

# G20 LONDON SUMMIT COMMITMENTS COMPLIANCE REPORT 2009

The International Organizations Research Institute of the State University –  
Higher School of Economics in cooperation with the National Training  
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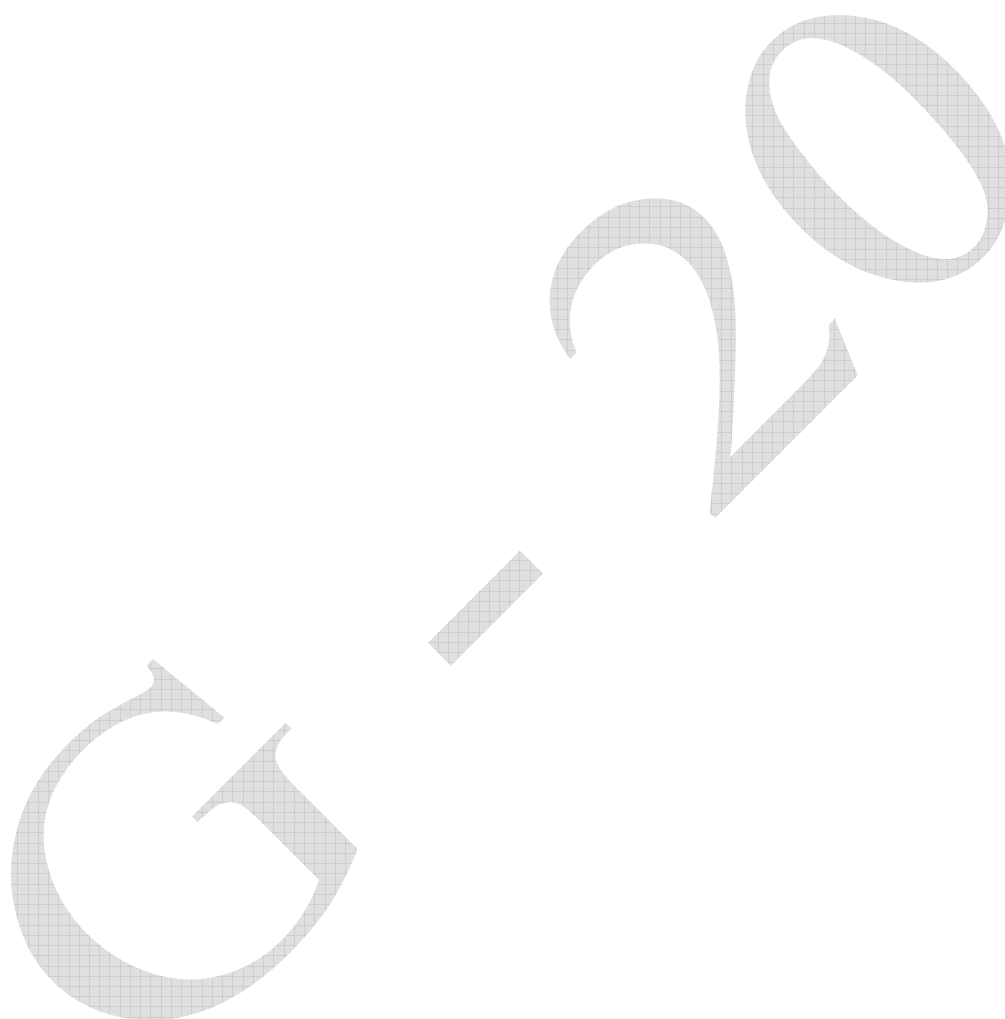
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## **G20 London summit commitments compliance**

London G20 Summit Compliance Report is prepared by the International Organizations Research Institute of the State University – Higher School of Economics in cooperation with the National Training Foundation. The report presents the G20 member-states' and the European Union (EU)<sup>1</sup> compliance performance with the commitments made within the framework of the G20 summit in London on 2 April 2009.

G20 summits have rapidly established a new framework of international cooperation of the most developed economies and newly industrialized countries as a response to the challenges of the world financial and economic crisis. Therefore G20 members' efforts on reforming of the global governance architecture and strengthening international financial system, reducing financial risks, and development assistance during economic crisis attract special attention of politicians, researchers, analysts, mass media and citizens of the G20 countries.

G20 compliance study is a comprehensive methodology of monitoring and assessing the G20 members' compliance performance with the summits' commitments. It is based on the G8 compliance performance assessment methodology. The compliance report covers the period from 2 April 2009 to 7 September 2009, and is based on open sources of information.

The findings can be useful for comparing G8 and G20 effectiveness, assessing the G20 contribution to implementation of global governance functions, as well as communicating the G20 performance results to the wider public. The data received is relevant given the acute debate on legitimacy, representation and effectiveness of existing and emerging institutions of global governance.

Individual scores of G20 members are assigned on a scale from -1 to +1, where +1 indicates full compliance with the stated commitment, -1 is reserved for those countries that fail to comply or take action that is directly opposite to the stated goal of the commitment, and 0 is awarded for partial compliance or a work in progress, initiatives that have been launched by a government but are not yet near completion and whose results can therefore not be assessed.

Hence, every G20 member receives a -1, 0 or +1 score for each commitment. These individual commitment scores for each country are summarized and divided by the number of commitments, to get a country average compliance score (in points or percents).

Detailed description of the methodology can be found on the G8 Research Group of the University of Toronto website (<http://www.g8.utoronto.ca/evaluations/index.html#method>) and at the International Organizations Research Institute website ([http://www.iori.hse.ru/g8/materials/actual\\_subject.pdf](http://www.iori.hse.ru/g8/materials/actual_subject.pdf)).

5 commitments from G20 London summit documents<sup>2</sup> were selected for monitoring. Priority spheres include: ensuring fiscal sustainability and price stability, development of exit strategies from anti crisis measures; resisting protectionism and promoting global trade and investment; ensuring a fair and sustainable recovery for all; enhancing regulatory systems. The commitments were selected on the basis of balanced representation of the summit priorities, relevance of the decisions made, and measurability of compliance performance.<sup>3</sup>

The World Trade Organisation (WTO) has a mandate for carrying out the monitoring of the G20 commitments on resisting protectionism.<sup>4</sup> Therefore the study did not aim to duplicate WTO work, attention was focused on cross-country comparison of measures taken.

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<sup>1</sup> The EU, who is represented by the rotating Council presidency, is a member of the G20, thus the term 'members' includes the EU.

<sup>2</sup> Global Plan for Recovery and Reform. <http://www.g20.utoronto.ca/2009/2009communique0402.html>; Declaration on Strengthening the Financial System. <http://www.g20.utoronto.ca/2009/2009ifi.html>.

<sup>3</sup> List of commitments can be found in Annex 1.

<sup>4</sup> Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade – Related Developments. 15 July 2009. World Trade Organization. [http://www.wto.org/english/news\\_e/news09\\_e/tpr\\_13jul09\\_dg\\_report\\_e.doc](http://www.wto.org/english/news_e/news09_e/tpr_13jul09_dg_report_e.doc).

Cross-country comparability and assessments consistency and reliability were ensured through a shared understanding of the methods, the essence of the issue and the commitments made by the team of analysts. Special interpretive guidelines for monitoring and scoring were developed as a foundation for the study.<sup>5</sup>

### Main findings

The average compliance score of the G20 member states and the EU with the London summit commitments is estimated at 23%.

**Table 1. G20 members' compliance with 2009 London summit commitments**

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Argentina	0	0	-1	-1	-1	<b>-0.6</b>
Australia	+1	+1	+1	0	0	<b>0.6</b>
Brazil	0	+1	+1	0	-1	<b>0.2</b>
Canada	+1	+1	+1	0	0	<b>0.6</b>
China	0	0	-1	0	-1	<b>-0.4</b>
France	0	+1	+1	+1	+1	<b>0.8</b>
Germany	+1	+1	+1	+1	0	<b>0.8</b>
India	-1	0	0	-1	0	<b>-0.4</b>
Indonesia	0	-1	0	-1	0	<b>-0.4</b>
Italy	0	+1	0	0	-1	<b>0</b>
Japan	0	0	+1	0	0	<b>0.2</b>
Mexico	0	0	0	0	0	<b>0</b>
Russia	+1	0	+1	0	0	<b>0.4</b>
Saudi Arabia	+1	0	0	0	0	<b>0.2</b>
South Africa	+1	+1	-1	0	+1	<b>0.4</b>
South Korea	0	+1	0	-1	0	<b>0</b>
Turkey	+1	+1	-1	0	0	<b>0.2</b>
United Kingdom	+1	+1	+1	+1	+1	<b>1</b>
USA	0	0	+1	0	+1	<b>0.4</b>
European Union	0	+1	+1	+1	0	<b>0.6</b>
Average score	<b>0.35</b>	<b>0.50</b>	<b>0.30</b>	<b>0</b>	<b>0</b>	<b>0.23</b>

The UK has fully complied with all commitments (compliance score – 100%), which is consistent with the country's track record of high compliance performance. This year it chaired the G20, and the «Chair effect», or tendency for higher compliance performance of the Chair country, is prominently evident, especially given the effective implementation of the domestic governance function within the summit. Italy though chairing the G8 in 2009 demonstrated low levels of compliance with both the G20 London commitments (0%) and G8 Hokkaido commitments (10%).

High levels of compliance have been demonstrated by Canada, Australia, the EU (60%), Germany and France (80%). Other G20 members: Russia and the US have compliance scores of 40%. A rather low level of compliance performance by Japan (20%) can be explained by

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Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade – Related Developments. 26 March 2009. World Trade Organization.

[http://www.wto.org/english/news\\_e/news09\\_e/trdev\\_dg\\_report\\_14apr09\\_e.doc](http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc).

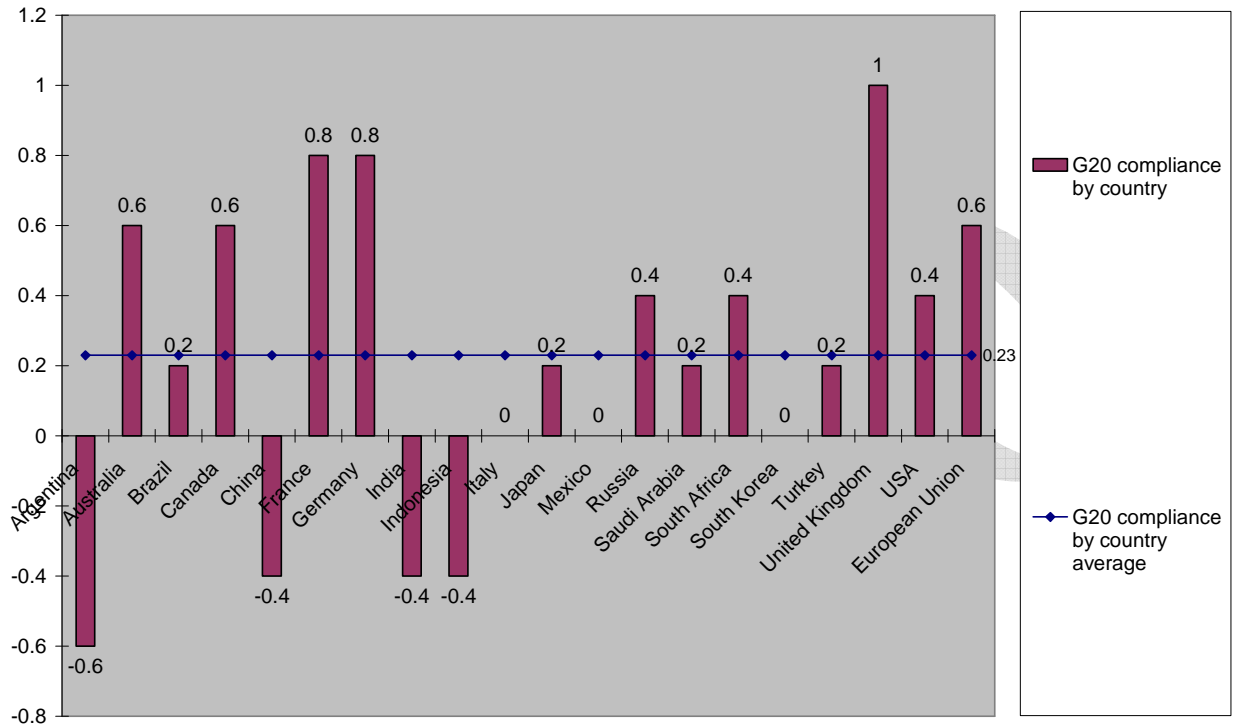
<sup>5</sup> Interpretive guidelines can be accessed at the State University – Higher School of Economics International Organizations Research Institute website.

[http://www.iori.hse.ru/g20/a\\_material/G20%20Monitoring%20Interpretive%20Guidelines.doc](http://www.iori.hse.ru/g20/a_material/G20%20Monitoring%20Interpretive%20Guidelines.doc)



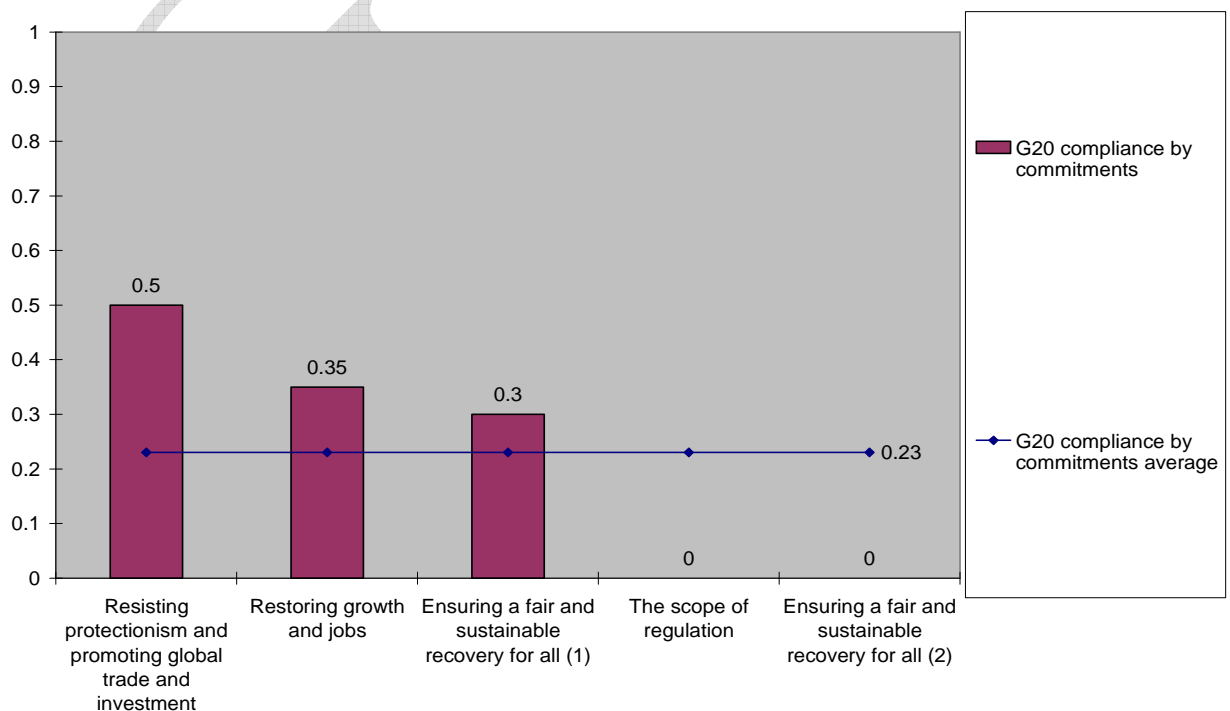
unstable political and economic situation before the parliamentary elections. South Africa has demonstrated a high level of compliance for newly industrialized countries at 40%.

Other newly industrialized G20 member countries: Brazil, Saudi Arabia and Turkey have managed 20% of compliance performance. Mexico, India, Indonesia, China have failed to comply with the London G20 summit commitments (0% and -40% respectively). The lowest level was registered for Argentina (-60%).



Picture 1. G20 members' compliance with 2009 London summit commitments

The highest level of compliance is registered on resisting protectionism and promoting global trade and investment commitment.



**Picture 2. G20 compliance with 2009 London summit commitments**

This commitment was first made at the Washington G20 summit and was reiterated in London. Monitoring carried out after Washington (from November 2008 to April 2009) showed the average G20 compliance performance of 58%.<sup>6</sup> The new monitoring report revealed protectionist measures under taken by 9 of G20 members. The average compliance performance on this commitment is 50%. Thus though the collective decision on the priority of free trade to recover from economic crisis acts as a restraining factor, the G20 members continue to take measures aimed at protection of national producers and priority sectors of economy.

**Table 2. G20 compliance with commitment on resisting protectionism and promoting global trade and investments**

Country	Results of monitoring available on 2 April 2009	Results of monitoring available on 7 September 2009
Argentina	0	0
Australia	+1	+1
Brazil	+1	+1
Canada	+1	+1
China	0	0
France	0	+1
Germany	+1	+1
India	0	0
Indonesia	0	-1
Italy	+1	+1
Japan	+1	0
Mexico	+1	0
Russia	0	0
Saudi Arabia	data not available	0
South Africa	+1	+1
South Korea	data not available	+1
Turkey	data not available	+1
United Kingdom	+1	+1
USA	0	0
European Union	+1	+1
<b>Average score</b>	<b>0.58</b>	<b>0.50</b>

G20 members have mainly complied with the commitment on ensuring fiscal sustainability and price stability and putting in place exit strategies from fiscal stimuli (average compliance is 35%). 9 of the G20 members have fully complied with this commitment, including its second part on exit strategies.

A rather low level of compliance performance has been registered on development assistance. The average compliance with the commitment on meeting the Millennium Development Goals (MDG) and achieving ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments has been assessed at 30%. This level of compliance can be explained by the fact that some G20 member states have a high level of poverty and their development assistance to the least developed and developing countries is low (as a share of Gross National Income). Measures to meet MDG taken by these countries were targeted at solving their own problems, including poverty and unemployment reduction, improvement of health systems, fighting climate change.

G20 average compliance with the commitment on social protection for the poorest countries, through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework has been assessed at 0%. A rather low level of compliance has been showed even by developed nations. Full compliance was demonstrated only by the UK, Germany, France and the EU, which have made contributions to the World Bank's Vulnerability Framework.

<sup>6</sup> This score was estimated as an average of the scores of countries with available data. The information on Saudi Arabia, Turkey and South Korea was unavailable therefore they weren't awarded any score, and included into the G20 average score calculation.

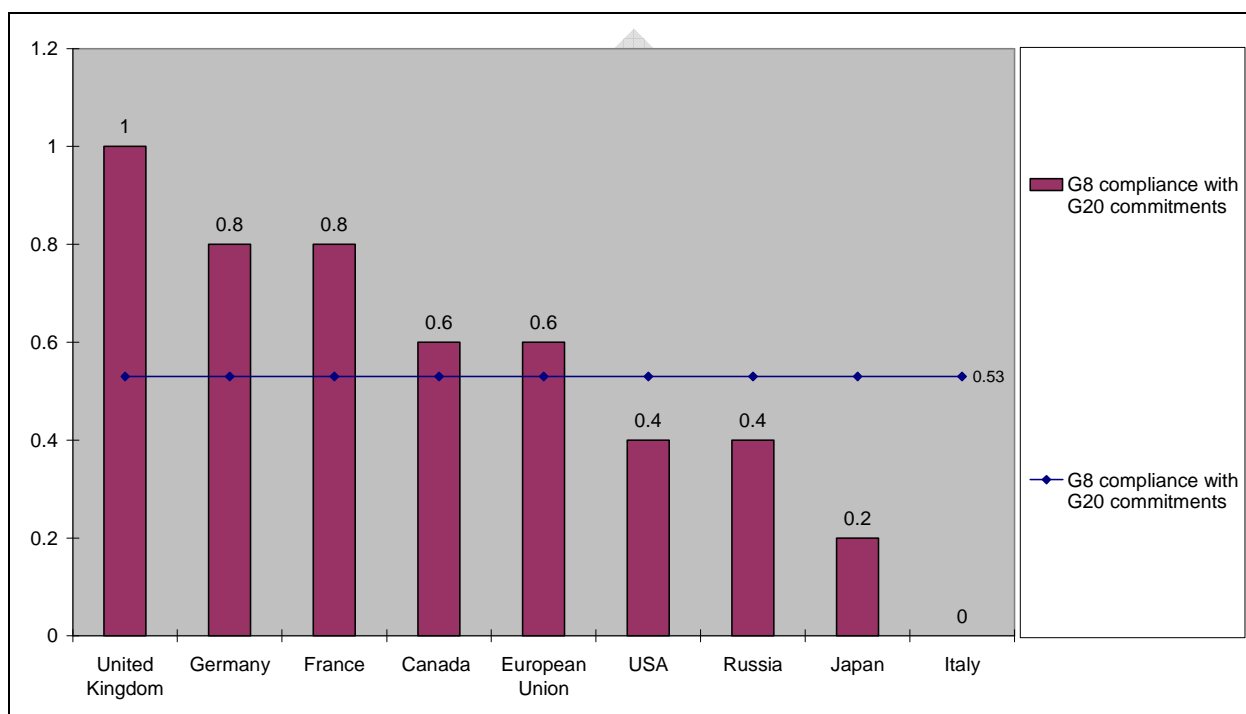
Average compliance with the commitment on amending regulatory systems and international cooperation in gathering and exchanging relevant information on financial institutions and markets amounted to 0%. Monitoring showed that many countries have taken measures to amend their national regulatory systems but failed to cooperate at the international level to share important information on financial institutions, markets, and instruments in order to assess the potential for their failure or severe stress to contribute to systemic risk.

Russia has demonstrated a stable level of compliance performance (40%), which was much higher than Russia 2008 Hokkaido-Toyako summit compliance performance (25%).

Average compliance performance for G8 members is 53%.

**Table 3. The G8 members' compliance with 2009 London G20 summit commitments**

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Canada	+1	+1	+1	0	0	0.6
France	0	+1	+1	+1	+1	0.8
Germany	+1	+1	+1	+1	0	0.8
Italy	0	+1	0	0	-1	0
Japan	0	0	+1	0	0	0.2
Russia	+1	0	+1	0	0	0.4
United Kingdom	+1	+1	+1	+1	+1	1.0
USA	0	0	+1	0	+1	0.4
European Union	0	+1	+1	+1	0	0.6
<b>Average score</b>	<b>0.44</b>	<b>0.67</b>	<b>0.89</b>	<b>0.44</b>	<b>0.22</b>	<b>0.53</b>



**Picture 3. The G8 compliance with 2009 London summit G20 commitments**

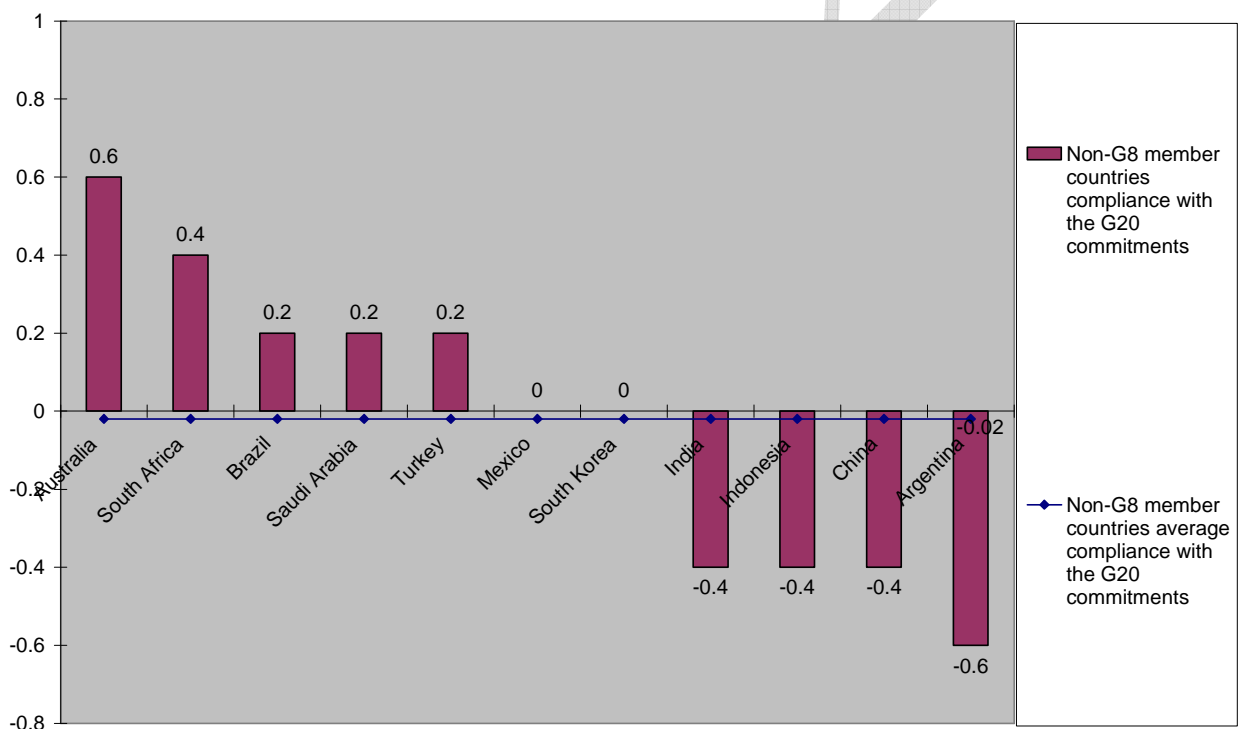
Average compliance performance for non-G8 members of the G20 is -2%. The difference in the levels of compliance with the G20 commitments can be attributed to the commitments' complexity as well as different nature of these institutions. G8 is an established forum of the most developed economies with a history of more than thirty years of collaboration aimed at resolution of acute problems and implementation of long-term programmes. Whereas the G20 is

emerging as a new governance forum to respond to the international financial and economic crisis.

The difference also results from the fact that G8 members have more resources and greater capabilities to meet the pledges made, a developed culture and a track record of compliance with collective commitments. Another reinforcing factor is that G8 members act in two settings of the G8 and the G20. Thus, Hokkaido-Toyako G8 summit compliance average score was 48%.

**Table 4. Non-G8 member states compliance with 2009 London G20 summit commitments**

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Argentina	0	0	-1	-1	-1	-0.6
Australia	+1	+1	+1	0	0	0.6
Brazil	0	+1	+1	0	-1	0.2
China	0	0	-1	0	-1	-0.4
India	-1	0	0	-1	0	-0.4
Indonesia	0	-1	0	-1	0	-0.4
Mexico	0	0	0	0	0	0
Saudi Arabia	+1	0	0	0	0	0.2
South Africa	+1	+1	-1	0	+1	0.4
South Korea	0	+1	0	-1	0	0
Turkey	+1	+1	-1	0	0	0.2
<b>Average</b>	<b>0.27</b>	<b>0.36</b>	<b>-0.18</b>	<b>-0.36</b>	<b>-0.18</b>	<b>-0.02</b>

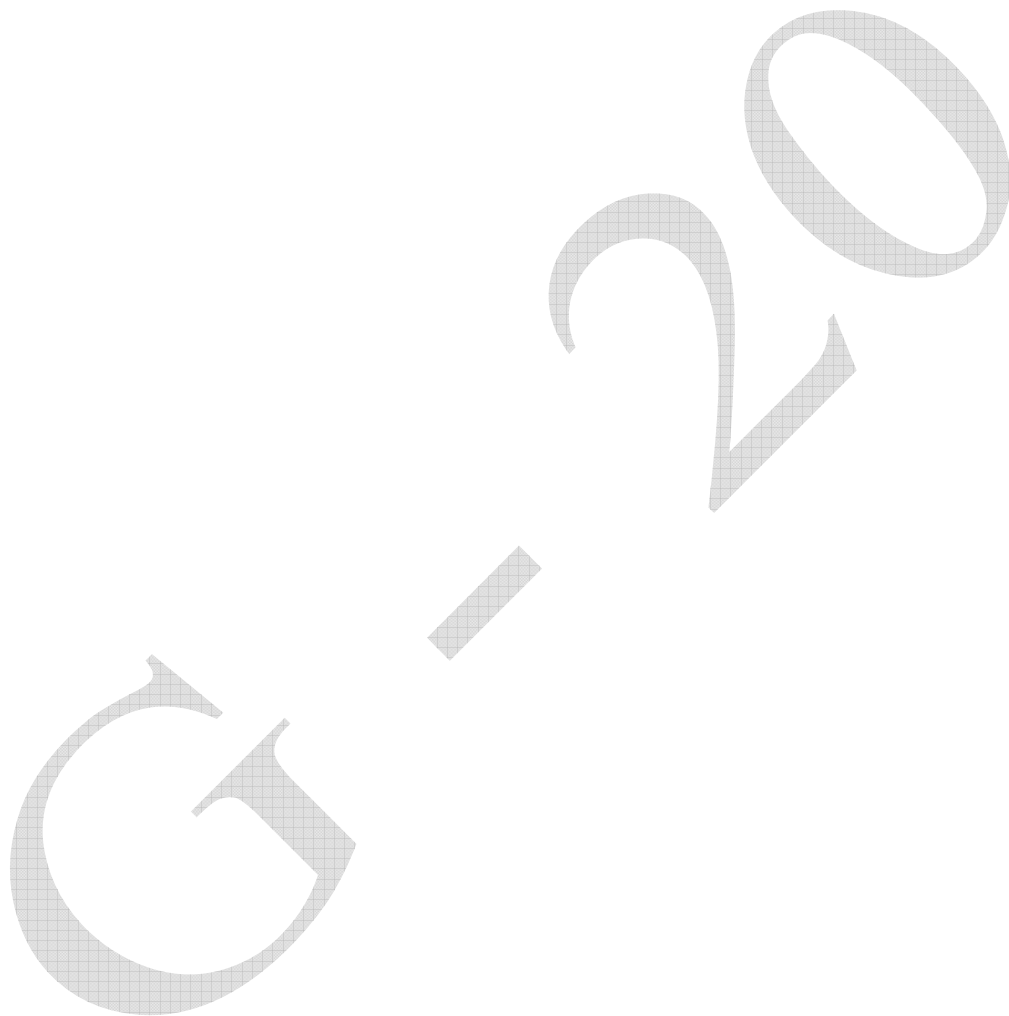


**Picture 4. Non-G8 member states compliance with 2009 London G20 summit commitments**

A rather low level of non-G8 members' compliance can indicate the need for raising the level of consensus in the G20. Paragraph 16 of the BRIC Finance Ministers and Central Bank Governors communiqué contains a tacit confirmation of this consideration: "We believe [the G20] role should be enhanced and consolidated by improving the internal governance of the G20

and establishing clearer rules and working procedures, moving forward only on those issues on which there is clear consensus”.<sup>7</sup>

Thus, compliance performance indicates a higher efficiency of the G8 in comparison to the G20 on the global governance function of delivery. However, the new framework of international cooperation allows the G8 members not only to coordinate measures to overcome financial and economic crisis with their G20 partners but integrate the new industrialized countries into the global governance processes. It can be asserted that enhanced contribution of non-G8 members of the G20 towards delivery can be attained only through their ever tighter involvement into the global governance functions of deliberation, direction-setting, decision-making and development of global governance.



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<sup>7</sup> Final communiqué of the Meeting of the finance ministers and Central Bank governors of the BRIC countries, held in London on 4 September, 2009. [http://www.brazil.org.uk/press/articles\\_files/20090904.html](http://www.brazil.org.uk/press/articles_files/20090904.html).

## **Restoring growth and jobs [16]**

### **Commitment:**

We are resolved to ensure long-term fiscal sustainability and price stability and will put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand.

*G20 Leaders' Statement: The Global Plan for Recovery and Reform*

### **Assessment:**

#### **Compliance Scores**

Country	Lack of compliance -1	Work in progress 0	Full compliance +1
Argentina		0	
Australia			+1
Brazil		0	
Canada			+1
China		0	
France		0	
Germany			+1
India	-1		
Indonesia		0	
Italy		0	
Japan		0	
Mexico		0	
Russia			+1
Saudi Arabia			+1
South Africa			+1
South Korea		0	
Turkey			+1
United Kingdom			+1
USA		0	
European Union		0	
Average score			<b>0,35</b>

### **Background:**

#### ***Fiscal sustainability***

Global fiscal stimulus is essential now to support aggregate demand and restore economic growth. The International Monetary Fund has called for fiscal stimulus in as many countries as possible, including emerging market and advanced economies.<sup>8</sup> The challenge is to provide the right balance between sometimes competing goals – particularly, large and lasting actions versus fiscal sustainability. It is essential that fiscal stimulus not be seen by markets as seriously calling into question medium-term fiscal sustainability. This is key, not only for the medium run, but also for the short run, as questions about debt sustainability would undercut the near-term effectiveness of policy through adverse effects on financial markets, interest rates, and consumer spending.<sup>9</sup> The IMF experts give the following recommendations on this issue:

- fiscal measures should be reversible, and governments may want to precommit to unwinding some of the policies;
- any stimulus should be formulated within a robust medium-term fiscal framework, which could be made more credible by strengthening independent oversight of fiscal policy;
- the main threat to the long-term viability of public finances in advanced countries comes from publicly funded pension and health entitlements. In net present value terms, the magnitude of these future fiscal costs far exceeds any fiscal stimulus package. A credible commitment to address these long-term fiscal pressures can help reassure markets about fiscal sustainability;

<sup>8</sup> The Case for Global Fiscal Stimulus. IMF staff position note. 6 March, 2009. Date of access: 1 September, 2009. <http://www.imf.org/external/pubs/ft/spn/2009/spn0903.pdf>.

<sup>9</sup> Fiscal Policy for the Crisis. IMF staff position note. 29 December, 2008. Date of access: 1 September, 2009. <http://www.imf.org/external/pubs/ft/spn/2008/spn0801.pdf>.

- structural reforms to boost potential growth can also help strengthen medium-term fiscal sustainability: indeed, many countries have succeeded in reducing their public debt ratios through growth.<sup>10</sup>

#### Exit strategies

G20 members' immediate priority is to mitigate the current financial crisis and to restore confidence in financial markets. At the same time some forward thinking is required on the issue of exiting from emergency measures. Authorities should ensure that temporary measures to restore stability and confidence have minimal distortions and are unwound in a timely, well-sequenced and coordinated manner. The exit from temporary support measures in the period ahead will be easier if the actions taken today minimise distortions.

The Bank for International Settlements (BIS), in cooperation with the Committee on the Global Financial System (CGFS), is developing a database on emergency measures to identify areas where differences may be creating distortions. The Financial Stability Forum (FSF) will analyse how the measures interact, and how eventually exit strategies need to be coordinated to minimise market uncertainty, competitive inequality and arbitrage opportunities. The OECD will also consider how to safeguard competition principles in the emergency measures for financial sector rescues and restructurings. Further work on the subject of exit strategies is also expected from the IMF.<sup>11</sup>

G20 Working Group on Reinforcing International Cooperation and Promoting Integrity in Financial Markets developed a set of recommendations on exit strategies:

- Exit strategies may require a coordinated response to overcome 'first mover' problems. However, they also need to take into account individual circumstances.
- Consideration should also be given to the potential impact the exit from temporary emergency measures in mature markets could have on resource flows to emerging countries.
- As many financial institutions rely heavily on equity sourced from securities markets, any exit strategy is likely to depend on well functioning and liquid markets which have the confidence of investors. Securities regulators and market participants therefore could usefully participate in the development and implementation of these strategies.<sup>12</sup>

#### Commitment Features:

There are two components to this commitment: ensuring long-term fiscal sustainability and price stability and developing credible exit strategies. For full compliance, members must pursue both objectives. Exit strategies can be included in national recovery plans or developed separately.

#### Scoring:

-1	Member doesn't undertake actions to ensure long-term fiscal sustainability and price stability <b>AND</b> doesn't develop exit strategies.
0	Member undertakes actions to ensure long-term fiscal sustainability and price stability <b>BUT</b> doesn't develop exit strategies.
+1	Member undertakes actions to ensure long-term fiscal sustainability and price stability <b>AND</b> develops exit strategies.

#### Argentina: 0

Argentina has partially complied with the commitment to ensure fiscal sustainability and price stability as well as to put in place credible exit strategies from the measures that need to be taken now to stabilize the economic situation. In order to restore the demand a fiscal stimulus programme was undertaken. The programme is aimed primarily to stabilize such key industries

<sup>10</sup> IMF Spells Out Need for Global Fiscal Stimulus. IMF Survey Magazine. 29 December, 2008. Date of access: 1 September, 2009. <http://www.imf.org/external/pubs/ft/survey/so/2008/INT122908A.htm>.

<sup>11</sup> Progress Report on the Actions of the Washington Action Plan. 2 April 2009. Date of access: 1 September, 2009. [http://www.g20.org/Documents/FINAL\\_Annex\\_on\\_Action\\_Plan.pdf](http://www.g20.org/Documents/FINAL_Annex_on_Action_Plan.pdf).

<sup>12</sup> G20 Working Group on Reinforcing International Cooperation and Promoting Integrity in Financial Markets. Final Report. 27 March 2009. Date of access: 1 September, 2009. [http://www.g20.org/Documents/g20\\_wg2\\_010409.pdf](http://www.g20.org/Documents/g20_wg2_010409.pdf).

as construction, real estate and long-lasting consumer goods production. It included a set of measures targeted at the financial sector stabilization.

Given the current financial crisis in order to facilitate access to real estate market, as well as to contribute to the employment growth in the real estate and housing sectors a new governmental credit programme “Loan for your home” (Crédito para tu Casa) was adopted. The loan scheme offers borrowing at favorable terms. For instance, the basic option provides for credit allocation of up to ARS300 thousand (USD77.7 thousand) at 10% annual interest rate of up to 20 years.<sup>13</sup> The scheme is financed by the National Social Security (ANSES - Administración Nacional de la Seguridad Social) via the Ipotecario Bank (Banco Hipotecario), represented in all provinces of the country. The estimated sum of funds needed was USD1.5 billion: USD300 million in 2009, USD 600 million in 2010 and USD600 million in 2011<sup>14</sup> (ANSES budget is planned up to 2011).<sup>15</sup> However, given the increased demand for easy credit resources, the funds allocated for 2009 were amplified, whereas the total sum of credits granted reached 750 million peso (USD 195 million) as of 6 August, 2009.<sup>16</sup>

Automobile industry, being the fundamental sector of the economy, has become one of the targets of the fiscal stimulus package. According to the programme adopted in May, 2009, buyers of new cars are given considerable benefits. President of the Small&Medium Enterprises’ Union Osvaldo Cornide stated that the government should have stimulated the supply by reducing taxes on producers (a similar measure has been taken in Brazil) and stressed the necessity for the Central Bank to adjust its policy in terms of interest rates, as their level did not make for the restoration neither of the demand, nor the supply.<sup>17</sup>

Regarding the financial sector stabilization, the Central Bank of Argentina developed a Bonus plan for banks that offer the lowest credit interest rates in May, 2009. The scheme is aimed at encouraging the credit market for the private sector and reducing interest rates. The bonuses for the listed banks include lessening of capital adequacy ratio requirements. Nevertheless, this measure will not have an immediate effect, because banks themselves prefer to keep excessive reserves due to general uncertainty and high risks.<sup>18</sup> According to the former Minister for Economics Roque Fernandez, there is no elaborated plan to combat the crisis in Argentina. Among other pitfalls he emphasized the absence of the deadline for cleaning up the banks’ bad balance sheets in spite of the fact that banking sector problems are among the gravest and most urgent.<sup>19</sup>

Furthermore, the Central Bank of Argentina has contributed to the establishment of the interest rate swaps market (fixed interest rate against floating interest rate), which is aimed at promoting long-term and medium-term loan allocation for infrastructure development and production purposes. According to the Central Bank of Argentina, the scheme deals with introducing a new instrument to restore and develop the credit market. The final goal is to promote the capital

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<sup>13</sup> Préstamos en pesos. Banco Hipotecario. 31 of May 2009. Date of Access: 5 July 2009.

<http://www.hipotecario.com.ar/default.asp?id=78&mnu=78>

<sup>14</sup>La ANSES y el Hipotecario ya piensan en el segundo tramo del plan de viviendas, periódico Telam – agencia de noticias de la república Argentina, 31 of May 2009. Date of Access: 5 July 2009.

<http://www.telam.com.ar/vernota.php?tipo=N&idPub=147791&id=294535&dis=1&sec=1>

<sup>15</sup> Nuevos créditos hipotecarios, Economía y Negocios, 28 de Mayo de 2009. Date of Access: 5 July 2009.

[http://www.argentina.ar/es/economia-y-negocios/C1968-nuevos-creditos-hipotecarios.php?idioma\\_sel=es](http://www.argentina.ar/es/economia-y-negocios/C1968-nuevos-creditos-hipotecarios.php?idioma_sel=es)

<sup>16</sup> Créditos hipotecarios, periódico Telam – agencia de noticias de la república Argentina, 31 of August 2009. Date of Access: 5 July 2009. <http://www.telam.com.ar/vernota.php?tipo=N&idPub=159456&id=310578&dis=1&sec=3>

<sup>17</sup>Para las medianas empresas, fallaron planes de estímulo al consumo, el titular de la Confederación de la Mediana Empresa (CAME) Osvaldo Cornide, periódico iProfesional.com, Buenos Aires, Argentina, 17 de Abril de 2009.

Date of Access: 5 July 2009. <http://www.infobaeprofesional.com/notas/80986-Para-las-medianas-empresas-fallaron-planes-de-estimulo-al-consumo.html>

<sup>18</sup>El Banco Central define un plan para estimular el crédito, El Banco Central de la República Argentina (BCRA), periódico iProfesional.com, Buenos Aires, Argentina, 23 de Mayo de 2009. Date of Access: 5 July 2009.

<http://finanzas.infobaeprofesional.com/notas/82496-El-Banco-Central-define-un-plan-para-estimular-el-credito.html>

<sup>19</sup>Roque Fernández: "En estas circunstancias no hay plan económico que nos salve", periódico iProfesional.com, Buenos Aires, Argentina, 20 de Mayo de 2009. Date of Access: 5 July 2009.

<http://economia.infobaeprofesional.com/notas/82271-Roque-Fernandez-En-estas-circunstancias-no-hay-plan-economico-que-nos-salve.html>



market and the derivatives market expansion. The new instrument was approved and introduced on 12 April 2009.<sup>20</sup>

On 2 April 2009 a currency swap agreement was established between China and Argentina, which enables the latter to reduce its demand for dollars.<sup>21</sup> Under the bilateral currency swap arrangement the People's Bank of China and the Central Bank of Argentina will exchange CNY70 billion by ARS38 billion. The effective period of the arrangement will be 3 years, and could be extended by agreement between the two sides.<sup>22</sup>

All things considered, Argentina is taking an active part in working out long-term fiscal sustainability and price stability programmes but does not pay adequate attention to exit strategies from the measures that need to be taken now to support the financial sector and restore global demand. Thus, Argentina can be awarded a score of "0".

