia.pdf.
[106] Russian external debt estimates as of 1 April 2015, Bank of Russia April 2015. Access date: 14 May 2015. http://cbr.ru/statistics/credit_statistics/debt_est_new.xlsx.
[107] Speech of the Russian finance minister Anton Siluanov at the briefing following the government's meeting, Russian Ministry of Finance 5 March 2015. Access date: 14 May 2015. http://www.minfin.ru/ru/press-center/?id_4=33107.
[108] Speech of the Russian finance minister Anton Siluanov at the briefing following the government's meeting, Russian Ministry of Finance 5 March 2015. Access date: 14 May 2015. http://www.minfin.ru/ru/press-center/?id_4=33107.
[109] Comprehensive Growth Strategy: Kingdom of Saudi Arabia, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_saudi_arabia.pdf

Given its already low debt-to-GDP ratio, 1.6% in 2014,[110] the Saudi government put forth no changes to policies relating to its public debt over the medium-term.[111]

On 17 November 2014, Saudi Arabia's Finance Minister Ibrahim Alassaf stated that, despite the downward trend in oil prices, there would be no direct impact on Saudi Arabia's budget for the 2015 fiscal year, as "the kingdom has always been keen on building its budgets on estimates that take all possibilities into consideration."[112]

On 17 December 2014, Alassaf said that the Kingdom's countercyclical fiscal policy for the previous years, which allowed Saudi Arabia to build net foreign assets totalling USD734 billion when oil prices were high, would assist in the maintenance of the development projects and social benefits for 2015.[113] The focus of the investment programs would be targeted at infrastructure, education, health, security, social services, municipal services, water and water treatment services, roads and highways, with emphasis on science and technology projects, as stated in the 2015 National Budget.[114]

On 25 December 2014, Saudi Arabia announced it would be lifting state spending for the 2015 budget to SAR860 billion, a record high, which corresponded to an increase of 0.6% from the SAR855 billion 2014 budget, the smallest increase in over a decade. The projected revenues would drop to SAR715 billion on 2015 from SAR855 billion for the previous year. The government stated that the deficit would be covered by its fiscal reserves[115] and on 26 December 2014, Finance Minister Ibrahim Alassaf stated that some borrowing from the domestic financial market would also be considered.[116]

The Ministry of Finance's statement about the national budget for 2015 also pointed towards a decline in public debt from SAR60.1 billion at the end of 2013, to SAR44.3 billion by the end of 2014, this value represented approximately 1.6% of the GDP for the 2014 fiscal year.[117]

Furthermore, on the national budget statement, according to the Saudi Arabian Monetary Agency (SAMA), total exports were estimated to be of USD359.6 billion, a 4.4% decrease from 2013, while

[110] Gulf economies well positioned to cope with lower oil prices, Arab News (Riyadh) 23 February 2015. Date of access: 12 March 2015. http://www.arabnews.com/economy/news/708336

[111] Comprehensive Growth Strategy: Kingdom of Saudi Arabia, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_saudi_arabia.pdf

[112] No direct impact on Saudi budget from oil slide -minister, Reuters (Riyadh) 17 November 2014. Date of access: 12 March 2015. http://www.reuters.com/article/2014/11/17/saudi-budget-oil-idUSL6N0T714520141117

[113] Saudi Arabia to keep spending in 2015 budget: finance minister, Reuters (Riyadh) 17 December 2014. Date of access: 12 March 2015. http://www.reuters.com/article/2014/12/17/us-saudi-finmin-budget-idUSKBN0JV0RC20141217

[114] Press Release: Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015), Ministry of Finance (Riyadh) 25 December 2014. Date of access: 12 March 2015. https://www.mof.gov.sa/English/DownloadsCenter/Budget/Ministry's%20of%20Finance%20statment%20about%20the%20national%20budget%20for%202015.pdf

[115] Saudis to keep spending heavily in 2015 budget, shrug off oil plunge, Reuters (Riyadh) 25 December 2014. Date of access: 12 March 2015. http://www.reuters.com/article/2014/12/25/saudi-budget-idUSL6N0U90AZ20141225