*Analyst: Polina Arkhipova*

### **Australia: +1**

Australia has fully complied with this commitment. Fiscal measures and infrastructural projects were two main directions to implement commitment's message. Moreover, it is necessary to stress that the Australian Government also considered measures, targeted at the elimination of the budget deficit, which resulted from the increase in the infrastructural and fiscal programs funding.

Along with fiscal price stability measures the government focuses on the tax system reform. Such steps include not only short-term measures, but several bills were considered aiming at the long-term changes in the tax system.

So as for short-term measures Australian Government announced an expansion of the Small Business and General Business Tax Break as part of the 2009-10 Budget. Small business will have access to an additional 50 per cent tax deduction for eligible assets costing AUD1.000 (USD863) or more purchased between 13 December 2008 and 31 December 2009 and installed before 31 December 2010. All other businesses will still be able to access the Tax Break at the 30 per cent and 10 per cent rates previously announced as part of the Nation Building and Jobs Plan.<sup>23</sup> The Tax Laws Amendment (Small Business and General Business Tax Break) Act 2009 received Royal Assent on 22 May 2009.<sup>24</sup>

Another direction in the fiscal regulation is the stimulation of consumer demand. On 25 June 2009 the Government has introduced the National Consumer Credit Reform Package to the Parliament<sup>25</sup> and also adopted the new Australian consumer Law.<sup>26</sup>

<sup>20</sup>El BCRA busca incentivar el financiamiento con un nuevo instrumento, periódico iProfesional.com, Buenos Aires, Argentina, 13 de Abril de 2009. <http://www.infobaeprofesional.com/notas/80751-El-BCRA-busca-incentivar-el-financiamiento-con-un-nuevo-instrumento.html> [http://www.lanacion.com.ar/nota.asp?nota\\_id=1117818](http://www.lanacion.com.ar/nota.asp?nota_id=1117818)

<sup>21</sup> Tras sufrir diversas crisis, ahora América latina se asusta pero no desespera, periódico iProfesional.com, Buenos Aires, Argentina, 08 de Mayo de 2009. Available at: <http://www.infobaeprofesional.com/notas/81769-Tras-sufrir-diversas-crisis-ahora-America-latina-se-asusta-pero-no-desespera.html>

<sup>22</sup>PRESS RELEASE BCRA-PBC, the Central Bank of Argentina. <http://www.bcra.gov.ar/pdfs/prensa/COMUNICADO%20DE%20PRENSA%20BCRA-PBC.pdf> AND <http://www.bcra.gov.ar/pdfs/prensa/Press%20Final.pdf>

<sup>23</sup> Stimulus Plan work opportunities for your small business, Tax Break for Small Business. 12 May 2009. Date of Access: 22 May 2009 [http://www.economicstimulusplan.gov.au/scenarios/pages/your\\_small\\_business.aspx](http://www.economicstimulusplan.gov.au/scenarios/pages/your_small_business.aspx)

<sup>24</sup> Small Business and General Business Tax Break, Joint Press Release with the Hon Dr Craig Emerson MP Minister for Small Business Independent Contractors and the Service Economy, 12 May 2009. Date of Access: 23 May 2009. [http://www.treasury.gov.au/content/small\\_general\\_business.asp?NavId=022](http://www.treasury.gov.au/content/small_general_business.asp?NavId=022) <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/061.htm&pageID=003&min=wms&Year=&DocType=0>

<sup>25</sup> The National Consumer Credit Reform Package; the National Consumer Credit Protection Bill 2009. Legislation of the Australian Government, 25 June 2009. Date of Access: 5 July 2009.

<http://www.treasury.gov.au/consumercredit/content/legislation.asp> [http://www.treasury.gov.au/consumercredit/content/downloads/Consumer\\_Credit\\_Brochure.pdf](http://www.treasury.gov.au/consumercredit/content/downloads/Consumer_Credit_Brochure.pdf)

<sup>26</sup> The Australian Consumer Law, Australian Government and Treasury. 24 June 2009. Date of Access: 5 July 2009.

<http://www.treasury.gov.au/consumerlaw/content/default.asp>

One National Consumer Law for Australia, Ministers for innovation, industry, science and research, media release with The Hon Dr Craig Emerson MP 24 June 2009. Date of Access 5 July 2009.

<http://minister.innovation.gov.au/Emerson/Pages/ONENATIONALCONSUMERLAWFORAUSTRALIA.aspx>

To stabilize the banking sector the Reserve Bank of Australia has decreased the interest rate from 3.25 to 3%.<sup>27</sup>

All undertaken measures will substantially affect the item of expenses in the budget and make essential changes in the government policy, because the budget balance was one of the main government priorities. Currently the Government is working on the programs aimed at balancing the budget by tax reforms and savings in the areas of health and family payments.<sup>28</sup>

One more step within the tax reform package was consideration of the changes in the “employee share schemes” targeted at tax evasion elimination.<sup>29</sup>

In the long term strategy the Australian Government worked out the Nation Building and Jobs Plan, which provides significant funds for the infrastructural projects and clean energy and related technologies. The government allocates out AUS42 billion (USD36,2 billion) for this plan.<sup>30</sup>

To sum up Australia complied with this commitment and the performance can be assessed as “+1”.

*Analyst: Dina Podalkina*

### **Brazil: 0**

Brazil has partially fulfilled this commitment by taking a measure to secure stability in the financial sector.

In order to prevent investors from abandoning the debt funds and invest their capital in savings accounts the Brazilian government is elaborating a law which in case of the Congress approval will come into effect in 2010. The new law establishes taxation on earnings from savings accounts of BRL50.000 (USD23.900) or more.<sup>31</sup>

During the monitoring period to activity of the Brazilian government on developing an exit strategy was not registered.

Thus, for partial compliance with this commitment Brazil receives a score of “0”.

*Analyst: Polina Cherepova*

### **Canada: +1**

Canada has met all commitments concerning implementation of credible exit strategies and measures to restore economic activity in the country and to ensure long-term fiscal sustainability and price stability.

At the end of May, 2009 Jim Flaherty, Canada's Central Bank Governor and Minister of Finance, announced that Canada could spend USD40 billion on stimulus programs and still return the federal budget to surplus by 2013.<sup>32</sup>

On 22 May, 2009 Minister of Finance announced the launch of the Canadian Life Insurers Assurance Facility (CLIAF), which will provide insurance on the wholesale term borrowing of

<sup>27</sup> Reserve Bank of Australia - Monetary Policy Changes, 8 April 2009. Date of Access 4 May 2009.

[http://www.rba.gov.au/Statistics/cashrate\\_target.html](http://www.rba.gov.au/Statistics/cashrate_target.html)

<sup>28</sup> National building for recovery address to the national press club, Canberra 13 May 2009. Date of Access 23 May 2009.

<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=speeches/2009/009.htm&pageID=005&min=wms&Year=&DocType=>

<sup>29</sup> Reform of the Taxation of Employee Share Schemes, the Australian Treasury Media Releases, 5 June 2009. Date of Access 27 June 2009.

<http://www.treasury.gov.au/contentitem.asp?NavId=037&ContentID=1559>

[http://www.treasury.gov.au/documents/1559/PDF/consultation\\_paper.pdf](http://www.treasury.gov.au/documents/1559/PDF/consultation_paper.pdf)

<sup>30</sup> Part 2: Expense Measures for Nation Building and Jobs Plan — implementation costs, Budget 2009-2010. 12 May 2009. Date of Access 22 May 2009.

[http://www.budget.gov.au/2009-10/content/bp2/html/bp2\\_expense-09.htm](http://www.budget.gov.au/2009-10/content/bp2/html/bp2_expense-09.htm)

<sup>31</sup> Brazil plans to tax interests on savings above 50.000 Reales, by Mercopress, South Atlantic news agency. 14 May 2009. Date of Access: 20 August 2009.

<http://en.mercopress.com/2009/05/14/brazil-plans-to-tax-interests-on-savings-above-50.000-reales>

<sup>32</sup> G7 puts weight behind banking overhaul. The Globe and Mail. Ottawa 24 April 2009. Date of access: 24 May 2009. <http://www.cigionline.ca/articles/2009/04/g7-puts-weight-behind-banking-overhaul>

federally regulated life insurance companies. This program will help Canada's life insurance industry access to wholesale debt markets.<sup>33</sup>

On June 8, 2009 Jim Flaherty, Minister of Finance, and Tony Clement, Minister of Industry, announced that all of the measures in Canada's Economic Action Plan to improve access to financing are in place and fully operational. According to Minister of Finance, “to date, over USD115 billion has been provided to improve the availability of financing for Canadian households and businesses, all of it on a commercial basis to protect the taxpayers. This has had a real impact on credit conditions in Canada. Household and business credit is growing and average interest rates have fallen steadily.”<sup>34</sup>

According to the WTO World Trade Report in order to stabilise financial system Canadian Government purchased troubled mortgage assets from banks and other lenders in order to allow affected financial institutions to clean-up their balance sheets and re-start lending under more “normal” conditions. The Canadian Government has also provided USD911 million as a financial support to paper industry.<sup>35</sup>

The Canadian Government has undertaken substantial measures to implement exit strategies from the measures that need to be taken to support the financial sector and restore global demand. This strategies include assistance to employed citizens, support to mostly effected industries, tax preferences, infrastructure projects development. Moreover close to CAD 12 billion is assigned in new infrastructure stimulus funding, including investments in roads, bridges, green infrastructure, broadband and post-secondary institutions. Furthermore the Canadian government announced CAD 1 billion in spending over five years for green infrastructure initiatives, such as projects with a focus on the creation of sustainable energy.<sup>36</sup> Moreover Canada’s Economic Action Plan created the Recreational Infrastructure Canada (RInC) program and provided \$500 million over two years to support upgrading and renewal of recreational facilities in communities.<sup>37</sup>

Thus, Canada is awarded a score of “+1” for a full compliance with the commitment.

*Analyst: Alena Bulatnikova*

### **China: 0**

China has partly fulfilled the G20 commitment by taking measures to strengthen the fiscal policy and ensure price stability.

Given the financial crisis in 2008 China was forced to change its monetary policy drastically. To stimulate the domestic demand the following actions were taken by the Chinese Government. On 22 December, 2008 the People's bank of China reduced a credit and interest rate to 5,31% and 2,25% respectively. Till nowadays it maintains it at the same level.<sup>38</sup> The Chinese Government predicts the increase of monetary aggregate M2 till the level of 17%.<sup>39</sup>

Nowadays first results of the above mentioned measures can be observed. However these measures have not only positive impact on the situation. The gap between the incomes of urban and rural residents continues to increase. The real income of the urban citizens increased by 11,2%, while the income of the rural citizens increased only by 8,6%.

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<sup>33</sup> Minister of Finance Announces Launch of Canadian Life Insurers Assurance Facility. Ottawa (Ontario) 22 May 2009. Date of Access: 22 May 2009. <http://www.fin.gc.ca/n08/09-049-eng.asp>

<sup>34</sup> Minister of finance announces financing measures are all in operation. Montreal, June 8, 2009. Date of access: July 10, 2009. <http://www.fin.gc.ca/n08/09-057-eng.asp>

<sup>35</sup> World Trade Report. July 15, 2009. Date of access: August 22, 2009.

[http://www.wto.org/english/news\\_e/news09\\_e/tpr\\_13jul09\\_e.htm](http://www.wto.org/english/news_e/news09_e/tpr_13jul09_e.htm)

<sup>36</sup> [Strategies for aligning stimulus measures with long-term growth](http://www.oecd.org/dataoecd/12/62/42555546.pdf). 2 April 2009. Date of Access: 23 May 2009. <http://www.oecd.org/dataoecd/12/62/42555546.pdf>

<sup>37</sup> Canada’s Economic Action Plan Improves Local Recreational Facilities—RInC Will Improve Quality of Life, Stimulate the Economy and Put Canadians to Work. Ottawa 11 May 2009. Date of Access: 15 May 2009. <http://www.fin.gc.ca/n08/09-045-eng.asp>

<sup>38</sup> Statistics. The People’s Bank of China. 25.12.2008. Date of access: 1 September, 2009.

<http://www.pbc.gov.cn/detail.asp?col=100&ID=2988&keyword=%BB%F9%D7%BC%C0%FB%C2%CA>

<sup>39</sup> Statistics (mosey supply). The People’s Bank of China. July, 2009. Date of access: 1 September, 2009.

<http://www.pbc.gov.cn/english/diaochatongji/tongjishuju/gofile.asp?file=2009S07.htm>

By the end of June, 2009 the Gold-Currency reserves of China amounted to USD2131,6 billion<sup>40</sup>. Taking in consideration the changes in the commodity and stock markets, China increases import of commodities (incl. hydrocarbons) to diversify the embedding of gold-currency reserve, maintain stable price level on the market and create a strategic supply of raw materials.<sup>41</sup>

However during the period of monitoring the Government of China failed to take any steps to put in place credible exit strategies from the measures that are needed now to support the financial sector. To sum up, China has partially complied with this commitment, and is awarded a score of “0”.

*Analyst: Ilya Federov*

### **France: 0**

France has partly complied with the commitment on ensuring long-term fiscal sustainability and price stability and developing exit strategies.

According to the progress report on the jurisdictions surveyed by the OECD Global Forum in implementing the internationally agreed tax standard as of 3 September 2009 France was among the jurisdictions that have substantially implemented the internationally agreed tax standard.<sup>42</sup>

On 25 August 2009 President of France established a special commission, which should in two months set the strategic priorities for huge state loan planned for 2010. The commission is chaired by two former French Prime Ministers and includes 22 economists, scientists, statesmen, business representatives. According to the French President the size of the future loan will depend on the economy needs and the level of the French state debt.<sup>43</sup>

President of France together with the Chancellor of Germany and Prime Minister of the UK in a letter addressed to the Prime Minister of Sweden, the country which currently holds the Presidency of the European Union, called for development of exit strategies which should be implemented in a coordinated manner.<sup>44</sup>

At the same time in a response to the German Minister of Finance who called for the reduction of fiscal measures used to tackle the global financial crisis as soon as possible the French Minister of Economy said that “it would be irresponsible not to envisage exit strategies but at the same time we have not yet exited the crisis”.<sup>45</sup> It can be assumed that the French authorities are not ready for exit strategies realization and aims at restoring economic growth by extensive finance injections.

During the monitoring period the French authorities have taken measures to ensure fiscal sustainability, but information on exit strategies development has not been registered. Thus France has been awarded a score of “0” for partial compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Germany: +1**

Germany has fully complied with its commitment to ensure fiscal sustainability and price stability and also put in place credible exit strategies.

Germany is one of the top countries that make the most substantial contribution towards tackling the world economic crisis. The German Government intends to reform financial markets and institutions in coordinated way and considers the G20 to be the most appropriate forum for such

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<sup>40</sup> China Monetary Policy Report Quarter Two. The People’s Bank of China. 5 August, 2009. Date of access: 1 September, 2009. <http://www.pbc.gov.cn/english/detail.asp?col=6400&id=1420>

<sup>41</sup> Rising import of crude oil in China. Pocer. Xinhua. 13,05,2009. 01,09,2009  
[http://www.russian.xinhuanet.com/russian/2009-05/13/content\\_876797.htm](http://www.russian.xinhuanet.com/russian/2009-05/13/content_876797.htm)

<sup>42</sup> A progress report on the jurisdictions surveyed by the OECD Global Forum in implementing the internationally agreed tax standard. OECD. Date of access: 15 September 2009. <http://www.oecd.org/dataoecd/50/0/43606256.pdf>.

<sup>43</sup> Emprunt national : lancement de la commission. 27 August 2009. Date of access: 15 September 2009.  
<http://www.gouvernement.fr/gouvernement/emprunt-national-lancement-de-la-commission>.

<sup>44</sup> UK, France and Germany release joint letter on G20. The official site of the Prime Minister’s Office. 3 September 2009. <http://www.number10.gov.uk/Page20496>. Date of access: 15 September 2009.

<sup>45</sup> G20 exit strategy discussion makes sense – France. Reuters. 31 August 2009. Date of access: 15 September 2009.  
<http://uk.news.yahoo.com/22/20090831/tbs-uk-france-g20-sb-4210405.html>.

reforms. It also regards the G20 Summit in Pittsburgh as the best opportunity to establish binding foundations for an international financial architecture.<sup>46</sup>

To provide fiscal and price stability the German Government has initiated new credit program and adopted a regulatory law for financial markets regulation.

On 19 May 2009 State Secretaries in Parliament announced a new federal credit program for citizens (Kredit- und Bürgschaftsprogramm des Bundes) to stimulate enterprises. This program includes USD4.5 billion to support large-and-small-scale enterprises.<sup>47</sup>

On 13 May 2009 the German Government has adopted a draft bill to regulate and stabilize financial market. The provisions of the law allow to regulate securities with negative value by shifting from bank statements without long-term risks for government and private sector. The banks can choose the time frames for this model by their own. According to this legislation financial holding companies, credit institutions and their offsprings are entitled to establish special companies to ensure their securities with negative value. Such companies do not need licenses for their activity.

The German Federal Ministry of Finance in cooperation with Secretariat of the Federal Chancellor, Federal Ministry of Justice and German Bank has initiated implementation of this legislation in July, 2009.<sup>48</sup> This legislation allows private and state banks of the Landers to transfer securities with negative value to "bad banks" management, to give state credits to clients, to consolidate Landers' banking sector and also to minimize risks for government and taxpayers.<sup>49</sup>

On 5 May 2009 the German Government committed to prop up with more than EUR100 billion (USD132 billion) of loans and guarantees of the most visible of Germany's ailing banks Hypo Real Estate (HRE). Some of HRE's woes stem from its commercial-property loans, many of which are now souring. But the big danger is the state of its DEPFA<sup>50</sup> subsidiary, a large lender to governments and local governments.<sup>51</sup>

To implement exit strategies from the measures that need to be taken now to support the financial sector the German Government has undertaken substantial measures to stimulate innovations.

The Ministry for Education and Science of Germany has provided EUR30 million (USD42.9 million) to research zoonotic diseases.<sup>52</sup>

The Federal Ministry for Education and Science of Germany has launched a new program "Research and innovations in new Landers of Germany" to support research of renewable energy, energy and medical technologies, health, biotechnologies and genetic engineering in 11 regions of the East Germany. The total sum to finance the program amounts to EUR135 million (USD193 million).<sup>53</sup>

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<sup>46</sup> Export article Social Market Economy. Federal Government of Germany. 2 June 2009. Date of access: 19 August. 2009. [http://www.bundesregierung.de/nn\\_6562/Content/EN/Artikel/2009/06/2009-06-02-bk-insm\\_en.html](http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/06/2009-06-02-bk-insm_en.html)

<sup>47</sup> Staatssekretär Schauerte: Mittelständische Unternehmen nutzen das Kredit- und Bürgschaftsprogramm des Bundes vor allem für Investitionen. Bundesministerium für Wirtschaft und Technologie. 19.5.2009. Datum des Zuganges: Mai 20 2009. <http://www.bmw.de/BMWi/Navigation/Presse/pressemitteilungen.did=301724.html>

<sup>48</sup> VERTRAUENBILDUNG AUF DEN FINANZMÄRKTEN WEITER GESTÄRKT – BUNDESREGIERUNG BESCHLIEßT MODELL FÜR BAD BANKS. BUNDESMINISTERIUM DER FINANZEN. 13 MAI 2009. DATUM DER ZUGANG: 21 MAI 2009.

[http://www.bundesfinanzministerium.de/nn\\_54090/DE/Presse/Pressemitteilungen/Finanzpolitik/2009/05/20091305\\_PM19.html](http://www.bundesfinanzministerium.de/nn_54090/DE/Presse/Pressemitteilungen/Finanzpolitik/2009/05/20091305_PM19.html)

<sup>49</sup> BAD BANK-GESETZ IN KRAFT. . BUNDESMINISTERIUM DER FINANZEN. DEN 22 JULI, 2009.

[http://www.bundesfinanzministerium.de/nn\\_3378/DE/Wirtschaft\\_und\\_Verwaltung/Finanz\\_und\\_Wirtschaftspolitik/030709\\_Badbanks.html](http://www.bundesfinanzministerium.de/nn_3378/DE/Wirtschaft_und_Verwaltung/Finanz_und_Wirtschaftspolitik/030709_Badbanks.html)

<sup>50</sup> Depfa Bank plc is a Dublin-based German-Irish bank. It provides financial services to the public sector and also provides financing for larger infrastructure projects.

<sup>51</sup> Too little, and late. Economist. 16 April 2009. Date of access: 21 May, 2009.

[http://www.economist.com/displayStory.cfm?story\\_id=13496812](http://www.economist.com/displayStory.cfm?story_id=13496812)

<sup>52</sup> SCHAVAN: "WISSENSCHAFT SCHÜTZT DIE MENSCHEN". BUNDESMINISTERIUM FÜR BILDUNG UND FORSCHUNG. 29.04.2009. DATUM DES ZUGANGES: 25 MAI 2009.

<HTTP://WWW.BMBF.DE/PRESS/2532.PHP>

<sup>53</sup> SCHAVAN: "WIR STÄRKEN DIE SPITZENFORSCHUNG IN OSTDEUTSCHLAND". BUNDESMINISTERIUM FÜR BILDUNG UND FORSCHUNG. 18.05.2009. DATUM DES ZUGANGES: 25 MAI 2009. <HTTP://WWW.BMBF.DE/PRESS/2552.PHP>

The range of scholarships available to scientists, academics and students is to be extended. The essential new element of the strategy is the Alexander von Humboldt professorship. With EUR5 million (USD7,15 million) for each prize-winner it is the top international research prize in Germany. The prize is to make it possible for top scientists and academics to conduct long-term research at German universities.

These are only some of the measures taken by the German government. German research and innovation institutes are to step up their presence abroad. One of the first of these bodies is to be established in Moscow.<sup>54</sup> Research ministers of Russia and Germany signed an intergovernmental agreement on scientific-technical cooperation. Cooperation projects on information and communication technologies (ICTs) and biotechnology are to be promoted: Future focuses will range from genome research to system biology, to biosensors, to industrial biotechnology and to technology transfer.<sup>55</sup>

Projects to improve energy efficiency and intensify expansion of renewable energies are part and parcel of ecological industrial policy, as it is in these areas that more and more jobs are being created. Last year alone "the renewables" offered jobs for around 280,000 people in Germany.<sup>56</sup>

On 23 April 2009 the Federal Environmental Ministry declared to provide EUR100 million (USD143 million) to finance electrically powered vehicles programs. Federal Environment Ministry supports the link-up of electrically powered vehicles with energy systems by means of information and communication technologies in the model regions of the E-Energy initiative and the purchase of diesel-hybrid buses by municipalities. The Federal Government's target is to make Germany the leading market for electric mobility and put one million electrically powered vehicles on the road by 2020. A total of EUR500 million (USD715 million) is earmarked for this purpose in the government's second economic stimulus package (Konjunkturpaket II).<sup>57</sup>

On 7 May 2009 during the presentation of Germany's environment-friendly technologies "Greentech made in Germany" environment Minister S. Gabriel announced plans to run a new environmental policy, which will include ecological, economic and social aspects. The Minister underlined that policy initiated to protect climate, enhance energy efficiency, resources allocation efficiency is an additional stimulus to tackle the crises. "Progressive environment policy supplemented by the policy of innovations and industrial sector development, can contribute to employment raise," – declared S. Gabriel.<sup>58</sup>

On 19 May 2009 State Parliament Secretary at the Federal Environment Ministry Astrid Klug declared the start of a new program "effective means of travel" in Trir (German town). This program is a part of Germany's Environment Ministry initiative to protect climate. The goal of the program is in consultations with communities and representatives of the private sector and joint programs to raise attractiveness of public transport with technologies directed to decrease CO2 emissions and protect environment. The program is planned to be implemented in 2 years.

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<sup>54</sup> Joint research at international level. The Federal Government of Germany. Date of access: 19 August 2009. [http://www.bundesregierung.de/nn\\_6538/Content/EN/Artikel/2009/07/2009-07-15-in-der-forschung-international-zusammenarbeiten\\_en.html](http://www.bundesregierung.de/nn_6538/Content/EN/Artikel/2009/07/2009-07-15-in-der-forschung-international-zusammenarbeiten_en.html)

<sup>55</sup> WELL ON THE WAY. THE FEDERAL GOVERNMENT OF GERMANY. DATE OF ACCESS: 19 AUGUST 2009. [http://www.bundesregierung.de/nn\\_6562/Content/EN/Artikel/2009/07/2009-07-16-deutsch-russisch\\_en.html](http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/07/2009-07-16-deutsch-russisch_en.html)

<sup>56</sup> Sustainable innovation, sustainable growth. Federal Government of Germany. 22 June 2009. Date of access: 19 August. 2009. [http://www.bundesregierung.de/nn\\_6562/Content/EN/Artikel/2009/06/2009-06-22-oekologische-industriepolitik\\_en.html](http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/06/2009-06-22-oekologische-industriepolitik_en.html)

<sup>57</sup> FEDERAL ENVIRONMENT MINISTRY PROVIDES 100 MILLION EUROS FUNDING FOR ELECTRICALLY POWERED VEHICLES. FEDERAL MINISTRY FOR THE ENVIRONMENT, NATURE CONSERVATION AND NUCLEAR SAFETY. 23.04.2009. DATE OF ACCESS: 24 MAY 2009.

[http://www.bmu.de/english/current\\_press\\_releases/pm/44044.php](http://www.bmu.de/english/current_press_releases/pm/44044.php)

<sup>58</sup> GABRIEL: UMWELTTECHNOLOGIEN GEBEN IMPULSE UND CHANCEN IN DER KRISE. BUNDESMINISTERIUM FÜR UMWELT, NATURSCHUTZ UND REAKTORSICHERHEIT. 07.05.2009. DATUM DES ZUGANG: 24 MAI 2009.

[http://www.bmu.de/pressemitteilungen/aktuelle\\_pressemitteilungen/pm/43956.php](http://www.bmu.de/pressemitteilungen/aktuelle_pressemitteilungen/pm/43956.php)

Its budget accounts for EUR3.8 million (USD5.43 million). The program will be implemented in 15 more regions.<sup>59</sup>

The German Government has undertaken measures to increase the efficiency of labour market in the time of crisis. On 20 May 2009 the cabinet of German Government has decided to make overall changes to legal acts on labour market support «Kurzarbeitergeld». The changes were introduced since 1 July 2009. This packet is intended to protect thousands of workplaces by creating short time workplaces, which have to become “security screen for labour market”. The Federal Ministry of Labour plans to provide EUR2.1 billion (USD3 million) to implement conditions of the documents package to support the labour market.<sup>60</sup>

The German Government announced to provide EUR2 billion (USD2.86 billion) during the period of 2009 – 2011 to carry on training and advanced training courses for the most vulnerable citizens, who are partially employed. To prevent the slump of investments in education a decision on students’ loans reimbursement was made.<sup>61</sup>

To raise the efficiency of investment projects the German Government has supported transport and information, education, medicine infrastructure with provision of EUR18 billion (USD25,7 billion).<sup>62</sup>

To raise the budget revenue the German Government has revised the mechanisms of taxing motor transport holders within implementation of the First package of anti-crisis measures to respond to recession (Konjunkturpaket I). On 1 July 2009 a new regulation on taxing the car holders was introduced in Germany. According to this regulation the size of the tax will depend on the CO2 emissions volume.<sup>63</sup> The revenue from the tax won’t be directed to the budgets of the Landers. The tax and revenue collection will be regulated by the federal level.<sup>64</sup>

Germany has fully complied with this commitment. The German Government has undertaken measure to ensure fiscal stability and also undertaken substantial measures to develop exit strategies. Thus, Germany can be awarded a score of “+1”.

*Analyst: Yuriy Zaytsev*

### **India: -1**

India has failed to comply with its commitment to ensure long-term fiscal stability and to put in place credible exit strategies.

In May 2009, Indian Reserve Bank Governor D. Subbarao announced, that given the still fragile economy, pressure to provide more stimulus would persist. He also said that the sustainability of recovery required returning to responsible fiscal consolidation.<sup>65</sup> Nevertheless there is no information regarding Indian government steps directed to ensure long-term fiscal stability.

India has taken only short-term measures aimed at restoring growth and particularly at achieving fiscal stability.

On 21 April 2009, Indian government announced the Annual Policy Statement of the Reserve Bank. According to this statement India will:

<sup>59</sup> Astrid Klug startet Aktionsprogramm "effizient mobil". Bundesministerium für Umwelt, Naturschutz und Reaktorischerheit. Den 19 Mai 2009. Datum des Zugang: 24 Mai 2009.

[http://www.bmu.de/pressemitteilungen/aktuelle\\_pressemitteilungen/pm/44083.php](http://www.bmu.de/pressemitteilungen/aktuelle_pressemitteilungen/pm/44083.php)

<sup>60</sup> KURZARBEITERGELD VERLÄNGERT. DIE BUNDESREGIERUN. 20.05.2009. DATUM DES ZUGANGES: 25 MAI 2009.

[http://www.bundesregierung.de/nn\\_1272/Content/DE/Artikel/2009/04/2009-04-30-Kurzarbeitergeld-verbessert.html](http://www.bundesregierung.de/nn_1272/Content/DE/Artikel/2009/04/2009-04-30-Kurzarbeitergeld-verbessert.html)

<sup>61</sup> Strategies for aligning stimulus measures with long term growth. The Organization for Economic Cooperation and Development. Date of access: 20 August 2009. <http://www.oecd.org/dataoecd/12/62/42555546.pdf>

<sup>62</sup> Strategies for aligning stimulus measures with long term growth. The Organization for Economic Cooperation and Development. Date of access: 20 August 2009. <http://www.oecd.org/dataoecd/12/62/42555546.pdf>

<sup>63</sup> Wichtige Entscheidungen im Bundesrat. Bundesministerium der Finanzen. Den 10 Juli, 2009.

[http://www.bundesfinanzministerium.de/nn\\_54/DE/Buergerinnen\\_und\\_Buerger/030709\\_Neu\\_ab\\_0107.html?nn=true](http://www.bundesfinanzministerium.de/nn_54/DE/Buergerinnen_und_Buerger/030709_Neu_ab_0107.html?nn=true)

<sup>64</sup> NEUE KRAFTFAHRZEUGSTEUER FÜR PKW IN KRAFT GETRETEN. BUNDESMINISTERIUM DER FINANZEN. DEN 1 JULI, 2009.

[http://www.bundesfinanzministerium.de/nn\\_53530/DE/Buergerinnen\\_und\\_Buerger/Mobilitaet\\_und\\_Reisen/Ru nd\\_ums\\_Auto/010709\\_KFZ\\_Steuer.html](http://www.bundesfinanzministerium.de/nn_53530/DE/Buergerinnen_und_Buerger/Mobilitaet_und_Reisen/Ru nd_ums_Auto/010709_KFZ_Steuer.html)

<sup>65</sup> Fiscal consolidation should be budget priority: RBI. DD News. 22 May 2009. Date of Access: 23 May 2009.

<http://india.gov.in/outerwin.php?id=http://www.ddinews.gov.in/Business/Business++Headlines/rbi.htm>

- reduce the repo rate by 25 basic points from 5.0% to 4.75% with immediate effect.
- Reduce the reverse repo rate by 25 basic points from 3.5% to 3.25% with immediate effect.

These measures were aimed to increase liquidity and to precipitate the end of financial crisis.

In May 2009, Prime-Minister of India M. Singh promised to issue 100-days action plan with economic stimuli. This plan was directed to increase Indian GDP growth to 9-10%, to fight unemployment and to meet the financial crisis. The plan is to be realized from September, 2009.<sup>66</sup>

It should be noted that all Indian steps are to be undertaken within a short-term period and are only indirectly aimed to ensure fiscal stability. Also these measures can't be referred to as exit strategies. At the same time welfare and rural spending in an effort to stimulate economic growth will likely widen the fiscal deficit to 6.8%, which is the largest gap in last 18 years.<sup>67</sup>

Therefore India has taken only short-term actions. All measures are indirectly aimed at fiscal stability. Indian Government hasn't taken steps to elaborate exit strategies. Thus, India has been awarded a score of "-1".

*Analyst: Igor Churkin*

### **Indonesia: 0**

Indonesia has partly complied with the commitment to ensure long-term fiscal sustainability and price stability and to realize credible exit strategies from the measures that need to be taken to support the financial sector and restore global demand.

Banking system support and credit easing for business and households became one of the most important measures of Indonesia's Government under the commitment to ensure long-term fiscal sustainability and price stability.

Bank of Indonesia powered by the Government more than once has lowered the BI rates from beginning of the year: to 7.75% in March, 2009, to 7.5% on 3 April 2009<sup>68</sup>, to 7.25% on 5 May 2009<sup>69</sup>, and to 6.5% on 5 August 2009.<sup>70</sup> Furthermore, the Bank representatives expressed preparedness to undertake all necessary measures to reinforce the domestic economy and safeguard economic and financial system stability<sup>71</sup> and also to keep pressing forward with the consolidation program for a sound, strong and competitive banking system.<sup>72</sup>

Following the Bank of Indonesia other banks initiated reduction in interest rates in order to "stimulate economic growth". Bank Central Asia announced new interest rates (12.5-13.5%) on housing loans on 5 May 2009.<sup>73</sup> On 19 May 2009 the state-controlled Bank Mandiri announced similar rates reduction to 13-13.5% (from 14.5-14.75%).<sup>74</sup> On 14 August 2009 the Bank of

<sup>66</sup> CII suggests a 100-day action plan for government. Business Standard. 29 May 2009. Date of Access: 15 June 2009. <http://www.business-standard.com/india/news/cii-suggests100-day-action-plan-for-government/63198/on>

<sup>67</sup> Indian Budget Swells With Welfare, Social Spending. The wall street journal. 7 July 2009. Date of Access: 21 July 2009. <http://online.wsj.com/article/SB124686565473099541.html>

<sup>68</sup> March review: Sinking into recession? The Jakarta Post. Date of Access: 03 April 2009. <http://www.thejakartapost.com/news/2009/04/13/march-review-sinking-recession.html>

<sup>69</sup> Bank Indonesia Cuts Interest Rate. TEMPO Interactive, Jakarta. Date of Access: 05 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/05/brk.20090505-174529.uk.html>

<sup>70</sup> Bank Indonesia Cuts Interest Rate to 6.50 Percent. TEMPO Interactive, Jakarta. Date of Access: 05 Aug. 2009. <http://www.tempointeractive.com/hg/nasional/2009/08/05/brk.20090805-190961.uk.html>

<sup>71</sup> Board of Governors Meeting Q1/2009: BI Rate trimmed 25 bps. Date of Access: 03 April 2009. [http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp\\_111309.htm](http://www.bi.go.id/web/en/Ruang+Media/Siaran+Pers/sp_111309.htm) and Bank Indonesia Cuts Interest Rate to 7,5 Percent. TEMPO Interactive, Jakarta. Date of Access: 3 April 2009.

<http://www.tempointeractive.com/hg/ekbis/2009/04/03/brk.20090403-168165.uk.html>

<sup>72</sup> Monetary Policy Report Q1-2009. Date of Access: 20 April 2009.

[http://www.bi.go.id/web/en/Publikasi/Kebijakan+Moneter/Tinjauan+Kebijakan+Moneter/mpr\\_q109.htm](http://www.bi.go.id/web/en/Publikasi/Kebijakan+Moneter/Tinjauan+Kebijakan+Moneter/mpr_q109.htm)

<sup>73</sup> Local Bank Starts Lower Housing Loan. TEMPO Interactive, Jakarta. Date of Access: 06 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/06/brk.20090506-174879.uk.html>

<sup>74</sup> State Bank Cuts Housing Credit Rates. TEMPO Interactive, Jakarta. Date of Access: 18 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/19/brk.20090519-177166.uk.html>



Indonesia addressed to the commercial banks with a request to cut interest rates further in order to stimulate domestic economic growth.<sup>75</sup>

On 6 April 2009 in order to ensure long-term fiscal sustainability the Government also declared that it planned to finance the 2.5 percent (USD5-6 billion) deficit of this year's state budget from bonds auctions, instead of foreign loans. The Government intends to lower foreign debt ratio in the state budget from both 2004 year level (54%) and this year level (33%).<sup>76</sup>

The Government of Indonesia decided to issue bonds in the amount of about IDR2 trillion (USD191 million). It is stated that the Government will auction four tranches of bonds with maturity dates ranging from one year to 29 years in a publication released on 11 May 2009 by the Bank of Indonesia.<sup>77</sup>

Indonesia complied with the commitment in a part of realizing credible exit strategies from the measures taken to support the financial sector and restore global demand. The Government is taking substantial measures to develop infrastructure. The state-owned electricity company PT PLN and the Regional Banking Association (Asbanda) signed a credit agreement on April 18 amounting to IDR4.732 trillion at the Finance Department (USD467.9 million) in order to fund and implement 18 electricity projects that make possible to generate 10 000 megawatt of electric energy.<sup>78</sup>

On 5 May 2009 during the Asian Development Bank's Annual Meeting Government announced decision of disbursing infrastructure guarantee funds. The Government will place IDR5 trillion (USD494 million) to fund 28 toll roads currently being built and those in the pipeline.<sup>79</sup>

On 18 May 2009 People's Housing Office chief Wahyu Hidayat said that the People's Housing Ministry will provide IDR1.2 billion (USD118,7 thousand) in funds, in which IDR700 million (USD69.22 thousands) will be allocated to establish an electricity network and the remaining IDR500 million (USD49.44 thousands) to renovate homes in remote villages in Malang.<sup>80</sup>

On 8 May 2009 Finance Minister Sri Mulyani Indrawati said that the Government would revitalize the abandoned railway line between Tanjung Priok and Kota with relocation 5,000 people living along the track. Transportation Minister Jusman Syafi'i Djamal said the Ministry had allocated IDR20 billion (USD.92 million) for the revitalization of the Tanjung Priok-Kota line.<sup>81</sup>

The Government also intends to allocate IDR93.9 trillion (USD9.36 billion) in 2010 a range of priority projects to address the infrastructure deficit. The projects include building of seaports, airports, railways, roads, bridges, schools and irrigation works.<sup>82</sup>

The Government of Indonesia intends to improve investment conditions for foreign investors. Muhammad Lutfi, Indonesia Investment Coordinating Board's chairman, said in the beginning of May that Indonesia had secured USD7 billion worth of FDI (foreign direct investment) commitments for mining and the oil and gas sector this year, which would be realized between 2011 and 2012. In a bid to make investment in to the energy and the mining sectors more attractive, Lutfi had recommended to the Government that investors in these sectors should be

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<sup>75</sup> Bank Indonesia Calls For Banks to Cut Interest. TEMPO Interactive, Jakarta. Date of Access: 14 Aug. 2009. <http://www.tempointeractive.com/hg/nasional/2009/08/14/brk.20090814-192688.uk.html>

<sup>76</sup> Government To Fund Deficit With Bond. TEMPO Interactive, Jakarta. Date of Access: 06 April 2009. <http://www.tempointeractive.com/hg/nasional/2009/04/06/brk.20090406-168730.uk.html>

<sup>77</sup> Government To Raise Rp 2 Trillion From Bonds. TEMPO Interactive, Jakarta. Date of Access: 11 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/11/brk.20090511-175608.uk.html>

<sup>78</sup> PLN Signs a Credit Agreement of Rp4.7 Trillion. TEMPO Interactive, Jakarta. Date of Access: 24 April 2009. <http://www.tempointeractive.com/hg/nasional/2009/04/24/brk.20090424-172390.uk.html>

<sup>79</sup> Government to Disburse Guarantee Funds in June. TEMPO Interactive, Nusa Dua. Date of Access: 05 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/05/brk.20090505-174573.uk.html>

<sup>80</sup> One Hundred Homes Use Solar Power. TEMPO Interactive, Malang. Date of Access: 19 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/19/brk.20090519-177069.uk.html>

<sup>81</sup> Railway line to be revitalized. The Jakarta Post. Date of Access: 11 May 2009. <http://www.thejakartapost.com/news/2009/05/11/railway-line-be-revitalized.html>

<sup>82</sup> Indonesian Government Reveals \$9.36b Infrastructure Plans. Date of Access: 21 Aug. 2009. <http://thejakartaglobe.com/home/indonesian-government-reveals-936b-infrastructure-plans/325364>

given tax holiday incentives and offered the agreements whereas the Government would buy industrial output.<sup>83</sup>

Mutual relationship between Indonesia and India also demonstrates positive trends. On 6 August 2009 the Industry Department's representatives held a meeting with a business delegate from India. During the meeting the opportunities of investment in power plants and textile machinery in Indonesia were discussed.<sup>84</sup>

In the end of August, 2009 Trade Minister Mari Elka Pangestu held a meeting with Korean Trade Minister, Kim Jong Hoon. They discussed the trade, investment, energy, forestry, information facilities, technology and other.<sup>85</sup>

Regarding to "crisis exit strategies", Indonesia doesn't take necessary measures developments. On 2 September 2009 Sri Mulyani Indrawati, Indonesia's finance minister, said that it's not time to begin implementing "crisis exit strategies" and that Indonesia representatives would warn fellow G20 members at finance ministers' meeting on 3 September 2009 against ending their fiscal and monetary stimuli.<sup>86</sup>

Taking into account Indonesian government's measures to ensure long-term fiscal sustainability and price stability and its refusal to implement credible exit strategies from the measures that need to be taken to support the financial sector and restore global demand, the compliance with this commitment can be assessed at a score of "0".

*Analyst: Maria Tyurikova*

### **Italy: 0**

During the monitoring period the Italian government has undertaken a set of measures to ensure price and fiscal stability and has come up with exit strategies from the measures taken to support the financial sector. The majority of undertaken measures refers to the first part of the commitment and includes measures to support strategic industries, development of small and medium business, facilities for industrial enterprises, and efforts to stabilize and reduce oil and gas prices. The exit strategies are represented in the draft Development law.

On 8 April 2009 the approval of a draft law, concerning the amendment of Decree №5<sup>87</sup> (of 10 February 2009) on urgent measures to support the strategic sectors, was the next (third) step since the end of November 2008 mitigating a negative impact of the financial crisis on the national industry.<sup>88</sup>

In support to the small and medium business activity the maximum amount of the guarantee from the Guarantee Fund was increased from EUR500 thousand to EUR1.5 million (USD2.14 million). Thus, after threefold growth small and medium enterprises will have an opportunity to rely on major financing that will allow to speed up the national economy's recovery.<sup>89</sup> Further measures initiated to develop small and medium business were the establishment of the National innovation fund (Decree №107 from 11 May 2009).<sup>90</sup>

<sup>83</sup> BI "comfortable" as rupiah strengthens. Official site of BKPM (Indonesia Investment Coordinating Board). Date of Access: 11 May 2009. <http://www.bkpm.go.id/index.php/main/newsdetail/795>

<sup>84</sup> India Initiates Talk For Electricity and More Textile Investment. TEMPO Interactive, Jakarta. Date of Access: 07 Aug. 2009. <http://www.tempointeractive.com/hg/ekbis/2009/08/07/brk,20090807-191360.uk.html>

<sup>85</sup> Indonesia and Korea Discuss Trade and Investment. TEMPO Interactive, Jakarta. Date of Access: 25 Aug. 2009. <http://www.tempointeractive.com/hg/nasional/2009/08/25/brk,20090825-194275.uk.html>

<sup>86</sup> Stimulus plea. Financial Times (John Aglionby in Jakarta). Date of Access: 03 Sep. 2009.

<sup>87</sup> Decreto-legge 10 febbraio 2009, n. 5 Misure urgenti a sostegno dei settori industriali in crisi, Governo Italiano. Date of Access: 1 March 2009. [http://www.governo.it/GovernoInforma/Dossier/auto\\_sostegno/DL5\\_10022009.pdf](http://www.governo.it/GovernoInforma/Dossier/auto_sostegno/DL5_10022009.pdf)

<sup>88</sup> Sostegno a settori industriali in crisi, Dossier del 6 febbraio 2009 aggiornato il 9 aprile 2009, Governo italiano. Roma, 9 Aprile 2009. Date of Access: 24 May 2009. [http://governo.it/GovernoInforma/Dossier/auto\\_sostegno/](http://governo.it/GovernoInforma/Dossier/auto_sostegno/)

<sup>89</sup> Pmi: firmato il decreto per aumento Fondo di Garanzia con priorità assoluta alle imprese abruzzesi, Ministero dello Sviluppo Economico. Roma, 15 maggio 2009. Date of Access: 23 May 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema\\_2&id\\_primopiano=240](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema_2&id_primopiano=240)> AND Fondo di Garanzia: aumenta a 1,5 milioni l'importo massimo garantito, Ministero dello Sviluppo Economico, 10 aprile 2009. Date of Access: 20 August 2009. <http://www.fondidigaranzia.it/news/10-04-2009.html>

<sup>90</sup> Fondo nazionale per l'innovazione, Governo italiano. Roma, 15 Maggio 2009. Date of Access: 24 May 2009. <http://governo.it/Notizie/Ministeri/dettaglio.asp?d=45505>

On 26 June 2009 as a result of the Council of Ministers and the Interministerial committee meeting for economic programming, important measures were undertaken to re-launch investments and return confidence of enterprises and citizens. The Council has set, particularly, a reduction in tax on profit reinvested in equipment; bonuses for enterprises which do not use integration funds; bonuses for temporary unemployment people who decided to start their own business; measures to enhance support for export-oriented companies.<sup>91</sup>

To reach price stability the Ministry of Economic Development has implemented some measures aimed at maintaining and possibly lowering oil and gas prices for industries and citizens. Since June, 2009 the worktable on oil market has started its permanent activity with the scope to favour creation of the modern, effective, and competitive oil market for the benefit of citizens and competitiveness. The worktable unites representatives of production and distribution of oil sector, industrial unions, and consumer associations.<sup>92</sup> On 6 August 2009 at the meeting with oil companies and Oil Union the Minister of Economic Development Claudio Scajola has appealed to participants with the request not to speculate, raising prices and, if it is possible, to reduce price gap with Europe.<sup>93</sup>

On 7 July 2009 Ministry of economic development introduced bonus programme allowing families with low incomes to obtain a discount of about 15% in gas pay.<sup>94</sup> With the purpose to reduce gas prices on 7 August 2009 Claudio Scajola signed the Decree<sup>95</sup> on the organization of a tender for delivery of 5 billion cubic meters of gas for the 2009-2010 heating season at the prices nearing the average rates on the European market.<sup>96</sup>

On 9 July 2009 the draft Development Law (Development law: large-scale reforms for recovery of countries economy<sup>97</sup>) was approved. It contains structural reforms not implemented for 15 years and became the main measures for stabilizing and recovering country's economy. The Minister of Economic Development pointed out that the Law would be an important step in overcoming the crisis and recovering economic growth.<sup>98</sup>

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<sup>91</sup> Il Ministro Scajola: dal Governo norme per far ripartire gli investimenti, Ministero dello Sviluppo Economico (Roma) 26 giugno 2009. Date of Access: 7 July 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=333](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=333)

<sup>92</sup> Carburanti: MISE, Tavolo permanente al lavoro, Ministero dello Sviluppo Economico (Roma) 2 luglio 2009. Date of Access: 7 July 2009.

<[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=338](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=338)> OR Sviluppo economico, Tavolo permanente sui carburanti, Governo italiano (Roma) 3 Luglio 2009. Date of access: 8 July 2009. <http://governo.it/Notizie/Ministeri/dettaglio.asp?d=47694>

<sup>93</sup> Carburanti: frenare l'aumento dei prezzi per ridurre il differenziale con l'Europa, Ministero dello Sviluppo Economico, 6 agosto 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=384](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=384)

<sup>94</sup> Gas: in arrivo il bonus sulle bollette. Un aiuto per le famiglie bisognose e numerose, Ministero dello Sviluppo Economico (Roma) 7 luglio 2009. Date of Access: 7 July 2009.

<[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=345](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=345)> AND Inflazione e cali bollette luce e gas: Scajola, "Invito gli italiani a non ridurre i consumi", Ministero dello Sviluppo Economico (Roma) 30 giugno 2009. Date of Access: 7 July 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=335](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=335)

<sup>95</sup> Decreta. Ministero Sviluppo Economico Gabinetto. 07.08.2009. Date of access: 2 September, 2009.

[http://www.sviluppoeconomico.gov.it/pdf\\_upload/documenti/22092-2009.pdf](http://www.sviluppoeconomico.gov.it/pdf_upload/documenti/22092-2009.pdf)

<sup>96</sup> Gas a minor costo per imprese e famiglie: il Ministro Scajola avvia le gare per forniture di 5 miliardi di metri cubi, Ministero dello Sviluppo Economico, 7 agosto 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=385](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=385)

<sup>97</sup> Legge Sviluppo: le grandi riforme per rilanciare l'economia del Paese, Ministero dello Sviluppo Economico, 9 luglio 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/pdf\\_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf](http://www.sviluppoeconomico.gov.it/pdf_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf)

<sup>98</sup> Approvato alla Camera il Disegno di legge Sviluppo, Ministero dello Sviluppo Economico (Roma) 1 luglio 2009. Date of Access: 7 July 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=336](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=336)

The new Law on development is long-term and represents a guideline for the Ministry of Economic Development. It contains exit strategies from anti-crisis measures (so called, structural reforms). According this law Italy can move from urgent measures to fight crisis to structural reforms to help the country and its production system in overcoming difficulties.<sup>99</sup> The structural reforms, involving the support to development and competitiveness, energy sector and consumers, include: new energy strategy (infrastructures, renewable energy sources, nuclear energy); new industrial policy; a reform for encouraging enterprises activity; measures on consumers' defense (telecommunication, energy services); a reform of international associations; fight against counterfeiting.<sup>100</sup>

Thus, Italian Government has undertaken a set of actions aimed to support economic and price stability in the country, and also the exit strategy defined in the Development Law draft. However these measures are insufficient to prevent the negative effect of anti-crisis measures. Thus, for partial compliance Italy is awarded a score of "0".

*Analyst: Anna Vekshina*

### **Japan: 0**

Japan has partially met the commitment's goals of ensuring long-term fiscal sustainability and price stability and putting in place credible exit strategies.

The Japanese Government has decided to formulate an additional stimulus policy package, and announced new economic measures, totaling Yen57 trillion (approx. USD570 billion) on 10 April 2009.<sup>101</sup> This is the biggest stimulus package in Japan's history.

As for credible exit strategies, although along with the additional stimulus policy package on 10 April 2009 it was announced that consumption tax rate will be raised, by now nothing has been done in this direction. According to what mass media says, Democratic Party of Japan, which has won the latest parliamentary elections in Japan during its election campaign, announced it would not raise the consumption tax rate in the next four years.<sup>102</sup>

Meanwhile resolving the problem of government's stimulus policy package financing must be prioritized due to the fact that today Japan has the largest public-sector debt among developed countries that is still being accumulated.<sup>103</sup> So for the actions taken by the Japanese government in order to ensure long-term fiscal sustainability and price stability and put in place credible exit strategies are insufficient.

Thus, for partial compliance Japan receives a score of "0".

*Analyst: Evgeny Gushchin*

### **Mexico: 0**

Mexico has not fully complied with its commitment regarding long-term fiscal sustainability and price stability.

Mexico has asked IMF for USD47 billion credit line<sup>104</sup>.<sup>105</sup> The credit purpose is to help the economy out in the crisis circumstances.<sup>106</sup> Mexican government is going to use the IMF money

<sup>99</sup> Approvato il Ddl "Sviluppo". Scajola, legge storica per la modernizzazione del Paese, Ministero dello Sviluppo Economico, 9 luglio 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/pdf\\_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf](http://www.sviluppoeconomico.gov.it/pdf_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf)

<sup>100</sup> Legge Sviluppo: le grandi riforme per rilanciare l'economia del Paese, Ministero dello Sviluppo Economico, 9 luglio 2009. Date of Access: 20 August 2009.

<[http://www.sviluppoeconomico.gov.it/pdf\\_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf](http://www.sviluppoeconomico.gov.it/pdf_upload/documenti/LEGGE-SVILUPPO-CONFERENZA-STAMPA.pdf)> AND Legge Sviluppo: pubblicata sulla Gazzetta Ufficiale, Ministero dello Sviluppo Economico, 3 agosto 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=379](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=379)

<sup>101</sup> Mr. Naoyuki Shinohara, Vice Minister of Finance for International Affairs, Ministry of Finance of Japan, and Temporary Governor for Japan, At The Forty-Fourth Annual Meeting of The African Development Bank and The Thirty-Fifth Annual Meeting of The African Development Fund, Dakar, Senegal- May 13, 2009 Date of Access: 25 May 2009 <http://www.mof.go.jp/english/ifa/afdb090513.htm>

<sup>102</sup> The Daily Yomiuri, National, Election 2009 – Battle for power / LDP, DPJ shy from consumption tax hike, 21 August 2009, Date of Access: 4 September 2009 <http://www.yomiuri.co.jp/dy/national/20090821TDY03103.htm>

<sup>103</sup> Yosano, Geithner discuss economic climate ahead of G-8 meet 12 June 2009 Kyodo News

<sup>104</sup> "Flexible credit line" opened for Mexico by the WB is meant to protect Mexico in case of potential further economic melt downs. Such credit lines are being open for one year for countries that carry out wise economic

to guarantee the anti-crisis infrastructure and social programs, which are financed by both Mexico own and borrowed money.<sup>107</sup> IMF money will support macroeconomic stability<sup>108</sup> and will be a kind of “insurance” for Mexican economy in case the country couldn’t deal with the world crisis on its own.<sup>109 110</sup>

The Central Bank of Mexico pursues a finance stabilization policy. In the second part of April, 2009 the Central Bank made its fourth in 2009 interest rate reduction, lasting in rate reduction from 6.75 to 6 per cent. According to the Central Bank, this measure is meant to decrease the economic crisis negative effects.<sup>111</sup>

The Ministry of Finance of Mexico announced that the country will cut taxes for MXN17.4 billion (USD1.3 billion) to support its economic recovery. Tax cuts are designed, first of all, to help small, tourism and other kind of businesses that heavily affected by influenza A/H1N1.<sup>112</sup> For example, taxes for cruise lines sailing at Mexican ports will be temporarily reduced.<sup>113, 114</sup>

The Mexican government pays great attention to control of food prices growth. For instance, general director of Mexican public-private milk production company “Liconsa” said that additional MXN65 million (USD4.89 billion) is required to avoid price bump in 2009.<sup>115</sup>

According to the Minister of Economic Affaires, Gerardo Ruiz Mateos, the Government creates effective control system to speed up growth of micro-small- and medium businesses as well as to strengthening sizeable ones.<sup>116</sup> In order to stabilize national economy in the crisis, the Ministry of Economic Affaires has invested more than MXN670 million (USD50.45 billion) supporting more than 10 thousand entrepreneurs as well as more than 700 industrial companies. In 2009, more than MXN600 million (USD45.18 billion) were spent to finance about 112 thousand small companies.<sup>117</sup>

To fulfill its commitments to put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand, the Mexican government

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policy and have good macroeconomic indexes. The credits do not go with any special conditions - it is presumed that the countries, as a matter of experience, will keep conducting strong politics. According to the rules, during the term of the credit, it is up to the country to take the money or not, but assured that it will receive the money immediately if needed.

<sup>105</sup> Mexico asks IMF to provide USD47 billion. Bfm.ru. 2 April, 2009. Date of access: 2 September, 2009. <http://www.bfm.ru/news/2009/04/02/meksika-prosit-mvf-vydelit-ej-47-mlrd-dollarov.html>

<sup>106</sup> IMF has allocated USD10 billion to Columbia. Lenta.ru 12 May, 2009. Date of access: 2 September, 2009. <http://lenta.ru/news/2009/05/12/credit/>

<sup>107</sup> Mexico asked IMF a credit of USD47 billion. Rosbalt. 2 April, 2009. Date of access: 2 September, 2009. <http://www.rosbalt.ru/2009/04/02/630697.html>

<sup>108</sup> Kocheljagin N., Denisov A. Murder virus. Vremia novostey. 76 Issue. 5 May 2009. Date of access: 2 September, 2009. <http://www.vremya.ru/2009/76/8/228502.html>

<sup>109</sup> IMF will allocate USD47 billion to Mexico. Bfm.ru 18 April, 2009. Date of access: 2 September, 2009. <http://www.bfm.ru/news/2009/04/18/mvf-vydelit-meksike-47-mlrd-dollarov.html>

<sup>110</sup> According to the Central Bank of Mexico, GDP of Mexico will decline on 3,3 % in 2009 as a result of slump in US demand and world trade recession, in this case 340 thousand jobs will be lost. The Central Bank of Mexico cut the interest rate to 6 per cent. Sinkhua News Agency. China Radio International 20.04.2009 <http://russian.cri.cn/841/2009/04/20/1s287395.htm>

<sup>111</sup> The Central Bank of Mexico has reduced discount rate. Sinkhua News agency. China Radio International 20 April, 2009. Date of access: 2 September, 2009. <http://russian.cri.cn/841/2009/04/20/1s287395.htm>

<sup>112</sup> Mexico. State budget, taxes and prices. [www.russian.china.org](http://www.russian.china.org) Polpred.com 6 May, 2009. Date of access: 2 September, 2009. [http://polpred.com/?ns=1&ns\\_id=152995](http://polpred.com/?ns=1&ns_id=152995)

<sup>113</sup> Mexico will be gradually coming back to the normal life. Prime TASS, Agency of economic information. 5 May, 2009. Date of access: 2 September, 2009. <http://www.prime-tass.ru/news/0/%7BF6A650691-76D8-4241-BC64-A18FEBB1E003%7D.uif>

<sup>114</sup> Mexico. Migration, visa, tourism. [www.bfm.ru](http://www.bfm.ru). Polpred.com. 5 May, 2009. Date of access: 2 September, 2009. [http://polpred.com/?ns=1&ns\\_id=154442](http://polpred.com/?ns=1&ns_id=154442)

<sup>115</sup> Damián F. y Venegas D. Mantendrá Liconsa en 4 pesos el litro de leche. 22.05.2009. <http://impreso.milenio.com/node/8579579>

<sup>116</sup> Address by Minister of economy Gerardo Ruis Mateos. The Ministry of economy of Mexico. 2 June, 2009. Date of access: 12 August, 2009. <http://www.economia.gob.mx/?P=174>

<sup>117</sup> Address of the Minister of economy of Mexico Gerardo Ruis Mateos at the beginning of building the Procter & Gamble Plant. 21 May, 2009. Date of access: 12 August, 2009. <http://www.economia.gob.mx/pics/p/p2/210509-GRM-DISC-Irapuato.pdf> <http://www.economia.gob.mx/pics/p/p2/210509BoIPROCTERANDGRAMBLE.pdf>

runs a range of jobs restoring programs. One of the programs protects qualified industrial workers. The purpose of this program is to keep jobs in industrial companies that are more sensitive to poor economic conditions.<sup>118</sup> Also, the government initiated a program of jobs creation in peripheral sides of the country. The program provides less economically protected businesses with various bonuses starting from skill conversion grants to immediate discounts for fixed assets for the first period of operation<sup>119</sup>.

Mexico has also initiated process of coordination between the USA and Mexican custom services operation. The customs service agencies of both countries will create a common database of suspicious motor vehicles. According to the Mexican customs official, Alfredo Gutierrez Ortiz, this measure will allow raising efficiency of agencies operation<sup>120</sup> as well as it may contribute to custom taxes collection increase.

Mexico has not taken sufficient measures put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand. Thus, for partial compliance with this commitment Mexico receives a score of “0”.

*Analyst: Natalya Zlokazova*

### **Russia: +1**

World economic crisis reduced revenues of the Russian federal budget. According to the draft federal budget its deficit will amount to 7.5% of GDP in 2010. Russian Prime Minister V. Putin emphasized, that “this is the maximum deficit that can be allowed without harming macroeconomic stability”. Russian Government plans to decrease budget deficit planned for the period 2011-2012 (4.3% in 2011, and 3% in 2012).<sup>121</sup> Russian authorities plan to cover budget deficit by internal and external borrowing, in particular by issuing Eurobonds.<sup>122</sup>

According to the decree of the Russian Government USD45.75 billion from the Reserve Fund will be used in the third quarter of 2009 to stabilize the federal budget.<sup>123</sup>

On 27 May 2009 Russian Government instructed several departments to increase tax revenues and efficiency of tax authorities. Increase of tax on natural resources production rate is one of the measures considered.<sup>124</sup>

On 24 July 2009 two framework laws aimed at developing the nation’s pension system were adopted.<sup>125</sup> In 2011 consolidated social tax (26% of the payroll) will be replaced by insurance contributions (34%).<sup>126</sup> The main objectives of this reform are to increase retirement pensions and meet Pension fund of Russia deficit.

On 25 August 2009 a Draft budget strategy for the period till 2023 was published. It states that the VAT rate decrease wouldn’t have considerable positive result. To raise tax revenues it

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<sup>118</sup> The official web site of the Mexican Ministry of economy. 13 April, 2009. Date of access: 12 August, 2009.

<http://www.economia.gob.mx/>

<sup>119</sup> Minister’s of economy Gerardo Ruis Mateos address at the beginning of the Procter & Gamble plant building. 21 May, 2009. Date of access: 12 August, 2009. <http://www.economia.gob.mx/pics/p/p2/210509-GRM-DISC-Irapuato.pdf>

<sup>120</sup> Mexico, Customs. RIA News Agency. 2 April, 2009. Date of access: 12 August, 2009.

[http://polpred.com/?ns=1&ns\\_id=153362](http://polpred.com/?ns=1&ns_id=153362)

<sup>121</sup> Prime Minister Vladimir Putin chaired a Government meeting. Prime Minister of the Russian Federation. 30 July 2009. Date of access: 13 September 2009. <http://premier.gov.ru/eng/events/3350.html>.

<sup>122</sup> Russia will borrow hundreds of billions of rubles to cover budget deficit. Lenta.ru. 25 May 2009. Date of access: 13 September 2009. <http://lenta.ru/news/2009/05/25/trillions/>.

<sup>123</sup> Decree from 15 June 2009 r. N 813-p. Government of the Russian Federation. Date of access: 13 September 2009.

<http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/06/15/5920374.htm>.

<sup>124</sup> Russian Government demands an increase in tax revenues. Ъ-Online. 27 May 2009.

<http://www.kommersant.ru/doc.aspx?DocsID=1177225>. Date of access: 13 September 2009.

<sup>125</sup> Federal law 24 July 2009 N 213-Ф3. President of Russia. Date of access: 13 September 2009.

<http://graph.document.kremlin.ru/doc.asp?ID=053801>.

<sup>126</sup> State Duma put an end to ESN. Kommersant № 127 (4182) 16 July 2009. Date of access: 13 September 2009. <http://www.kommersant.ru/doc.aspx?&docsid=1204369>..

proposes a reform in VAT management system, including imposition of a consolidated rate higher than the current minimum rate of 10%.<sup>127</sup>

The Russian Ministry of Finance has proposed raising excise taxes on alcohol, cigarettes, gasoline and other goods in 2010.<sup>128</sup>

During the monitoring period Russian authorities have taken measures to develop innovative sectors of economy, small and medium enterprises (SMEs), retrain and increase mobility of labor force.

On 21 May 2009 Russian President D. Medvedev issued an Executive Order establishing a Presidential Commission on Modernisation and Technological Development of Russia's Economy. "The Commission was created to promote a sustainable technological development of Russia's economy and to improve public administration by promoting modernisation programmes in priority economic spheres".<sup>129</sup>

National Wealth Fund investment management principles have been changed to organize lending to SMEs by the state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".<sup>130</sup>

On 28 April 2009 Legal Entities and Sole Proprietors Protection Act was amended in order to make it enter into force 2 months earlier.<sup>131</sup>

On 17 July 2009 two laws on facilitating SMEs and sole proprietors work were adopted. The first exempts certain types of organizations and sole proprietors from cash registers usage,<sup>132</sup> second liberalizes conditions of buying rented realty.<sup>133</sup>

During the monitoring period Russian authorities have taken measures to develop exit strategies by preparing reforms for restructuring of the economy and ensuring long-term fiscal sustainability. Thus Russia has been awarded a score of "+1" for full compliance with this commitment.

*Analyst: Mark Rakhmangulov*

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

In the second quarter of 2009 Saudi Arabian Monetary Agency (SAMA) has undertaken a series of measures aimed at maintaining financial and price stability and controlling the liquidity. Inflation rate went down from 6% in March, 2009 to 5.3% in June, 2009.<sup>134</sup> During the monitoring period SAMA did not enter currency swaps with domestic banks due to sufficiency of its own dollar liquidity.<sup>135</sup>

<sup>127</sup> Draft budget strategy for the period till 2023. Ministry of finance of Russia. 25 August 2009. Date of access: 13 September 2009. <http://www.minfin.ru/common/img/uploaded/library/2008/08/strategy2023-0.zip>.

<sup>128</sup> Draft federal law «Changing chapters 22 and 28 of the tax code of Russia». Ministry of finance of Russia. Date of access: 13 September 2009.

[http://minfin.ru/common/img/uploaded/library/2009/08/ZAKONOPROEKT\\_o\\_vnesenii\\_izmeneniy\\_v\\_glvy\\_22\\_i\\_28\\_Nalogovogo\\_kodeksa\\_RF.doc](http://minfin.ru/common/img/uploaded/library/2009/08/ZAKONOPROEKT_o_vnesenii_izmeneniy_v_glvy_22_i_28_Nalogovogo_kodeksa_RF.doc).

<sup>129</sup> Dmitry Medvedev issued an Executive Order establishing a Presidential Commission on Modernisation and Technological Development of Russia's Economy. President of Russia. 21 May 2009. Date of access: 13 September 2009. <http://www.kremlin.ru/text/news/2009/05/216621.shtml>. Date of access: 13 September 2009.

<sup>130</sup> Decree from 22 July 2009 г. N 597. Government of the Russian Federation. Date of access: 13 September 2009. <http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/07/22/5648463.htm>.

<sup>131</sup> President signed federal law N 60-Ф3. President of Russia. Date of access: 13 September 2009. <http://archive.kremlin.ru/text/news/2009/04/215567.shtml>.

<sup>132</sup> President signed federal law N 162-Ф3. President of Russia. Date of access: 13 September, 2009. <http://archive.kremlin.ru/text/news/2009/07/219874.shtml>.

<sup>133</sup> President signed federal law N 159-Ф3. President of Russia. <http://kremlin.ru/text/news/2009/07/219893.shtml>. Date of access: 13 September, 2009.

<sup>134</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency. Date of access: 12 August, 2009. [http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf). Date of access: 12 August, 2009.

<sup>135</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency. Date of access: 12 August, 2009. [http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf) Date of access: August,12,2009.

By the end of the second quarter of 2009 Saudi riyal exchange rate maintained its stability against Dollar at its official rate of SAR3.75 per USD1. The Ministry of Finance took measures to increase liquidity and to lower credit cost. Among these measures there was maintenance of the Statutory Deposit Ratio for demand deposits at 7.0% and time and savings deposits at 4.0%, maintenance of the Repo Rate at 2.0%<sup>136</sup> and reducing of the Reverse repo rate first from 0.75% to 0.50%<sup>137</sup> and then from 0.50% to 0.25%.<sup>138</sup> SAMA's average daily Repo transactions went up to SAR1.946 million (USD0.52 million) in the second quarter of 2009 against SAR1.596 million (USD0.43 million) in the first quarter of 2009. This is the result of a conservative lending policy of Saudi banks, however liquidity increased significantly in the second quarter of 2009 due to the government continued spending and the reduction of the public debt and SAMA renewal of time deposits with domestic banks on behalf of the government.<sup>139</sup>

Encouraging Saudi banks to channel liquidity toward lending, Treasury Bills were kept priced at 80% of the Saudi Bank inter-deposit rate, in addition to maintaining an issuance ceiling for the treasury bills of SAR3 billion (USD0.8 billion) per week, which had previously been unlimited.<sup>140</sup> The three-month inter-bank interest rate went down from 1.15% at the end of the first quarter of 2009 to 0.64% at the end of the second quarter of 2009.<sup>141</sup> The investment ceiling of the Public Investment Fund went up from 30% to 40% of the cost of investment project along with extension of payout period from 15 years to 20 years in order to facilitate financing of large strategic investment projects.<sup>142</sup> The five-year budget plan of Saudi Arabia is included SAR25 billion (USD6.68 million) that would be evenly distributed by Real Estate Development Fund for 5 fiscal years in order to meet the demand for mortgage credits.<sup>143</sup> SAMA has also issued resolution about the creation of a Saudi Commission for Tourism and Antiques with the priority of creating new companies with state participation for developing tourism and to increase the share of domestic private funds as a way of long-term investments and sustainable development of new tourist destinations.<sup>144</sup>

Special credit organizations of Saudi Arabia will receive SAR40 billion (USD10.69 billion) in 2009. Saudi Credit and Savings Bank will receive SAR10 billion (USD2.67 billion) for

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<sup>136</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency. Date of access: 12 August, 2009.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf)

<sup>137</sup> SAMA has decided to lower its overnight reverse repo rate from 75 bp to 50 bp, effective immediately. Saudi Arabia Monetary Agency. 14 April 2009. Date of access: 16 April, 2009.

<http://www.sama.gov.sa/sites/SAMAEN/News/Pages/ReverseRepoRate.aspx>

<sup>138</sup> Reverse Repo Rate. Saudi Arabia Monetary Agency. 16 June 2009. Date of access: June 16,2009.

[http://www.sama.gov.sa/sites/SAMAEN/News/Pages/ReverseRepoRate\\_16\\_6\\_2009.aspx](http://www.sama.gov.sa/sites/SAMAEN/News/Pages/ReverseRepoRate_16_6_2009.aspx)

<sup>139</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency. Date of access: 12 August, 2009.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf) .

<sup>140</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency. Date of access: 2 September,

2009.[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf) .

<sup>141</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary agency.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf) Date of access: 12 August, 2009.

<sup>142</sup> Saudi Arabian Monetary Agency Annual Report Forty Fifth. Date of access: 31 August, 2009.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600\\_R\\_Annual\\_En\\_45\\_2009\\_08\\_31.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600_R_Annual_En_45_2009_08_31.pdf)

<sup>143</sup> Saudi Arabian Monetary Agency Annual Report Forty Fifth. Date of access: 11 August, 2009.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600\\_R\\_Annual\\_En\\_45\\_2009\\_08\\_31.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600_R_Annual_En_45_2009_08_31.pdf)

<sup>144</sup> Publication of Economic Developments for Second Quarter of 2009. Research and statistic department of Saudi Arabian Monetary Date of access: 12 August, 2009.

2009.agency.[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300\\_R\\_EcoDev\\_En\\_2009\\_08\\_12\\_Q2.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/1300_R_EcoDev_En_2009_08_12_Q2.pdf)



concessional credits for low-income categories of people for mortgage credits, professional credits and car loans and there will also be finance provided for the support of small businesses.<sup>145</sup> The Chamber of Commerce and Trade of the Jeddah city will provide credits for Saudis planning to start their own business with a subsidy of up to SAR3000 (USD802) a month during a two-year period as a part of an agreement between the Chamber of Commerce and Trade of Jeddah and Human Resource Development Fund.<sup>146</sup>

As a part of exit strategies Saudi officials have undertaken a series of measures for the development of infrastructure and innovations. Minister of Finance Ibrahim Al-Saaf has declared that during the next 5 years Saudi Arabia is ready to spend USD400 billion for investments in state and oil sectors allocating finance on the development of basic infrastructure for increasing of national economic capacity.<sup>147</sup>

In 2009 budget of Saudi Arabia provisions for new infrastructure projects and the development of existing one have been increased by 36% compared with previous years.<sup>148</sup> Officials have declared that in the nearest future a reconstruction project of the Jeddah city will be launched, second largest Saudi city, aimed at it's becoming a tourist and trade center, able to compete with other largest cities of the Arabian Gulf. It's planned that the cost will rise up to SAR170 billion (USD45 billion). Where now there are rapidly-growing slums, in the nearest future sky-scrapers with elite housing, exclusive hotels and trade centers will be built. The cost of this construction will be more that SAR50 billion (USD13.37 billion). For the development of land and sea transporting system in the nearest 15 years over SAR20 billion (USD5.53 billion) will be spent.<sup>149</sup>

King Abdullah during his tour to the Eastern Province launched industrial and infrastructure projects worth about SAR54 billion (USD14.44 billion). In the Marafic city a water and electricity plant worth of SAR12 billion (USD3.2 billion) will be built. The second industrial city in Jubail is designed to accommodate 20 huge industrial complexes with a total investment of SAR232 billion (USD62 billion).<sup>150</sup>

Funding for healthcare, education and social services has been increased, additional money is allocated for building of new hospitals, schools and universities. 25.7% of all 2009 budget will be spent for the development of human potential.<sup>151</sup> <sup>152</sup> This is an absolute record for Saudi Arabia.<sup>153</sup>

All in all, Saudi Arabia has implemented both parts of its commitments and gets a score of "+1".

*Analyst: Pavel Prokopyev*

## **South Africa: +1**

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<sup>145</sup> Saudi Arabian Monetary Agency Annual Report Forty Fifth. Date of access: 11 August, 2009.

[http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600\\_R\\_Annual\\_En\\_45\\_2009\\_08\\_31.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600_R_Annual_En_45_2009_08_31.pdf)

<sup>146</sup> Press announcement of the head of Jeddah Commerce and Trade Chamber Ahmed Jusuf Harras. Date of Access: 22 April, 2009. <http://www.alsaudiarabia.com/jcci-subsidy-for-small-business-owners/>

<sup>147</sup> Speech of Minister of Finance of Saudi Arabia Ibrahim Al-Saaf on Euromoney conference in Er-Riyad. Date of access: 20 May, 2009. <http://www.alsaudiarabia.com/sr406bn-spent-on-projects-in-first-quarter-al-assaf/#more-5105>

<sup>148</sup> Speech of Minister of Finance of Saudi Arabia Ibrahim Al-Saaf on the IMF and World Bank meeting <http://www.alsaudiarabia.com/saudi-stimulus-plan-to-boost-demand-output/#more-4101> Date of access: 12 April, 2009.

<sup>149</sup> Press-release of Jeddah deputy-mayor Idrahim Kutubhan, Jeddah mayor Adel Al-Fakih, president of city council Tarek Fadaak. Date of access: 24 April, 2009. <http://www.alsaudiarabia.com/sr170bn-plan-to-turn-jeddah-into-trade-tourism-hub/#more-3986>

<sup>150</sup> SAR54 billion projects to be launched. AlSaudiArabia. 26 April, 2009. Date of access: 26 April, 2009. <http://www.alsaudiarabia.com/sr54-billion-projects-to-be-launched/#more-4040>

<sup>151</sup> Fiscal Implications of the Global Economic and Financial Crisis. The International Monetary Fund. 9 June, 2009. Date of access: 29 June, 2009. <http://www.imf.org/external/pubs/ft/spn/2009/spn0913.pdf>

<sup>152</sup> Saudi Arabian Monetary Agency Annual Report Forty Fifth. Date of access: 31 August, 2009. [http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600\\_R\\_Annual\\_En\\_45\\_2009\\_08\\_31.pdf](http://www.sama.gov.sa/sites/SAMAEN/ReportsStatistics/ReportsStatisticsLib/5600_R_Annual_En_45_2009_08_31.pdf)

<sup>153</sup> Speech of Minister of Finance of Saudi Arabia Ibrahim Al-Saaf on the IMF and World Bank meeting. Date of access: 12 April, 2009. <http://www.alsaudiarabia.com/saudi-stimulus-plan-to-boost-demand-output/#more-4101>

South Africa has fully implemented its commitment. The Government of South Africa undertakes actions to ensure long-term fiscal sustainability and price stability and develops exit strategies.

The country carries out a range of structural reforms in order to ensure long-term fiscal sustainability. The government implements the policy of improving investment climate through creation and modernization of infrastructure and stimulation of investments.

On 22 May 2009 the Department of Trade and Industry has finally launched the clothing and textiles customized sector programme (CSP), a huge task that has been four years in the making, to prop up the perennially embattled industry. While implementation of four core programmes - most of which will be administered by the Industrial Development Corporation (IDC) - will take immediate effect, the department was silent on the extent of the resources earmarked to turn the sector around. Industry stalwart Justin Barnes, however, estimated that the recapitalization of the industry, including investment in new equipment, advanced training and operational improvements, would cost about USD1,8 billion, more than double the projection of USD840 million in the original sector programme drafted four years ago. But he said implementation of the plan was better late than never as the cost to the economy of the industry shutting down would be far greater. The programme has four core elements. Support measures include the clothing and textiles competitiveness programme, aimed at improving manufacturers' competitiveness. It also has a capital upgrade programme available to clothing, textiles and footwear manufacturers through its enterprise investment programme, along with preferential loans with a 5% less basic interest rate. A further part of the programme revolves around competitiveness at the level of individual firms and at a cluster level, on a cost-sharing basis. Tariff cuts are a further core component, which will see import duties removed on textile inputs not manufactured locally or not available in commercial quantities. A part of the CSP has been formulated in response to the global downturn, with the IDC responsible for funding to help firms in distress. The fourth component constitutes the upgrade of skills in collaboration with the sectoral Education and Training Authority, the Department of Labour and the National Skills Fund<sup>154</sup>.

On 2 April 2009 Finance Minister Trevor Manuel said the government would accelerate spending in order to boost slowing growth, this would shift the budget back into deficit after several years of surplus, predicting a deficit of 3.8% for 2009/10<sup>155</sup>.

The state organization-the Industrial Development Corporation (IDC) has spent more than USD36.7 million since April, 2009 in its efforts to help "distressed" companies combat the effect of the economic crisis<sup>156</sup>.

Implementation of exit strategies includes infrastructure and innovation development.

South Africa is to invest some USD3.09 billion over the next three years on upgrading the country's passenger rail services. Tabling his budget vote in Parliament in Cape Town on 3 July 2009, the Transport Minister Sbu Ndebele said that USD1.73 billion of that amount would be spend on upgrading infrastructure and rolling stock, while the rest would be for funding rail operations<sup>157</sup>.

On 7 July 2009 the South African government has launched a new agency to assist in converting innovative ideas into sustainable businesses. The Technology Innovation Agency (TIA) is expected to provide mechanisms for translating South Africa's scientific expertise into commercially valuable ventures, according to the Minister of Science and Technology Naledi Pandor. The TIA will secure funding and provide assistance to South Africans in developing concepts from the drawing board to commercial application. The TIA is expected to lower the

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<sup>154</sup> South Africa: Rescue Plan for Textile Industry Finally Gets Moving, Johannesburg. 22 May 2009  
<http://allafrica.com/stories/200905220071.html> Date of access: 22 May 2009.

<sup>155</sup> Lower tax revenues widen budget deficit, TradeInvestSA. 2 April 2009.  
<http://www.tradeinvestsa.co.za/news/984944.htm> Date of access: 12 May 2009.

<sup>156</sup> IDC spent R800m helping firms combat the financial crisis, TradeInvest South Africa. 3 July 2009  
<http://www.tradeinvestsa.co.za/news/193602.htm>. Date of access: 5 July 2009.

<sup>157</sup> SA to invest R25bn in rail transport ,South Africa.info. 6 July, 2009.  
<http://www.southafrica.info/business/economy/infrastructure/rail-060709.htm> Date of access: 8 July 2009

costs associated with developing home-grown technology. Regional offices in each province are planned<sup>158</sup>.

Thus, a wide range of undertaken actions allows to assess South Africa at a score of “+1”.

*Analyst: Yulia Kukushkina*

### **South Korea: 0**

The Republic of Korea has partly met its commitment to ensure a long-term fiscal sustainability and price stability as well as to develop “exit strategies”.

The government undertakes measures aimed at economy stimulation, labour market maintenance and finance market recovery.

4,9 trillion (3,5 billion US dollars) are to be spent from the budget for creating KRW550 thousand jobs<sup>159</sup>, the country’s labor organizations stand for voluntarily cutting wages under the so-called job-sharing program. The job sharing program entails pay cuts for new employees and freezing the wages of existing workers for the next few years. The money gained through these pay cuts and pay freezes will be used to stabilize the employment market and hire new employees or interns.<sup>160</sup>

The government announced in April an establishment of a fund worth some KRW4 trillion (USD3 billion) to purchase about 100 vessels from struggling shipping companies, to start probably in June, 2009, in order to keep the companies from selling their ships at dirt-cheap prices to overseas companies as part of restructuring efforts.<sup>161</sup>

For these purposes the foreign exchange stabilization fund was issued in two kinds of bonds: USD1.5 billion in dollar-denominated bonds with a five-year maturity and USD1.5 billion also in dollar-denominated bonds with a 10-year maturity. The two kinds of bonds were issued with a 400 bills payable spread and a 437.5 bills payable spread, respectively. The spread level is on a par with that of government bonds issued by Abu Dhabi in the United Arab Emirates, whose sovereign credit standing is two to three notches higher than Korea's.<sup>162</sup>

In the mid April, 2009, two weeks after G20 summit, Bloomberg reported Korea was getting over the crisis due to undertaken measures which cost the budget KRW17.7 trillion (USD13 billion), spent on cash handouts, cheap loans and job training to revive the economy.<sup>163</sup>

However, Korea’s government has not duly developed “exit strategies”.

All in all, Republic of Korea having taken measures for fiscal sustainability and price stability has only fulfilled a part of the commitment and is assessed at a score of “0”.

*Analyst: Alexander Simonov*

### **Turkey: +1**

During the monitoring period Turkey has fully complied with its commitment to ensure a long-term fiscal and price stability and put in place credible exit strategies from measures taken to support the financial sector and restore global demand. Almost all official authorities have actively participated in elimination of financial crisis consequences. The Central Bank of the Republic of Turkey was particularly active, it has repeatedly taken measures to ensure price stability and to facilitate both domestic and external customer demand. Since the G20 Summit in London, 2 April 2009, the Central Bank of the Republic of Turkey has several times slashed its benchmark interest rates by 50 basis points, the last time such decision was made on 18 April

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<sup>158</sup> Government establishes agency to fund innovation, TradeInvest South Africa. 7 July, 2009

<http://www.tradeinvestsa.co.za/news/195909.htm> Date of access: 9 July, 2009.

<sup>159</sup> Additional budget to be spent solely on job creation: Lee. Korea. Net. Gateway to Korea. Date of access: 5 September, 2009. [http://korea.net/news/issues/issueDetailView.asp?board\\_no=20370](http://korea.net/news/issues/issueDetailView.asp?board_no=20370)

<sup>160</sup> President Lee puts top priority on securing flexible labor market. Korea. Net. Gateway to Korea. 7 May, 2009. Date of access: 5 September 2009. [http://korea.net/news/issues/issueDetailView.asp?board\\_no=20699](http://korea.net/news/issues/issueDetailView.asp?board_no=20699)

<sup>161</sup> Emergency economic council moves to support shipping industry. Korea. Net. Gateway to Korea. 23 April 2009. Date of access: 5 September 2009. [http://korea.net/news/issues/issueDetailView.asp?board\\_no=20500](http://korea.net/news/issues/issueDetailView.asp?board_no=20500)

<sup>162</sup> Gov't issues USD3 billion in Forex Stabilization Fund. Korea. Net. Gateway to Korea. 10 April 2009. Date of access: 5 September 2009.

[http://www.korea.net/News/Issues/issueDetailView.asp?board\\_no=20459&menu\\_code=A](http://www.korea.net/News/Issues/issueDetailView.asp?board_no=20459&menu_code=A)

<sup>163</sup> Good News Springs Up 7,000 Miles From New York: William Pesek. Bloomberg. 13 April 2009. Date of access: 5 September 2009. [http://www.bloomberg.com/apps/news?pid=newsarchive&sid=au\\_1LiDJSWEo](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=au_1LiDJSWEo)

2009. The Central Bank plans to continue further rate cuts in short-term unless there is a robust recovery in economic activity<sup>164</sup>.

On 13 April 2009, Turkish's "ISbank" and European Investment Bank (EIB) signed a loan agreement for 250 million Euros which will be utilised for financing SMEs in Turkey. The loan agreement was part of a joint action plan, launched by European Bank for Reconstruction and Development (EBRD), the European Investment Bank Group and the World Bank Group to support the banking sectors in New EU member states, pre-Accession Western Balkan states and pre-Accession Turkey.<sup>165</sup>

On 30 April 2009, Turkey's oil and gas pipeline authority said it cut natural gas prices by 25 percent in household consumption and by 26 percent in industrial consumption. Turkey's Petroleum Pipeline Corporation (BOTAS) said the new prices will be in effect as of Friday. BOTAS cut prices by 18 percent earlier in February. This measure is aimed to support ailing manufacturing companies.<sup>166</sup>

At the annual Istanbul Home Textiles Exhibition on 22 May 2009, Prime Minister Recep Tayyip Erdoğan said the Government would continue extending financial support to the Turkish textile sector, and push the limits to ease the burden on various sectors.<sup>167</sup>

From 19 June 2009 in addition to the one-week maturity repo auctions, which are the basic funding instruments, the Central Bank of the Republic of Turkey started to use actively repo transactions with maturities up to 3 months. Such measure are provided for cases where the liquidity shortage in the market increases and/or becomes pronounced.<sup>168</sup>

Likewise Turkish government undertook other measures to facilitate the economic activity, namely tax rate cuts, for instance Turkish government has decreased consumption tax rate substantially on a range of products which are manufactured in Turkey.<sup>169</sup>

Putting credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand, Turkish government initiated new investment projects and took measures to reduce the number of unemployed in the country.