[116] Saudi ministry to discuss deficit financing with central bank, Reuters (Riyadh) 26 December 2014. Date of access: 12 March 2015. http://www.reuters.com/article/2014/12/26/saudi-budget-financing-idUSL6N0UA04720141226

[117] Press Release: Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015), Ministry of Finance (Riyadh) 25 December 2014. Date of access: 12 March 2015. https://www.mof.gov.sa/English/DownloadsCenter/Budget/Ministry's%20of%20Finance%20statment%20about%20the%20national%20budget%20for%202015.pdf

total imports were estimated to be USD150.4 billion, a 2.6% decrease as compared to 2013. This accounted for a trade balance surplus of USD210.3 billion, a 5.6% decline from 2013.[118]

On 9 February 2015, Standard & Poor's lowered Saudi Arabia's economic outlook from "stable" to "negative" as a result of plummeting oil prices. The agency stated that the change is resultant from the country's dependence on the oil sector, an estimated 90% of its government revenue,[119] and its undiversifiable nature.[120]

On 10 February 2015, SAMA's Governor Fahad Al-Mubarak stated that a reform was needed to the system of subsidies that the government provided to the energy and water system. Although the governor gave no indication that the Saudi government had plans for concrete action, he stated, "One of the existing challenges is enhancing the efficiency of the local consumption of energy and water, which resulted in distortion and a large waste of those important resources in addition to increasing the financial burdens on the government."[121]

On 7 March 2015, an announcement revealed that SAMA's foreign reserve assets had increased by USD2 billion, reaching USD730 billion in January. This increase followed consecutive decreases for the previous four months. This volatility was related to a "fall in oil export revenues, while government spending was kept at an elevated level," according to Jadwa Investment economists.[122]

Given a successful countercyclical strategy on previous years, the Saudi government has accumulated large fiscal reserves that enable it to maintain its trend towards investments that enable domestic growth. However, given the country's dependency on the oil sector, coupled with the plummeting of prices, there is a need to weaken their fiscal position through deficits in public spending in order to maintain the desired levels of investments.

Saudi Arabia has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Saudi Arabia is awarded a score of 0.

Analyst: Artur Pereira

South Africa: −1

South Africa has not complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

South Africa has outlined the following fiscal strategies in their comprehensive growth strategy:

- Reducing infrastructure constraints through public investments

[118] Press Release: Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015), Ministry of Finance (Riyadh) 25 December 2014. Date of access: 12 March 2015. https://www.mof.gov.sa/English/DownloadsCenter/Budget/Ministry's%20of%20Finance%20statment%20about%20the%20national%20budget%20for%202015.pdf

[119] Saudi set for tighter 2015 budget after oil price falls, Reuters (Riyadh) 2 December 2014. Date of access: 12 March 2015. http://www.reuters.com/article/2014/12/02/saudi-budget-idUSL6N0TL1MI20141202

[120] S&P lowers outlook on Saudi Arabia due to plunge in oil prices, Reuters (Riyadh) 9 February 2015. Date of access: 12 March 2015. http://www.reuters.com/article/2015/02/09/saudi-sp-idUSL4N0VJ61C20150209

[121] SAMA chief calls for energy subsidy reform, Arab News (Jeddah) 10 February 2015. Date of access: 12 March 2015. http://www.arabnews.com/news/701941

[122] Rebound in oil prices to boost Saudi export revenues, Arab News (Jeddah) 7 March 2015. Date of access: 12 March 2015. http://www.arabnews.com/economy/news/715071

- Pursuing countercyclical policy by providing support to economic recovery while reducing the budget deficit over the medium term
- Stabilizing debt-to-GDP ratio over the medium term
- Issuing cost containment guidelines to apply to public sector institutions at the national and provincial levels.[123]

On 25 February 2015, the South African government unveiled ZAR35 billion in new taxes and spending cuts.[124] The plan aims in part to reinvigorate a failing power system, which has dragged down growth and deterred investors.