On 4 June 2009, Prime Minister Recep Tayyip Erdoğan said that they determined 12 sectors for the new incentives system and big project investments. While making public the new incentives

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<sup>164</sup> DECISION OF THE MONETARY POLICY COMMITTEE, MEETING DATE: MAY 14, 2009 COMMITTEE MEMBERS DURMUS YILMAZ (GOVERNOR), ERDEM BASÇI, BURHAN GÖKLEMEZ, TURALAY KENÇ, M. İBRAHİM TURHAN, ABDULLAH YAVAS, MEHMET YÖRÜKOĞLU. SOURCE: [HTTP://WWW.TCMB.GOV.TR/YENI/ANNOUNCE/2009/ANO2009-17.PHP](http://www.tcmb.gov.tr/yeni/announce/2009/ANO2009-17.php) - CENTRAL BANK OF THE REPUBLIC OF TURKEY. DECISION OF THE MONETARY POLICY COMMITTEE MEETING DATE: JUNE 16, 2009 COMMITTEE MEMBERS DURMUS YILMAZ (GOVERNOR), ERDEM BASÇI, BURHAN GÖKLEMEZ, TURALAY KENÇ, M. İBRAHİM TURHAN, ABDULLAH YAVAS, MEHMET YÖRÜKOĞLU. SOURCE: [HTTP://WWW.TCMB.GOV.TR/YENI/ANNOUNCE/2009/ANO2009-19.HTM](http://www.tcmb.gov.tr/yeni/announce/2009/ANO2009-19.htm)- CENTRAL BANK OF THE REPUBLIC OF TURKEY. MARKETS RISE AS CENTRAL BANK RATE CUTS CONTINUE 18 JULY 2009 [HTTP://WWW.TODAYSZAMAN.COM/TZ-WEB/NEWS-181277-MARKETS-RISE-AS-CENTRAL-BANK-RATE-CUTS-CONTINUE.HTML](http://www.todayszaman.com/tz-web/news-181277-markets-rise-as-central-bank-rate-cuts-continue.html) DECISION OF THE MONETARY POLICY COMMITTEE MEETING DATE: AUGUST 18, 2009 COMMITTEE MEMBERS DURMUS YILMAZ (GOVERNOR), ERDEM BASÇI, BURHAN GÖKLEMEZ, TURALAY KENÇ, M. İBRAHİM TURHAN, ABDULLAH YAVAS, MEHMET YÖRÜKOĞLU. SOURCE: [HTTP://WWW.TCMB.GOV.TR/YENI/ANNOUNCE/2009/ANO2009-26.HTM](http://www.tcmb.gov.tr/yeni/announce/2009/ANO2009-26.htm)- CENTRAL BANK OF THE REPUBLIC OF TURKEY.

<sup>165</sup> EUROPEAN INVESTMENT BANK LOANS 250 MILLION EUROS TO TURKEY'S ISBANK DATE OF ACCESS -MONDAY, 13 APRIL 2009 SOURCE: [HTTP://WWW.TURKISHWEEKLY.NET/NEWS/72134/EUROPEAN-INVESTMENT-BANK-LOANS-250-MILLION-EUROS-TO-TURKEY-39-S-ISBANK.HTML](http://www.turkishweekly.net/news/72134/european-investment-bank-loans-250-million-euros-to-turkey-39-s-isbank.html)

<sup>166</sup> Turkey's oil and gas pipeline authority Date of access -Thursday, 30 April 2009 Source: <http://www.turkishweekly.net/news/75006/turkey-39-s-pipeline-authority-cuts-natural-gas-price-by-25-.html>

<sup>167</sup> PM: Gov't will continue to support textile sector -Date of access 22 May 2009, Friday <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176018>

<sup>168</sup> THE CBRT PRESS RELEASE ON LONG-TERM REPO AUCTIONS - 18 June 2009 Source: <http://www.tcmb.gov.tr/yeni/announce/2009/ANO2009-20.htm>- Central Bank of the Republic of Turkey.

<sup>169</sup> Government to continue tax cut on cars, furniture, white goods. - Date of access 16 June 2009. Source: <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=178213> .Tax breaks spur boom in Turkey's online shopping 31 July 2009 <http://www.todayszaman.com/tz-web/news-182560-tax-breaks-spur-boom-in-turkeys-online-shopping.html>

and employment package, the Prime Minister said the government divided the new incentives system into three groups and named them, “Big Project Investments”, “Regional and Sectoral Incentives System”, “General Incentives System”. The new incentives system was prepared with the aim to support new investments. In order to be able to raise competitive power of the country, upgrade production potential, and form permanent areas of employment”. Likewise Turkey's Prime Minister Recep Tayyip Erdogan said that the new incentives and employment package would create and offer direct employment opportunities for almost 500,000 people. PM stated through this employment package they will employ unemployed people in socially-beneficial projects.<sup>170</sup>

On 19 August 2009, President Abdullah Gül has finally approved a bill amending the current labor law, following the revision of some articles by the government. The bill, designed to give special employment bureaus the right to hire workers out to employers for temporary terms, was recently vetoed by Gül. The President sent the bill back to Parliament with a request to revise the articles on “hired workers,” noting that it failed to cover necessary aspects of workers' rights. The revised bill focuses on incentives for employment and changes in the Unemployment Fund and the social security system.<sup>171</sup>

Moreover, in order to help the Turkish Government to reduce unemployment figures, the World Bank had decided to lend its support. The WB will support Turkey until 2011. A USD6.5 billion loan is earmarked for Turkey in line with the “Country Partnership Strategy” and will be used to give an impetus to the nose-diving employment rate.<sup>172</sup>

Thus, Turkey has been awarded a score of “+1” for fulfilling its commitment.

*Analyst: Anvarjon Sultanov*

### **United Kingdom: +1**

The United Kingdom has fully complied with the commitment to ensure long-term fiscal sustainability and price stability, as its Government has announced the package of measures aimed at recovery of economic growth and has developed the strategy on decrease in budget deficit and national debt caused by these measures.

Main approaches of the United Kingdom to the anti-crisis policy were presented in the Chancellor of the Exchequer's budget statement on 22 April 2009.<sup>173</sup> Chancellor of the Exchequer Alistair Darling pointed out some new measures, which will be financed by the British budget and will help the country to end the recession. Some measures are aimed at finding new sources of budget revenue to ensure fiscal sustainability in conditions of crisis, such as offshore and tax avoidance disclosure<sup>174</sup>; increase in tax burden for persons with high incomes; increase in alcohol, tobacco and fuel duties; improvement of public authorities' expenditures; sale of public property.<sup>175</sup>

New incomes sources gave the United Kingdom an opportunity to maintain and even to increase investments in public services to provide the health and wellbeing of British people in the future. For example, it is planned to raise investments into health by 5% and into schools by 4% at the expense of improving efficiency of public authorities' expenditures.<sup>176</sup>

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<sup>170</sup> PM Erdogan Names New Incentives Package Under Three Groups - Date of access 4 June 2009. Source: <http://www.turkishweekly.net/news/79600/pm-erdogan-names-new-incentives-package-under-three-groups.html>  
Turkish Premier Says New Package to Employ 500000 People –Date of access 4 June 2009 Source: <http://www.turkishweekly.net/news/79602/turkish-premier-says-new-package-to-employ-500-000-people.html>

<sup>171</sup> President approves revised labor law, upsets unions 19 August 2009. <http://www.todayszaman.com/tz-web/news-184431-president-approves-revised-labor-law-upsets-unions.html>

<sup>172</sup> World Bank to help increase employment in Turkey - Date of access: 4 June 2009. <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=177133>

<sup>173</sup> Budget 2009. 22 April 2009. HM Revenue & Customs. Date of access: 6 July, 2009. <http://www.hmrc.gov.uk/budget2009/index.htm>

<sup>174</sup> Compliance Proposals. HM Revenue & Customs. Date of access: 6 July, 2009. <http://www.hmrc.gov.uk/budget2009/compliance-proposals.htm>

<sup>175</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

<sup>176</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

Moreover, British national budget supposes high expenditures for anti-crisis policy, including tax reductions and tax credits; investments in educational programs for young specialists which will be in demand in future; creating a Strategic Investment Fund for development of new technologies and prospective industries, such as digital and biotechnology.<sup>177</sup>

The United Kingdom is also going to promote investments into the new high-technological enterprises which will contribute to the future economic prosperity. For example, in July 2009 the UK's three tax-based Venture Capital Schemes have received formal state aid approval from the European Commission. The schemes have so far facilitated around £10 billion of investment, which has been invested in over 15,000 companies.<sup>178</sup>

Despite the considerable budget deficit and national debt caused by the current anti-crisis measures the British Government is going to ensure long-term fiscal sustainability. Due to IMF, the United Kingdom is one of few countries which have developed a strategy on decrease in budget deficit and national debt. According to the forecasts, British budget deficit will fall by 1½ % annually on average so that the national debt would begin to decrease by 2015-2016.<sup>179</sup> While in 2009 national borrowing will be about 12.4% of GDP, in 2010-2014 it will fall to 5,5% of GDP. The UK net debt, which includes the cost of stabilizing the banking system, will, as a share of GDP, increase from 59% in 2009 to 79% in 2013-14. It will stabilize and then begin to fall in 2015-16.<sup>180</sup>

Budget deficit and national debt decrease will be provided, first of all, by the effectiveness of the current anti-crisis measures. For example, due to Chancellor of the Exchequer, if the Government provides investments into researches and new technologies development, improvement of specialists' qualification, the national economy will be more productive in the future.<sup>181</sup> Alistair Darling announced, that on the whole the measures proposed to help the country through the recession, will put GBP20 billion (USD33 billion) back into the economy and will decrease budget deficit twofold during four years.<sup>182</sup>

Thus, the proposed anti-crisis measures of the United Kingdom imply significant expenditures causing budget deficit and national debt. At the same time the British Government has developed a strategy to ensure long-term fiscal sustainability. Moreover, the planned measures should facilitate future economic growth. Thus the score of the United Kingdom for fulfillment of this commitment is "+1".

*Analyst: Natalia Churkina*

## **USA: 0**

The United States have taken certain measures to ensure long-term fiscal sustainability and price stability. However, there was a lack of concrete steps in this direction.

Despite the aspiration of the U.S. Government to support the sustainability, a number of destabilizing tendencies have been observed. In August 2009 U.S. Treasury Secretary Timothy Geithner asked the Congress to increase the USD12.1 trillion debt limit. The Treasury projects that the current debt limit could be reached as early as mid-October.<sup>183</sup> The need expected to

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<sup>177</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

<sup>178</sup> State aid approval for the UK's three tax-based venture capital schemes. 29 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_43\\_09.htm](http://www.hm-treasury.gov.uk/press_43_09.htm)

<sup>179</sup> The state of public finances: a cross-country fiscal monitor. International Monetary Fund. 30 July 2009. Date of access: 20 August 2009. <http://www.imf.org/external/pubs/ft/spn/2009/spn0921.pdf>

<sup>180</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

<sup>181</sup> Speech by the Chancellor of the Exchequer, the Rt Hon Alistair Darling MP, at Mansion House. 17 June 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_57\\_09.htm](http://www.hm-treasury.gov.uk/press_57_09.htm)

<sup>182</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

<sup>183</sup> Geithner Asks Congress to Increase Federal Debt Limit. The Wall Street Journal, 8 August 2009. Date of Access: 21 August 2009. <http://online.wsj.com/article/SB124970470294516541.html>.

borrow an additional USD892 billion is expected through the end of the year.<sup>184</sup> A failure to increase the debt limit would essentially push the federal government to default on its debts.<sup>185</sup>

Despite all these budget problems the Government is relieving tax burden and is trying to stimulate growth. The American Recovery and Reinvestment Act of 2009, signed into law by President Barack Obama on 17 February 2009, specifies that 37% of the USD787 billion package is to be devoted to tax cuts, 18% is allocated to state and local fiscal relief.<sup>186</sup>

Efforts made in the sphere of job creation are insufficient. U.S. President Barack Obama says unemployment is likely to rise and it is necessary to create new jobs. However, no concrete measures have been so far proposed. By mid of July the unemployment rate was at 9.5 percent, the highest in 26 years.<sup>187</sup>

The United States declared mid-term fiscal sustainability as their aim. There has been a commitment at the highest level to cut the federal deficit by half by the end of 2012, although it has yet to be framed in any formal fiscal rule.<sup>188</sup>

Despite the IMF's calls for exit strategies from the stimulus measures, no significant progress has been achieved so far.<sup>189</sup> According to Ben Bernanke, the Financial Reserve System (FRS) is spending an enormous amount of time developing an exit strategy. In May 2009 they promised to support price stability. In Mr. Bernanke's opinion, many of the Fed's emergency lending programs can be wound down fairly easily as private credit markets get back to business.<sup>190</sup> However, analysts of the Morgan Stanley bank wonder how the economy will react to the move-away from incentive measures.<sup>191</sup> Also there is a risk that as the banking system stabilizes, the Federal Reserve's emergency loan and market-support programs could start to inadvertently subsidize unwise risk-taking.<sup>192</sup>

Strictly speaking, discussions on exit strategies have concerned so far the Troubled Asset Relief Program (TARP) only – a program of the U.S. government to purchase assets and equity from financial institutions in order to strengthen the U.S. financial sector.

Two weeks after the results of the federal stress tests, regulators facilitated the beginning of formal discussions with several banks about repaying their bailout portion. Among those banks are: Bank of New York Mellon, Goldman Sachs, JPMorgan Chase, Morgan Stanley, State Street and U.S. Bancorp.<sup>193</sup>

The Federal Reserve had not developed any exit strategies by September 2009, and fiscal sustainability is still lacking. Nevertheless for work in this direction the USA is scored "0".

*Analyst: Tatyana Lanshina*

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<sup>184</sup> National Debt Cap Will Need to Rise, Treasury Predicts, The Washington Post, 5 August 2009. Date of Access: 21 August 2009. [http://voices.washingtonpost.com/capitol-briefing/2009/08/national\\_debt\\_cap\\_will\\_need\\_to.html?wprss=capitol-briefing](http://voices.washingtonpost.com/capitol-briefing/2009/08/national_debt_cap_will_need_to.html?wprss=capitol-briefing).

<sup>185</sup> Raising the debt limit could be tricky, Politico, 14 August 2009. Date of Access: 21 August 2009. <http://www.politico.com/news/stories/0809/26129.html>.

<sup>186</sup> Summary: American Recovery And Reinvestment, COMMITTEE ON APPROPRIATIONS, 13 February 2009. Date of Access: 19 May 2009. <http://appropriations.house.gov/pdf/PressSummary02-13-09.pdf>

<sup>187</sup> Obama: Unemployment Rate Likely to Rise. CBS News. 14 July 2009. Date of Access: 1 September 2009. <http://www.cbsnews.com/stories/2009/07/14/politics/main5158001.shtml>.

<sup>188</sup> Strategies for aligning stimulus measures with long term growth, OECD, P.12. Date of Access: 22 May 2009. <http://www.oecd.org/dataoecd/12/62/42555546.pdf>.

<sup>189</sup> IMF says time to talk crisis exit plans, AFP, 25 April 2009. Date of Access: 22 May 2009.

<http://www.google.com/hostednews/afp/article/ALeqM5gz--bPfvMdm1ppmVkJZGZhuynmLkA>

<sup>190</sup> Bernanke looking ahead to bailout 'exit strategy' as fears lessen, CSMonitor. 5 May 2009. Date of Access: 30 June 2009. <http://features.csmonitor.com/economyrebuild/2009/05/05/bernanke-looking-ahead-to-bailout-exit-strategy-as-fears-lessen/>

<sup>191</sup> U.S. interest rates seen hinging on Fed's exit strategy, Reuters, 1 July 2009. Date of Access: 5 July 2009. <http://www.reuters.com/article/GCA-Economy/idUSTRE5604JW20090701?pageNumber=1&virtualBrandChannel=11569>

<sup>192</sup> The Fed needs a bailout exit strategy, CNN Money, 22 June 2009. Date of Access: 28 June 2009. [http://money.cnn.com/2009/06/22/news/economy/fed\\_needs\\_exit\\_strategy.breakingviews/index.htm?section=money\\_latest](http://money.cnn.com/2009/06/22/news/economy/fed_needs_exit_strategy.breakingviews/index.htm?section=money_latest)

<sup>193</sup> U.S. Weighs How to Let Banks Give Money Back, The New York Times, 19 May 2009. Date of Access: 19 May 2009. <http://www.nytimes.com/2009/05/20/business/20repay.html>.

## EU: 0

The European Union has partially complied with its commitment to ensure long-term fiscal/financial stability and to restore the financial sector.

On 7 April 2009 the European Council adopted a regulation aiming at a targeted use of EU structural funds in order to counter the economic crisis. According to this regulation the mobilization of the European Social Fund (ESF) and the European Regional Development Fund (ERDF) should accelerate herewith the impact of investments on the economy. Up to EUR 1.8 billion (USD2.57 billion) (of advance payments of the ESF will allow member states to reinforce their labour market policies, refocus support on the most vulnerable and step up action to boost skills. Up to EUR 4.5 billion (USD6.4 billion) of the ERDF will be invested in the year of 2009 in infrastructure and regional and local development.<sup>194</sup>

In the adopted on 29 April, 2009 Council Conclusions on the long-term sustainability and quality of public finances<sup>195</sup> the Council reconfirmed the commitment to implement further pension and health care reforms, structural reforms to strengthen productivity growth and labour market reforms. The aim of these reforms is to increase job creation and participation in the labour market, in particular to avoid early exit from the labour market and to raise the effective retirement age. Moreover, the Council invited the Commission to factor these findings into its analysis and proposals for the future of the Lisbon post-2010 strategy, and to take account of its implications in all relevant EU policies, including the issues on migration, financial services, and the cross-border mobility of workers.<sup>196</sup>

The European Commission has approved three UK's fiscal venture capital schemes: Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs) and Corporate Venturing Scheme (CVS)<sup>197</sup> and an Irish scheme of levies and tax relief in the health insurance sector.<sup>198</sup> These venture capital schemes are to encourage private risk capital investment in unquoted small and medium-size enterprises (SMEs) by providing a range of tax relief to individual and corporate investors, the expected amount of tax relief is approximately GBP 250 million (USD417.5 million). The objective of the Irish scheme is to promote intergenerational solidarity by decreasing the risk differentials for health insurers between old and young customers.

The European Commission affirmed its commitment to promote good governance in tax matters in order to develop the international cooperation in taxes.<sup>199</sup>

On 27 July 2009 the Council adopted a Decision establishing the Community programme to support activities in the field of financial services, financial reporting and auditing (3671/09) which enables the Community to participate in the funding of certain bodies, both European and international, so as to ensure the effectiveness of EU policies in the financial services sector and

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<sup>194</sup> Council of the European Union, Press-release: Council decides to accelerate the spending of EU structural Funds 8585/09 (Presse 87). Brussels, 7 April 2009. Date of Access: 10 August 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/107177.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/107177.pdf)

<sup>195</sup> Draft Council conclusions on the long-term sustainability and quality of public finances from the General Secretariat of the Council 8818/09, Brussels, 29 April 2009. Date of Access: 10 August, 2009.

<http://register.consilium.europa.eu/pdf/en/09/st08/st08818.en09.pdf>

<sup>196</sup> Council of the European Union, Press-release 9400/00 (Press 112), 2940th Council meeting Economic and Financial Affairs, Brussels, 5 May 2009. Date of Access: 10 August, 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/107540.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/107540.pdf)

<sup>197</sup> State aid: Commission approves three UK fiscal venture capital schemes. European Commission, Press-release, Reference: IP/09/661 Date: 29/04/2009, Brussels. Date of Access: 10 August, 2009.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/661&format=HTML&aged=0&language=en&guiLanguage=en>

<sup>198</sup> State aid: Commission authorises Irish health insurance tax and levy scheme. Reference: IP/09/961. Date: 18.06.2009. Brussels. Date of Access: 10 August, 2009.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/961&format=HTML&aged=0&language=en&guiLanguage=en>

<sup>199</sup> Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Promoting Good Governance in Tax Matters COM(2009) 201 final, Brussels, 28 April 2009. Date of Access: 14 August, 2009. <http://register.consilium.europa.eu/pdf/en/09/st09/st09281.en09.pdf>



in the fields of financial reporting and statutory audit. The decision provides for a financial envelope amounting to EUR 38.7 million for the 2010-2013 period.<sup>200</sup>

The EU has not taken actions to support the financial sector. Thus, the EU partial compliance may be assessed a score of “0”.

*Analyst: Arina Shadrikova*

G-20

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<sup>200</sup> Financial services: new rules on credit rating agencies, bankcapital requirements, cross-border payments and e-money, and a programme to support the effectiveness of EU policies, Council of the European Union, Press-release 12380/09 (Presse 234), Brussels, 27 July 2009. Date of Access: 10 August 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/109349.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/109349.pdf)

## **Resisting protectionism and promoting global trade and investment [40] [41] [42]**

### **Commitment:**

We reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports.

### **Commitment:**

In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;

### **Commitment:**

We will minimise any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries;

*G20 Leaders' Statement: The Global Plan for Recovery and Reform*

### **Assessment:**

#### **Compliance scores**

<b>Country</b>	<b>Lack of compliance -1</b>	<b>Work in progress 0</b>	<b>Full compliance +1</b>
<b>Argentina</b>		0	
<b>Australia</b>			+1
<b>Brazil</b>			+1
<b>Canada</b>			+1
<b>China</b>		0	
<b>France</b>			+1
<b>Germany</b>			+1
<b>India</b>		0	
<b>Indonesia</b>	-1		
<b>Italy</b>			+1
<b>Japan</b>		0	
<b>Mexico</b>		0	
<b>Russia</b>		0	
<b>Saudi Arabia</b>		0	
<b>South Africa</b>			+1
<b>South Korea</b>			+1
<b>Turkey</b>			+1
<b>United Kingdom</b>			+1
<b>USA</b>		0	
<b>European Union</b>			+1
<b>Average score</b>			<b>0,50</b>

### **Background:**

G20 members reiterated their commitment on avoiding protectionism made at G20 Washington summit and extend it to the end of 2010. They also committed to rectify protectionist measures and not to retreat into financial protectionism. The WTO and other relevant international bodies were instructed to monitor and report about trade-related developments. The WTO Secretary General has already prepared two reports on trade-related developments during the financial and economic crisis (See Sources of information).

### ***Financial protectionism***

To mitigate the consequences of the economic crisis governments have provided unprecedented injections of financing to their banking and financial services sectors. Five types of government intervention have been used:

- cleaning "bad assets" from banks' balance sheets so as to allow them to start lending again under normal circumstances. A common "asset side" policy has been the purchase for cash of troubled mortgage assets from banks and other lenders.
- governments have encouraged takeovers of some failing banks by better capitalized banks, and provided government support in some cases.

- recapitalisation of troubled financial institutions by injecting public funds as equity or debt financing.
- partial or total nationalization of financial institutions, usually after other measures have failed.
- expanded government guarantees for different forms of banks' liabilities, usually through increases in the threshold of savings eligible for deposit insurance and provision of loan guarantees either on inter-bank loans or on banks' issues of debt.<sup>201</sup>

Some countries are trying to make government support of banks conditional on their giving priority to domestic borrowers, to the detriment of financing across borders. This will hurt emerging economies, whose growth depends on access to foreign bank financing. It is protectionism in the financial markets.<sup>202</sup> Hence particular attention in the monitoring process should be paid to financial recovery programs and their influence on worldwide capital flows, especially to developing countries.

Government actions designed for giving incentives to companies to stop allocation of their production facilities in developing countries during the economic crisis can also undermine investment flows and should be registered in the reports.

### **Commitment Features:**

There are three components to this commitment:

- member states commit to refraining from new barriers to investment or to trade in goods and services;
- member states commit to refrain from imposing new export restrictions;
- member states commit to refrain from implementing World Trade Organizations (WTO) inconsistent measures to stimulate exports.

The first two parts of the commitment don't mention the WTO explicitly. However it does not imply that these two are unrelated to the WTO norms. Even if the three are treated as separate bits, there is a need to adopt a measure of compliance assessment, so that there is across countries consistency. WTO consistency principle is adopted in the monitoring, as there is no better normative standard than WTO provision on international trade, and as any action by the G20 members under the first two components can not considered in breach of the commitment. Assessing the third bit requires the WTO consistency. Thus a cross components consistency measure is attempted.

If a country takes protectionist measure, but then rectifies it within the monitoring period, this measure doesn't constitute incompliance. If a country rectifies the measure taken between Washington and London summits it should be registered in the report but it doesn't affect the score.

The country reports starts with a general assessment of the country position re the commitments as expressed formally and publicly in various fora. The review of the measure undertaken covers not only those in breach of the WTO provisions, but the major actions which are in conformity with these. As many countries have introduced a proliferation of programmes and measures but remain within the WTO provisions. The reviews also include the measures which can not be assessed definitively at this stage, but can be evaluated eventually, the reports finally a wrap up on the measures which are clearly non compliant, if any. The final assessment and a score wrap up the monitoring results. If an analyst has doubts, they are made explicit for further consultations with the analysts and the stakeholders.

### **Scoring:**

<b>-1</b>	State introduces new barriers to investment or to trade in goods and services <b>AND</b> implements measures inconsistent to WTO regulations to stimulate exports
<b>0</b>	State raises new barriers to investment or to trade in goods and services <b>OR</b> implements WTO inconsistent measures to stimulate exports.

<sup>201</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments. 26 March 2009. [http://www.wto.org/english/news\\_e/news09\\_e/trdev\\_dg\\_report\\_14apr09\\_e.doc](http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc).

<sup>202</sup> Speech by Dominique Strauss-Kahn, Managing Director of the International Monetary Fund at the 44th SEACEN Governors' Conference. 7 February 2009. <http://www.imf.org/external/np/speeches/2009/020709.htm>.

+1	State refrains from raising new barriers to investment or to trade in goods and services <b>AND</b> doesn't implement WTO inconsistent measures to stimulate exports.
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### Argentina: 0

Argentina has partially complied with the G20 commitment to fight protectionism and to develop international trade and investment.

The Government of Argentina allocated the total funding of USD 2.5 billion for maintaining and developing trade.<sup>203</sup> The funds were distributed in the following way: USD2 billion were designated to increase bank credit lines via the National Bank of Social and Economic Development (Banco Nacional de Desarrollo Económico y Social, BNDES); USD 0.5 billion were allocated for the preliminary export and financing of working capital via the Foreign Trade and Investment Bank (Banco de Inversión y Comercio Exterior, BICE).<sup>204</sup>

Strengthening of the trade policy measures of Argentina's major trading partners has led to an increase in the number of anti-dumping investigations initiated by the country. Argentina became fifth in terms of the total number of anti-dumping investigations initiated and anti-dumping duties imposed in the second half of 2008.<sup>205</sup> Currently the tendency persists. For instance, on 12 May 2009 Argentina initiated an anti-dumping investigation on imports of piping accessories from Brazil and China; and on 2 June 2009 it initiated an anti-dumping investigation on imports of load-lifters from China.<sup>206</sup>

Licensing for imports became another measure taken by Argentina to protect its national producers. As of November, 2008 Argentina has introduced non-automatic import licensing requirements, covering textiles, steel, metallurgical products as well as 12 new products items, including aluminum and base metals.<sup>207</sup> Besides, delays in granting licenses for imports and the long protraction of processing necessary documents has become common.<sup>208</sup> Long delays of more than 100 days on average have become more frequent.<sup>209</sup>

On 3 September 2009 the Head of the Central Customs Silvina Tirabassi revealed Argentina's intentions of increasing reference prices for a number of imported product items, including textiles, metallurgical products and fast-moving consumer goods.<sup>210</sup> The measure is aimed at protecting national producers.

<sup>203</sup> Panorama de la inserción internacional de América Latina y el Caribe 2008-2009. Crisis y espacios de cooperación regional. (Documento informativo). Comisión Económica para América Latina y el Caribe. Date of access : 5 September, 2009. <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/36906/P36906.xml&xsl=/comercio/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>

<sup>204</sup> Panorama de la inserción internacional de América Latina y el Caribe 2008-2009: Crisis y espacios de cooperación regional (Latin America and the Caribbean in the World Economy 2009 - 2009. Crisis and opportunities for regional cooperation). The United Nations Economic Commission for Latin America and the Caribbean (CEPAL). August 2009. <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/36906/P36906.xml&xsl=/comercio/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>

<sup>205</sup> Presentación de la Sra. Alicia Bárcena, Secretaria Ejecutiva de la CEPAL. The United Nations Economic Commission for Latin America and the Caribbean (CEPAL). August 2009. <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/36906/P36906.xml&xsl=/comercio/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>

<sup>206</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments, 1 July 2009. [http://www.ustr.gov/webfm\\_send/1202](http://www.ustr.gov/webfm_send/1202)

<sup>207</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments, 26 March 2009. Available at: <http://www.iatp.org/tradeobservatory/library.cfm?refID=105582>

<sup>208</sup> Presentación de la Sra. Alicia Bárcena, Secretaria Ejecutiva de la CEPAL. The United Nations Economic Commission for Latin America and the Caribbean (CEPAL). August, 2009. <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/36906/P36906.xml&xsl=/comercio/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>

<sup>209</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments, 1 July 2009. [http://www.ustr.gov/webfm\\_send/1202](http://www.ustr.gov/webfm_send/1202)

<sup>210</sup> La Aduana lanzará medidas de protección para la industria, periódico iProfesional.com, Buenos Aires, Argentina, 3 September 2009. Date of access: 7 September, 2009. <http://comex.infobaeprofesional.com/notas/86862-La-Aduana-lanzara-medidas-de-proteccion-para-la-industria.html?cookie>

Thanks to the strengthened trade relations with China, which is at the moment the second largest trading partner of Argentina, the country managed to avoid a sharp decrease in its exports.<sup>211</sup> Despite of the fact that a vast majority of protectionist measures (such as licensing and anti-dumping) were targeted at China, it remains a strategically-important trading partner for Argentina. On 2 April 2009 a bilateral currency swap arrangement was achieved between the two countries, aimed at fostering further cooperation. Under the arrangement Argentina and China will exchange CNY70 billion (USD10.22 billion) by ARS38 billion (USD9.88 billion). The effective period of the arrangement will be 3 years, and could be extended by agreement between the two sides.<sup>212</sup>

All things considered, having imposed a number of barriers to imports, including the introduction of additional requirements for licensing, Argentina has been awarded a score of “0”.

*Analyst: Polina Arkhipova*

### **Australia: +1**

The Australian Government partly complied with this commitment. But it is necessary to point out that despite the difficulties in the domestic economy Australia did not impose new protection measures in trade and investments.

Since the G20 summit in London a number of agreements on the double taxation have been signed, aimed at simplification of trade collaboration. Australia has already signed such agreement with France,<sup>213</sup> and several tax information protocols for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income to include the OECD standard for the exchange of tax information with Jersey, Belgium, New Zealand and Korea.<sup>214</sup>

Moreover, Australia has initiated a new bilateral ministerial dialogue with Japan. The main aim is to establish the Australia-Japan trade and economic ministerial dialogue to discuss developments in the WTO, to explore new areas of trade and investment, and to advance the Australia-Japan Free Trade Agreement negotiations.<sup>215</sup>

The Federal Government has delivered an extra USD50 million for the Export Market Development Grants (EMDG) this financial year, to help small and medium sized exporters through the global recession. The extra funding will be paid to an estimated 1800 Australian

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<sup>211</sup> Presentación de la Sra. Alicia Bárcena, Secretaria Ejecutiva de la CEPAL. The United Nations Economic Commission for Latin America and the Caribbean (CEPAL). August, 2009. <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/36906/P36906.xml&xsl=/comercio/tpl/p9f.xsl&base=/tpl/top-bottom.xslt>

<sup>212</sup> PRESS RELEASE BCRA-PBC, the Central Bank of Argentina. Date of Access: 27 June 2009. <http://www.bkra.gov.ar/pdfs/prensa/COMUNICADO%20DE%20PRENSA%20BCRA-PBC.pdf>, <http://www.bkra.gov.ar/pdfs/prensa/Press%20Final.pdf>

<sup>213</sup> Australia-France tax treaty, the Australian Treasury Media Releases. 13 May 2009. Date of Access: 27 June 2009. <http://www.treasury.gov.au/contentitem.asp?NavId=007&ContentID=1540>

<sup>214</sup> Australia-Korea Free Trade Agreement (FTA) Negotiations, Department of Foreign Affairs and Trade Media Release. 18 May 2009. Date of Access: 23 May 2009.

<http://www.dfat.gov.au/geo/rok/fta/index.html>

Australia-Jersey Tax Information Exchange Agreement. Department of Foreign Affairs and Trade Media Release. 15 June 2009. Date of Access: 27 June 2009.

<http://www.treasury.gov.au/contentitem.asp?NavId=007&ContentID=1563>

New Tax Information Protocol with Belgium, Joint Media Release with The Hon Simon Crean MP Minister for Trade. 25 June 2009. Date of Access: 30 June 2009.

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/007.htm&pageID=003&min=njsa&Year=&DocType=>

New Tax Information Protocol with Belgium, Assistant Treasurer Media Release No. 7 of 2009. 25 June 2009. Date of Access: 30 June 2009

<http://www.treasury.gov.au/contentitem.asp?NavId=007&ContentID=1571>

New Tax Treaty signed with New Zealand, Assistant Treasurer Media Release No. 8 of 2009. 29 June 2009. Date of Access: 30 June 2009.

<http://www.treasury.gov.au/contentitem.asp?NavId=007&ContentID=1572>

<sup>215</sup> New Ministerial Dialogue with Japan, Australian Minister For Trade The Hon Simon Crean MP Media Release 26 June, 2009. Date of Access: 5 July 2009 [http://www.trademinister.gov.au/releases/2009/sc\\_090626.html](http://www.trademinister.gov.au/releases/2009/sc_090626.html)

companies that employ more than 34,000 workers.<sup>216</sup> However such form of grants is not forbidden by the WTO legislation, because it opens new clean energy opportunities for Australian business.

In order to support the Doha Round negotiations Australia took part in the meeting in Bali on 7-9 June, 2009 working towards concluding the world trade talks and to discuss how to avoid a reversion to protectionism.<sup>217</sup>

During the monitoring period Australia has not imposed new tariffs and barriers, that could have harmful impact on the trade and investments, or would contradict the WTO legislation. The performance can be assessed at a score of “+1”.

*Analyst: Dina Padalkina*

### **Brazil: +1**

During the monitoring period Brazil has not breached the G20 commitment to refrain from raising new barriers to investment or to trade and worldwide capital flows as well as from implementing WTO inconsistent measures to stimulate exports. Generally the activity of the government of Brazil has been directed at liberalization of trade flows.

On 19 May 2009 Brazil has officially opened its trade office in China aimed at trade, investment and cooperation promotion between the two countries. The office will assist Brazilian businesses in China and attract prospective Chinese investors to Brazil.<sup>218</sup>

The 13 agreements for cooperation in different areas were signed during Brazilian President's Lula da Silva official three day visit to China where he arrived with several ministers and a delegation of 240 businessmen with the purpose to consolidate the “strategic partnership” with Beijing in several directions including trade.<sup>219</sup>

On June 16<sup>th</sup> 2009 in the framework of a Joint Statement of the BRIC Countries' Leaders Brazil called upon the international community to work together to improve the international trade and investment environment, to keep the multilateral trading system stable, curb trade protectionism, and push for comprehensive and balanced results of the WTO's Doha Development Agenda.<sup>220</sup>

Thus, for full compliance with the commitment Brazil is awarded a score of “+1”.

*Analyst: Polina Cherepova*

### **Canada: +1**

Canada has met the commitment to resist protectionism and avoid implementation of import restrictions. Moreover, the country has conducted active policy to promote trade in goods and services and investment flows through signing bilateral free trade agreements with developed and developing countries. Furthermore, Canada did not implement any measures to support exporters, which contradict WTO rules.

During a two-day visit to France Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, participated in multilateral meetings, where he strongly reiterated Canada's calls to keep markets open and resist the temptation of protectionism. Following the OECD meetings and informal meetings of WTO ministers, Minister Day delivered a speech to senior business officials from the Canada-France Chamber of Commerce where he highlighted

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<sup>216</sup> Trade: the 2009-10 Budget, Department of Foreign Affairs and Trade Media Release, 3 May 2009, Date of Access 23 May 2009 [http://www.dfat.gov.au/trade/focus/090512\\_budget2009.html](http://www.dfat.gov.au/trade/focus/090512_budget2009.html)

<sup>217</sup> Australia to Chair a Crucial Meeting of Agricultural Exporting Nations in Bali, Australian Minister For Trade, The Hon Simon Crean MP – Media Release, 5 June 2009, Date of Access 5 July 2009 [http://www.trademinister.gov.au/releases/2009/sc\\_090605\\_agri\\_exp\\_bali.html](http://www.trademinister.gov.au/releases/2009/sc_090605_agri_exp_bali.html)

33rd Ministerial Meeting, Bali, Indonesia, Bali Communiqué, 9 June 2009, Date of Access 5 July 2009 [http://www.cairnsgroup.org/media/090609\\_communique.html](http://www.cairnsgroup.org/media/090609_communique.html)

<sup>218</sup> Brazil/China consolidate energy, trade and finance partnership, by Mercopress. South Atlantic news agency, 19 May 2009. Date of Access: 20 August 2009. <http://en.mercopress.com/2009/05/19/brazilchina-consolidate-energy-trade-and-finance-partnership>

<sup>219</sup> Brazil/China consolidate energy. trade and finance partnership, by Mercopress, South Atlantic news agency. 19 May 2009. Date of Access: 20 August 2009. <http://en.mercopress.com/2009/05/19/brazilchina-consolidate-energy-trade-and-finance-partnership>

<sup>220</sup> Joint Statement of the BRIC Countries' Leaders. June 16<sup>th</sup> 2009. Yekaterinburg, Russia. Date of Access: 12 September 2009. <http://www.kremlin.ru/text/docs/2009/06/217932.shtml>

Canada's aggressive free trade agenda, positioned Canada as the best place in the world to do business and called for the need to resist protectionism.<sup>221</sup>

In line with this trade policy on 5 May, 2009 Canada and Latvia have signed an updated foreign investment promotion and protection agreement (FIPA). It will facilitate market access for Canadian companies in such sectors as energy, construction, transportation, science and technology.<sup>222</sup> Two days later the same agreement was signed with Romania and the Czech Republic. These agreements will protect and promote Canadian investments so that businesses can invest with confidence, besides it will help deliver on the government's commitment to create the right conditions for Canadian businesses to compete internationally.<sup>223</sup>

On 1 July, 2009 Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, announced that the free trade agreement (FTA) with the states of the European Free Trade Association (EFTA)—Iceland, Liechtenstein, Norway and Switzerland—has come into effect.<sup>224</sup> The same agreement between Canada and Peru was ratified on 4 August, 2009. Parallel agreements on labour cooperation and on the environment also came into effect on 1 August, 2009.<sup>225</sup>

On 23 June, 2009 Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, and Viktor Zubkov, Russia's First Deputy Prime Minister, concluded the Seventh Session of the Canada-Russia Intergovernmental Economic Commission (IEC) in Moscow, where they signed a joint statement on a range of commercial initiatives, designed to facilitate economic activity by establishing and maintaining a favorable environment for trade and investment within a free market conforming to internationally accepted rules and regulations.<sup>226</sup> Four new agreements to increase trade and investment between Canada and Jordan were signed on 28 June, 2009.<sup>227</sup>

The Government of Canada is developing economic relations with Asian-Pacific region. Thus, on 23 July, 2009 Deepak Obhrai, Parliamentary Secretary to the Minister of Foreign Affairs, concluded meetings with the Association of Southeast Asian Nations (ASEAN). A highlight of the meetings was the unanimous adoption of the Joint Declaration on ASEAN-Canada Enhanced Partnership, which will form the cornerstone of Canada's relationship with ASEAN and define the multi-faceted cooperation between Canada and ASEAN members in the years to come. The Declaration provides the opportunity to advance Canadian priorities in diverse fields, including human rights and fundamental freedoms, counterterrorism, transnational issues, security, trade and investment, sustainable development and people-to-people contacts.<sup>228</sup> Moreover, Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, ended a five-day visit to Singapore, Malaysia and Brunei, during which he forcefully reiterated the importance of avoiding protectionism, promoted Canada as an ideal location to invest, and heralded the Asia-Pacific Gateway as a fast and efficient way to reach the North American market. The

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<sup>221</sup> Minister Day Promotes Canadian Trade in France. June 26, 2009. Date of access: 10 July, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387319&lang=eng&docnum=179](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387319&lang=eng&docnum=179)

<sup>222</sup> Minister Day Signs Agreement to Help Canadian Businesses Take Advantage of Opportunities in Latvia. 5 May 2009. Date of Access: 15 May 2009. [www.international.gc.ca/commerce/visit-visite/europe-2009.aspx](http://www.international.gc.ca/commerce/visit-visite/europe-2009.aspx)

<sup>223</sup> Minister Day Wraps Up European Trade Promotion Visit. 7 May 2009. Date of Access: 15 May 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387141&lang=eng&docnum=126&Year=0](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387141&lang=eng&docnum=126&Year=0)

<sup>224</sup> New Free Trade Agreement Opens Doors for Canadian Business in Iceland, Liechtenstein, Norway and Switzerland. 29 April, 2009. Date of Access: 15 May 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387109&lang=eng&docnum=116&Year=0](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387109&lang=eng&docnum=116&Year=0)

<sup>225</sup> Minister Day Announces Canada-Peru Free Trade Agreement. 4 August, 2009. Date of access: 19 August, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387444&lang=eng&docnum=214](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387444&lang=eng&docnum=214)

<sup>226</sup> Canada and Russia Make Progress on Commercial Initiatives. Moscow, Russia, June 23, 2009. Date of access: 10 July, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387306&lang=eng&docnum=174](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387306&lang=eng&docnum=174)

<sup>227</sup> Minister Day Signs Trade and Investment Agreements with Jordan. June 28, 2009. Date of access: 10 July, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387338&lang=eng&docnum=182](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387338&lang=eng&docnum=182)

<sup>228</sup> Parliamentary Secretary Obhrai Concludes Productive ASEAN Meetings in Thailand. 23 July, 2009. Date of access: 10 July 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387416&lang=eng&docnum=204](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387416&lang=eng&docnum=204)

Government of Canada strongly supports regional economic integration in the Asia-Pacific region, and, as a long-term objective, a free trade area of the Asia-Pacific.<sup>229</sup>

So, over the monitoring period there was no evidence that Canada implemented any WTO inconsistent measures or raised new trade barriers. On the contrary, a number of free trade agreements were signed with developed and developing countries. Thus, Canada is awarded a score of “+1” for committing to the obligation to resist protectionism and promoting global trade and investment.

*Analyst: Alena Bylatnikova*

### **China: 0**

China has partially complied with the commitment having undertaken WTO inconsistent measures.

As part of the program targeted to help the 10 priority sectors, ferrous and nonferrous metallurgy, automobile, textile, equipment manufacturing, shipbuilding, light industry, petrochemicals, electronics, logistics, which give 80% value-added of industrial production, one third of GDP, 30% of urban employment,<sup>230</sup> China continues to change the rates of export duties to stimulate export.<sup>231</sup> This measure can be described as the tacit form of subsidy (art. 16 of General Agreement on Tariffs and Trade WTO).

China periodically initiates the anti-dumping investigations against the imported goods.<sup>232</sup>

According to the official statistics the amount of external trade in value terms declined by 24.9%. Reduced exports amounted to 19.7% and imports to 30.9%.

Decreasing the rates of export duties Chinese Government used the measures that are incompatible with WTO rules. Thus, China has only partially met its commitments and is awarded a score of “0”.

*Analyst: Ilya Federov*

### **France: +1**

France has fully complied with the commitment on resisting protectionism.

Representatives of the French authorities have reiterated its commitment and opposed protectionism. At the press-conference after the London G20 summit French President said that states should not resort to protectionism and this problem should be once again discussed at the Pittsburgh G20 summit.<sup>233</sup>

On 5 September 2009 the French Prime Minister said that protectionist intensions can be very dangerous, but at the same time opening of markets should be reciprocal.<sup>234</sup>

On 5 June 2009 it was declared that the French government will provide USD42.3 million of State Aid to guarantee the prices of milk at USD394.7/1,000 litres for producers during 2009.<sup>235</sup>

Temporal nature of this measure (less than half a year) do not prejudice it as WTO inconsistent measure.

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<sup>229</sup> Minister Day Expands Trade Opportunities for Canadian Business in Southeast Asia. 24 July, 2009. Date of access: 3 August 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387421&lang=eng&docnum=206](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387421&lang=eng&docnum=206)

<sup>230</sup> Tax incentives for 10 leading fields of economy. Website of free economic zone “Tianjin”. 01.09.2009. Date of access: 1 September 2009. <http://gjswj.tjftz.gov.cn/system/2009/03/06/010018767.shtml>

<sup>231</sup> In China expect to abolish temporal export duties on grain and its decline in point of some kind of industrial production. Ministry of Commerce. 23.06.2009. Date of access: 1 September 2009.

<http://russia.mofcom.gov.cn/aarticle/counselorsreport/200906/20090606354032.html>

<sup>232</sup> Anti-dumping investigations. 31.08, 2009. Date of access: 1 September 2009.

<http://russia.mofcom.gov.cn/antidumpingInvestigation/antidumpingInvestigation.html>

<sup>233</sup> Conférence de presse de M. Nicolas Sarkozy Président de la République Française. Présidence de la République. 9 July 2009. Date of access: 15 September 2009.

[http://elysee.fr/download/?mode=press&filename=09\\_07\\_Conference\\_de\\_presseV2.pdf](http://elysee.fr/download/?mode=press&filename=09_07_Conference_de_presseV2.pdf)

<sup>234</sup> François Fillon en faveur d’une stratégie concertée en Europe pour sortir de la crise. Portail du Gouvernement. 5 September 2009. <http://www.gouvernement.fr/premier-ministre/francois-fillon-en-faveur-d-une-strategie-concertee-en-europe-pour-sortir-de-la-crisi>. Date of access: 15 September 2009.

<sup>235</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments. WTO. 15 July 2009. [http://www.wto.org/english/news\\_e/news09\\_e/tpr\\_13jul09\\_dg\\_report\\_e.doc](http://www.wto.org/english/news_e/news09_e/tpr_13jul09_dg_report_e.doc). Date of access: 15 September 2009.



No information on export and import tax rates has been registered. Thus France has been awarded a score of “+1” for full compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Germany: +1**

Germany has fully complied with the G20 commitment to refrain from protectionism in trade, raising new barriers in trade, imposing new export restrictions and WTO inconsistent measures to stimulate export.

During the period of monitoring Germany has experienced a slump in trade transactions because of the decrease in output of automobile industry. In April, 2009, the total level of trade decreased by 8% in comparison with the level of March, 2009 and by 40% in comparison with the overall level of 2008.<sup>236</sup>

To overcome the crisis effects the German Government has undertaken measures to stimulate trade transactions. In particular, the system of state export credit guarantees was revised.

On 17 July, 2009 the German Chancellor Angela Merkel promised to provide more free access to get state export credit guarantees. With these guarantees national traders are able to reduce the risks of non-payments while carrying trade transactions with overseas partners.<sup>237</sup>

The German Government has come into agreement with the European Commission about the decision to provide national exports with short-term state export credit guarantees for trade transactions with countries of the EU and members of the OECD. The established system of state export credit guarantees will work until the end of 2010.<sup>238</sup> By the end of the first half year of 2009 export credit guarantees provided by the German Government resulted in the federal budget in positive balance; the volume has exceeded the level of 2008 (EUR288,1 million) by EUR140 million.<sup>239</sup>

The Export credit Agency has decided to provide export credit guarantees to construct “Ilishi” dam in Turkey after meeting all requirements of Turkish authorities.<sup>240</sup>

On 22 June, 2009 during the meeting of German-Kazakh economic and trade governmental working group the Minister of Economy and Budget Planning of Kazakhstan Bakyt Sultanov and the Head of the Department of external economic policy of the German Federal Ministry for Economy and Technologies Dr. Karl-Ernst Brauner discussed the opportunities of expansion of bilateral economic cooperation. One of the issues of officials’ agenda was the consequences of Germany’s new policy directed to provide export credit guarantees to Kazakhstan within joint cooperation framework.<sup>241</sup>

One of the priorities of German Government's economic policy is getting an access to the world science intensive service market. In the frameworks of this priority the Federal Ministry for

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<sup>236</sup> Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-related Developments. WT/TPR/OV/W/2. 15 July 2009.

<sup>237</sup> Taking a long-term approach for lasting success. The official web site of German Federal Government. 17 July 2009. Date of access: 21 August. [http://www.bundesregierung.de/nn\\_6562/Content/EN/Artikel/2009/07/2009-07-17-bionorica\\_en.html](http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/07/2009-07-17-bionorica_en.html)

<sup>238</sup> Unterstützung für kurzfristige Exporte ausgeweitet. Bundesministerium für Wirtschaft und Technologie. Den 5 August, 2009. Datum des Zuganges: 21 August 2009. <http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen.did=308710.html>

<sup>239</sup> Bundesminister Dr. Karl-Theodor zu Guttenberg: "Exportkreditgarantien bewähren sich in der Krise". Bundesministerium für Wirtschaft und Technologie. Den 23 Juli, 2009. Datum des Zuganges: 21 August 2009. <http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen.did=307512.html>

<sup>240</sup> "A wise decision!". Wiczorek-Zeul welcomes revoking of export credit guarantees for Ilisu dam project. 7 July 2009. Date of access: 21 August. [http://www.bmz.de/en/press/pm/2009/july/pm\\_20090707\\_65.html](http://www.bmz.de/en/press/pm/2009/july/pm_20090707_65.html)

<sup>241</sup> "Deutsch - Kasachische Regierungsarbeitsgruppe Wirtschaft und Handel" erörterte die Möglichkeiten des Ausbaus der bilateralen Wirtschaftsbeziehungen. Bundesministerium für Wirtschaft und Technologie. Den 23 Juni, 2009. Datum des Zuganges: 21 August 2009. <http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen.did=304426.html>

Economy and Technologies has undertaken a set of measures to support national enterprises of this sector by providing EUR1 million until 2010.<sup>242</sup>

The Federal Government of Germany has provided EUR1.5 billion-loans (USD2,1 billion) for a period of 6 month to support producers of “Opel” automobile industry.<sup>243</sup>

Nevertheless these measures are not breaching the WTO rules, because measures of the German Government aimed at innovations development and are time-framed.

Thus, Germany has fully complied with this commitment and can be awarded a score of “+1”.

*Analyst: Yuriy Zaytsev*

### **India: 0**

India has partially complied with commitment on resisting protectionism.

India continues raising new barriers to trade in goods. In April 2009, India imposed anti-dumping duties on stainless steel from some countries including China and Japan. The Indian Minister of Commerce A. Sharma said because of low prices of these imported goods, the Indian industry has suffered material injury caused by dumped imports from subject countries.<sup>244</sup>

Moreover, on 5 May 2009, Department of Heavy Industries Additional Secretary S. Mitra said that the Indian Government was concerned over the cheap auto component imports. He added that the Government was reviewing data and would consider either imposing safeguard duties or resorting to anti-dumping measures in the long term period. S. Mitra, however, assured that whatever measures the Government would take they would be in compliance with WTO rules.<sup>245</sup>

Nevertheless on 6 May 2009 at the WTO meeting the European Union complained that India had not notified recent safeguards and called on it to exercise restraint in using the instrument.<sup>246</sup>

Thus, India has created new barriers to trade in goods, but there is no evidence, that these measures are not in compliance with the WTO rules. For this reason India is awarded a score of “0”.

*Analyst: Igor Churkin*

### **Indonesia: -1**

Indonesia hasn't complied with the commitment to resist protectionism and to promote global trade and investment.

Indonesian Government has stuck to its priority to support domestic producers. On 27 April 2009 State Minister of State-Owned Enterprises (SOEs) Sofyan Djalil told that the Government decided to increase capital expenditure for state-owned enterprises (SOE) by 24 percent this year. The Government will allocate IDR152.05 trillion (USD12.7 billion) for capital expenditure at SOEs in 2009. Companies operating in electricity and gas will use the biggest portion of the capital expenditure IDR60.2 trillion (USD5 billion), transportation and telecommunication companies will absorb IDR40.86 trillion (USD4 billion).<sup>247</sup>

The Industry Ministry initiated a program designed to help textile manufacturers revitalize their aging machines. The textile machinery renewal program is divided into two schemes: the Government direct aid and soft loans. Under the aid scheme, the Government will help to finance

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<sup>242</sup> Wissensintensive und unternehmensbezogene Dienstleistungen im Fokus der Kooperationsförderung für Dienstleistungsunternehmen. Bundesministerium für Wirtschaft und Technologie. Den 25 Juni, 2009. Datum des Zuganges: 21 August 2009. <http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen,did=304966.html>

<sup>243</sup> Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-related Developments. WT/TPR/OV/W/2. 15 July 2009.

<sup>244</sup> India imposes anti-dumping duties on stainless steel from abroad. China New. 23 April 2009. Date of Access: 22 May 2009.

[http://news.xinhuanet.com/english/2009-04/23/content\\_11244897.htm](http://news.xinhuanet.com/english/2009-04/23/content_11244897.htm)

<sup>245</sup> India plans duty on auto component imports. iGovernment. 5 May 2009. Date of Access: 22 May 2009.

<http://www.igovernment.in/site/India-plans-duty-on-auto-component-imports/>

<sup>246</sup> WTO reports big jump in anti-dumping cases. REUTERS IINDIA. 7 May 2009. Date of Access: 22 May 2009.

<http://in.reuters.com/article/topNews/idINIndia-39476520090507?pageNumber=2&virtualBrandChannel=0>

<sup>247</sup> Govt allocates \$12.7 billion in capex for SOEs. The Jakarta Post. Date of Access: 04 April 2009.

<http://www.depperin.go.id/Eng2006/Content403.aspx?mode=2&thn=2009>

10 percent of new machinery purchases and has allocated IDR190 billion (USD18 million) for that purpose. For the soft loan scheme the ministry allocates IDR50 billion (USD4 million).<sup>248</sup> Indonesia's Government imposed restrictions on rice import, alleging as the reason that the measure is taken for the purpose to encourage food supply security. This decision was made public by the Trade Minister, Mari Elka Pangestu<sup>249</sup>. It has been explained that local production stock surplus already exceeded 3 million tons. At the same time, the Government also promised to provide IDR1,3 trillion (USD128 million) subsidy in the form of high quality rice seeds.<sup>250</sup> It was also mentioned that to get the export permit, businessmen interested in exporting rice must be recommended by the Agriculture Department.<sup>251</sup>

The Government has also introduced special rules on steel import, which are regulated by the amendment to the Trade Ministry Regulation (8/2009), introduced on 11 June, 2009. As some experts say, the measure will help to deter the illegal imports of steel or under-priced imported steel.<sup>252</sup>

Several imported steel products had been excluded later from the product verification requirement to ensure supply of certain steel products for domestic demand.<sup>253</sup>

The Indonesian Government announced a decision to cease sugar imports until early 2010 in order to satisfy apparent demand by domestic production. The Government allocates IDR50 billion (USD4 million) to produce new production machines for local industry with lower price.<sup>254</sup>

Generally, most of Indonesian Government's measures were directed at raising new barriers to trade in goods and services and imposing new export restrictions. Therefore Indonesia is awarded a score of "-1".

*Analyst: Maria Tyurikova*

#### **Italy: +1**

During the monitoring period the Italian Government has not introduced any barriers to investment or to trade, export restrictions or the WTO inconsistent measures to stimulate exports. Undertaken measures include the support of the key domestic industries, innovation research projects in these sectors, bonuses for acquisition vehicles meeting ecological standards, and are consistent with the WTO rules.

At the 14<sup>th</sup> Forum of UN/CEFACT<sup>255</sup> for world trade facilitation held on 22 April 2009 in Rome with participation of more than 200 members the Italian Minister of Economic Development Claudio Scajola stressed that Italy is against any protectionist measures which can cause chain reaction able to damage all world market actors.<sup>256</sup>

<sup>248</sup> Textile revitalization program a 'success'.

<http://www.depperin.go.id/Eng2006/Content403.aspx?mode=2&thn=2009>

Source : The Jakarta Post, July 11 2009

<sup>249</sup> Indonesia-Vietnam Extend Rice Trade Deal. TEMPO Interactive, Jakarta. Date of Access: 28 April 2009.

<http://www.tempointeractive.com/hg/nasional/2009/04/28/brk.20090428-173144.uk.html>

<sup>250</sup> Government to Limit Rice Imports. TEMPO Interactive, Jakarta. Date of Access: 01 April 2009.

<http://www.tempointeractive.com/hg/nasional/2009/04/01/brk.20090401-167667.uk.html>

<sup>251</sup> Indonesia-Vietnam Extend Rice Trade Deal. TEMPO Interactive, Jakarta. Date of Access: 28 April 2009.

<http://www.tempointeractive.com/hg/nasional/2009/04/28/brk.20090428-173144.uk.html>

<sup>252</sup> Steel Imports to Re-Start Next Month. TEMPO Interactive, Jakarta. Date of Access: 16 April 2009.

<http://www.tempointeractive.com/hg/nasional/2009/04/16/brk.20090416-170949.uk.html>

<sup>253</sup> Ministry Excludes Mining Equipments From Import Verification. TEMPO Interactive, Jakarta. Date of Access: 29 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/29/brk.20090529-178846.uk.html>

<sup>254</sup> Indonesia Halts Sugar Import. TEMPO Interactive, Jakarta. Date of Access: 09 June 2009.

<http://www.tempointeractive.com/hg/nasional/2009/06/09/brk.20090609-180750.uk.html>

<sup>255</sup> [United Nations Centre for Trade Facilitation and Electronic Business](http://www.unctad.org/TradeFacilitation)

<sup>256</sup> A Roma il Forum Onu sulla facilitazione del commercio mondiale Il Ministro Scajola: "No dell'Italia alle tentazioni protezionistiche", Ministero dello Sviluppo Economico. Roma, 22 aprile 2009. Date of Access: 23 May 2009.

<[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema\\_2&id\\_primopiano=258](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema_2&id_primopiano=258)> e Seminario sulla Facilitazione del Commercio internazionale, Ministero dello Sviluppo Economico. Roma, 22 aprile 2009. Date of Access: 23 May 2009.

To mitigate the negative influence of the financial crisis on the national industry on 8 April 2009 a new draft law was approved, dealing with urgent measures to support ailing industries<sup>257</sup> (see the report on implementation of the commitment on financial and price stability).

Moreover, on 17 April 2009 the Minister of Economic Development declared that tax credits for enterprises investing in research and development extends now to textile industry. The costs on creation of innovations in fashion industry are also subject to reduction.<sup>258</sup>

On 21 July, 2009 the Committee on aviation industry development approved the innovation research projects financing of EUR500 million worth (in 15 years) to support national security. It was the last stage in the plan of strategy sector recovery started by the Ministry of Economic Development in December, 2008.<sup>259</sup>

The Italian Government has allocated again financial resources for bonuses on acquisition of ecological vehicles. On 5 May, 2009 the Government signed the Decree<sup>260</sup> assigning additional EUR8 million to encourage acquisition of motorbikes, motorcycles, vehicles with minimal impact on environment and quadrocycle.<sup>261</sup>

With the Development law (see the report on implementation of the commitment on financial and price stability) the bonuses for purchasing ecological vehicles raise and concern all autos in use. For supporting this initiative EUR900 million were allocated in 2009 by the Ministry of Economic Development.<sup>262</sup>

All above-mentioned measures regarding Italian textile, automobile and aviation industries don't break the WTO rules because they are aimed at implementing innovations in strategic industries and don't distort the trade conditions directly. They fall under the Article 8, pt. 2 (a) of the Agreement on subsidies and countervailing measures<sup>263</sup> and refer to non-actionable subsidies.

Thus, Italy has not raised any barriers to investment or to trade in goods and services and also has not implemented any World Trade Organization inconsistent measures to stimulate exports. Consequently, for full compliance with this commitment Italy deserves a score "+1".

*Analyst: Anna Vekshina*

## **Japan: 0**

Japan partly met the commitment to refrain from raising new barriers to investment or to trade in goods and services or implementing WTO inconsistent measures to stimulate exports.

Japan decided to renew the ban on North Korean imports, which has been in place since 14 October, 2006<sup>264</sup>, and to impose a ban on all exports destined for North Korea<sup>265</sup> on 10 April, 2009 and 18 June, 2009 respectively. These steps were taken in accordance with "Measures

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[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=242](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=242)

<sup>257</sup> Sostegno a settori industriali in crisi, Dossier del 6 febbraio 2009 aggiornato il 9 aprile 2009, Governo italiano.

Roma, 9 Aprile 2009. Date of Access: 24 May 2009. [http://governo.it/GovernoInforma/Dossier/auto\\_sostegno/](http://governo.it/GovernoInforma/Dossier/auto_sostegno/)

<sup>258</sup> Moda, credito d'imposta per realizzare campionari, Governo italiano. Roma, 17 Aprile 2009. Date of Access: 24 May 2009. <http://governo.it/Notizie/Ministeri/dettaglio.asp?d=44230>

<sup>259</sup> Progetti di ricerca aeronautici: finanziamenti per 500 milioni, Ministero dello Sviluppo Economico, 21 luglio 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=364](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=364)

<sup>260</sup> Decreto direttoriale 5 maggio 2009, Governo italiano. Date of Access: 24 May 2009.

<http://governo.it/backoffice/allegati/45086-5362.pdf>

<sup>261</sup> Ambiente: incentivi per l'acquisto di cicli e motocicli, Governo italiano. Roma, 5 Maggio 2009. Date of Access: 24 May 2009. <http://governo.it/Notizie/Ministeri/dettaglio.asp?d=45086>

<sup>262</sup> Auto: maggiori incentivi per impianti Gpl e metano per tutte le autovetture, Ministero dello Sviluppo Economico, 14 agosto 2009. Date of Access: 20 August 2009.

[http://www.sviluppoeconomico.gov.it/primopiano/dettaglio\\_primopiano.php?sezione=primopiano&tema\\_dir=tema2&id\\_primopiano=390](http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=390)

<sup>263</sup> Agreement on subsidies and countervailing measures. WTO legal texts. Date of Access: 27 February 2009.

[http://www.wto.org/english/docs\\_e/legal\\_e/legal\\_e.htm](http://www.wto.org/english/docs_e/legal_e/legal_e.htm)

<sup>264</sup> Ministry of Economy, Trade and Industry, Press Releases, April 10, 2009 Date of access 25 May 2009

[http://www.meti.go.jp/english/press/data/20090410\\_01.html](http://www.meti.go.jp/english/press/data/20090410_01.html)

<sup>265</sup> Ministry of Economy, Trade and Industry, Press Releases, June 16, 2009 Date of access 10 July 2009

[http://www.meti.go.jp/english/press/data/20090616\\_02.html](http://www.meti.go.jp/english/press/data/20090616_02.html)

against North Korea pursuant to the Foreign Exchange and Foreign Trade Laws". Although they are merely economic sanctions, caused by certain actions of North Korea, they are still barriers to investment and to trade in goods and services.

There was no evidence of the implementation of the WTO inconsistent measures to stimulate exports by Japan during the monitoring period. Thus, for partial compliance with this commitment Japan is assessed a score of "0".

*Analyst: Evgeny Gushchin*

### **Mexico: 0**

Mexico has not completely fulfilled its commitment raising new barriers to investment and trade of goods and services.

On 16 April, 2009 in Mexico-city at the sit-down meeting with the President of the USA<sup>266</sup> Felipe Calderon proposed to intensify legal cooperation between the two countries, which will allow removing non-tariff trade barriers. To this end it was proposed to approve technical regulations. The Mexican President demanded not to raise new barriers to trade among countries.<sup>267</sup>

On 29 April, 2009 in Mexico new external trade rules for 2009 were published. According to these rules, imported goods temporarily stopped for registration should not be presented at a custom office. As more than 60% of Mexican import comes from the USA and both countries are contracting parties in the North American Free Trade Agreement (NAFTA) that involves step by step elimination of customs restrictions in mutual trade, non-tariff barriers, including customhouse formalities. Simplification of the custom cleaning procedures will help avoiding costs related to goods delivery to custom offices for registration and positively affect trade flow from abroad.<sup>268</sup>

On 3 May, 2009 the Mexican President called on other countries to reject the measures, which became discriminative towards Mexico because of epidemic A/H1N1.<sup>269 270</sup>

On 6 May 2009 Mexico sent an official protest to the WTO concerning restrictions on Mexican pork import imposed by eight countries due to influenza A/H1N1. Mexico demanded lifting the restrictions<sup>271</sup> or giving reasonable explanations of such restrictions.<sup>272</sup>

The Mexican Ministry of Economic Affairs will consider polyvinylchloride (PVC) taxes changes requested by importers being afraid of monopoly in Mexican economy. The first public hearing on the matter is planned for 18 September, 2009. The Mexican producers are accused of selling polymer at a high rate than foreign companies. For the first time, the PVC taxes were initiated in Mexico in 1991, and for the last time they were reconsidered in 1995. The majority of the Mexican importers pay duty USD19.6 of tax for each ton of PVC<sup>273</sup>.

Despite some positive changes concerning Mexican trade liberalization and governmental efforts to minimize its domestic policy negative impact on trade, Mexico has strengthened customs

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<sup>266</sup> Mexico together with the US participates in the North American Free Trade Agreement (NAFTA), which involves elimination of customs restrictions in mutual trade. Mexico entrance duties imposition for American goods conflicts with the Free Trade Agreement and is direct answerer to the American government decision to stop pilot program allowing Mexican trucks entering the US. Such Mexican government initiatives may start a trade war between Mexico and the US.

<sup>267</sup> The Results of Barack Obama visit to Mexico. External trade and logistics. Issue 4, 2009, p. 39.

[http://www.myvirtualpaper.com/doc/COMCE/REVISTA\\_May09/2009051201/](http://www.myvirtualpaper.com/doc/COMCE/REVISTA_May09/2009051201/)

<sup>268</sup> Is it nessecary to show the goods according to the 87 chapter for registration on the border? External trade and logistics. Issue 4, 2009, p. 62. Date of access: 2 September, 2009.

[http://www.myvirtualpaper.com/doc/COMCE/REVISTA\\_May09/2009051201/](http://www.myvirtualpaper.com/doc/COMCE/REVISTA_May09/2009051201/)

<sup>269</sup> Mexican President called to stop discrimination because of flue. RIA News Agency. 4 May, 2009. Date of access: 2 September, 2009. <http://www.rian.ru/world/20090504/169880900.html>

<sup>270</sup> Mexico. Agroprom. Information Agency Regnum Polpred.com 13 May, 2009. Date of access: 2 September, 2009.

[http://polpred.com/?ns=1&ns\\_id=153802](http://polpred.com/?ns=1&ns_id=153802)

<sup>271</sup> Mexico. Agroprom. Prime TASS Polpred.com. 6 May, 2009. Date of access: 2 September, 2009.

[http://polpred.com/?ns=1&ns\\_id=152564](http://polpred.com/?ns=1&ns_id=152564)

<sup>272</sup> Mexico. Agroprom. Prime TASS Polpred.com. 13 May, 2009. Date of access: 2 September, 2009.

[http://polpred.com/?ns=1&ns\\_id=152482](http://polpred.com/?ns=1&ns_id=152482)

<sup>273</sup> The Mexican Government will revise customs terrifs on PVC. rcc.ru/news. 14 April, 2009. Date of access: 2 September, 2009. <http://rcc.ru/Rus/Plastics/?ID=475755>

control at the border with the USA. The main reason is illegal weapons coming from the USA. According to the Mexican customs official, Alfredo Gutierrez Ortiz, all motor vehicles coming to Mexico from the USA will be weighed and undergo special X-ray machines scanning contents of cars and trucks. Special equipment is already set up at the border-crossing points between Mexico and the USA. By end of 2009, trailers with X-ray apparatus will be placed at the borders with Guatemala.<sup>274</sup>

Also, during the period of monitoring, Mexico introduced tariff barriers to trade with the USA. Mexico has set taxes for 90 more items of industrial and agricultural goods imported from the USA (in particular, fresh fruit, juices, vine and batteries).<sup>275</sup>

So, setting up new tariff restrictions to trade, Mexico partially broke conditions of this commitment and therefore receives a score of “0”.

*Analyst: Natalya Zlokazova*

### **Russia: 0**

Russia has partly complied with the commitment on refraining from imposition of new import and export restrictions, and implementation of WTO inconsistent measures to stimulate exports. The framework of negotiations on Russia accession to the WTO has been substantially changed. On 9 June 2009 Eurasian Economic Community (Eurasec) Interstate Council took place in Moscow. The decision was made to notify the WTO regarding the intention to open negotiations on the Customs Union of Belarus, Kazakhstan and Russia joining the WTO as a united customs territory. These negotiations will formally start after 1 January 2010 after ratification of the legal foundation of the Customs Union. A number of documents have been signed following the meeting, including: Agreement on Common Approach to the Use of Information Technology in the Operation of Customs Services, Agreement on Uniform Principles of Information Cooperation between Customs Services, Agreement on the Order of Introducing and Applying Measures regarding Foreign Trade within the Single Customs Space with respect to Third Countries, Agreement on Rules for Licensing Foreign Trade, Protocol on the Status of the Centre of Customs Statistics of the Customs Union Commission.

During the press conference on the results of the London G20 Summit Russian President D. Medvedev said, that “protectionism during the crisis is harmful, and should be curtailed”.<sup>276</sup>

Some protectionist measures have been taken in the monitoring period. However Russian Prime Minister V. Putin said, that it was “unacceptable for orders [on vessels building] to be placed with foreign shipyards if it is possible for similar maritime technology to be built in Russia” and required the responsible ministries and departments organize and coordinate placing of relevant orders.<sup>277</sup>

On 8 June 2009 the Government Commission on foreign investments put off the decision on “Basic Element” company buying of “Rusneft” company. Deputy Prime Minister Igor Sechin said that this deal would be approved if the buyer were a company registered in Russia.<sup>278</sup>

On 6 June 2009 Russia’s public health and consumer protection agency Rospotrebnadzor banned Belarusian milk and dairy imports and sales citing Belarus’ failure to observe the latest Russian regulations on such products.<sup>279</sup>

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<sup>274</sup> Mexico. Customs. RIA News Agency. Polpred.ru 2 April, 2009 - [http://polpred.com/?ns=1&ns\\_id=153362](http://polpred.com/?ns=1&ns_id=153362)

<sup>275</sup> Mexica. External economic affairs. Politics.BIKI. Polpred.com 11 April, 2009. Date of access: 2 September, 2009. [http://polpred.com/?ns=1&ns\\_id=155540](http://polpred.com/?ns=1&ns_id=155540)

<sup>276</sup> Press Conference on the Results of the G20 Heads of State Meeting 2 April 2009. President of Russia. [http://www.kremlin.ru/eng/speeches/2009/04/02/2147\\_type82912type82914type82915\\_214710.shtml](http://www.kremlin.ru/eng/speeches/2009/04/02/2147_type82912type82914type82915_214710.shtml). Date of access: 13 September 2009.

<sup>277</sup> Prime Minister Vladimir Putin chaired a meeting on the development of the shipbuilding industry in the Russian Far East. <http://premier.gov.ru/eng/visits/ru/103/2806.html>. Date of access: 13 September 2009.

<sup>278</sup> "Rusneft" for Russians. Kommersant № 101/II (4156). 8 June 2009. <http://www.kommersant.ru/doc.aspx?DocsID=1184916>. Date of access: 13 September 2009.

<sup>279</sup> Kommersant № 101/II (4156). 8 June 2009. <http://www.kommersant.ru/doc.aspx?DocsID=1184909>. Date of access: 13 September 2009.

On 11 June 2009 the Guidelines for the Customs Tariffs Policy in 2010-2012 were discussed.<sup>280</sup> According to this document all Russian goods are divided into 5 groups according to their competitiveness level. Protectionist measures are proposed to be taken only in respect of motor vehicles, vehicle parts, engines, tyres and some types of food (including meat). According to this document “customs tariffs policy in 2010-2012 will depend on Russian and world economic climate, negotiations on WTO accession and Russian commitments in external economic activities”.<sup>281</sup>

On 9 May 2009 import customs duty for scrap magnesium at the rate of 5% of customs price was introduced for 9 months.<sup>282</sup>

On 8 May 2009 import customs duty for certain types of tropical oil at the rate of 10% of customs price was introduced for 9 months.<sup>283</sup>

Simultaneously several measures on investment liberalization have been introduced during the monitoring period. On 10 April 2009 a law on ratification of the Agreement with China on encouraging and mutually protecting investments was adopted.<sup>284</sup>

During the monitoring period no WTO inconsistent measures to stimulate exports have been registered.

Thus Russia has been awarded a score of “0” for partial compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with this commitment. Saudi Government has exempted 92 products from import tariffs. From 1 September, 2009 duty free entry of Palestinian products is extended for another year. However, restrictions on export of steel have been introduced and a ban on import of used vehicles has been imposed.

Under the agreement of the WTO accession<sup>285</sup> Saudi Arabia has either lowered or fully removed import tariffs on 92 products.<sup>286</sup>

Among the initiatives that could be interpreted as measures for liberalizing international trade the prolongation of duty-free imports of Palestinian products for another year starting from 1 September, 2009 should be mentioned.<sup>287</sup>

Saudi Arabia has increased export tariff for national steel producers.<sup>288</sup> The measure is aimed at supporting national steel consumers, and if domestic demand is met, producers will be allowed to export the surpluses.<sup>289</sup>

<sup>280</sup> Prime Minister Vladimir Putin chaired a Government meeting. 11 June 2009. <http://premier.gov.ru/eng/events/3040.html>. Date of access: 13 September 2009.

<sup>281</sup> Kommersant № 104 (4159). 11 June 2009. <http://www.kommersant.ru/doc.aspx?DocsID=1186658>. Date of access: 13 September 2009.

<sup>282</sup> Decree from 8 May 2009 N 400. <http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/05/08/4235957.htm>. Date of access: 13 September 2009.

<sup>283</sup> Decree from 8 May 2009. N 399. <http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/05/08/7822993.htm>. Date of access: 13 September 2009.

<sup>284</sup> Dmitry Medvedev signed a law on ratification of the Agreement with the PRC on encouraging and mutually protecting investments. President of Russia. 10 April 2009. <http://www.kremlin.ru/text/news/2009/04/215004.shtml>. Date of access: 13 September 2009.

<sup>285</sup> SAUDI CUSTOMS EXEMPTS 92 PRODUCTS FROM TARIFF. AL SAUDI ARABIA. COM. 3 JULY, 2009. DATE OF ACCESS: 7 SEPTEMBER 2009. <http://www.a1saudiarabia.com/Saudi-Customs-exempts-92-products-from-tariff/>

<sup>286</sup> WTO report 13 July 2009.

<sup>287</sup> Kingdom to continue reforms to boost economy. Al Saudi Arabia. Com. 26 August 2009. Date of access: 7 September 2009. <http://www.a1saudiarabia.com/Kingdom-to-continue-reforms-to-boost-economy/#more-9238> Date of access: August, 22, 2009.

<sup>288</sup> SAUDI ARABIA: LIFTS EXPORT BAN ON STEEL. GLOBAL TRADE ALERT. 14 JULY 2009. DATE OF ACCESS: 7 SEPTEMBER, 2009. <http://www.globaltradealert.org/measure/saudi-arabia-lifts-export-ban-steel>

<sup>289</sup> Kingdom grants steel export licenses. Al Saudi Arabia. Com. 7 July 2009. Date of access: 7 September 2009. <http://www.a1saudiarabia.com/?s=Kingdom+grants+steel+export+licenses>

Saudi Arabia has also introduced a ban on import of passenger cars older than 5 years and on trucks older than 10 years.<sup>290</sup>

Thus, by imposing restrictions on export and import of products, Saudi Arabia has breached one of the commitment features and gets a score of “0”.

*Analyst: Pavel Prokopyev*

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

South Africa has not breached the G 20 commitment on resisting protectionism.

On 1 May, 2009 South Africa’s Department of Trade and Industry has indicated that while the country has not yet imposed any overtly protectionist measures, it may need to raise certain tariffs, as it does not have the resources for financial bail-out packages, similar to those being increasingly deployed in more- developed countries<sup>291</sup>.

South Africa should have the “courage” to increase tariffs where there is evidence to show that this would prevent the destruction of the economy’s productive capacity and where such remedies were in line with South Africa’s international trade commitments, Trade and Industry Minister Dr Rob Davies reaffirmed on 30 June 2009.<sup>292</sup>

So South Africa refrains from raising new barriers to investment or to trade in goods and services and doesn’t implement WTO inconsistent measures to stimulate exports. Thus, it has been awarded a score of “+1”.

*Analyst: Yulia Kukushkina*

### **South Korea: +1**

No facts of breaching the commitment to resisting protectionism and promoting global trade and development were identified during the monitoring period.

The Republic of Korea pursues a trade liberalization policy by means of negotiations on trade regime facilitation with major trade partners. The agreements aimed at bilateral crackdown of trade hindrances have been signed or are being negotiated so far with the European Union,<sup>293</sup> India<sup>294</sup> and Australia.<sup>295</sup>

So far, South Korea is assessed a score of “+1”.

*Analyst: Alexander Simonov*

### **Turkey: +1**

Turkey has fully complied with its commitment to resist protectionism and promote global trade and investment.

The Turkish government has actively facilitated opening of new markets for Turkish export to Latin America, where a delegation of Turkish businessmen led by Foreign Trade Undersecretary Tuncer Kayalar paid visits.<sup>296</sup>

On 21 April, 2009 Turkish and Finnish finance ministers agreed to renew a deal to prevent double taxation in trade between the two countries. The Finnish counterpart Jykri Katainen said

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<sup>290</sup> Saudi Customs enforces ban on cars older than five years. Al Saudi Arabia. Com. 9 June 2009. Date of access: 7 September 2009. <http://www.alsaudiarabia.com/Saudi-Customs-enforces-ban-on-cars-older-than-five-years/#more-5896>

<sup>291</sup> Trade policy threats increasing, warns WTO, Engineering news. 1 May 2009 <http://www.engineeringnews.co.za/article/nationalistic-and-protectionist-responses-to-crisis-must-be-avoided---lamy-2009-05-01-1> Date of access 12 May 2009

<sup>292</sup> SA should have ‘courage’ to raise tariffs to prevent de-industrialisation , Engineering news. 30 June 2009 <http://www.engineeringnews.co.za/article/sa-should-have-courage-to-raise-tariffs-to-prevent-de-industrialisation-2009-06-30> Date of access: 30 June 2009

<sup>293</sup> South Korea, EU Agree on Early Conclusion of Trade Accord Talks. Bloomberg. 23 May 2009. Date of access: 5 September, 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aaJiVxQcsg4>

<sup>294</sup> India and South Korea boost trade. BBC news. 7 August 2009. 7 August, 2009. Date of access: 5 September, 2009. <http://news.bbc.co.uk/2/hi/business/8189075.stm>

<sup>295</sup> Australia, South Korea to Expedite Free Trade Talks, Crean Says. Bloomberg. 18 May 2009. Date of access: 5 September, 2009. [http://www.bloomberg.com/apps/news?pid=20601081&sid=afdHph\\_jxm.s&refer=australia](http://www.bloomberg.com/apps/news?pid=20601081&sid=afdHph_jxm.s&refer=australia)

<sup>296</sup> Turkish foreign trade delegation to visit latin america Date of access Friday, 24 April 2009 Source: <http://www.turkishweekly.net/news/73965/turkish-foreign-trade-delegation-to-visit-latin-america.html>



that the double taxation agreement was of great importance for Finland as the country had firms investing into high technology products.<sup>297</sup>

Moreover Turkey has also revised some of antidumping duties applied against a number of import items from a group of countries, such measures for some of items were canceled, for others left without change. All activities in this field were consistent with the WTO norms.<sup>298</sup>

On 12 August 2009 the Turkish State Minister stated that Turkey and Libya would probably sign a free trade agreement (FTA) in September, 2009. On 7 -8 September, 2009 a delegation from the Turkish Foreign Trade Under secretariat paid a visit to Libya to hold talks on the agreement in order to work out decisions on all aspects of the agreement and sign it by the end of the month. Last year the trade volume between the two countries reached USD1.4 billion. After signing the FTA agreement trade volume is expected to be increased to USD5-10 billion.<sup>299</sup>

Thus, Turkey has been awarded a score of “+1” for full compliance with its commitment.

*Analyst: Anvarjon Sultanov*

### **United Kingdom: +1**

The United Kingdom has fulfilled the commitment on resisting protectionism and promoting global trade and investment in spite of several announcements of the international organizations that some British anti-crisis measures can restrict the world trade. In the reports of these international organizations it is also mentioned that measures of the United Kingdom don't breach the WTO rules and are not directed exclusively at British producers.

For example, in the report to the Trade Policy Review Body from the Director-General on the financial and economic crisis and trade-related developments temporary measures of the United Kingdom to grant loan guarantees and interest rate subsidies for automobile businesses are used as an example of potentially trade-distorting subsidies. However, these guarantees and subsidies are provided just for green products and thus are acceptable under WTO rules.<sup>300</sup>

According to the OECD report the United Kingdom is among the countries with the risk of discrimination in the automotive sector as governments of these countries have developed measures to assist the sector. Nevertheless, according to OECD, in most cases, this aid is offered to both foreign- and domestically-owned producers.<sup>301</sup>

Moreover the British Government arranges events on promoting freedom of the world trade. From 8 to 12 June 2009 World Trade Week took place in the United Kingdom. This event had to highlight the importance of global trade in creating jobs and growth in the current economic climate. World Trade Week was part of a British Government drive to maintain open and fair

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<sup>297</sup> TURKISH, FINNISH MINISTERS AGREE TO RENEW DOUBLE TAXATION DEAL DATE OF ACCESS TUESDAY, 21 APRIL 2009 SOURCE: [HTTP://WWW.TURKISHWEEKLY.NET/NEWS/73437/TURKISH-FINNISH-MINISTERS-AGREE-TO-RENEW-DOUBLE-TAXATION-DEAL.HTML](http://www.turkishweekly.net/news/73437/TURKISH-FINNISH-MINISTERS-AGREE-TO-RENEW-DOUBLE-TAXATION-DEAL.HTML)

<sup>298</sup> Turkey initiates reviews of 4 safeguard measures. Date of access: 16 June 2009 Source: <http://www.antidumpingpublishing.com/anti-dumping-news/Turkey-initiates-reviews-of-4-safeguard-measures.aspx> - Antidumping Publishing. Turkey to continue anti-dumping duties on PSF - <http://www.antidumpingpublishing.com/anti-dumping-news/Turkey-to-continue-anti-dumping-duties-on-PSF-.aspx> - Antidumping Publishing. Turkey initiates interim review of anti-dumping duties of PSF - <http://www.antidumpingpublishing.com/anti-dumping-news/Turkey-initiates-interim-review-of-anti-dumping-duties-of-PSF-.aspx> - Antidumping Publishing. Turkey initiates anti-dumping investigation on flanges - <http://www.antidumpingpublishing.com/anti-dumping-news/Turkey-initiates-anti-dumping-investigation-on-flanges-.aspx> - Antidumping Publishing. Turkey imposes anti-dumping duties on coagulated artificial leathers - <http://www.antidumpingpublishing.com/anti-dumping-news/Turkey-imposes-anti-dumping-duties-on-coagulated-artificial-leathers-.aspx> - Antidumping Publishing

<sup>299</sup> Turkey and Libya to Sign FTA in September 12 August 2009 <http://www.turkishweekly.net/news/86564/turkey-and-libya-to-sign-fta-in-september.html>

<sup>300</sup> Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments. 26 March 2009. BTO. Date of access: 6 July 2009. [http://www.wto.org/english/news\\_e/news09\\_e/trdev\\_dg\\_report\\_14apr09\\_e.doc](http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc)

<sup>301</sup> Keeping markets open at times of economic crisis. April 2009. OECD. Date of access: 6 July 2009. <http://www.oecd.org/dataoecd/48/19/42459971.pdf>

markets and resist protectionism in the face of a global downturn and falling international trade flows.<sup>302 303</sup>

On 8 June 2009 Global Trade Alert - an early-warning system to help guard against nations turning to protectionist policies during the global recession was launched as part of the UK Government's ongoing commitment to open trade. Lord Mandelson underlined the UK's commitment to keep global trade flowing as he announced that the UK is co-financing a new independent anti-protectionism system. Global Trade Alert will unite a worldwide network of think tanks to provide governments with independent analysis of trade-distorting policies. It will produce evidence of the damage protectionist policies and advise on the least protectionist ways to provide support and stability to economies through the downturn.<sup>304</sup>

Thus, there is no evidence of any British measures resisting world trade and violating WTO rules. Moreover the British Government arranges events to promote the openness of the international trade. The score of the United Kingdom for the fulfillment of this commitment is "+1".

*Analyst: Natalia Churkina*

### **USA: 0**

Activities of the USA in the sphere of refraining from raising new barriers to investment or to trade in goods and services were contradictory. On the one hand, the U.S. refrained from protectionism, on the other hand they imposed new barriers through support of national manufacturers and employment.