In the budget announcement, Finance Minister Nhlanhla Nene stood by a pledge to keep the deficit at 3.9% of GDP in the fiscal year and narrow it to 2.5% by 2018.[125] To do so while upholding South Africa's welfare programs, Nene announced higher taxes on fuel, which adds about 8% to the price of gas.[126] The package also includes a 1% increase in income tax for those earning more than ZAR182,000, representing the first increase since 1995.[127]

However, these measures totalling a net ZAR8.2 billion for the current fiscal year appear to fall short of the treasury's commitment to raise revenue by ZAR27 billion over the next two years.[128] As a result, the treasury expects fiscal debt-to-GDP ratio to increase from 46.2% in FY2015 to 47.6% in FY2018.[129] Unsustainable debt levels has led some rating agencies lower the country's credit rating, which is now close to junk status.[130]

Though South Africa has committed to major infrastructure investments, its current fiscal strategy to finance such programs raises concern among rating agencies. The country's debt-to-GDP ratio is poised to increase.

South Africa has made no progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, South Africa is awarded a score of −1.

Analyst: Steven Lampert

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[123] Comprehensive Growth Strategy: South Africa, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_south_africa.pdf

[124] South Africa Announces $3 Billion in New Taxes, Spending Cuts, The Wall Street Journal (Pretoria) 25 February 2015. Date of access: 27 February 2015. http://www.wsj.com/articles/south-africa-announces-3-billion-in-new-taxes-spending-cuts-1424868889.

[125] 2015 Budget Speech, National Treasury (Pretoria) 25 February 2015. Date of access: 27 February 2015. http://www.treasury.gov.za/documents/national%20budget/2015/speech/speech.pdf.

[126] South Africa Announces $3 Billion in New Taxes, Spending Cuts, The Wall Street Journal (Pretoria) 25 February 2015. Date of access: 27 February 2015. http://www.wsj.com/articles/south-africa-announces-3-billion-in-new-taxes-spending-cuts-1424868889.

[127] South Africa raises income tax rates for first time in 20 years in gloomy budget, Reuters (Cape Town) 25 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/25/safrica-budget-idUSL5N0VZ3BO20150225.

[128] South African Budget Shows Persistent Fiscal Challenges, Reuters (London) 26 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/26/idUSFit91540620150226.

[129] South African Budget Shows Persistent Fiscal Challenges, Reuters (London) 26 February 2015. Date of access: 27 February 2015. http://www.reuters.com/article/2015/02/26/idUSFit91540620150226.

[130] South Africa Announces $3 Billion in New Taxes, Spending Cuts, The Wall Street Journal (Pretoria) 25 February 2015. Date of access: 27 February 2015. http://www.wsj.com/articles/south-africa-announces-3-billion-in-new-taxes-spending-cuts-1424868889.

Turkey: 0

Turkey has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

Turkey has outlined the following fiscal strategies in its comprehensive growth strategy:

- Improving public infrastructure
- Maintain positive primary balances and declining debt to GSP ratios
- Implementing cost-benefit analysis for government service procurement
- Enhancing technology and innovation[131]

On 4 December 2014, Turkish Deputy Prime Minister Ali Babacan announced that the government will implement a new phase of transparency reforms. The construction industry is one of the main targeted sectors. The plan will help with improving competition and fairness in the construction sector amid concerns about corruption, a priority of the G20 countries.[132]

On 18 December 2014, the Government of Turkey introduced a comprehensive action plan to help boost the economy's growth. Turkey's year-on-year GDP grew by only 1.7% in the third quarter of 2014, which was significantly below the expected 3%. Key objectives of the plan include: "increasing domestic savings at the national level, preventing wastefulness, rationalizing public expenditure, raising the quality of public revenue, improving the business and investment climate, and developing statistical information on infrastructure."[133]

On 18 February 2015, new budget figures indicated that the government's tax income increased by 6.6% to TRY34.8 billion. This increase was attributed to higher revenues from indirect taxes such as added value taxes, up by 19.2%, and consumption taxes, up by 16.7%. The income from consumption tax on cigarettes also surged to TRY3.3 billion, a 37% increase compared to the same month last year.[134]

On 25 February 2015, the Prime Minister of Turkey, Ahmet Davuto□lu, announced that the government would make TRY2 billion (USD815 million) available to support farmers for fuel, fertilizer and forage crop purchases at the end of the month.[135] The government has already transferred TRY3 billion to 42 provinces for rural developments, and an additional TRY3 billion will be transferred in the next five years.