In May 2009 the top Chinese and United States officials have agreed to avoid setting up trade barriers between the two countries to cope with the economic downturn. Moreover, these two countries signed 32 trade agreements, worth of USD10.6 billion. According to the U.S. delegates, their country will keep its doors open for foreign investment.<sup>305</sup> So far the USA are dealing not that tough with China. For example, the Obama administration has declined to cite China as a country that is manipulating its currency to gain unfair trade advantages.<sup>306</sup>

In May 2009 the USA President Barack Obama proposed to cut the USA farm subsidies. This should result in elimination of direct payments to farmers with more than USD500.000 in annual revenue. In total, the President's budget would reduce federal payments in one form or another to the farmers by about USD15 billion through fiscal 2019. However, by the end of August 2009 the subsidies had not been cut.<sup>307</sup>

The United States is finalizing free trade agreements with Panama, Colombia and South Korea. The US-South Korea free trade pact is the largest for the United States since it signed the North American Free Trade Agreement with Canada and Mexico in 1994.<sup>308</sup>

Despite some tendency to eliminate trade barriers, in some industries protectionist behaviour is observed. Thus, reports of various kinds of non-tariff measures affecting trade, such as standards and technical regulations (including SPS measures), are rising. For example, the 2009 Omnibus Appropriations Act of the United States prohibits the use of funds made available in the Act to establish or implement a rule allowing poultry products to be imported into the United States from China. Separately, the Act prohibits the U.S. Department of Transportation from allocating

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<sup>302</sup> UK gears up for its first ever World Trade Week. 16 April 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/20091/World-trade-week/>

<sup>303</sup> World Trade Week UK. Date of access: 6 July 2009.

<http://www.worldtradeweekuk.com/Pages/WTWPolicyInAction.aspx>

<sup>304</sup> World Trade Week UK - defending open trade. 8 June 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/20091/World-Trade-Week-UK---defending-open-trade/>

<sup>305</sup> US and China: 'no protectionism', China Daily, 04 May 2009. Date of Access: 16 May 2009.

[http://www.chinadaily.com.cn/bizchina/2009-05/04/content\\_7740685.htm](http://www.chinadaily.com.cn/bizchina/2009-05/04/content_7740685.htm).

<sup>306</sup> U.S. declines to cite China for currency manipulation, USA Today, 15 April 2009. Date of Access: 19 May 2009.

[http://www.usatoday.com/money/world/2009-04-15-treasury-china-currency-manipulation\\_N.htm](http://www.usatoday.com/money/world/2009-04-15-treasury-china-currency-manipulation_N.htm).

<sup>307</sup> Farm-Subsidy Cuts Highlight Political Challenge. The Wall Street Journal. 7 May 2009. Date of Access: 29 August 2009. <http://online.wsj.com/article/SB124170947406396379.html>.

<sup>308</sup> US trying to resolve obstacles to free trade pacts, AFP, 18 May 2009. Date of Access: 22 May 2009.

[http://www.google.com/hostednews/afp/article/ALeqM5jU8knjEnxImuJ7ogNx\\_ErLf0PnTQ](http://www.google.com/hostednews/afp/article/ALeqM5jU8knjEnxImuJ7ogNx_ErLf0PnTQ).

funds necessary to maintain an inspection programme on cross-border trucking services from Mexico, which has prompted Mexico to temporarily suspend the preferential tariff treatment accorded to 89 tariff lines of imports from the United States under the NAFTA provisions.<sup>309</sup>

On 15 April 2009 the United States introduced a 10% duty on some imports of Canadian lumber.<sup>310</sup> New duties provoke spiraling protectionism. In May, 2009 the United States slapped new tariffs on steel pipe imports from China. In June, 2009 China imposed new barriers on U.S. exports of adipic acid, an industrial chemical used to make nylon and polyester resin.<sup>311</sup>

The “Buy American” provisions in the USD787 billion stimulus package signed into law in February, 2009 are a striking example of protectionism relating to other countries. According to these provisions, none of the funds made available by the Recovery Act may be used for a project unless the public building or public work is located in the United States and all of the iron, steel, and other manufactured goods used as construction material in the project are produced or manufactured in the United States.<sup>312</sup> Formally the buy American provisions do not break the WTO norms, even those which prohibit constraining government purchases. In reality they increase protectionism, especially against China<sup>313</sup><sup>314</sup> and Canada.<sup>315</sup> In June 2009 the World Bank president Robert Zoellick warned that protectionist “Buy American” rules in USA stimulus spending threaten the global economy and backed Canada’s urgent drive for free trade in state, provincial and city purchasing on both sides of the border.<sup>316</sup>

In June 2009 China’s Ministry of Commerce (MOC) began an anti-dumping investigation into grain oriented flat-rolled electrical steel imported from the United States and was investigating subsidies for the steel product in the United States.<sup>317</sup> However, according to the opinion of Beijing-based Mysteel Research Institute, China’s first investigation into dumping of U.S. steel products may not increase trade frictions between the two countries as the volume affected is “too small”.<sup>318</sup>

The United States imposed new trade barriers and used protectionist measures to support national manufacturers. Thus, they break conditions of the commitment and this can be assessed a score of “0”.

*Analyst: Tatyana Lanshina*

## **EU: +1**

The European Union has fully complied with the G20 commitment to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports.

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<sup>309</sup> Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-Related Developments, WTO, 26 March 2009. Date of Access: 19 May 2009.

[http://www.wto.org/english/news\\_e/news09\\_e/trdev\\_dg\\_report\\_14apr09\\_e.doc](http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc)

<sup>310</sup> 10 Percent Duty on Canadian Softwood Lumber Begins April 15, Customs and Border Protection, 09 April 2009. Date of Access: 17 May 2009. [http://www.cbp.gov/xp/cgov/newsroom/news\\_releases/april\\_2009/04092009.xml](http://www.cbp.gov/xp/cgov/newsroom/news_releases/april_2009/04092009.xml).

<sup>311</sup> Protectionism Exposed. The Wall Street Journal. 6 August 2009. Date of Access: 28 August 2009.

<http://online.wsj.com/article/SB20001424052970204619004574321160639942656.html>.

<sup>312</sup> Subpart 25.6—American Recovery and Reinvestment Act—Buy American Act—Construction Materials, Acquisition Central. Date of Access: 16 May 2009. [http://www.acqnet.gov/Far/current/html/Subpart%2025\\_6.html](http://www.acqnet.gov/Far/current/html/Subpart%2025_6.html).

<sup>313</sup> 'Buy American' bill risks trade war and drift to protectionism. 2 February 2009. Date of Access: 21 May 2009.

<http://www.independent.co.uk/news/world/americas/lsquobuy-americansquo-bill-risks-trade-war-and-drift-to-protectionism-1543707.html>.

<sup>314</sup> China says U.S. trade protectionism is shocking. Reuters. 29 June 2009. Date of Access: 7 July 2009.

<http://in.reuters.com/article/economicnews/idinindia-40673520090629>.

<sup>315</sup> An estimated US\$800 billion in stimulus spending could potentially come under Buy America restrictions, cutting off many Canadian firms from a lucrative market. The Canadian Press. 10 June 2009. Date of Access: 22 June 2009. [http://www.google.com/hostednews/canadianpress/article/ALeqM5ivfx\\_GFrCr9kX94UcVDEu19tXoyg](http://www.google.com/hostednews/canadianpress/article/ALeqM5ivfx_GFrCr9kX94UcVDEu19tXoyg).

<sup>316</sup> World Bank joins Buy American battle, The Globe and Mail. 13 June 2009. Date of Access: 23 June 2009.

<http://www.theglobeandmail.com/news/national/world-bank-joins-buy-american-battle/article1176004/>.

<sup>317</sup> China probes U.S. Russian steel in anti-dumping case, Reuters, 1 June 2009. Date of Access: 20 June 2009.

<http://www.reuters.com/article/usDollarRpt/idUSPEK15020420090601>.

<sup>318</sup> China’s U.S. Dumping Probe May Not Hurt Relations (Update 2), Bloomberg. 2 June 2009. Date of Access: 21 June 2009. <http://www.bloomberg.com/apps/news?pid=20601080&sid=aIX4OpJyFmes&refer=asia>.

Special attention was paid to measures against protectionism, and the EU confirmed the readiness to hold European market open to its trading partners and to continue to press for open access to third markets, including through multilateral and bilateral agreements, the promotion of regulatory cooperation and convergence and through the worldwide introduction of international standards.<sup>319</sup>

So, during monitoring the EU has followed all the conditions of this commitments, and assessed a score of “+1”.

*Analyst: Arina Shadrikova*

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<sup>319</sup> Council conclusions: An integrated approach to a competitive and sustainable industrial policy in the European Union, 2945th Competitiveness (Internal market, Industry and Research), Council meeting, Brussels, 28 May 2009. Date of Access: 10<sup>th</sup> of August  
[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/intm/108119.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/108119.pdf)

## **Ensuring a fair and sustainable recovery for all (1) [47]**

### **Commitment:**

We reaffirm our historic commitment to meeting the Millennium Development Goals and to achieving our respective ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa.

*G20 Leaders' Statement: The Global Plan for Recovery and Reform*

### **Assessment:**

#### **Compliance scores**

<b>Country</b>	<b>Lack of compliance -1</b>	<b>Work in progress 0</b>	<b>Full compliance +1</b>
<b>Argentina</b>	-1		
<b>Australia</b>			+1
<b>Brazil</b>			+1
<b>Canada</b>			+1
<b>China</b>	-1		
<b>France</b>			+1
<b>Germany</b>			+1
<b>India</b>		0	
<b>Indonesia</b>		0	
<b>Italy</b>		0	
<b>Japan</b>			+1
<b>Mexico</b>		0	
<b>Russia</b>			+1
<b>Saudi Arabia</b>		0	
<b>South Africa</b>	-1		
<b>South Korea</b>		0	
<b>Turkey</b>			+1
<b>United Kingdom</b>			+1
<b>USA</b>			+1
<b>European Union</b>			+1
<b>Average score</b>			<b>0,30</b>

### **Background:**

**The Millennium Development Goals.** The United Nations Millennium Declaration was adopted by 189 nations and signed by 147 heads of state and governments during the **UN Millennium Summit** in September 2000. The UN Millennium Declaration commits the nations to a new global partnership to reduce extreme poverty and set out a series of time-bound targets - with a deadline of 2015 - that have become known as the Millennium Development Goals (MDG). The eight MDGs break down into 21 quantifiable targets that are measured by 60 indicators. These goals are: (1) Eradicate extreme poverty and hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS, malaria and other diseases; (7) Ensure environmental sustainability; (8) Develop a Global Partnership for Development.

The UN System is helping countries improve their capacity to achieve the MDGs. In 2001 the UN Secretary General presented the **Road Map Towards the Implementation of the United Nations Millennium Declaration**, an integrated and comprehensive overview of the situation, outlining potential strategies for action designed to meet the goals and commitments of the Millennium Declaration. To support this effort, the UNDP and the Millennium Project have designed a comprehensive set of services to support MDG-based national development strategies.

The road map has been followed up since then with annual reports. In 2002, the annual report focused on progress made in the prevention of armed conflict and the treatment and prevention of diseases, including HIV/AIDS and Malaria. In 2003, emphasis was placed on strategies for development and strategies for sustainable development. In 2004, it was on bridging the digital divide and curbing transnational crime.

In 2005, the Secretary-General prepared the first comprehensive five-yearly report on progress toward achieving the MDGs. The report reviews the implementation of decisions taken at the international conferences and special sessions on the least developed countries, progress on HIV/AIDS and financing for development and sustainable development.

Apart from the UN system the OECD as an intergovernmental agency makes a substantial contribution to international efforts to achieve the MDG. With contributing to global development partnership the OECD mainly focuses on helping countries to mobilize resources to achieve the MDGs, improving effective policy implementation and policy synergies in support of the MDG, ensuring the fundamental conditions for economic growth, strengthening capacity in partner countries to meet the MDG.

Developed countries also play a crucial role in developing a global economy that contributes to the advancement of trade and industry of developing countries, thus empowering them to help attain the MDGs. To help achieve these goals the UNDP works closely with such developed countries as Australia, Belgium, Denmark, European Community, Finland, France, Germany, Japan, Netherlands, Norway, Sweden, Switzerland, Thailand, United Kingdom.

**ODA pledges.** The ODA pledges comprise contributions of donor government agencies at all levels to developing countries (“bilateral ODA”) and to multilateral institutions. According to the Monterrey Consensus that was the outcome of the United Nations International Conference on Financing for Development held on 22 March, 2002 in Monterrey, countries have to achieve the target of 0.7 per cent of GNP for ODA to developing countries by 2015 and to reach the level of at least 0.5 per cent of GNP for ODA by 2010, including the specific target of 0.15 to 0.20 per cent of GNP for ODA to least developed countries.<sup>320</sup>

**Aid for Trade.** According to the recommendations of the WTO Task Force on Aid for Trade (AFT)<sup>321</sup>, assistance and capacity-building on the following six categories qualify as AFT:

- (1) Trade Policy and Regulations, e.g. training and support for trade officials in implementing trade agreements and standards;
- (2) Trade Development, e.g. trade and investment promotion;
- (3) Trade-Related Infrastructure, including building physical infrastructure;
- (4) Building Productive capacity;
- (5) Trade-Related Adjustment, assistance to adopt measures to benefit from trade liberalisation;
- (6) Other trade-related needs.

The term Aid for Trade (AFT) is recent, but donors have been providing assistance to developing countries to build trade capacity and infrastructure for many years. The Task Force on Aid for Trade was created at the Sixth Hong Kong WTO Ministerial Conference in December, 2005 as a way to contribute to the development dimension of the Doha Development Agenda.

The United States and Japan are the largest single providers of bilateral Aid for Trade, with USD4.6 billion and USD4.4 billion in 2007, respectively. They, together with the EC, are well on their way to meet their 2005 aid for trade pledges. Other important bilateral donors include France, Germany, the Netherlands, Spain, and the United Kingdom. In 2007 total Aid for Trade constituted USD25.4 million with USD4.4 billion increase in real terms, as measured against the 2002-2005 baseline.<sup>322</sup> Bilateral donors accounted for 62 per cent of total Aid for Trade in 2007 - down 2.3 per cent on 2006.

India, Iraq, Vietnam, Afghanistan, and Indonesia were the top five recipients of Aid for Trade in 2007, accounting for almost 28 per cent of the total. Asian countries received approximately 38.5

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<sup>320</sup> Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus - [http://www.un.org/esa/ffd/doha/documents/Doha\\_Declaration\\_FFD.pdf](http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf).

<sup>321</sup> General Council supports suspension of trade talks; Task Force submits “Aid for Trade” recommendations. World Trade Organization. [http://www.wto.org/english/news\\_e/news06\\_e/gc\\_27july06\\_e.htm](http://www.wto.org/english/news_e/news06_e/gc_27july06_e.htm).

<sup>322</sup> An essential element of monitoring the operationalization of Aid for Trade is tracking by OECD and WTO of global aid-for-trade flows reported to the OECD Creditor Reporting System (CRS). At the First Global Review of Aid for Trade, a baseline was established for the period 2002-2005 in CRS categories which most closely relate to aid for trade as defined by the WTO Task Force. The OECD and WTO will present an updated publication, Aid for Trade at a Glance 2009, at the Second Global Review of Aid for Trade to be held on 6-7 July 2009.

per cent of all Aid for Trade (USD9.8 billion in 2007). Africa follows with 37.3 per cent (USD9.5 billion in 2007).

**Debt relief.** The Debt relief for heavily indebted and underdeveloped developing countries was the subject in the 1990s of a campaign by a broad coalition of development NGOs. This campaign was successful in pushing debt relief onto the agenda of Western governments and international organizations such as the International Monetary Fund and World Bank. Heavily Indebted Poor Countries (HIPC) initiative is an institutional form of systematic debt relief for the poorest countries. The initiative was launched and strengthened in 1999 following the G8 summit in Cologne, Germany and has become known as the “Enhanced HIPC Initiative”. At the G8 Kananskis Summit in 2002 the G8 leaders checked on the progress on implementation of the Cologne Enhanced HIPC Initiative, reaffirmed their commitment to this initiative once again and established new tasks within it.

**Gleneagles commitments.** At the Gleneagles Summit the G8 leaders have made joint and individual commitments on aid to Africa.<sup>323</sup> **The joint G8 countries commitments are:**

- We have agreed to double aid for Africa by 2010. Aid for all developing countries will increase, according to the OECD, by around USD50 billion per year by 2010, of which at least USD25bn extra per year for Africa.

- The G8 has also agreed that all of the debts owed by eligible heavily indebted poor countries to IDA, the International Monetary Fund and the African Development Fund should be cancelled, as set out in our Finance Ministers agreement on 11 June 2005.

The G8 also agreed a comprehensive plan to support Africa's progress. The G8 agreed:

- to provide extra resources for Africa's peacekeeping forces so that they can better deter, prevent and resolve conflicts in Africa;
- to give enhanced support for greater democracy, effective governance and transparency, and to help fight corruption and return stolen assets;
- to boost investment in health and education, and to take action to combat HIV/AIDS, malaria, TB and other killer diseases;
- to stimulate growth, to improve the investment climate and to make trade work for Africa, including by helping to build Africa's capacity to trade and working to mobilize the extra investment in infrastructure which is needed for business.

**Financing commitments (as submitted by individual G8 members):**

- The EU has pledged to reach 0.7 per cent ODA/GNI by 2015 with a new interim collective target of 0.56 per cent ODA/GNI by 2010. The EU will nearly double its ODA between 2004 and 2010 from EUR34.5 billion to EUR67 billion. At least 50% of this increase should go to sub-Saharan Africa.

- Germany (supported by innovative instruments) has undertaken to reach 0.51 per cent ODA/GNI in 2010 and 0.7 per cent ODA/GNI in 2015.

- Italy has undertaken to reach 0.51 per cent ODA/GNI in 2010 and 0.7% ODA/GNI in 2015.

- France has announced a timetable to reach 0.5 per cent ODA/GNI in 2007, of which 2/3 for Africa, – representing at least a doubling of ODA since 2000 - and 0.7 per cent ODA/GNI in 2012.

- The UK has announced a timetable to reach 0.7 per cent ODA/GNI by 2013 and will double its bilateral spending in Africa between 2003/04 and 2007/08.

- A group of the countries above firmly believe that innovative financing mechanisms can help deliver and bring forward the financing needed to achieve the Millennium Development Goals. They will continue to consider the International Financing Facility (IFF), a pilot IFF for Immunization and a solidarity contribution on plane tickets to finance development projects, in particular in the health sector, and to finance the IFF. A working group will consider the implementation of these mechanisms.

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<sup>323</sup> Statement on Africa. G8 Summit Meetings. Gleneagles Official Documents. 8 July 2005.  
<http://www.g8.utoronto.ca/summit/2005gleneagles/africa.html>

- The US proposes to double aid to Sub-Saharan Africa between 2004 and 2010. It has launched the Millennium Challenge Account, with the aim of providing up to USD5 billion a year, the USD15 billion Emergency Plan for AIDS Relief, an initiative to address Humanitarian Emergencies in Africa of more than USD2 billion in 2005, and a new USD1.2 billion malaria initiative. The US will continue to work to prevent and mitigate conflict, including through the 5-year, USD660 million Global Peace Operations Initiative.
- Japan intends to increase its ODA volume by USD10 billion in aggregate over the next five years. Japan has committed to double its ODA to Africa over the next three years and launched the USD5 billion ‘Health and Development Initiative’ over the next five years. For the “Enhanced Private Sector Assistance (EPSA) for Africa” facility, Japan will provide more than USD1 billion over 5 years in partnership with the African Development Bank (AfDB).
- Canada will double its international assistance from 2001 to 2010, with assistance to Africa doubling from 2003/4 to 2008/9. As well, the 2005 Budget provided an additional CAD342 million to fight diseases that mainly afflict Africa. The CAD200 million Canada Investment Fund for Africa, will provide public-private risk capital for private investments and Canada will provide CAD190 million to support the AU’s efforts in Darfur, as well as CAD90 million for humanitarian needs.
- Russia has cancelled and committed to cancel USD11.3 billion worth of debts owed by African countries, including USD2.2 billion of debt relief to the HIPC Initiative. On top of this, Russia is considering writing off the entire stock of HIPC countries’ debts on non-ODA loans. This will add USD750million to those countries debt relief.

#### **Commitment Features:**

There are four components to this commitment: commitment to meeting the MDG, achieving respective ODA pledges, achieving commitments on Aid for Trade, Gleneagles commitments, including commitments on debt relief, especially to sub-Saharan Africa. To comply with Gleneagles commitments a country has to implement at least one of the joint G8 commitments (for all G20 member states) and at least one of the individual commitments (for G8 members).

#### **Scoring:**

-1	Member implements non or less than two components of the commitment
0	Member implements two components of the commitment
+1	Member implements three or more components of the commitment

#### **Argentina: -1**

Argentina has not complied with the G20 commitment on development.

Reduction of the high level of unemployment is among the priorities of the country. The financial and economic crisis has aggravated the unemployment problem. According to the national newspaper “La Nación”, the unemployment level has surged by 10% since February, 2009.<sup>324</sup> Remote areas are affected by the crisis most heavily, where unemployment pushes the population beyond the poverty line. For instance, in the province of Tucuman 10 thousand people are on the brink of hunger,<sup>325</sup> while one third of the Salta province population is considered to be poor.<sup>326</sup> Unemployment level exceeds 40% in some regions.<sup>327</sup>

The main means of combating poverty in Argentina is creating new working places for socially-vulnerable citizens. On 14 August, 2009 Argentine President Cristina Fernandez de Kirchner came up with the initiative to establish 100 thousand new working places for the lowest-income population (Plan de Ingreso Social con Trabajo) with the preliminary budget of ARS1.5 billion

<sup>324</sup>Cae a su nivel más bajo la imagen pública del Gobierno, periódico La Nación. 2 September 2009. Available at: [http://www.lanacion.com.ar/nota.asp?nota\\_id=1169586](http://www.lanacion.com.ar/nota.asp?nota_id=1169586)

<sup>325</sup>El hambre castiga a Tucumán: hay 10.000 desnutridos en riesgo, periódico La Nación. 2 September 2009. Available at: [http://www.lanacion.com.ar/nota.asp?nota\\_id=1169461](http://www.lanacion.com.ar/nota.asp?nota_id=1169461)

<sup>326</sup> Explosión de villas en Salta: una de cada tres personas es pobre, periódico La Nación. 21 August 2009. Available at: [http://www.lanacion.com.ar/nota.asp?nota\\_id=1165128](http://www.lanacion.com.ar/nota.asp?nota_id=1165128)

<sup>327</sup>No se extenderá el paro del campo, periódico La Nación. 31 August 2009. Available at: [http://www.lanacion.com.ar/nota.asp?nota\\_id=1168837](http://www.lanacion.com.ar/nota.asp?nota_id=1168837)



(USD0.39 billion).<sup>328</sup> However, independent estimates assess that the scheme will allow to lift out of poverty only one fifth of those who dropped into that category in the last 2 years.<sup>329</sup> Consequently, Argentina contributes to the implementation of one of the goals stated in the Millennium Development Goals in the framework of the poverty alleviation programme.

Argentina is the net receiver of the funds of the Aid for Trade. In spite of that there is the Argentine Fund for Horizontal Cooperation, which is a specialized body aimed at providing technical assistance to developing countries of the same or inferior level of economic development. The main purpose of the Fund is to contribute to the sustainable economic development of the developing countries by sharing knowledge and. The Fund was established in 1992.<sup>330</sup> The main recipients of aid are neighboring Latin American countries, such as Bolivia, Ecuador, Haiti, Peru and Cuba. Besides, aid has been provided to Asian countries and sub-Saharan Africa. However, there is no data on the Fund's programmes over the monitoring period.<sup>331</sup>

So far, Argentina has not complied with the commitment, as set goals have not been achieved, whereas the deterioration of a number of the key indicators has been evidenced, and assessed at a score of “-1”.

*Analyst: Polina Arkhipova*

### **Australia: +1**

The Australian Government has fully complied with this commitment. Australia continues to support Millennium Development Goals due to this fact the activity of the government could be measured as positive. The Australian budget includes a package of new measures designed to take forward the Government's development assistance priorities.<sup>332</sup>

In particular, the Australian budget provides necessary allocations for the Government's election commitments to address climate change challenges by strengthening adaptation efforts in the region through an investment of AUD150 million (USD 130.43 million) over three years.<sup>333</sup>

Australian government allocations for eliminating avoidable blindness in the region as part of a broader policy on disability in development amount to an investment of AUD45 million (USD39.13 million) over two years; and to an investment of AUD300 million (USD260.8 million) to improve access to clean water and sanitation over three years.<sup>334</sup>

The Australian Government has provided AUD454.2 million (USD394.9 million) for the development of infrastructure in the countries of Pacific and African region.

Moreover Australia is the second country to join the Global Fund's Debt2Health initiative. It offered to write off AUD75 million (USD65.2 million) in commercial debt to Indonesia in return for Jakarta investing half that amount in domestic tuberculosis programs that are supported by

<sup>328</sup> Lanzamiento del Plan Ingreso Social con Trabajo, PALABRAS DE LA PRESIDENTA CRISTINA FERNANDEZ EN EL LANZAMIENTO DEL PLAN INGRESO SOCIAL CON TRABAJO, Presidencia de la Nación Argentina. 14 August 2009. Available at:

[http://www.casarosada.gov.ar/index.php?option=com\\_content&task=view&id=6305](http://www.casarosada.gov.ar/index.php?option=com_content&task=view&id=6305)

<sup>329</sup> El nuevo plan de empleo cubriría sólo un 40% del desempleo, periódico La Nación. 26 August 2009. Available at: [http://www.lanacion.com.ar/nota.asp?nota\\_id=1167266](http://www.lanacion.com.ar/nota.asp?nota_id=1167266)

<sup>330</sup> Cooperación Internacional, Fondo Argentino de Cooperación Horizontal

(FO-AR). Available at: <http://www.mrecic.gov.ar/portal/seree/dgcin/fo-ar.html>

<sup>331</sup> Proyectos Fo-AR e instituciones cooperantes, 2000-2008, Fondo Argentino de Cooperación Horizontal (FO-AR). Available at: <http://www.mrecic.gov.ar/portal/seree/dgcin/docs/foar-00-08.pdf>

<sup>332</sup> Speaking Notes: Opening Statement to DAC Network - Gender Equality, Speech by Parliamentary Secretary for International Development Assistance on the summit Development Assistance Committee of the OECD, 27 May 2009, Date of Access 25 June 2009

[http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=2719\\_5929\\_3997\\_6746\\_9167](http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=2719_5929_3997_6746_9167)

<sup>333</sup> Future Directions for Australia's International Development Assistance Program, Speech by Parliamentary Secretary For International Development Assistance Bob McMullan MP, 22 May 2009, Date of Access 5 July 2009

[http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=8076\\_8729\\_5968\\_9452\\_1406](http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=8076_8729_5968_9452_1406)

<sup>334</sup> Future Directions for Australia's International Development Assistance Program, Speech by Parliamentary Secretary For International Development Assistance Bob McMullan MP, 22 May 2009, Date of Access 5 July 2009

[http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=8076\\_8729\\_5968\\_9452\\_1406](http://www.usaid.gov/press/releases/cfm?BC=Speech&ID=8076_8729_5968_9452_1406)

Fund.<sup>335</sup> These funds were agreed in the current budget. The government aims to increase financial support by 0.5% GNP by 2015.

Australia is the most developed country of the Pacific region, and during the monitoring period it complied with this commitment. This is assessed a score of “+1”.

*Analyst: Dina Padalkina*

### **Brazil: +1**

Brazil has fulfilled this commitment. The Brazilian Government has contributed to the MDG achievement and also assisted the Aid for Trade programme.

In the part concerning the preservation of the environment formulated in the Millennium Declaration, the Government of Brazil aspires to prevent deterioration of ecology in the universally important Amazon forest that is under the control of Brazilian Government. In the framework of this policy on 25 June, 2009 the President of Brazil Lula da Silva signed the approved by the Brazilian National Congress law on land reform in Amazon which, under the official version, should promote realization of the ecological legislation and control over cutting down of Amazon forest. According to the bill the privatization of the ground areas in Amazon became possible. In order to prevent deterioration of the ecology in the region Lula da Silva has put a veto for a term of the bill which allows manufacturing companies get small areas in Amazon.<sup>336</sup>

On 1 July, 2009 in Sirte (Libya) the President of Brazil Lula da Silva and the Chairperson of the African Union Commission, Mr. Jean Ping signed an agreement for cooperation and partnership, at the margins of the 13th Ordinary Session of the Assembly of Heads of State and Government of the African Union (AU). They reaffirm the need to strengthen technical cooperation in the framework of the Technical Cooperation Agreement between Brazil and the AU, signed on 28 February, 2007, in Brasilia, as well as Africa-South America Cooperation. Both parties have acknowledged the vision and commitment of African countries in improving the living standards of the African populations and welcomed the adoption of the Social Policy Framework (SPF) for Africa, in Windhoek, Namibia, October 2008. In this connection, they have appealed for the promotion of social development based on a human-centered approach that seeks to promote human rights, social justice and dignity. Thus, the Brazil and the African Union have agreed to act jointly to support Member States and Regional Economic communities (RECs) to implement related strategies, despite the dire constraints posed by the current global financial and economic crises.

The President of Brazil and the Chairperson of the AU Commission have also signed a Complementary Agreement for the promotion of South-South technical cooperation.<sup>337</sup> In collaboration with the AU Member States, RECs and other partners Brazil and the AU committed themselves to consolidating cooperation and partnership in such jointly identified priority areas as social protection and poverty alleviation, health assistance, particularly for vulnerable groups, culture and sports for promoting social development.<sup>338</sup>

Brazil is taking active part in the UN Programme South-South Cooperation. Brazilian participation in the Programme was evaluated at the Second Aid for Trade Global Review 2009 WTO conference, which took place on 6-7 July 2009 in Geneva.<sup>339</sup>

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<sup>335</sup> UN-backed fund lauds Australia's to convert debt into health initiatives, UN daily news, 28 May 2009, Date of Access 25 June 2009 <http://www.un.org/news/dh/pdf/english/2009/28052009.pdf>

<sup>336</sup> Brazil approves land tenure law that grants 260,000 sq mi of rainforest to settlers, speculators mongabay.com. 29 June, 2009. Date of Access: 20 August 2009. <http://news.mongabay.com/2009/0629-amazon.html>

<sup>337</sup> The UN Programme South-South Cooperation is basing on the approved by the General Assembly on December 19th 1978 Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation between Developing Countries. The World Trade Organization is actively assists the South-South Cooperation as a part of the Aid for Trade.

<sup>338</sup> 13th African Union Summit. 24 June – 3 July 2009, Sirte, Libya. Date of Access: 21 August 2009. [http://www.africa-union.org/root/AU/Conferences/2009/july/summit/Press\\_Releases.html](http://www.africa-union.org/root/AU/Conferences/2009/july/summit/Press_Releases.html)

<sup>339</sup> Aid For Trade Second Global Review: programme. 6-7 July, Geneva, Switzerland. Date of Access: 12 September 2009. [http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review09\\_prog\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review09_prog_e.htm)

Thereby during the monitoring period Brazil has contributed to MDG achievement and is awarded a score of “+1”.

*Analyst: Polina Cherepova*

### **Canada: +1**

Canada has fully complied with this commitment. The Canadian Government has provided debt relief and aid for trade for developing countries effected by the crisis, met the MDG, the Gleneagles commitments and ODA pledges.

According to a new Canadian policy, on April 3, 2009 it was announced that eight African countries had been removed from the list of priority recipients of Canadian aid: Benin, Burkina Faso, Cameroon, Kenya, Malawi, Niger, Rwanda and Zambia. They have been replaced by Colombia, Peru and the Caribbean, middle-income countries with whom Canada has entered into or is negotiating free-trade agreements. The policy shift means Canada is taking a break from its poverty reduction commitments to the Organization for Economic Co-operation and Development (OECD) and reducing its contribution to the UN MDG.<sup>340</sup>

However, Canada still actively provides aid to African countries. Thus, on 22 May, 2009 Jason Kenney, Minister of Citizenship, Immigration and Multiculturalism, announced new funding that will help Morocco, Algeria, Tunisia, Egypt and Jordan to better integrate into the multilateral trading system. The project offers training in trade information management and strengthens competitiveness and the capacity to increase export potential. It also promotes national and regional trade information networks, provides coaching in export strategy development, and helps enterprises participate in trade affairs. Additionally, the project provides seminars on accessing specific markets and assists women and young entrepreneurs to apply information and communications technologies to trade.<sup>341</sup>

On 14 May 14 Beverley J. Oda, Minister for International Cooperation and Vice-Chair of the Cabinet Committee on Afghanistan, announced the launch the Afghanistan Challenge. The Government will match dollar-for-dollar individual donations made to Canadian organizations that are part of Canada’s development effort in Afghanistan. The first phase of the Afghanistan Challenge will run from 14 May, 2009 for six months. Donations made over the Internet will be directed to projects that are improving the lives of Afghan people. These projects are mainly directed at the delivery of basic services to the Afghan people such as scholarships for Afghan women, providing micro-loans to women entrepreneurs and supporting education for children.<sup>342</sup>

On 19 May, 2009 Minister of State of Foreign Affairs announced new funding to support malaria and pneumonia treatment initiatives in developing countries through Save the Children. The organisation’s Community-based Treatment for Malaria and Pneumonia program will train community health workers in developing countries to deliver preventive treatment of fever, which is the treatment of suspected cases. The funding valued at USD20 million, responds to development priorities identified by partner countries.<sup>343</sup> Also, on May 22, 2009 Member of Parliament for Calgary East, Deepak Obhrai announced the Government of Canada will be supporting a group of Sudanese-Canadian doctors who will improve the health of up to 500.000 people in war-affected communities in rural south Sudan..<sup>344</sup>

On May 21, 2009 Minister of Citizenship, Immigration and Multiculturalism, announced funding to support continuing electoral reform in Lebanon. The funding will be allocated to the United

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<sup>340</sup> Canada is turning its back on the poorest of Africa. By Anthony Halliday from Friday’s Globe and Mail. 3 April 2009. Date of Access: 22 May 2009. <http://www.canadianinternationalcouncil.org/blogs/cicinthene/canadaistu>

<sup>341</sup> Government of Canada Announces a New Partnership with the International Trade Centre in the Middle East and North Africa Region. Ottawa, May 22, 2009. Date of access: July 10, 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/ANN-52291831-HM5>

<sup>342</sup> Government of Canada Launches Initiative to Match Canadian Donations for Development Projects in Afghanistan. Ottawa (Ontario) 14 May 2009. Date of Access: 15 May 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-5149350-HBX>

<sup>343</sup> Government of Canada Announces Renewed Partnership with Save the Children to Fight Malaria and Pneumonia. Toronto (Ontario) 19 May 2009. Date of Access: 22 May 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-51912273-MAY?OpenDocument>

<sup>344</sup> Canada Supporting Health Care in War-Affected Sudan. Calgary 22 May 2009. Date of Access: 22 May 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/ANN-522114645-LHS>

Nations Development Program to help implement its Strengthening Electoral Processes project.<sup>345</sup>

Government of Canada designed a special program - the Skills for Employment Initiative, which aims to help developing countries by building a skilled workforce with strong and relevant technical and vocational education necessary for economic growth. On 5 June, 2009 as part of this initiative Local Member of Parliament, Leon Benoit, announced Canada's support for people in Southern Peru to acquire education and employment. The program, which will be implemented by the Rainbow of Hope for Children Society, will help 700 people from the District of Chincha Baja in Southern Peru through the rebuilding of the Centre for Occupational Education, destroyed in the 2007 earthquake. These students, of whom 70 percent will be women, will acquire education and training in the fields of leadership, health education, money management, communications and job searching.<sup>346</sup> Furthermore, on June 6, 2009 Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway, announced funding for four new Canada-India science and technology (S&T) projects. All four of the joint projects are in the medical field. Two are seeking advances in the field of cancer, one in the field of sexually transmitted diseases and one in the treatment of malaria.<sup>347</sup> On 12 June, 2009 Canada made a donor contribution of USD200 million in support of the Advance Market Commitment (AMC) pilot project to accelerate introduction of vaccines against pneumococcal diseases in developing countries.<sup>348</sup>

On July 2, 2009 Jim Flaherty, Minister of Finance, announced that the Government of Canada will forgive USD2.3 million in debt owed by the Republic of Haiti through the Canadian Debt Initiative. With this relief, Canada has now cancelled USD965 million worth of debt owed by the world's poorest and most heavily indebted countries, including all of the eligible debt owed by Latin American and Caribbean nations.<sup>349</sup>

Also, Minister of Finance made the announcement while attending meetings of IDB governors and finance ministers of Latin America and the Caribbean in Chile. Haitian debt relief is just one of a number of recent announcements of Canadian support to nations coping with the global economic and financial crisis. Others include: a) an additional USD10 billion to the International Monetary Fund (IMF) to provide emergency access to capital for emerging markets and developing countries; b) a temporary increase of USD4 billion in the callable capital of the IDB, increasing the lending capacity of the main source of multilateral funding in Latin America and the Caribbean by 70 per cent; c) USD200 million to the global Advance Market Commitment, designed to get life-saving breakthrough vaccines into some of the world's poorest countries; USD200 million to the World Bank's Global Trade Liquidity Program to provide a further financing boost to world markets; d) USD5 million in support for the IMF's Technical Assistance Center for Central America, Panama, and the Dominican Republic, which was launched in Guatemala City on June 24 to promote regional economic growth and development.<sup>350</sup>

Lawrence Cannon, Minister of Foreign Affairs, announced that the Inter-American Development Bank's (IDB) approved Canada's proposal to temporarily increase the country's callable capital

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<sup>345</sup> Canada to Support Electoral Reform in Lebanon. Ottawa 21 May 2009. Date of Access: 22 May 2009.

<http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/LUC-52113341-MZU?OpenDocument>

<sup>346</sup> Canada Supports Job Skills Training in Peru. June 5, Wainwright, Alberta, 2009. Date of access: July 10, 2009.

<http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-65132715-NGL>

<sup>347</sup> Canada and India Announce Four New Joint Science and Technology Initiatives. June 6, 2009. Date of access: July 10, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387241&lang=eng&docnum=152](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387241&lang=eng&docnum=152)

<sup>348</sup> Ministers of finance and global health leaders fulfill promise to combat world's greatest vaccine-preventable killer of children. Signatory event marks the start of advance market commitment to speed up delivery of pneumococcal vaccines. Lecce, Italy June 12, 2009. Date of access: July 10, 2009. <http://www.fin.gc.ca/n08/09-060-eng.asp>

<sup>349</sup> Canada cancels all debt owed by Haiti. Santiago, Chile, July 2, 2009. Date of access: July 10, 2009.

<http://www.fin.gc.ca/n08/09-068-eng.asp>

<sup>350</sup> Canada cancels all debt owed by Haiti. Santiago, Chile, July 2, 2009. Date of access: July 10, 2009.

<http://www.fin.gc.ca/n08/09-068-eng.asp>

at the Bank by USD4 billion to support economic, social and institutional development in the Americas. "Canada's increased contribution to the Inter-American Development Bank will open up new opportunities to promote regional economic growth," said Minister Cannon.<sup>351</sup> Government of Canada has set up different programs and initiatives to help developing and most needed countries. Moreover, financial help was provided to African countries, debt relief programs also took place. Thus Canada's compliance can be assessed a score of "+1".

*Analyst: Alena Bulatnikova*

### **China: -1**

The Government of China has not undertaken enough steps to fulfill this commitment. China is participating in economy reform experience exchange programs with the African states and helps them to reach their goals.<sup>352</sup> In July 2009 as part of the program the meeting at a high level was held. 33 officials from the countries of Central and Western Africa participated in the meeting with representatives of the Ministry of Finance of China and representatives of the World Bank. During the meeting the attention was concentrated on the discussion about the Chinese reforms in the field of agriculture, fights against poverty, development of infrastructure and obligations of China to Africa.<sup>353</sup>

To sum up, China takes some steps aimed at achievement of MDG, however, these steps are not enough to fulfill the obligation. That is why China is awarded a score of "-1".

*Analyst: Ilya Fedorov*

### **France: +1**

France has fully complied with the commitment on development assistance having implemented all 4 elements of this commitment.

On 25 June 2009 the French development agency (Agence Française de Développement, AFD) launched an investment facility to support the economic development of the Mediterranean area (FISEM) timed to the first anniversary of the Union for the Mediterranean.

This new EUR250 million equity investment instrument will help SMEs in the region face the crisis. Since the UFM was launched a year ago, AFD has considerably scaled up its activities in the Mediterranean. The agency will focus on urban development, water and sanitation, support to businesses and alternative sources of energy. Commitments of the agency in the Mediterranean are expected to reach EUR6 billion for the period 2009-2013.<sup>354</sup>

During the French Prime Minister's visit to Nigeria a bilateral agreement was signed. According to the agreement France will help to secure in the delta of the Niger.<sup>355</sup> This action is in line with the Gleneagles commitments (conflict prevention in Africa).

On 15 May 2009 French President promised to give EUR15 million to the Pakistanis who suffered from military actions in the Swat administrative district.<sup>356</sup>

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<sup>351</sup> Inter-American Development Bank Approves Increased Canadian Contribution. August 6, 2009. Date of access: August 19, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387451&lang=eng&docnum=216](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387451&lang=eng&docnum=216)

<sup>352</sup> Learning from China's Experience to Help Africa's Development. High-Level China-Africa Experience-Sharing Program on Development. 8 July 2009. Date of access: 7 September, 2009.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,contentMDK:22262811~menuPK:318956~pagePK:64027988~piPK:64027986~theSitePK:318950,00.html>

<sup>353</sup> Learning from China's Experience to Help Africa's Development. High-Level China-Africa Experience-Sharing Program on Development. 8 July 2009. Date of access: 7 September, 2009.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,contentMDK:22262811~menuPK:318956~pagePK:64027988~piPK:64027986~theSitePK:318950,00.html>

<sup>354</sup> Union for the Mediterranean celebrates first anniversary. Agence Française de Développement. 25 June 2009.

<http://www.afd.fr/jahia/Jahia/site/afd/lang/en/pid/31203>. Date of access: 15 September 2009.

<sup>355</sup> Nigeria: François Fillon déterminé à maintenir le développement d'un "partenaire incontournable". 22 May 2009.

<http://www.gouvernement.fr/premier-ministre/nigeria-francois-fillon-determine-a-maintenir-le-developpement-d-un-partenaire-inco>. Date of access: 15 September 2009.