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[131] Comprehensive Growth Strategy – Turkey, G20 Australia (Brisbane) 15-16 November 2014. Date of access: 28 February 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_turkey.pdf

[132] Turkish gov't to announce new transparency reforms: Deputy PM Babacan, Hurriyet Daily News (Istanbul) 4 December 2014. Date of access: 28 February 2014. http://www.hurriyetdailynews.com/turkish-govt-to-announce-new-transparency-reforms-deputy-pm-babacan-.aspx?pageID=238&nID=75209&NewsCatID=344

[133] Turkey's new economic action plans urge savings, Hurriyet Daily News (Istanbul) 18 December 2015. Date of access: 28 February 2014. http://www.hurriyetdailynews.com/turkeys-new-economic-action-plans-urge-savings-.aspx?pageID=238&nID=75805&NewsCatID=344

[134] Income from indirect taxes fuels Turkey's budget, Hurriyet Daily News (Istanbul) 18 February 2015. Date of access: 28 February 2014.http://www.hurriyetdailynews.com/income-from-indirect-taxes-fuels-turkeys-budget.aspx?pageID=238&nID=78477&NewsCatID=344

[135] Turkey to pay 2 billion liras to support farmers by end of February: PM, Hurriyet Daily News (Istanbul) 25 February 2015. Date of access: 28 February 2014. http://www.hurriyetdailynews.com/turkey-to-pay-2-billion-liras-to-support-farmers-by-end-of-february-pm-.aspx?pageID=238&nID=78862&NewsCatID=344

On 4 February 2015, Turkey and Finland signed a Joint Economic and Trade Committee agreement to boost trade and investment. Turkey wants to attract USD300 million worth of foreign direct investment over the next decade. Both countries agree that cooperation between their small and medium-sized businesses is key to increasing investments and trade.[136]

Turkey has made progress in promoting competitiveness, innovation and healthy streams of government income. However, it is unclear whether this will reduce its debt-to-GDP ratio.

Turkey has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, Turkey is awarded a score of 0.

Analyst: Kei Zamaninoor

United Kingdom: 0

The United Kingdom has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

The UK has outlined the following fiscal strategies in its comprehensive growth strategy:

- Deficit reduction
- Financial system reform
- Continue infrastructure investment
- Investment support for small and medium enterprises
- Public debt is on a sustainable, downward path.[137]

On 15 December 2014, the Chancellor of the Exchequer George Osborne and the Chief Secretary to the Treasury Danny Alexander published an updated Charter for Budget Responsibility. The purpose of the charter is to commit the government to reducing the deficit and debt, and "to establish transparent arrangements so that it can be held to account for delivering that commitment."[138]

The fiscal mandate in the previous charter was first set in 2010, and targeted returning the cyclically adjusted current budget to balance over a rolling five-year period. Since then, the government has made significant progress on its fiscal consolidation, having decreased its debt-to-GDP ratio from its peak of 4.7% of GDP in 2009-10 to 2.6% in 2013-14.[139] The UK has therefore met its fiscal deficit reduction targets two years earlier than expected.

However, Chancellor Osborne said the UK is unlikely to meet its commitment to putting debt-to-GDP levels on a declining path by 2015-16. The ratio is expected to peak at 81.1% this fiscal year.

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[136] Turkey, Finland sign Joint Economic and Trade Committee agreement, Hurriyet Daily News (Istanbul) 4 February 2015. Date of access: 28 February 2014. http://www.hurriyetdailynews.com/turkey-finland-sign-joint-economic-and-trade-committee-agreement-.aspx?pageID=238&nID=77895&NewsCatID=344

[137] Comprehensive Growth Strategy: United Kingdom, G20 Australia 2014 (Brisbane) November 2014. Date of access: 28 February 2015. https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_united_kingdom.pdf

[138] Updated Charter for Budget Responsibility, HM Treasury (London) 15 December 2014. Date of access: 26 February 2015. https://www.gov.uk/government/news/updated-charter-for-budget-responsibility