<sup>356</sup> Nicolas Sarkozy promet une aide de 12 millions d'euros aux déplacés pakistanais. Le Monde. 15 May 2009

[http://www.lemonde.fr/proche-orient/article/2009/05/15/nicolas-sarkozy-promet-une-aide-de-12-millions-d-euros-aux-deplaces-pakistanais\\_1193633\\_3218.html](http://www.lemonde.fr/proche-orient/article/2009/05/15/nicolas-sarkozy-promet-une-aide-de-12-millions-d-euros-aux-deplaces-pakistanais_1193633_3218.html). Date of access: 15 September 2009.

On 14 May 2009 Chief Executive Officer of the AFD presented AFD's 2008 report and published plans for 2009. Among them are creation of a new guarantee fund to promote economic growth, and setting up of the Investment and Support Fund for Businesses in Africa (FISEA) which is expected to create over 100 000 jobs on the African continent.<sup>357</sup>

On 6-7 April 2009 French representatives participated in the North-South Corridor International Financing Conference in Zambia. The North-South Corridor Program is an Aid for Trade initiative that aims to enhance competitiveness and lower costs of trade in Sub-Saharan Africa. Member countries discussed ways in which to make donor countries' aid contributions more effective in trade facilitation.<sup>358</sup>

During the monitoring period France has taken measures to implement all 4 elements of the commitment. Thus France has been awarded a score of "+1" for full compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Germany: +1**

Germany has demonstrated full compliance with this commitment. The German Government has implemented three conditions of the commitment, having contributed to the MDG achievement, ODA provision, and also having complied with commitments made at the 2005 G8 summit in Gleneagles.

According to the German Federal Ministry of economic cooperation and development Germany has increased financing of the development programs by EUR679 million in comparison with the 2008 level.<sup>359</sup>

Germany continues implementation of its Gleneagles commitments and keeps it as a priority. According to ONE International NGO Germany is the second largest donor of international development aid. In 2008 Germany's ODA constituted about 0.38% of the GNI. This is only 13% less than the level required by the G8 Gleneagles commitment (0.51%), which the German Government pledged to achieve by 2010.<sup>360</sup>

According to the DATA report "Debt Aids and Trade for Africa", Germany is one of the countries leading in international debt relief initiatives, in particular, carried out in Africa.<sup>361</sup>

The Federal Ministry for Economic Cooperation and Development and the Federal Health Ministry have allocated EUR7.5 million (USD10 million) to hold arrangements to prevent A/H1N1 flue in developing countries. This is a contribution of Germany's Federal Government to comply with a commitment, made in WHO, to fight epidemics of new forms of the flue.<sup>362</sup>

The German Federal Government has allocated EUR1.6 million to the international committee of the Red Cross to provide humanitarian assistance to population of Pakistan in 2009.<sup>363</sup>

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<sup>357</sup> AFD announces new growth in its activities in 2008 and targets a green and inclusive recovery in 2009. Agence Française de Développement. 14 May 2009.

[http://www.afd.fr/jahia/Jahia/site/afd/lang/en/Conference\\_Presse\\_Rapport\\_annuel\\_AFD\\_2009](http://www.afd.fr/jahia/Jahia/site/afd/lang/en/Conference_Presse_Rapport_annuel_AFD_2009). Date of access: 15 September 2009.

<sup>358</sup> Outcomes and Conclusions of the High Level Conference, North-South Corridor – International Financing Conference (Lusaka). 7 April 2009. <http://www.northsouthcorridor.org/index.php>. Date of access: 15 September 2009.

<sup>359</sup> The BMZ's budget is on the increase. Federal ministry for economic cooperation and development. Date of access: 19 May 2009. <http://www.bmz.de/en/figures/GermanContribution/index.html>

<sup>360</sup> Minister points out that Germany is keeping its promises. 11 June 2009. Date of access: 10 September, 2009. [http://www.bmz.de/en/press/pm/2009/june/pm\\_20090611\\_54.html](http://www.bmz.de/en/press/pm/2009/june/pm_20090611_54.html)

<sup>361</sup> Minister points out that Germany is keeping its promises. Presentation of the DATA Report 2009. The Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany. 11 June 2009. Date of access: 21 August, 2009. [http://www.bmz.de/en/press/pm/2009/june/pm\\_20090611\\_54.html](http://www.bmz.de/en/press/pm/2009/june/pm_20090611_54.html)

<sup>362</sup> GEMEINSAME PRESSEMITTEILUNG DES BUNDESMINISTERIUMS FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT UND ENTWICKLUNG UND DES BUNDESMINISTERIUMS FÜR GESUNDHEIT. BUNDESMINISTERIUM FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT UND ENTWICKLUNG. 18.05.2009. DATUM DES ZUGANGES: 21 MAI 2009.

[http://www.bmz.de/de/presse/pm/2009/mai/pm\\_20090518\\_xx.html](http://www.bmz.de/de/presse/pm/2009/mai/pm_20090518_xx.html).

<sup>363</sup> 600,000 euro for refugees in North-West Pakistan. Federal Ministry for Foreign Affairs of Germany. 8 May 2009. Date of access: 19 May 2009.

<http://www.auswaertigesamt.de/diplo/en/Infoservice/Presse/Meldungen/2009/090508-HumHilfePakistan.html>

The German Government has allocated EUR33 million to support micro financing in Kyrgyzstan for the period of 2009 - 2010. The Federal Government of Germany currently implements programs to support health systems in Kyrgyzstan. The Federal authorities plan to increase the intensity of cooperation in development with such countries as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.<sup>364</sup>

On 17 April 2009 during the donor conference in Tokyo Ambassador Bernd Mützelburg, the Special Representative for Afghanistan and Pakistan and head of the German delegation, announced on behalf of the Federal Government that Germany would provide project-tied aid to the tune of EUR115 million for the coming two years. These funds will mainly be used for education, health, energy supply and refugee care in Afghanistan.<sup>365</sup>

On 22 April, 2009 during the governmental negotiations in Bonn it was decided to provide EUR147 million within Germany's and Tanzania 3-year development cooperation.<sup>366</sup>

In response to the intense situation in Gaza sector Germany has allocated EUR25 million to the Palestinian government to support the energy systems. In 2009 the overall volume of Germany's assistance to Palestine accounted for EUR45.5 million.<sup>367</sup>

In Berlin during the meeting with the Prime Minister of Zimbabwe Morgan Tsvangirai the Minister for Economic Cooperation and Development of Germany Heidemarie Wiecek-Zeul declared allocation of EUR20 million to the World Bank Fund for Zimbabwe.<sup>368</sup>

In the frameworks of cooperation with Yemen Germany pledged to allocate EUR79 million in the period of 2009-2011 to implement programs on education support, water supply systems development. In particular, education support programs include the measures to broaden access for women to opportunities to get basic and secondary education.<sup>369</sup>

Germany pledged to provide EUR116.5 million to the Government of Namibia to implement the programs on environment protection, transport infrastructure development and HIV prevention efforts support.<sup>370</sup>

Thus Germany has fully complied with its commitment to provide assistance for development of the poorest countries and is assessed at a score of "+1".

*Analyst: Yuriy Zaytsev*

### **India: 0**

India has partially complied with its commitments to meet the MDG and to achieve respective ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa.

India hasn't taken steps in the context of these commitments on the international level, but it has taken some domestic actions to improve national social welfare. Considering Indian level of

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364 DEUTSCHLAND UNTERSTÜTZT MIKROFINANZSEKTOR IN KIRGISISTAN. BUNDESMINISTERIUM FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT UND ENTWICKLUNG 14.05.2009 DATUM DES ZUGANGES: 21 MAI 2009. [HTTP://WWW.BMZ.DE/DE/PRESSE/PM/2009/MAI/PM\\_20090514\\_42.HTML](http://www.bmz.de/de/presse/pm/2009/mai/pm_20090514_42.html)

<sup>365</sup> Germany contributes towards international assistance for Pakistan. 17.04.2009. Federal Ministry for Foreign Affairs of Germany. Date of access: 20 May 2009. <http://www.auswaertiges-amt.de/diplo/en/Infoservice/Presse/Meldungen/2009/090417-UnterstuetzungPAK.html>

<sup>366</sup> AIDS control continues to be focus of cooperation with Tanzania. The Federal ministry for economic cooperation and development of Germany. 22.04.2009. Date of access: 19 May 2009. [http://www.bmz.de/en/press/pm/2009/april/pm\\_20090422\\_37.html](http://www.bmz.de/en/press/pm/2009/april/pm_20090422_37.html)

<sup>367</sup> Further support for Palestine. Federal Ministry for Economic Cooperation and Development of Germany. 1 July 2009. Date of access: 21 August 2009. [http://www.bmz.de/en/press/pm/2009/july/pm\\_20090701\\_63.html](http://www.bmz.de/en/press/pm/2009/july/pm_20090701_63.html)

<sup>368</sup> Wiecek-Zeul promises assistance for pro-reform forces in Zimbabwe. Federal Ministry for Economic Cooperation and Development of Germany. 15 June 2009. Date of access: 21 August 2009. [http://www.bmz.de/en/press/pm/2009/june/pm\\_20090615\\_55.html](http://www.bmz.de/en/press/pm/2009/june/pm_20090615_55.html)

<sup>369</sup> Reducing water scarcity in Yemen. Federal Ministry for Economic Cooperation and Development of Germany. 15 May 2009. Date of access: 21 August 2009. [http://www.bmz.de/en/press/pm/2009/may/pm\\_20090515\\_44.html](http://www.bmz.de/en/press/pm/2009/may/pm_20090515_44.html)

<sup>370</sup> Promise redeemed: Germany and Namibia deepen partnership. Federal Ministry for Economic Cooperation and Development of Germany. 31 July 2009. Date of access: 21 August 2009. [http://www.bmz.de/en/press/pm/2009/july/pm\\_20090731\\_73.html](http://www.bmz.de/en/press/pm/2009/july/pm_20090731_73.html)

development, and its inclusion into the OECD list of ODA recipients<sup>371</sup>, domestic actions can be registered for the scoring.

On 30 April, 2009 the Indian Government provided INR98 million (about USD 2 million) for improvement of infrastructure facilities in schools.<sup>372</sup> This step corresponds with the MDG regarding the target to achieve universal primary education.

Also India has pursued an objective to eradicate extreme poverty and hungry. On 1 May 2009, the Indian Government launched a new pension scheme to reach out to 87 per cent of the nation's workforce that remained uncovered by retirement benefit. The launched scheme enables everyone to invest in a pension similar to the one currently in operation for central government employees, which yielded an average return of 14.5 per cent in 2008 - 2009.<sup>373</sup>

On 1 July 2009, Housing and Urban Poverty Alleviation Minister of India S. Jaipal Reddy announced 100-day plan, which aimed to improve lives of urban poor and to promote a slum free India in five years. A skill development program for employment promotion for the urban poor is also on the 100-day agenda of the Ministry.<sup>374</sup>

Moreover, India is a donor of the Global Fund to Fight AIDS, Tuberculosis and Malaria. India has pledged to invest to the Global Fund USD2 million in 2009 and USD3 million in 2010.<sup>375</sup>

Thus, Indian contribution to development programs is insignificant. However, India's domestic steps are in compliance with targets of the MDG. Therefore India is awarded a score of 0.

*Analyst: Igor Churkin*

### **Indonesia: 0**

Economic development of Indonesia is not sufficient enough to aid other developing countries within the frame of this commitment. Indonesia is included into the list of countries getting official aid from the OECD's Development Assistance Committee<sup>376</sup>. The Government's actions to a greater degree are aimed at implementing similar strategies in the country.

As to the Millennium Development Goals, Indonesia takes relevant measures in the spheres of fighting poverty, increasing education and public health services levels in the country, ensuring equal women rights and ensuring food supply security both in Indonesia and in Asia-Pacific Region.

Anti-HIV/AIDS measures are taken in all provinces of Indonesia. On 3 May 2009 the representative of the Central Java Health Office announced a project of building voluntary counseling and testing (VCT) of HIV/AIDS clinics all over the province to be completed by 2010.<sup>377</sup> IDR2 billion (USD197 million) has been allocated for HIV/AIDS prevention programs in Central Java for 2009<sup>378</sup>. On 4 April, 2009 the Regional House of representatives of Central Java approved a regional decree about HIV/AIDS eradication. Anyone violating the degree will be sanctioned. Furthermore, all entertainment centers or other places with potential for the spread of HIV/AIDS should give advocacy on a regular basis to its employees about HIV/AIDS prevention.<sup>379</sup>

<sup>371</sup> Development Co-operation report 2009. OECD 2009. Date of access: 21 August 2009.

[http://www.oecd.org/document/62/0,3343,en\\_2649\\_33721\\_42195902\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_33721_42195902_1_1_1_1,00.html)

<sup>372</sup> SC seeks update on facilities in Indian schools. iGovernment. 30 April 2009. Date of Access: 22 May 2009.

<http://www.igovernment.in/site/SC-seeks-update-on-facilities-in-Indian-schools/?section=Education/>

<sup>373</sup> India's May Day gift: Pension scheme for all. iGovernment. 1 May 2009. Date of Access: 22 May 2009.

<http://www.igovernment.in/site/Indias-May-Day-gift-Pension-scheme-for-all/?section=Policy/>

<sup>374</sup> New housing plan to make India slum free by 2014. iGovernment. 01 July 2009. Date of Access 10 July 2009.

<http://www.igovernment.in/site/New-housing-plan-to-make-India-slum-free-by-2014/?section=Policy/>

<sup>375</sup> Pledges & Contributions. The Global Fund to Fight AIDS, Tuberculosis and Malaria. 31 July 2009. Date of Access: 20 August 2009. [http://www.theglobalfund.org/documents/pledges\\_contributions.xls](http://www.theglobalfund.org/documents/pledges_contributions.xls)

<sup>376</sup> Development Co-operation report 2009. OECD 2009. Date of access: 21 August 2009.

[http://www.oecd.org/document/62/0,3343,en\\_2649\\_33721\\_42195902\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_33721_42195902_1_1_1_1,00.html)

<sup>377</sup> All Regencies to Have HIV/AIDS VCT by Next Year. TEMPO Interactive, Semarang. Date of Access: 04 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/04/brk.20090504-174385.uk.html>

<sup>378</sup> 8.500 Children Infected with HIV/AIDS. TEMPO Interactive, Semarang. Date of Access: 11 May 2009.

<http://www.tempointeractive.com/hg/nasional/2009/05/11/brk.20090511-175618.uk.html>

<sup>379</sup> Regional Decree on HIV/AIDS Eradication Approved. TEMPO Interactive, Semarang. Date of Access: 15 April 2009. <http://www.tempointeractive.com/hg/nasional/2009/04/15/brk.20090415-170495.uk.html>



The Government of Indonesia takes active measures to provide public health services for all categories of population. In June presidential candidate Jusuf Kalla put forward a statement that the Government must guarantee basic health services for the public, especially for the low income groups. Kalla noticed that it is also very important to increase the number and quality of medical specialists. The Government has already allocated IDR500 billion (USD49 million) for the plan, but according to Kalla the total amount may be increased to IDR1 trillion (US\$98 million) if required.<sup>380</sup>

On 26 May 2009 during the celebration of the 2009 National Education Day, National Education Minister, Bambang Sudibyo, said that the National Education Department is targeting to have the illiteracy rate below 5 percent by 2009.<sup>381</sup>

The Tangerang regional government has allocated IDR282 billion (USD27.9 million) in order to provide free educational services at elementary school and junior high schools in 2009. The same amount is additionally allocated from the state budget.<sup>382</sup> On 26 May 2009 East Java governor Sukarwo launched the free school program for elementary education. The program is to be funded by the East Java Government and the regencies and municipalities throughout East Java.<sup>383</sup>

Indonesia makes efforts to ensure equal women rights. More and more women make their way to the government authorities. A total amount of 59 women candidates were predicted to be elected as members of the House of Representatives.<sup>384</sup> It is also targeted to increase educational level of women. In May, 2009 Women Empowerment Minister, Meutia Hatta Swasono, has signed an agreement with the Korean Gender Equality Minister Byun Do-yoon covering the need to raise knowledge on information technology for women.<sup>385</sup>

Indonesia tries to assist African countries. On 4 June, 2009 Yogyakarta Governor, Sri Sultan Hamengku Buwono met with a number of ambassadors from African countries for Indonesia. He promised that with support from the Foreign Affairs Department, he was ready to facilitate cooperation between Yogyakarta and Africa. Yunastiti Daud, Head of the International Relations Committee of the Yogyakarta Chamber of Commerce, said that Yogyakarta has potential for the African market. He said he hoped the Government of Indonesia would facilitate both countries to carry out export-import activities.<sup>386</sup>

On 7 April, 2009 the Indonesian Forum for Budget Transparency (FITRA) secretariat is of the opinion that the government is not committed to achieving the MDGs. This statement was made by FITRA secretary general Yuna Farhan. He also added that budget allocation policy to achieve the MDGs for the past five years had been the cause of the MDG's slow achievement in Indonesia. For example, the health budget for 2009 dropped to 1.67 percent.<sup>387</sup>

So, Indonesia hasn't complied with the commitment and is awarded a score of "-1".

*Analyst: Maria Tyurikova*

## **Italy: 0**

During the monitoring period Italy has failed to fulfill completely the commitment.

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<sup>380</sup> Basic Health Services Must Be Guaranteed. TEMPO Interactive, Jakarta. Date of Access: 09 June 2009.

<http://www.tempointeractive.com/hg/nasional/2009/06/09/brk.20090609-180976.uk.html>

<sup>381</sup> Illiteracy Rate Targeted to be Reduced by 2009. TEMPO Interactive, Bandung. Date of Access: 27 May 2009.

<http://www.tempointeractive.com/hg/nasional/2009/05/27/brk.20090527-178349.uk.html>

<sup>382</sup> Tangerang Allocates Rp282 Billion for Free Education. TEMPO Interactive, Tangerang. Date of Access: 06 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/06/brk.20090506-174784.uk.html>

<sup>383</sup> Governor Launches Free Schools Plan. TEMPO Interactive, Bondowoso. Date of Access: 27 May 2009.

<http://www.tempointeractive.com/hg/nasional/2009/05/27/brk.20090527-178465.uk.html>

<sup>384</sup> 59 Women in Parliament. TEMPO Interactive, Jakarta. Date of Access: 05 May 2009.

<http://www.tempointeractive.com/hg/ekbis/2009/05/05/brk.20090505-174507.uk.html>

<sup>385</sup> Women Must Be Technology-Literate. TEMPO Interactive, Jakarta. Date of Access: 29 May 2009.

<http://www.tempointeractive.com/hg/nasional/2009/05/29/brk.20090529-178819.uk.html>

<sup>386</sup> Yogyakarta Ready to Cooperate with Africa. TEMPO Interactive, Jakarta. Date of Access: 05 June 2009.

<http://www.tempointeractive.com/hg/nasional/2009/06/05/brk.20090605-180189.uk.html>

<sup>387</sup> Government Accused of Lacking in Commitment towards MDGs. TEMPO Interactive, Jakarta. Date of Access: 08 April 2009. <http://www.tempointeractive.com/hg/nasional/2009/04/08/brk.20090408-169250.uk.html>

The Italian G8 presidency “is seeking to collaborate with the OECD” to “introduce an integrated development cooperation concept” that shifts from the “traditional notion of the ineffectiveness of assistance to one of effective development”. Ambassador Antonio Armellini stressed that this approach considers “all the elements contributing to a developing country’s economic/financial outlook, and promotion of a more balanced growth, including in sectors such as democratic governance, capacity-building, security, peace development and so forth.”<sup>388</sup>

On 28 May 2009 at the Africa Day: “Africa: opportunities for growth-problems and challenges” the Foreign Minister Franco Frattini noted that despite the crisis Africa remains Italy’s central cooperation priority, which is proved by the fact that no less than 50% of the official development assistance resources for the 2009-2011 three-year period to that continent, are to be funded through bilateral channels.<sup>389</sup> According to the data portal “Italian Aid at glance” only 11% of Italy’s ODA instead of declared 50% fall on Africa in 2009.<sup>390</sup>

The Italian Cooperation has renewed its commitment to Ethiopia in the sectors of education, healthcare, rural and water development with the signing of a 3-year (2009-2011) planning document designed to pump EUR46 million into that African country. Sixteen of the EUR46 million has already been earmarked for the General Education Quality Improvement Programme (GEQIP) to improve the quality of the country’s elementary and secondary school system. The funds will be paid into a multi-donor fund whose participants also include Finland, UK, Netherlands and Sweden, and is managed by the World Bank. Italy is also to contribute to the healthcare sector through a multi-donor fund created to support the already launched Protection of Basic Services (PBS) programme, which has been successful in improving access to healthcare and the quality of basic services to the population. Italy’s contribution of EUR8 million will help to boost institutional capability to respond to epidemics and manage the healthcare system, train healthcare personnel and supply medical equipment and medicines. Italy’s traditional involvement in the development of agriculture in Ethiopia will continue through a contribution of EUR3.5 million aimed at bolstering rural infrastructures and services and managing of water resources in the Oromia region. An additional EUR6 million is earmarked for water and environmental hygiene, through participation in the multi-donor initiative called the National WASH Programme.<sup>391</sup>

However, the amount of resources assigned to the development aid, according to the budget 2009, was cut by 24% and the resources at the disposal of the Ministry of the Foreign Affairs were cut by 56%. This reduction has dragged Italy back to the minimum levels registered in 1997. For 2009, the Ministry of Foreign Affairs figures and the estimates of the European Commission show that Italian aid will be 0.13-0.16% of GDP.<sup>392</sup>

In the wake of the Summit, the Italian Government approved the Financial Perspective 2010-2013 paper. The perspective does not refer to aid increases. The Ministry for Foreign Affairs’

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<sup>388</sup> From the Parliament: Chamber Foreign Commission, Amb. Armellini (OESD), doing more for poverty and education, Ministry of Foreign Affairs (Rome) 9 March 2009. Date of Access: 9 July 2009.

<[http://www.esteri.it/MAE/EN/Sala\\_Stampa/ArchivioNotizie/Approfondimenti/2009/03/20090309\\_DalParlamento\\_CommissioneEsteri.htm?LANG=EN](http://www.esteri.it/MAE/EN/Sala_Stampa/ArchivioNotizie/Approfondimenti/2009/03/20090309_DalParlamento_CommissioneEsteri.htm?LANG=EN)>

<sup>389</sup> ADDRESS BY MINISTER FRATTINI Africa Day: “Africa: opportunities for growth-problems and challenges” (Quirinal Palace, 28 May 2009), Ministry of Foreign Affairs (Rome) 28 May 2009. Date of Access: 8 July 2009.

[http://www.esteri.it/MAE/EN/Sala\\_Stampa/ArchivioNotizie/Interventi/2009/05/20090528\\_int\\_Min\\_giornata\\_africa.htm?LANG=EN](http://www.esteri.it/MAE/EN/Sala_Stampa/ArchivioNotizie/Interventi/2009/05/20090528_int_Min_giornata_africa.htm?LANG=EN)

<sup>390</sup> In 2009 only 11% of the Italian aid commitments to Sub-Saharan Africa, Italian aid at glance, 6 July 2009. Date of Access: 27 August 2009. <http://actionaiditaly.blogspot.com/2009/07/in-2009-only-11-of-italian-aid.html>

<sup>391</sup> Italian Cooperation in Ethiopia: 46 million euro to 3-year Education, Healthcare, Rural and Water Development programme, Ministry of Foreign Affairs, 6 May 2009. Date of Access: 9 July 2009.

[http://www.esteri.it/MAE/EN/Sala\\_Stampa/ArchivioNotizie/Approfondimenti/2009/05/20090506\\_CoopItaliana\\_Etiopia.htm?LANG=EN](http://www.esteri.it/MAE/EN/Sala_Stampa/ArchivioNotizie/Approfondimenti/2009/05/20090506_CoopItaliana_Etiopia.htm?LANG=EN)

<sup>392</sup> Actionaid report on Italian ODA launched, Italian aid at glance, 9 June 2009. Date of Access: 27 August 2009. <http://actionaiditaly.blogspot.com/>

annex to the Financial Perspective mentions the need for a re-alignment plan of the Italian aid, yet this suggestion did not pass into the final document.<sup>393</sup>

To assist developing countries in the fight against diseases, Italian Prime Minister Silvio Berlusconi declared that the financial resources (EUR130 million and EUR30 million<sup>394</sup>) will be invested into the Global Fund to Fight HIV-AIDS, Tuberculosis and Malaria by the end of 2009.<sup>395</sup> However, as of 28 August 2009 Italy has not paid the pledged amount.

Italian aid is estimated to shrink from 0.22%GNI in 2008 to 0,15% - 0,17%GNI in 2009 in the light of the current GDP forecasts, where the upper level might be possible if IDA installments were paid in time. Consequently, the share of Italy's ODA in GNI is decreasing, although Italy has undertaken to reach 0.51% of GNI in 2010 and 0.7% of GNI in 2015.<sup>396</sup>

Italian Government has contributed to the achievement of only some goals specified in the MDG and allocated insufficient amount of ODA. The country has failed to fulfill all Gleneagles commitments. Thus, for partial compliance with a commitment Italy deserves a score of "0".

*Analyst: Anna Vekshina*

### **Japan: +1**

Japan has mostly complied with the G20 commitment on development. The Japanese government took actions to meet the MDG, extended ODA loans, and used Aid for Trade framework in order to help developing countries.

To achieve the MDG the Japanese Government has undertaken a number of measures. On 17 June 2009 the Japanese Bank for International Cooperation signed a loan agreement with Vector Health International Limited company to finance the increased production and sales of insecticide-treated mosquito nets in Tanzania.<sup>397</sup>

On 11 August 2009 the Japanese Bank for International Cooperation and the United Nations Conference on Trade and Development (UNCTAD) presented a Blue Book on Best Practices for Investment Promotion and Facilitation to Nigeria. The Blue Book is a set of policy proposals prepared to improve the country's investment climate.<sup>398</sup>

On 14 May 2009 the Japanese Bank for International Cooperation signed a Memorandum of Understanding with the African Development Bank that aims to strengthen cooperation between the two banks in supporting economic development in Africa.<sup>399</sup>

Japanese nongovernmental organizations were especially active in meeting Millennium Development Goals by establishing a network to advocate a global fight against poverty on 17 June 2009.<sup>400</sup>

On 6 June 2009 Japan's State Secretary for Foreign Affairs Shintaro Ito announced Development Initiative for Trade - 2009 as Japan's new strategy for Aid for Trade. Under this strategy Japan will provide USD12 billion through bilateral assistance for trade-related projects from 2009 to

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<sup>393</sup> Italian ODA in 2009 after the G8 Summit, Italian aid at glance, 5 August 2009. Date of Access: 27 August 2009.

<http://actionaiditaly.blogspot.com/2009/08/italian-oda-in-2009-after-g8-summit.html>

<sup>394</sup> Italian ODA in 2009 after the G8 Summit, Italian aid at glance, 5 August 2009. Date of Access: 27 August 2009.

<http://actionaiditaly.blogspot.com/2009/08/italian-oda-in-2009-after-g8-summit.html>

<sup>395</sup> Aids: l'Italia ha due settimane per mantenere la promessa. Date of Access: 20 August 2009.

[http://www.actionaid.it/it/media\\_center/news/newsDetail.html?IDNEWS=AIDS%20l'Italia%20ha%20tre%20settimane](http://www.actionaid.it/it/media_center/news/newsDetail.html?IDNEWS=AIDS%20l'Italia%20ha%20tre%20settimane)

<sup>396</sup> Statement on Africa. G8 Summit Meetings. Gleneagles Official Documents. 8 July 2005.

<<http://www.g8.utoronto.ca/summit/2005gleneagles/africa.html>>

<sup>397</sup> Japan Bank for International Cooperation, News Releases, Loan for Increased Production of Anti-Malaria Nets in Tanzania, 17 June 2009, Date of Access: 4 September 2009 <http://www.jbic.go.jp/en/about/press/2009/0717-03/index.html>

<sup>398</sup> Japan Bank for International Cooperation, News Releases, Policy Proposals for Nigeria to Improve its Investment Climate, 12 August 2009, Date of Access: 4 September 2009 <http://www.jbic.go.jp/en/about/press/2009/0812-01/index.html>

<sup>399</sup> Japan Bank for International Cooperation, News Releases, JBIC Signs MOU with African Development Bank to Strengthen Cooperation, 15 May 2009, Date of Access: 4 September 2009 <http://www.jbic.go.jp/en/about/press/2009/0515-01/index.html>

<sup>400</sup> 43 civic groups in Japan launch advocacy network to eradicate poverty. Kyodo News. 17 June 2009 Kyodo News. Date of access: 2 September, 2009.

2011<sup>401</sup>. Due to the fact that this is just a commitment to provide financial assistance and not the assistance itself, so far this fact can serve as a proof of only partial compliance with this part of the commitment.

On 18 June 2009 the Government of Japan has decided to extend to the Government of the Republic of the Philippines a Japanese ODA loan of up to JPY44.988 billion (USD0.49 billion)<sup>402</sup> and to the Government of Mongolia – of up to JPY2.894 billion (USD0.031 billion) 30 June 2009<sup>403</sup> to assist the countries' efforts for economic and social development. These ODA loans are being extended as part of the JPY2 trillion (USD0.022 trillion) in ODA support to realize the Asian Growth Initiative that Prime Minister Taro Aso announced in April 2009. Thus, for almost full compliance with the commitment Japan is awarded a score of "+1".

*Analyst: Evgeny Gushchin*

### **Russia: +1**

Russia has fully complied with the commitment on development assistance having implemented its three components.

On 27 April 2009 Russian President D. Medvedev approved a set of assignments drawn up following the London G20 summit including "to take the steps needed for Russia's participation in international efforts to support the poorest countries affected by the crisis, including through the World Bank's programme for supporting vulnerable countries and sectors".<sup>404</sup>

In his message to the leaders of African countries, the President said that Russia "consistently supported more effective assistance for Africa" and "would work as actively as possible to help implement G20 decisions to considerably increase assistance to the poorest countries".<sup>405</sup>

Russia is making efforts to support its neighbours in their anti-crisis measures. Russian government signed an agreement with Armenia to make a USD500 million loan for 15 years and with Kyrgyzstan for a USD300 million preferential loan and a USD150 million grant.<sup>406</sup>

On 26 May 2009 Russian Finance Minister said that, discussions on the possibility of investing up to USD10 billion in International Monetary Fund (IMF) bonds are underway in the Government. These funds will help to support and make loans available to countries in need today.<sup>407</sup> On 6 July 2009 the IMF Executive Board approved the framework for issuing Notes. Now the IMF members should sign agreements consistent with that framework.<sup>408</sup>

On 1 June 2009 the Government Decree on payment of USD150 thousand to the International Centre for Genetic Engineering and Biotechnology was adopted.<sup>409</sup> The objectives of the Centre

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<sup>401</sup> MINISTRY OF FOREIGN AFFAIRS OF JAPAN, SPEECHES AND STATEMENTS BY STATE SECRETARIES FOR FOREIGN AFFAIRS, REMARKS BY MR. SHINTARO ITO, STATE SECRETARY FOR FOREIGN AFFAIRS OF JAPAN, ON THE OCCASION OF THE SECOND GLOBAL REVIEW MEETING ON AID FOR TRADE, GENEVA, MONDAY 6TH JULY 2009, DATE OF ACCESS: 30 AUGUST 2009 [HTTP://WWW.MOFA.GO.JP/ANNOUNCE/SVM/REMARK0907.HTML](http://www.mofa.go.jp/announce/svm/remark0907.html)

<sup>402</sup> Ministry of Foreign Affairs of Japan, Press Releases, Japanese ODA Loan to the Philippines, June 18, 2009, Date of access 10 July 2009 [http://www.mofa.go.jp/announce/announce/2009/6/1193275\\_1136.html](http://www.mofa.go.jp/announce/announce/2009/6/1193275_1136.html)

<sup>403</sup> Ministry of Foreign Affairs of Japan, Press Releases, Japanese ODA Loan to Mongolia, June 30, 2009, Date of access 28 August 2009 [http://www.mofa.go.jp/announce/announce/2009/6/1193447\\_1136.html](http://www.mofa.go.jp/announce/announce/2009/6/1193447_1136.html)

<sup>404</sup> Dmitry Medvedev approved a list of instructions drawn up following the G20 summit in London on April 1-2, 2009. President of Russia. 27 April 2009. <http://www.kremlin.ru/text/docs/2009/04/215504.shtml>. Date of access: 13 September 2009.

<sup>405</sup> Dmitry Medvedev congratulated African leaders on Africa Day. President of Russia. 25 May 2009. <http://www.kremlin.ru/text/news/2009/05/216789.shtml>. Date of access: 13 September 2009.

<sup>406</sup> Beginning of Working Meeting with Deputy Prime Minister and Finance Minister Alexei Kudrin. President of Russia. 26 May 2009. [http://kremlin.ru/appears/2009/05/26/2131\\_type63378\\_216869.shtml](http://kremlin.ru/appears/2009/05/26/2131_type63378_216869.shtml). Date of access: 13 September 2009.

<sup>407</sup> Beginning of Working Meeting with Deputy Prime Minister and Finance Minister Alexei Kudrin. President of Russia. 26 May 2009. [http://kremlin.ru/appears/2009/05/26/2131\\_type63378\\_216869.shtml](http://kremlin.ru/appears/2009/05/26/2131_type63378_216869.shtml). Date of access: 13 September 2009.

<sup>408</sup> Transcript of a Media Conference Call on IMF Notes Issuance with Andrew Tweedie, Director, IMF Finance Department. International Monetary Fund. 1 July 2009. <http://www.imf.org/external/np/tr/2009/tr070109.htm>. Date of access: 13 September 2009.

<sup>409</sup> Decree from 1 June 2009. N 738-p. <http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/06/01/4350703.htm>. Date of access: 13 September 2009.

include “assisting developing countries in strengthening their scientific and technological capabilities in the field of genetic engineering and biotechnology.”<sup>410</sup>

According to the Russian Ministry of Foreign Relations Russia has paid its dues to the UN budget for 2009 (USD53.9 million)<sup>411</sup> and budgets of international organizations and programmes of the UN system.<sup>412</sup>

According to the Government Decree Russia will pay USD1.2 million per year to the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) budget in 2009-2010.<sup>413</sup>

According to the Government Decree Russia will pay USD3 million per year to the Catalytic Fund and Education for All Fast Track Initiative budget in 2009-2010 and up to USD4 million in 2011.<sup>414</sup> Detailed payment schedule is unknown.

In June 2009 framework agreement between Russia and World Health Organisation (WHO)<sup>415</sup> was signed. Russia will participate in financing of several WHO programs.<sup>416</sup>

On 9 June 2009 during the Interstate Council of the Eurasec a treaty establishing an Anti-Crisis Fund was signed. The Fund will provide sovereign and stabilisation loans to member countries, and finance interstate investment projects. Russia accounts for the greater part of its registered capital which amounts to USD7.5 billion out of total USD10 billion.

During the monitoring period Russia has been active in providing humanitarian aid. On 19 August 2009 2.5 thousand tones of flour were delivered to Zimbabwe.<sup>417</sup> According to the Memorandum of Understanding between the World Food Programme and Russia 9.5 thousand tones of flower have been delivered to Tajikistan.<sup>418</sup> 30 May 2009 food and medicines were sent to Namibia. 28 May 2009 Russia provided humanitarian aid to the people of Bolivia affected by the Dengue fever epidemic.<sup>419</sup>

During the monitoring period Russia has taken measures to implement 3 elements of this commitment: meeting the Millennium Development Goals, achieving respective ODA pledges, and the Gleneagles commitments. Information on Aid for Trade has not been registered.

Thus Russia has been awarded a score of “+1” for full compliance with this commitment.

*Analyst: Mark Rakhmangulov*

## **Mexico: 0**

Mexico has not fully complied with this commitment.

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<sup>410</sup> Statutes of the International Centre for Genetic Engineering and Biotechnology. International Centre for Genetic Engineering and Biotechnology. [http://www.icgeb.trieste.it/tl\\_files/hq/pdf/Statutes\\_ICGEB.pdf](http://www.icgeb.trieste.it/tl_files/hq/pdf/Statutes_ICGEB.pdf). Date of access: 13 September 2009.

<sup>411</sup> Russian Federation paid its dues to the UN budget. MFA RF. 25 February 2009. <http://www.mid.ru/ns-dmo.nsf/3033c8a921546b1d432569ff003ccede/08ad564f7c2b7302c325758200402f34>. Date of access: 13 September 2009.

<sup>412</sup> On the situation of the Russian financing of international organizations. MFA RF. 23 March 2009. <http://www.mid.ru/ns-dmo.nsf/3033c8a921546b1d432569ff003ccede/76875e155c32dbcac3257341002563f7>. Date of access: 13 September 2009.

<sup>413</sup> Decree from 24 December 2008. N 1959-p. Garant legal system. <http://www.garant.ru/prime/20090218/6296043.htm>. Date of access: 13 September 2009.

<sup>414</sup> Decree from 5 November 2008. N 1614-p. Garant legal system. <http://www.garant.ru/prime/20081112/6293625.htm>. Date of access: 13 September 2009.

<sup>415</sup> Speech of the permanent representative of Russia in the UN Department in Geneva V.V.Loshinina. MFA RF. 10 July 2009 г. <http://www.mid.ru/ns-dmo.nsf/cfabe4e8ed2f8ad7432569ff003cd1c0/432569f10031eb93c32575ef0023cd63>. Date of access: 13 September 2009.

<sup>416</sup> On the meeting of the First deputy Minister of Foreign Affairs A.I.Denisov with the WHO Director-General M.Chan. MFA RF. 26 June 2009. [http://www.mid.ru/Brp\\_4.nsf/arh/7AF239A502AE4FBAC32575E100535FB9](http://www.mid.ru/Brp_4.nsf/arh/7AF239A502AE4FBAC32575E100535FB9). Date of access: 13 September 2009.

<sup>417</sup> On humanitarian aid to Zimbabwe. MFA RF. 21 August 2009. [http://www.mid.ru/Brp\\_4.nsf/arh/708BD4C79249E9E2C32576190034E78A](http://www.mid.ru/Brp_4.nsf/arh/708BD4C79249E9E2C32576190034E78A). Date of access: 13 September 2009.

<sup>418</sup> Official representative of the MFA RF briefing. MFA RF. 11 June 2009. [http://www.mid.ru/Brp\\_4.nsf/arh/9CDDF6967743B800C32575D200492C68](http://www.mid.ru/Brp_4.nsf/arh/9CDDF6967743B800C32575D200492C68). Date of access: 13 September 2009.

<sup>419</sup> Official representative of the MFA RF briefing. MFA RF. 11 June 2009. [http://www.mid.ru/Brp\\_4.nsf/arh/9CDDF6967743B800C32575D200492C68](http://www.mid.ru/Brp_4.nsf/arh/9CDDF6967743B800C32575D200492C68). Date of access: 13 September 2009.

Mexico, though having developing country status, did noticeable efforts achieving the MDG related to infectious diseases control and achievement of ecological stability.<sup>420</sup>

The Mexican President Felipe Calderon emphasized that his country fights against new influenza in the interests of humanity.<sup>421</sup> According to the Health Minister, Jose Angel Cordova, Mexico fulfilled completely all instructions of the World Health Organization and provided the world public with all information regarding new disease. That helped other countries escaping mass infection of the new influenza virus and avoiding related economic losses. In order to fight against epidemic A/H1N1, the Mexican government imposed a state of emergency.<sup>422</sup>

Mexican government announced that it would spend MXN16.7 billion (USD124 million) to start an anti-epidemic A/H1N1 fund.<sup>423</sup> The Head of the Mexican Ministry of Health, Jose Angel Cordova, proposed creation of an international aid fund to help Mexico, which was more than others hit by influenza A/H1N1.<sup>424</sup>

On 6 May, 2009 the World Bank (WB) president, Robert Zoellik, during his meeting with the Mexican President, declared that Mexico is a leader in the global climate changes control, particularly in the global warming.<sup>425</sup>

The Mexican President, Felipe Calderon, has proposed initiation of about USD10 billion "World Green Fund". According to the President, the main purpose of the fund, which is to be open to all states, must be global climate changes control and energy-saving technologies promotion.<sup>426</sup>

Mexico made a substantial contribution to the achievement of the MDG. However, Mexican Government has not taken actions for the purpose of fulfillment of other components of this commitment. Therefore, Mexico receives a score of "0".

*Analyst: Natalya Zlokazova.*

### **Saudi Arabia: 0**

Saudi Arabia has not fully implemented the commitment on development.

On 24 April, 2009 Saudi Arabia has ratified the budget for the Fund for Development, that will provide preferential credits for building of infrastructure projects in Togo, Benin, Cote d'Ivoire, Azerbaijan, Tajikistan, Myanmar and Cuba worth more than SAR414 million (USD110.69 million).<sup>427</sup> Another decision was taken on 11 June 2009 to provide preferential credits for building infrastructure projects in Lebanon, Mali, and Chinese province Gansu, worth more than SAR370 million.<sup>428</sup>

Saudi Arabia has given a preferential credit to Djibouti of about DJF424 million (USD2.4 million) for the construction of primary and secondary schools.<sup>429</sup>

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<sup>420</sup> The United Nations Millennium Declaration, accepted in 2000, sets out eight Millennium Development Goals (MDG). 192 member states and at least 23 international organizations decided to reach these MDGs by 2015. The MDGs include decreasing of extreme poverty, child mortality reduction, fighting with pandemic diseases including HIV/AIDS, malaria and other ones being so harmful for the human beings all over the world. Combating these diseases means resisting their expansion. In this regard, the Mexican government actively prevents swine influenza expansion, even if that decreased economic activity within the country. Environmental sustainability insurance is also one of the MDGs. That is why the Mexican government ecology protection activities relate to this commitment. As a whole it can be said with a confidence that Mexico fulfills entered agreements.

<sup>421</sup> Mexican President called to stop discrimination of countries because of the flue. RIA News Agency. 4 May, 2009. Date of access: 31 August, 2009. <http://www.rian.ru/world/20090504/169880900.html>

<sup>422</sup> Mexico. State budget, taxes, prices. [www.bfm.ru](http://www.bfm.ru) Polpred.com 27.04.2009. Date of access: 31 August, 2009. [http://polpred.com/?ns=1&ns\\_id=154481](http://polpred.com/?ns=1&ns_id=154481)

<sup>423</sup> Mexico. State budget, taxes, prices. [www.russian.china.org](http://www.russian.china.org) Polpred.com 02.05.2009. Date of access: 31 August, 2009. [http://polpred.com/?ns=1&ns\\_id=153054](http://polpred.com/?ns=1&ns_id=153054)

<sup>424</sup> As a result of flue outbreak Mexico suggests to create a fund to help it self. RIA News Agency. 15 May, 2009. Date of access: 31 August, 2009. [http://www.rian.ru/flu\\_news/20090515/171108493.html](http://www.rian.ru/flu_news/20090515/171108493.html)

<sup>425</sup> Mexico is a leader in the fight with global climate change. Prime TASS. 8 May, 2009. Date of access: 31 August, 2009. <http://www.prime-tass.ru/news/0/%7BBFDD1454-07F2-4C50-80BB-8C9A8AAC6E80%7D.uif>

<sup>426</sup> Mexico. Ecology. / Prime TASS. Polpred.com 23 June, 2009. Date of access: 31 August, 2009. [http://polpred.com/?ns=1&ns\\_id=161975](http://polpred.com/?ns=1&ns_id=161975)

<sup>427</sup> <http://www.alsaudiarabia.com/Food-security-initiative-launched/#more-5114> Date of access: May, 20, 2009.