[139] Updated Charter for Budget Responsibility, HM Treasury (London) 15 December 2014. Date of access: 26 February 2015. https://www.gov.uk/government/news/updated-charter-for-budget-responsibility

The revised Charter for Budget Responsibility set a new target for debt to be falling as a percentage of GDP in 2016-17.[140]

In order to meet the new debt-to-GDP targets, the government will be required to make additional tax increases or spending cuts of around EUR30 billion.[141] The Conservative government, though facing an upcoming national election in May, plans to make these budget adjustments through a combination of reducing welfare spending, squeezing departmental budgets, and cracking down on tax avoidance.[142]

Chancellor Osborne reinforced the UK's commitment to reducing its debt-to-GDP ratio to the Economic Club of New York on 15 December 2014,[143] and at the OECD's biennial Economic Survey of the UK press conference on 24 February 2015.[144]

Though the UK has successfully reduced its fiscal deficit to sustainable levels, the debt-to-GDP ratio still raises concern. Having yet to implement the spending cuts to reverse this trend, the UK has not fully complied with its growth strategy commitments.

The United Kingdom has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, the United Kingdom is awarded a score of 0.

Analyst: Steven Lampert

United States: 0

The United States has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of GDP on a sustainable path.

The United States outlined the following fiscal strategies in its comprehensive growth strategy:

- Deficit reduction over the medium-term to 2.1% of the economy by the ten-year budget window.
- Put debt-to-GDP ratio on a declining path.[145]

On 26 January 2015, the Congressional Budget Office (CBO) released its annual 10-year fiscal forecast. The report indicated some positive trends for US fiscal sustainability. The cost of healthcare

[140] Updated Charter for Budget Responsibility, HM Treasury (London) 15 December 2014. Date of access: 26 February 2015. https://www.gov.uk/government/news/updated-charter-for-budget-responsibility
[141] George Osborne's budget charter approved by MPs, BBC News UK Edition (London) 13 January 2015. Date of access: 27 February 2015. http://www.bbc.com/news/uk-politics-30794472
[142] David Cameron warns of 'legacy of debt', BBC News UK Edition (London) 12 January 2015. Date of access: 27 February 2015. http://www.bbc.com/news/uk-30773974
[143] George Osborne's speech to the Economic Club of New York, HM Treasury (London) 15 December 2014. Date of access: 28 February 2015. https://www.gov.uk/government/speeches/george-osbornes-speech-to-the-economic-club-of-new-york
[144] Chancellor's opening remarks at the OECD UK economic survey press conference, HM Treasury (London) 24 February 2015. Date of access: 28 February 2015. https://www.gov.uk/government/speeches/chancellors-opening-remarks-at-the-oecd-uk-economic-survey-press-conference
[145] Comprehensive Growth Strategy: United States, G20 Summit (Australia) 30 November 2014. Date of access: 25 February 2015.
http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_united_states.pdf

reform, once projected to be USD710 billion between 2015-2019, is now slated at USD571 billion, representing a 20% reduction.[146]

On 2 February 2015, President Barack Obama unveiled his USD4 trillion FY2016 budget request.[147] The proposal — which still needs to pass through the political process — is consistent with the country's growth strategy objectives. The White House intends for the budget to "end the harmful spending cuts known as sequestration" implemented in 2011.[148] This is possible given the government's estimated USD1.8 trillion in new revenues and almost USD400 billion in spending reductions.[149] The new revenue and cost cuts are reflected in the aforementioned healthcare savings as well as a proposed 4.2% increase in the capital gains tax for couples earning over USD500,000.[150]

The government intends to use the additional money to finance certain new programs, such as a USD478 billion package to repair public infrastructure and a USD75 billion initiative to provide all children under four years old from low-income families with access to "high quality" preschool.[151]

The impact of the proposed budget on the debt-to-GDP ratio is unclear. The government claims the ratio will level towards 73% by 2025, representing a modest 1% decrease from 2014.[152] The CBO disagrees with this projection and believes the ratio will rise "to nearly 79 per cent of GDP" by 2025.[153] The outcome may depend on future interest rate levels.[154]

While the United States has taken some steps to see through the flexible fiscal strategies outlined in its growth strategy, it remains unclear whether the country will uphold its commitment to decreasing its debt-to-GDP ratio.

The United States has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, the United States is awarded a score of 0.

Analyst: Steven Lampert

[146] The Budget and Economic Outlook: 2015 to 2025, Congressional Budget Office (Washington) 26 January 2015. Date of access: 26 February 2015. http://www.cbo.gov/sites/default/files/cbofiles/attachments/49892-Outlook2015.pdf

[147] Fiscal Year 2016 Budget of the U.S. Government, Office of Management and Budget (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf

[148] Fiscal Year 2016 Budget of the U.S. Government, Office of Management and Budget (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf

[149] Fiscal Year 2016 Budget of the U.S. Government, Office of Management and Budget (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf

[150] Fiscal Year 2016 Budget of the U.S. Government, Office of Management and Budget (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf

[151] Fiscal Year 2016 Budget of the U.S. Government, Office of Management and Budget (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf

[152] Press Briefing by Senior Administration Officials on the President's FY2016 Budget, Office of the Press Secretary (Washington) 2 February 2015. Date of access: 25 February 2015. http://www.whitehouse.gov/the-press-office/2015/02/02/press-briefing-senior-administration-officials-presidents-fy2016-budget

[153] The Budget and Economic Outlook: 2015 to 2025, Congressional Budget Office (Washington) 26 January 2015. Date of access: 26 February 2015. http://www.cbo.gov/sites/default/files/cbofiles/attachments/49892-Outlook2015.pdf.

[154] The Debt Non-Spiral, New York Times (NYC) 27 January 2015. Date of access: 26 February 2015. http://krugman.blogs.nytimes.com/2015/01/27/the-debt-non-spiral/

European Union: 0

The European Union has partially complied with its commitment to continue to implement fiscal strategies flexibly, taking into account near-term economic conditions, while putting debt as a share of gross domestic product (GDP) on a sustainable path.

The European Union outlined the following fiscal strategies in its comprehensive growth strategy:

- Pursue growth-friendly fiscal consolidation according to each member's fiscal situation, including a mix of expenditure cuts and revenue measures
- Increase efficiency of public expenditure and maintain an adequate level of productive public investment
- Introduce tax reforms to make the tax system fairer and more efficient
- Coordinate member states' fiscal policies to ensure medium-term objectives.[155]

On 28 November 2014 the European Commission released its Annual Growth Survey 2015 outlining the key features of its growth agenda. The survey called for an integrated approach to growth using three pillars: 1) a coordinated boost to investment; 2) a renewed commitment to structural reforms; and 3) pursuit of fiscal responsibility.[156] The outcome of the Growth Survey reflects the EU's commitment towards its comprehensive growth strategy.

In conjunction with the Annual Growth Survey 2015, the commission announced a EUR315 billion investment plan on 26 November 2014 titled the European Fund for Strategic Investments (EFSI).[157] The EFSI is meant to increase both public and private investments over the next three years, particularly towards strategic investments to propel Europe towards growth once again. On 13 January 2015, the commission took an important step towards implementing EFSI through adopting its legislative proposal, keeping the investment plan on track to be set up by June 2015. This move should contribute to an increased efficiency of public expenditure.

On 18 February 2015 the commission signalled its commitment to fighting tax avoidance and aggressive tax planning. The College of Commissioners outlined possible ways to make taxation more fair and transparent. They also agreed upon a tax transparency package to be released in March 2015.[158] These tax reforms should help to increase tax revenues for the member states.

The commission continues to assess the draft budgetary plans of EU member states in order to identify those that are at risk of non-compliance with the Stability Growth Pact. The 2015 Draft Budgetary Plan summarizes the draft budgets that governments submit to national parliaments and provides policy advice to those states. Through the draft budgetary plans the commission is trying to

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[155] Comprehensive Growth Strategy: European Union (Brisbane) October 2014. Date of access: 1 March 2015. http://www.g20australia.org/sites/default/files/g20_resources/library/g20_comprehensive_growth_strategy_european_union.pdf

[156] Annual Growth Survey 2015, European Commission (Brussels) 28 November 2014. Date of access: 1 March 2015. http://ec.europa.eu/europe2020/pdf/2015/ags2015_en.pdf

[157] EU Launches Investment Offensive to Boost Jobs and Growth, European Commission (Strasbourg) 26 November 2014. Date of access: 1 March 2015.
http://europa.eu/rapid/press-release_IP-14-2128_en.htm

[158] European Commission Lays The Foundation for a Fairer and More Transparent Approach to Taxation in the EU, European Commission (Brussels) 18 February 2015. Date of access: 1 March 2015. http://europa.eu/rapid/press-release_IP-15-4436_en.htm

improve economic policy coordination within the EU.[159] Non-compliance requires a country's deficit to be above 3% of GDP or for it to have a general government debt more than 60% of GDP, while not declining at a satisfactory pace.[160] The most recent assessment, on 28 November 2014, identified seven countries (Belgium, Spain, France, Italy, Malta, Austria and Portugal) as at risk of non-compliance, four countries as broadly compliant and five countries as fully compliant.[161]

On 13 January 2015 the commission provided further guidance on the use of the Stability and Growth Pact's flexibility. It recognized the need for rules that are flexible to be applied over time and across countries. The commission is left with some discretion to assess public finances and recommend actions so that countries can have fiscal policies that are more growth-friendly.[162]

On 26 February 2015, The commission presented the economic surveillance package outlining its analysis of member countries' fiscal situations and updating its guidance towards fiscal policy for member countries. The package specifically assesses the fiscal situations of member states and establishes a new set of country specific recommendations in May 2015.[163]

On 9 December 2014 the 2015 EU budget was approved by the council, stating an increase in total payments for tackling the large scale of unpaid bills being offset by additional revenue from areas like fine collection and financial surplus from previous years.[164] Further, the Winter Economic Forecast indicated that the economies of all EU members are expected to grow this year for the first time since 2007, along with a reduction in general government deficits continuing and deficit-to-GDP ratios forecasted to continue falling over the next two years.[165]

The EU has made progress towards implementing fiscal policies consistent with its stated economic growth objectives in government spending and tax reform. Additionally, the debt-to-GDP ratios of member countries are forecasted to continue to fall. However, these forecasts are based on member states implementing EU fiscal recommendations, which has been inconsistent across those states.

The European Union has made some progress towards implementing the fiscal policy measures stated in its comprehensive growth strategy. Thus, the European Union is awarded a score of 0.

Analyst: Rebecca Patrick

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[159] 2015 Draft Budgetary Plans: Overall Assessment, European Commission (Brussels) 28 November 2014. Date of access: 1 March 2015. http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/dbp/2014/communication_to_euro_area_member_states_2014_dbp_en.pdf

[160] European Semester 2015: Country-Specific Updates, European Commission (Brussels) 26 February 2015. Date of access: 1 March 2015. http://europa.eu/rapid/press-release_MEMO-15-4511_en.htm

[161] 2015 Draft Budgetary Plans: Overall Assessment, European Commission (Brussels) 28 November 2014. Date of access: 1 March 2015. http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/dbp/2014/communication_to_euro_area_member_states_2014_dbp_en.pdf

[162] Stability and Growth Pact: Commission Issues Guidance to Encourage Structural Reforms and Investment, European Commission (Strasbourg) 13 January 2015. Date of access: 1 March 2015. http://europa.eu/rapid/press-release_IP-15-3220_en.htm

[163] European Semester 2015: Country-Specific Updates, European Commission (Brussels) 26 February 2015. Date of access: 1 March 2015. http://europa.eu/rapid/press-release_MEMO-15-4511_en.htm

[164] EU Budget 2015 Gets Council Approval, Council of the European Union (Brussels) 9 December 2014. Date of access: 1 March 2015. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/146122.pdf

[165] Winter Economic Forecast: Outlook Improved but Risks Remain, European Commission (Brussels) 5 February 2015. Date of access: 1 March 2015. http://europa.eu/rapid/press-release_IP-15-4085_en.htm