<sup>428</sup> The Saudi Fund for Development. Date of access: September, 6, 2009. [http://www.sfd.gov.sa/last\\_pro.htm](http://www.sfd.gov.sa/last_pro.htm)

<sup>429</sup> Djibouti: Poverty Reduction Strategy Paper. Intentional Monetary Fund. Date of access: September, 1, 2009. <http://www.imf.org/external/pubs/ft/scr/2009/cr09203.pdf>

On 5 May, 2009 Saudi Arabian Investors Union has promised to invest USD2 billion in Madagascar for the construction of objects of tourism, communications and energy.<sup>430</sup>

Saudi Arabia gives help to the refugees in the Swat valley in Pakistan. On 8 June, 2009 in Islamabad landed 6-th plane with humanitarian aid on board.<sup>431</sup> On 17 July, 2009 Saudi Arabia has sent plane with humanitarian aid to Bangladesh to help the victims of the recent Ella Hurricane.<sup>432</sup>

All in all for partial compliance with the commitment Saudi Arabia gets a score of “0”.

*Analyst: Pavel Prokopyev*

### **South Africa: -1**

South Africa has failed to comply with its commitment to help the poorest countries.

On 6 April 2009 the North-South Corridor Pilot Aid for Trade Conference was hosted by President Rupiah Banda of Zambia. Leaders of some African states such as Kenya, Uganda, SA and others took part. The North-South Corridor comprises the Dar es Salaam Corridor, linking the port of Dar es Salaam in Tanzania with the Copperbelt (the copper-mining area of Zambia), and the corridor linking the Copperbelt to the southern ports in South Africa. The North-South Corridor services eight countries — Tanzania, the Democratic Republic of the Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique and South Africa. Director-General Lamy made the following comments during the High-Level Round-Table Discussion: “This North-South Corridor Conference is a first occasion after the G20 meeting to show that the commitments made in London are translating into reality at a time of economic crisis. It demonstrates a resolve to avoid the temptation of short-term isolationist reflexes, and instead focus on investing in the future by ensuring that opening trade remains top of the political agenda.” The North-South Corridor is a commendable example of how to put together all the elements necessary for trade to flow, creating the conditions necessary for the private sector to diversify from exporting a narrow range of raw material and add more value.<sup>433</sup>

Considering that the participation in international conferences without taking any initiatives is not compliance with the commitment, South Africa has been awarded a score of “-1”.

*Analyst: Yulia Kukushkina*

### **South Korea: 0**

The Republic of Korea took insufficient measures within this commitment. Korea develops an aide programme for the poorest countries of Asia in the field of reducing water shortage and flood prevention. South Korea plans to invest about USD100 million by 2012 to help Asian developing countries to cope with water shortages and floods. The funds will come from the USD200 million that President Lee Myung Bak has pledged to provide to neighboring nations for adapting to climate change and reducing greenhouse-gas emissions.<sup>434</sup> Alongside with the world community the country provides stimuli for the Democratic People's Republic of Korea, designed to modernize its economy and prevent the further development of the nuclear programme.<sup>435</sup>

The Republic of Korea offered Indonesia a loan within the frames of ASEAN in case it needs it. However, Indonesia decided to decline since it prefers to refrain from debt increase. Yet Indonesian authorities hope Korea will go on assisting Indonesia under the Development Assistance program.<sup>436</sup>

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<sup>430</sup> Saudi Arabia to invest in Madagascar. Africa, the good news. 5 May 2009. Date of Access: September 6, 2009.

<http://www.africagoodnews.com/economy/saudi-arabia-plans-investment-in-troubled-madagascar.html>

<sup>431</sup> <http://www.alsaudiarabia.com/aid-plane-arrives-in-pakistan/> Date of access: June 8, 2009.

<sup>432</sup> <http://www.alsaudiarabia.com/KSA-relief-plane-arrives-in-Bangladesh/> Date of access: July, 18, 2009.

<sup>433</sup> Lamy: Africa's North-South Corridor “perfect example” of Aid for Trade in action, WTO: 2009 News Items.6 April 2009 [http://www.wto.org/english/news\\_e/news09\\_e/aid\\_06apr09\\_e.htm](http://www.wto.org/english/news_e/news09_e/aid_06apr09_e.htm) Date of access: 8 May 2009

<sup>434</sup> South Korea Plans to Spend USD100 Million on Asian Water Projects. Bloomberg. 17 July 2009. Date of access: 6 September, 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aI9c9G6EWcIQ>

<sup>435</sup> Seoul drafts \$40bn N Korea plan. Financial Times. 21 July 2009. Date of access: 6 August 2009.

<http://www.ft.com/cms/s/35607958-758e-11de-9ed5-00144feabdc0,Authorised=false.html>

<sup>436</sup> Indonesia Refuses Loan from Korea. Tempo interactive. 3 June 2009. Date of access: 6 September, 2009.

<http://www.tempointeractive.com/hg/nasional/2009/06/03/brk.20090603-179662.uk.html>

All in all, Korea fulfilled only a part of the commitment and is assessed a score of “0”.

*Analyst: Alexander Simonov*

### **Turkey: -1**

During the monitoring period Turkey has failed to comply with its commitment on development assistance. Thus, Turkey has been awarded a score of “-1”.

*Analyst: Anvarjon Sultanov*

### **United Kingdom: +1**

The United Kingdom is traditionally one of the world leaders in providing support for developing countries. The British Government has fulfilled the commitment on ensuring a fair and sustainable recovery for all, as it has provided a significant package of measures in this sphere. On 2 April 2009 presented by the Chancellor of the Exchequer budget confirmed that the UK would continue to support developing countries despite of crisis.

The United Kingdom will fulfill the commitments on MDG investing at least 3 billion pounds for these purposes.<sup>437</sup> The UK Government is providing 6 billion pounds (USD9.96 billion) to 2015 to strengthen the health systems of poor countries.<sup>438</sup> On 15 May 2009 a new 18 million pounds (USD29.9million) fund to boost the discovery of effective treatments for tropical diseases was announced by British Department for International Development.<sup>439</sup>

The UK will provide an additional 10 million pounds (USD16.6 million) to help over 2 million people displaced by fighting in Pakistan.<sup>440</sup> On 17 Douglas Alexander announced that the Department for International Development would give a further 5 million pounds in aid to Sri Lanka. The additional funding will go towards providing life saving humanitarian assistance such as emergency shelter, water, sanitation and medical care.<sup>441</sup> The UK has made a long-term commitment by pledging 510 million pounds (USD846.6 million) to support the Afghan Government over the next four years in building credible and functioning state institutions and boosting the economy.<sup>442</sup> On 23 April 2009 a 15 million pounds (USD24.9 million) package to help the people of Zimbabwe was announced by Douglas Alexander to support the country's health system, provide greater access to clean water and more support for struggling farmers.<sup>443</sup>

British Government will spend 9,1 billion pounds (USD15.1 billion) for ODA that means that the UK will fulfill the EU commitment to invest 0,56% of GDP for ODA in 2010-2011 and will be close to the fulfillment of the commitment to invest 0,7% of GDP for ODA in 2013.<sup>444</sup>

On 6 July 2009 the UK announced a new poverty action plan to help the world's poorest people cope with the economic crisis, which includes a renewed commitment to 0,7% of the UK GNI for international development, meaning a contribution of 9 billion pounds (USD14.94 billion) per year by 2013, measures to reduce maternal mortality rates and potentially save the lives of six million mothers and babies by 2015, doubling of funding to 1 billion pounds (USD1.66

<sup>437</sup> Budget 2009 - keeping our promises to the world's poorest people. 22 April 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/Budget-2009--keeping-our-promises-to-the-worlds-poorest-people/>

<sup>438</sup> World Malaria Day 2009. 24 April 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/World-Malaria-Day-2009/>

<sup>439</sup> New medication slashes treatment time for 'sleeping' killer by a third. 15 May 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/New-medication-slashes-treatment-time-for-sleeping-killer-by-a-third/>

<sup>440</sup> Swift UK response to UN appeal for Pakistan. 22 May 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/Pakistan-UN-appeal/>

<sup>441</sup> DFID announces further aid for Sri Lanka. 17 May 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/DFID-announces-further-aid-for-Sri-Lanka/>

<sup>442</sup> New DFID country plan for Afghanistan. 29 April 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/New-DFID-country-plan-for-Afghanistan/>

<sup>443</sup> UK £60 million support for Zimbabwe announced today. 22 June 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/2009/UK-60-million-support-for-Zimbabwe-announced-today/>

<sup>444</sup> UK Aid budget. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/development\\_aid\\_budget.htm](http://www.hm-treasury.gov.uk/development_aid_budget.htm)



billion) for African infrastructure including transport, energy and trade in the region, a tripling of funding to stamp out corruption etc.<sup>445</sup>

The UK revised projections for DFID spending in sub-Saharan Africa. DFID spending in the region is now projected to grow to 3.4 billion pounds (USD5.6 billion) by 2010-11.<sup>446</sup>

On 6 July 2009 Douglas Alexander demonstrated the UK Government's determination that the poorest countries should be assisted in the global economic downturn as he announced that funding for Aid for Trade has increased to 800 million pounds (USD1.3 billion) – an increase of 60% since 2005.<sup>447</sup>

The UK goes further than is required under the HIPC Initiative and provides debt relief to 9 non-HIPC countries.<sup>448</sup>

Taking into consideration the large-scale activity of the United Kingdom in different directions of developing countries support, its score is “+1” for the fulfillment of this commitment.

*Analyst: Natalia Churkina*

## **USA: +1**

The USA has registered a full compliance with the commitment on meeting the MDG and to achieving ODA pledges.

On July, 2009 President's Emergency Plan for AIDS Relief (PEPFAR) laid down ambitious goals leading up to 2013, aiming to treat at least 3 million people, prevent 12 million new infections and care for 12 million people, including 5 million OVCs (Orphans and other Vulnerable Children). The Plan also assumed the training of 140,000 specialists in HIV & AIDS prevention, care and treatment.<sup>449</sup> In July, 2008 Congress authorized USD48 billion for the President's Emergency Plan for AIDS Relief (PEPFAR). To accomplish these goals PEPFAR would need USD9 billion in 2010, but according to the new budget released on 7 May 2009, it is only receiving USD4.5 billion (a 2% increase from 2009).<sup>450</sup>

In July 2009 the Washington-based Centre for Global Development (CDG) published the results of a new study, Moving Beyond Gender as Usual. One of the chief aims of the study was to assess the gender-related activities of the US President's Emergency Plan for AIDS Relief (PEPFAR). The study concluded that despite the significant commitments the Program is still unable to produce concrete and systematic results.<sup>451</sup>

On 16 April 2009 it was announced that more than 10,000 South African learners, teachers, and community members will gain access to clean, abundant water and sanitation through an international Water and Development Alliance (WADA) supported by the United States Agency for International Development (USAID) and The Coca-Cola Africa Foundation (TCCAF) and implemented by the Alliance to Save Energy, an international non-profit organization.<sup>452</sup>

According to the Gleneagles Commitments the United States planned to double Overseas Development Assistance (ODA) to Sub-Saharan Africa in 2004-2010. On 27 April 2009 US Treasury Secretary Timothy Geithner told the joint development committee of the International Monetary Fund and the World Bank that the United States are on track to meet their Gleneagles

<sup>445</sup> New poverty plan will help millions – Alexander. 6 July 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/20091/New-poverty-plan-will-help-millions/>

<sup>446</sup> Revised DFID spending for Africa. 12 May 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/Revised-DFID-spending-for-Africa/>

<sup>447</sup> World Trade Week UK - defending open trade. 8 June 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/20091/World-Trade-Week-UK---defending-open-trade/>

<sup>448</sup> HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/development\\_facts.htm](http://www.hm-treasury.gov.uk/development_facts.htm)

<sup>449</sup> PEPFAR 2009 Annual Report to Congress, Consultancy Africa Intelligence. Date of Access: 17 May 2009. <http://www.consultancyafrica.com/content/pepfar-2009-annual-report-congress>.

<sup>450</sup> Africa Action Responds to the Obama Administration's FY10 Detailed Budget Release. Africa Action. 7 May 2009. Date of Access: 17 May 2009. <http://www.commondreams.org/newswire/2009/05/07-13>.

<sup>451</sup> AFRICA: Donors urged to step up gender equality efforts, Thomson Reuters Foundation, 6 July 2009. Date of Access: 7 July 2009. <http://alertnet.org/thenews/newsdesk/IRIN/3331da4c4d7dd6625e9f55b4b816b75a.htm>

<sup>452</sup> South African Schoolchildren Gain Clean Water and Sanitation, USAid, Date of Access: 20 May 2009. <http://www.usaid.gov/sa/usaidsa/press126.pdf>

Commitments. US overseas development aid reached 7.6 billion dollars in 2008, putting the U.S. close to their goal of USD8.7 billion by 2010.<sup>453</sup>

The United States continue to provide support to the least developed countries in the sphere of trade – mainly in technical assistance and education.<sup>454</sup>

The United States has fully complied with 3 components of the commitment. Therefore the USA are awarded a score of “+1”.

*Analyst: Tatyana Lanshina*

#### **EU: +1**

On 28 and 29 May 2009 at the ACP-EC Council of Ministers met in Brussels a joint resolution on the global economic and financial crisis was adopted. The Council affirmed to achieve ODA targets by 2010 and 2015 and mobilize all possible sources of financing for development (export credits, investment guarantees and technology transfers, instruments to leverage assistance aimed at stimulating inclusive economic growth, investment, trade and job creation) and implement innovative sources of financing.<sup>455</sup>

According the adopted joint resolution, the EU also affirmed to provide the investment with quick impact on productive activities and job creation for all ACP countries through, inter alia: 1) support to regional infrastructure including the closing of infrastructure missing links; 2) revitalising agriculture, 3) supporting trade and investment, 4) promoting the development of the private sector, 5) increase access to modern energy services and to renewable energy sources. And the EU promised to support ACP countries in creating an enabling business environment, in order to stimulate equitable growth and attract and promote foreign investment.

The EU continues supporting the existing debt relief initiatives, in particular the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) as an appropriate tool to ensure the sustainability in the times of financial crisis.<sup>456</sup>

Underlying the issues on providing the ODA assistance the EU encouraged Member States concerned to work on national timetable in allocation of the resources for achieving the established ODA targets by the end 2010. The EU will follow the ODA situation and revert to the issue at GAERC in November 2009.<sup>457</sup>

The Council welcomed the Commission’s intention to reinforce the EU-Africa Infrastructure Trust Fund and to allocate EUR200 million for 2009-2010 and invited Member States to contribute to the financing.<sup>458</sup>

On 28 and 29 May 2009 at the 34th session of ACP-EC Council of Ministers in Brussels it was agreed to change certain financing modalities under the Cotonou Agreement<sup>1</sup> in order to facilitate lending of the European Investment Bank to heavily indebted poor countries from the ACP group.<sup>459</sup>

Thus, the EU acted to meet the MDG, continued to allocate resources in the framework of ODA and to support debt relief initiatives, and to develop trade. So, the EU actions are evaluated as full compliance of G20 commitment at a score of “+1”.

*Analyst: Arina Shadrikova*

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<sup>453</sup> US 'on track' to double aid to Sub-Saharan Africa. NTA. 27 April 2009. Date of Access: 16 May 2009.

[http://www.nta.com.ng/index.php?page=news&news\\_id=45](http://www.nta.com.ng/index.php?page=news&news_id=45).

<sup>454</sup> Agoa Preview: Aid for Trade. Office of the United States Trade Representative. 29 July 2009. Date of Access: 28 August 2009. <http://www.ustr.gov/about-us/press-office/blog/agoa-preview-aid-trade>.

<sup>455</sup> ACP-EU Joint Resolution on the economic and financial crisis, Brussels, 28-29 May 2009. Date of Access: 10<sup>th</sup> of August [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/gena/108175.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/gena/108175.pdf)

<sup>456</sup> Council Conclusions in Supporting developing countries in coping with the crisis, Brussels, 18 May 2009. Date of Access: 10<sup>th</sup> of August 2009 <http://register.consilium.europa.eu/pdf/en/09/st10/st10018.en09.pdf>

<sup>457</sup> Council Conclusions in Supporting developing countries in coping with the crisis, Brussels, 18 May 2009. Date of Access: 10<sup>th</sup> of August 2009 <http://register.consilium.europa.eu/pdf/en/09/st10/st10018.en09.pdf>

<sup>458</sup> Council Conclusions in Supporting developing countries in coping with the crisis, Brussels, 18 May 2009. Date of Access: 10<sup>th</sup> of August 2009 <http://register.consilium.europa.eu/pdf/en/09/st10/st10018.en09.pdf>

<sup>459</sup> Council of the European Union, Press-release 10451/09 (Presse 157), Brussels, May 29. Date of Access: 10<sup>th</sup> of August 2009. [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/gena/108182.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/gena/108182.pdf)

## **Ensuring a fair and sustainable recovery for all (2) [48]**

### **Commitment:**

We are making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.

*G20 Leaders' Statement: The Global Plan for Recovery and Reform*

### **Assessment:**

#### **Compliance Scores**

<b>Country</b>	<b>Lack of compliance -1</b>	<b>Work in progress 0</b>	<b>Full compliance +1</b>
<b>Argentina</b>	-1		
<b>Australia</b>		0	
<b>Brazil</b>		0	
<b>Canada</b>		0	
<b>China</b>		0	
<b>France</b>			+1
<b>Germany</b>			+1
<b>India</b>	-1		
<b>Indonesia</b>	-1		
<b>Italy</b>		0	
<b>Japan</b>		0	
<b>Mexico</b>		0	
<b>Russia</b>		0	
<b>Saudi Arabia</b>		0	
<b>South Africa</b>		0	
<b>South Korea</b>		0	
<b>Turkey</b>		0	
<b>United Kingdom</b>			+1
<b>USA</b>		0	
<b>European Union</b>			+1
<b>Average score</b>			<b>0</b>

### **Background:**

Provision of resources for social protection for the poorest countries is a part of G20 countries ODA commitment. There is a wide range of mechanisms on multilateral and bilateral basis for making such provisions. The UN agencies such as Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), World Food Program (WFP) provide facilities for food security contributions on multilateral basis.

Achieving food security for all is a central task of FAO's efforts - to make sure people have regular access to enough high-quality food to lead active, healthy lives. FAO's Regular Programme budget is funded by its members, through contributions set at the FAO Conference. The FAO budget for the biennium 2008-2009 is USD929.8 million, adjusted to the Euro/US dollar exchange rate fixed by the FAO Conference. In 2007 USD505 million paid for 1615 active field programme projects, of which 520 were emergency operations amounting to USD250 million across all funding sources and accounting for 49.5 percent of total delivery. The technical cooperation field programme amounted to USD255 million, of which FAO contributed 10.7 percent with the remainder coming from outside sources: Trust Funds – 72.0 percent, unilateral trust funds – 15.9 percent, and the United Nations Development Programme – 1.4 percent.

IFAD was established to finance agricultural development projects primarily for food production in the developing countries. IFAD focuses on country-specific solutions, which can involve increasing rural poor peoples' access to financial services, markets, technology, land and other natural resources. Through low-interest loans and grants, IFAD works with governments to develop and finance programmes and projects that enable rural poor people to overcome poverty themselves.

WFP was created to provide food assistance to where it is needed, saving the lives of victims of war, civil conflict and natural disasters. After the cause of an emergency has passed, WFP helps communities to rebuild their shattered lives. WFP's food assistance reaches an average of 100 million people in 80 countries every year.

The World Bank Group (WBG) encompasses instruments for bilateral contributions for social protection of the poorest countries. WBG's Vulnerability Framework is one of the WBG's dedicated instruments to streamline support to protect poor and vulnerable people in times of global and systemic shocks. The World Bank Group's Vulnerability Framework includes **Vulnerability Financing Facility (VFF), Infrastructure Recovery Assets Platform (INFRA), International Finance Corporation (IFC) Private Sector Platform**. A key element to make the VFF truly comprehensive is the creation of a **Rapid Social Response Fund (RSRF)** to help deliver social protection in response to crisis to the poor and vulnerable across the developing world, including in middle-income countries.

The RSRF focuses on immediate interventions in the areas of: (1) access to basic social services emphasizing services for maternal/infant health and nutrition, and early primary school education; (2) scaling up targeted cash transfer programs, including conditional cash transfers, where adequate mechanisms exist, and building future capacity otherwise; and (3) public works programs and other employment initiatives.

The RSRF will be funded through a combination of International Development Assistance (IDA), International Bank for Reconstruction and Development (IBRD) and donor resources. The multi-donor RSRF will be established by the Bank to receive donor resources as part of the overall Vulnerability Financing Facility. Resources within the Fund will be managed by donor countries. It will use established methods to facilitate implementation through government, international agencies, civil society organizations and other partners. Where possible, it will support projects that are part of costed, nationally agreed social protection and social services strategies. The precise governance mechanism of the RSRF, including details of donors and other key stakeholders, will be elaborated at a later stage.

The Infrastructure Crisis Facility (ICF) is a new IFC Private Sector Platform facility. It was launched in November, 2008 and is intended to help ensure that viable, privately funded infrastructure projects in emerging markets have access to funding to weather the financial crisis. The facility will comprise a loan financing trust, an equity facility, and an advisory facility. The loan and equity components are intended to provide funding to stabilize existing, viable infrastructure projects facing temporary liquidity problems due to limited private participation. Both will also enable some continuation of new project development in private infrastructure. IFC will provide USD300 million to the ICF over three years and is seeking additional funding from governments and other institutions.

**Commitment Features:**

The commitment calls on G20 member states to provide social protection for the poorest countries through two types of actions: (1) investments in long-term food security through FAO, IFAD, WFP and (2) voluntary bilateral contributions to the WBG's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.

**Scoring:**

-1	Member doesn't allocate investments in long-term food-security for the poorest countries <b>AND</b> does not make voluntary bilateral contributions to the WB's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.
0	Member allocates investments in long-term food-security for the poorest countries <b>OR</b> makes voluntary bilateral contributions to the WB's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.
+1	Member allocates investments in long-term food-security for the poorest countries <b>AND</b> voluntary bilateral contributions to the WB's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.

## **Argentina: -1**

Argentina has not complied with the G20 commitment to ensure social protection and food security for the poorest countries. Furthermore, its own food security has been jeopardized. Being the world's fourth largest producer of wheat, Argentina will face the necessity to import it from abroad in 2010. Lack of wheat is the result of poor harvest and drought this year, scarce credit resources for farmers' development and failed governmental policy in the sphere of agriculture.<sup>460</sup> As a consequence of an unfavorable governmental approach towards export-oriented producers of wheat the total area under crop has been reduced by 30% in comparison with the previous year in 2009, which is the lowest in the last 100 years.<sup>461,462</sup> The Government has not provided adequate support to farmers who have suffered from financial difficulties and have been faced with the strengthening of credit terms for raising funds needed to purchase seeds and fertilizers.<sup>463</sup>

Similar trends of unsuccessful attempts of state regulation have been witnessed on the markets of corn, soya and oilseeds in 2008-2009.<sup>464</sup>

On 2 September 2009 a number of amendments were made to the National Plan of Cattle Breeding Development (Plan Ganadero Nacional). Thanks to it the range of the receivers of support and assistance was substantially broadened.<sup>465</sup>

Argentina is the net receiver of the International Fund for Agricultural Development. At the moment there are 5 projects under development with the estimated overall value of USD158.4 million, out of which USD84 million were provided in the form of IFAD credit.<sup>466</sup>

Over the monitoring period Argentina has contributed USD2.949 to the World Food Programme.<sup>467</sup> However, Argentina has not made any voluntary contributions to World Bank's Vulnerability Framework.

Argentina has not complied with the commitment, because funds for aid and assistance to social needs of the poorest countries have not been allocated, whereas the food security of Argentina itself has been endangered. Thus, Argentina has been awarded a score of "-1".

*Analyst: Polina Arkhipova*

## **Australia: 0**

Australia has not fully complied with this commitment.

The Government will provide AUD464.3 million over four years (including AUD1.0 million in capital funding over two years from 2009-10) to support increases in global food production and strengthen the ability of selected countries in the Asia-Pacific region and Africa to address food and financial insecurity.<sup>468</sup>

The first component will promote agricultural productivity, by working with other donors and research institutions using environmentally sustainable approaches. The key strategy will be to

<sup>460</sup> Argentina faces having to import wheat, Financial Times. 29 June 2009. Available at: [http://www.ft.com/cms/s/0/6d8a45a2-64bd-11de-a13f-00144feabdc0.dwp\\_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html?nclick\\_check=1](http://www.ft.com/cms/s/0/6d8a45a2-64bd-11de-a13f-00144feabdc0.dwp_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html?nclick_check=1)

<sup>461</sup> Argentina faces fewest wheat acres in century, Financial Times. 27 April 2009. Available at: [http://www.ft.com/cms/s/0/5e36ff4a-3368-11de-8f1b-00144feabdc0.dwp\\_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html](http://www.ft.com/cms/s/0/5e36ff4a-3368-11de-8f1b-00144feabdc0.dwp_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html)

<sup>462</sup> Перспективы в области продовольствия. Анализ мировых рынков. Food and Agriculture Organization. June 2009. Available at: <ftp://ftp.fao.org/docrep/fao/011/ai482r/ai482r00.pdf>

<sup>463</sup> Argentina faces having to import wheat, Financial Times. 29 June 2009. Available at: [http://www.ft.com/cms/s/0/6d8a45a2-64bd-11de-a13f-00144feabdc0.dwp\\_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html?nclick\\_check=1](http://www.ft.com/cms/s/0/6d8a45a2-64bd-11de-a13f-00144feabdc0.dwp_uuid=a955630e-3603-11dc-ad42-0000779fd2ac.html?nclick_check=1)

<sup>464</sup> Перспективы в области продовольствия. Анализ мировых рынков. Food and Agriculture Organization. June 2009. Available at: <ftp://ftp.fao.org/docrep/fao/012/i0854r/i0854r04.pdf>

<sup>465</sup> Argentina: Modificaciones al Plan Ganadero. Periodico Tiempos del Mundo. 3 September 2009. Available at: <http://www.tdm.com/Economia/2009/09/03/Argentina-Modificaciones-al-Plan-Ganadero/UPI-28311251958860/>

<sup>466</sup> El FIDA en Argentina, International Fund for Agricultural Development. Available at: <http://www.ifad.org/spanish/operations/pl/arg/index.htm>

<sup>467</sup> Contributions to WFP 2009. World Food Programme. 30 August 2009. Available at: <http://www.wfp.org/node/9243>

<sup>468</sup> Part 2: Expense Measures for Foreign Affairs and Trade, 12 May 2009, Date of Access 20 May 2009 [http://www.budget.gov.au/2009-10/content/bp2/html/bp2\\_expense-15.htm](http://www.budget.gov.au/2009-10/content/bp2/html/bp2_expense-15.htm)

invest in the critical science and innovation upon which productivity depends. Core funding will be increased for the Consultative Group on International Agricultural Research (CGIAR). Partnerships will be enhanced with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and other centres of Australian expertise.<sup>469</sup>

On 25 May 2009 the Minister for Foreign Affairs Stephen Smith announced a further AUD6 million (USD5.16 million) in assistance for Zimbabwe, which will support agricultural recovery, help restore water and sanitation services, and assist ongoing programs to assist Zimbabwe's transition to democracy.<sup>470</sup> Also their recently announced Food Security through Rural Development initiative will provide USD100 million over four years to support Africa's own efforts.<sup>471</sup>

The Australian Government made significant steps to ensure food security in the developing countries. But it has not made voluntary bilateral contributions to the World Bank's Vulnerability Framework. Thus Australia is assessed a score of "0".

*Analyst: Dina Padalkina*

### **Brazil: 0**

Brazil has partially fulfilled the commitment of making available resources for social protection for the poorest countries.

By 30 August, 2009 the voluntary contribution of Brazil to the World Food Programme to 2009 made up USD15.1 million that more than in 10 times exceeds Brazilian contributions in 2008 and 2007.<sup>472</sup>

On 11 August, 2009 the Brazilian ambassador in Pakistan has announced a contribution of 155 tons of wheat flour for the internally displaced persons (IDPs) through World Food Programme (WFP).<sup>473</sup>

Thereby Brazil has partially fulfilled the commitment and receives a score of "0".

*Analyst: Polina Cherepova*

### **Canada: 0**

Canada has partially complied with the commitment to provide resources for social protection for the poorest countries through the World Bank's Vulnerability Framework and food aid to the most needed nations.

On 20 May, 2009 Beverley J. Oda, Minister of International Cooperation, announced the three priority themes that will guide Canada's aid international assistance's work going forward: increasing food security, stimulating sustainable economic growth, and securing the future of children and youth. This new approach will help ensure that efforts to strengthen the environment, improve equality between women and men, promote respect for human rights and supporting strong governance practices and institutions will be integrated as part of Canada's approach to international assistance.<sup>474</sup>

On 14 May, 2009 Beverley J. Oda, Minister of International Cooperation, announced funding to assist civilians displaced by ongoing fighting in Pakistan. The Government of Canada, through the Canadian International Development Agency, is responding to the emergency appeals from the World Food Program and the International Committee of the Red Cross. Canada is providing

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<sup>469</sup> Priorities for Australia's Development Assistance, Australia's International Development Assistance Program, Ministerial Statements in the budget 2009-2010, 12 May 2009, Date of Access 23 May 2009

[http://www.budget.gov.au/2009-10/content/ministerial\\_statements/ausaid/html/ms\\_ausaid-06.htm#P319\\_38665](http://www.budget.gov.au/2009-10/content/ministerial_statements/ausaid/html/ms_ausaid-06.htm#P319_38665)

<sup>470</sup> Africa Day 2009, Speech by Minister for Foreign Affairs Stephen Smith, Media Release, 25 May 2009, Date of Access 25 June 2009

[http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=3511\\_9829\\_9941\\_6021\\_8797](http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=3511_9829_9941_6021_8797)

<sup>471</sup> Africa Day 2009, Speech by Minister for Foreign Affairs Stephen Smith, Media Release, 25 May 2009, Date of Access 25 June 2009

[http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=3511\\_9829\\_9941\\_6021\\_8797](http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=3511_9829_9941_6021_8797)

<sup>472</sup> Contributions to WFP in 2009 (in US\$) as of 30 August 2009. Date of access: 2 September 2009.

<http://www.wfp.org/about/donors/wfp-donors/2009>

<sup>473</sup> Brazil donates 155 tons of wheat flour. WFP 11 august 2009. Date of access: 2 September 2009.

<http://www.wfp.org/content/brazil-donates-155-tons-wheat-flour>

<sup>474</sup> Canada Introduces a New Effective Approach to its International Assistance. Toronto (Ontario) 20 May 2009. Date of Access: 22 May 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-5208514-G7B>

USD5 million for food assistance, access to proper health care, and temporary shelter to the conflict-affected populations in Pakistan. This is in addition to USD3 million allocated in October 2008 for humanitarian assistance for those affected by the crisis.<sup>475</sup> Thus, Canada receives a score of “0” for partial compliance with commitment.

*Analyst: Alyona Bulatnikova*

### **China: 0**

China partially complied with a commitment.

Due to the scarcity of the land resources China is constantly forced to solve difficult problem of food provision for its inhabitants. The programs on food safety are constantly being designed and improved. On 9 April, 2009 a new program was adopted by the Chinese Government. It was named as “Program for increase of production of grain in 2009-2020”<sup>476</sup>.

Despite the unsolved problem of food production inside the country, China is trying to help the developing countries in solving the food problems or others through international organizations. The contribution of China to the World Food Program was estimated in USD3 billion (by August 30, 2009)<sup>477</sup>.

To sum up, China has just partly fulfilled the commitment and is assessed at a score of “0”.

*Analyst: Ilya Fedorov*

### **France: +1**

France has fully complied with the commitment on social protection for the poorest countries.

On 15 April 2009 the African Development Bank (ADB), the Agence Française de Développement (AFD), and the International Fund for Agricultural Development (IFAD) and the Kofi Annan Alliance for a Green Revolution in Africa (AGRA) created the African Agriculture Fund (AAF).

The AAF will raise EUR200 million during its first phase and has a final target of EUR500 million. The Fund will target private companies and cooperatives that implement strategies to increase and diversify agricultural production in Africa.<sup>478</sup>

On 25 April 2009 the German and French governments, as founding partners in the ICF, were the first to sign a Memorandum of Understanding with the World Bank Group with the intention to contribute around USD1.3 billion through France’s development bank Proparco. France’s Finance Minister said that France would also provide longstanding expertise in the infrastructure sector.<sup>479</sup>

During the monitoring period France has undertaken measures for social protection for the poorest countries and has made contributions to the World Bank’s Vulnerability Framework. Thus France has been awarded a score of “+1” for compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Germany: +1**

Germany has fully complied with this commitment.

The German Government has directed resources to finance World Bank’s Vulnerability Framework and also has allocated investments to developing countries to provide food and agriculture security at the least developed countries.

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<sup>475</sup> Canada to Support Displaced Civilians in Pakistan. Ottawa (Ontario) 14 May 2009. Date of Access: 15 May 2009. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/FRA-5141931-V2G>

<sup>476</sup> By 2020 China should increase production of grain to 550 million tons. “Xinhua” 09.04.2009. 1 september 2009 [http://www.russian.xinhuanet.com/russian/2009-04/09/content\\_855083.htm](http://www.russian.xinhuanet.com/russian/2009-04/09/content_855083.htm)

<sup>477</sup> Contribution to World Food Program (WFP). 30,08,2009. 01,09,2009 <http://www.wfp.org/about/donors/wfp-donors/2009>

<sup>478</sup> African Agriculture Fund Launched in Paris. Agence Française de Développement. 15 April 2009. <http://www.afd.fr/jahia/Jahia/site/afd/lang/en/pid/23601>. Date of access: 15 September 2009.

<sup>479</sup> World Bank Group Launches Multi-Billion Infrastructure Initiatives to Help Developing Countries Weather Crisis. World Bank. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22156539~pagePK:64257043~piPK:437376~theSitePK:4607.00.html>. Date of access: 15 September 2009.

The German government is planning to provide a minimum of USD390 million for humanitarian assistance and food aid in 2009.<sup>480</sup>

The German Government has decided to provide about USD600 million to International Finance Corporation's (IFC) Infrastructure Crisis Facility. This facility is part of what is referred to as the "Vulnerability Framework" that the World Bank has conceived in order to help developing countries buffeted by the crisis. Besides promoting infrastructure programmes as a means of economic stimulus and increasing employment, the Vulnerability Framework is also meant to promote social protection measures, trade and small and medium-sized enterprises in the developing countries.<sup>481</sup>

On 15 June 2009 during the meeting with Zimbabwe's Prime Minister Morgan Tsvangirai the German Development Minister Heidemarie Wieczorek-Zeul announced allocation of EUR5 million for seeds and fertilizers. These inputs are intended to support small farmers as they plant their seeds. In the absence of assistance, there is a risk that the food situation in Zimbabwe will once more deteriorate dramatically at the end of this year.<sup>482</sup>

Thus, Germany is awarded a score of "+1".

*Analyst: Yuriy Zaytsev*

### **India: -1**

India has not complied with this commitment.

India has not made resources available for social protection of the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.

One of the reasons of such inactivity is that India is a country with considerable proportion of population living beyond poverty line and suffering from hunger. According to the report on hunger in South Asia issued by UNICEF on 2 June 2009 India is one of the countries in this region which suffer from food crisis.<sup>483</sup>

In spite of domestic problems India has not taken actions to fight hunger. Thus, India is awarded a score of "-1".

*Analyst: Igor Churkin*

### **Indonesia: -1**

Indonesia hasn't complied with the commitment to provide funds for social protection needs of the poorest countries. There is no data about relevant actions of Indonesia's Government.

On 8 May 2009 during the 42nd anniversary of the State Logistics Agency President Susilo Bambang Yudhoyono has only expressed his hope that Southeast Asia can unite to achieve food and energy stability at the regional "or even at the world" level.<sup>484</sup>

Therefore Indonesia is awarded a score of "-1" for partial compliance.

*Analyst: Maria Tyurikova*

### **Italy: 0**

Italy has not fully complied with the G20 commitments on ensuring food security in developing countries.

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<sup>480</sup> World Refugee Day 2009. . The Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany. 19 July 2009. Date of access: 21 August, 2009.

[http://www.bmz.de/en/press/pm/2009/june/pm\\_20090619\\_57.html](http://www.bmz.de/en/press/pm/2009/june/pm_20090619_57.html)

<sup>481</sup> State Secretary Erich Stather – Searching for Answers: The Labour Market Policy Response to the Global Financial and Economic Crisis with Special Reference to Developing Countries. The Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany. 6 May 2009. Date of access: 19 May 2009.

[http://www.bmz.de/en/press/speeches/stather/2009/May/20090506\\_rede.html](http://www.bmz.de/en/press/speeches/stather/2009/May/20090506_rede.html)

<sup>482</sup> Wieczorek-Zeul promises assistance for pro-reform forces in Zimbabwe. The Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany. 15 July 2009. Date of access: 21 August, 2009.

[http://www.bmz.de/en/press/pm/2009/june/pm\\_20090615\\_55.html](http://www.bmz.de/en/press/pm/2009/june/pm_20090615_55.html)

<sup>483</sup> Food for all: A challenge for new government. iGovernment. 4 June 2009. Date of Access: 10 July 2009.

<http://www.igovernment.in/site/Food-for-all-A-challenge-for-new-government/?section=Agriculture/>

<sup>484</sup> Southeast Asia Must Become the World's Rice Bin. TEMPO Interactive, Jakarta. Date of Access: 08 May 2009.

<http://www.tempointeractive.com/hg/nasional/2009/05/08/brk.20090508-175223.uk.html>



Italy takes an active part in the World Food Programme. According to the WFP data, Italy's contributions to WFP in 2009 as of 17 May 2009 account for about USD20 million<sup>485</sup>, by 29 June contributions have increased up to USD22,2 million<sup>486</sup>, and– up to USD25 million by 23 August.<sup>487</sup>

At the beginning of May, 2009 the Italian Government has decided to allocate an immediate voluntary contribution of EUR400.000 to the WFP to contribute to the implementation of the project “Food for peace building and recovery in conflict-affected areas”, responding to the appeal for assistance addressed to the international community by the Sri Lankan Government.<sup>488</sup>

Italy has pledged USD480 million<sup>489</sup> for taking part in the G8 commitment to invest USD20 billion<sup>490</sup> over 3 years to encourage rural development of poor countries in the context of the L'Aquila Initiative on Global Food Security<sup>491</sup>. Thus, the Italy's share will account 2,4%.

Italy has introduced sufficient measures for ensuring the food security in developing countries, but has not invested through the mechanisms of the World Bank for supporting countries with vulnerable economies. All in all, Italy is awarded a score of “0” for partial implementation of the commitment.

*Analyst: Anna Vekshina*

### **Japan: 0**

Japan has partially complied with the commitment of making available resources for social protection and long-term food security for the poorest countries.

Japan has contributed USD190.7 million to the World Food Programme in 2009 (as of 23 August 2009).<sup>492</sup> This sum has already exceeded the 2008 contribution by more than USD10 million.<sup>493</sup> On 14 July 2009 the United Nations World Food Programme received USD9.1 million from the government of Japan to provide food assistance to the poor living in areas affected by floods, riverbank erosion, coastal cyclones and tidal surges in Bangladesh.<sup>494</sup> On 15 May 2009 provided USD3 million were directed to help the global humanitarian organization to implement various food security programmes in Zambia<sup>495</sup>.

Thus, Japan complied with the part of the commitment dealing with investments in long-term food security. There was no information of Japan meeting the part of the commitment dealing with voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund, during the monitored period.

Thus, for partial compliance with this commitment Japan receives a score of “0”.

*Analyst: Evgeny Gushchin*

### **Mexico: 0**

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<sup>485</sup> Contributions to WFP 2009. 17 May 2009. Date of Access: 23 May 2009. <http://www.wfp.org/about/donors/wfp-donors/2009>

<sup>486</sup> Contributions to WFP in 2009 (in US\$) as of 29 June 2009, World Food Programme. Date of Access: 8 July 2009. <http://www.wfp.org/node/9243>

<sup>487</sup> Contributions to WFP 2009. 23 August 2009. Date of Access: 27 August 2009. <http://www.wfp.org/node/9243>

<sup>488</sup> Italy gives Rs. 60m for WFP program, 8 May 2009. Date of Access: 23 May 2009.

<http://www.wfp.org/content/italy-gives-rs-60m-wfp-program>

<sup>489</sup> G8 To Commit \$20bn For Food Security, World Food Programme, 10 July 2009. Date of Access: 20 August 2009. <http://www.wfp.org/content/g8-commit-20bn-food-security>

<sup>490</sup> G8 Summit Conclusions on Food Security, 10 July 2009. Date of Access: 20 August 2009.

[http://www.g8italia2009.it/G8/Home/News/G8-G8\\_Layout\\_locale-1199882116809\\_1246708102771.htm](http://www.g8italia2009.it/G8/Home/News/G8-G8_Layout_locale-1199882116809_1246708102771.htm)

<sup>491</sup> “L'Aquila” Joint Statement on Global Food Security *L'Aquila Food Security Initiative (AFSI)*, 10 July 2009. Date of Access: 20 August 2009.

[http://www.g8italia2009.it/static/G8\\_Allegato/LAquila\\_Joint\\_Statement\\_on\\_Global\\_Food\\_Security\[1\],0.pdf](http://www.g8italia2009.it/static/G8_Allegato/LAquila_Joint_Statement_on_Global_Food_Security[1],0.pdf)

<sup>492</sup> World Food Programme, Contributions to WFP 2009, Date of Access: 30 August 2009

<http://www.wfp.org/node/9243>

<sup>493</sup> World Food Programme, Contributions to WFP 2008, Date of Access: 30 August 2009

<http://www.wfp.org/node/7359>

<sup>494</sup> World Food Programme, News, Japan to provide food assistance worth \$9.1m for ultra-poor, Date of Access: 30 August 2009 <http://www.wfp.org/content/japan-provide-food-assistance-worth-91m-ultra-poor>

<sup>495</sup> WORLD FOOD PROGRAMME, NEWS, JAPAN GIVES WFP K15 BN., DATE OF ACCESS: 30 AUGUST 2009

<HTTP://WWW.WFP.ORG/CONTENT/JAPAN-GIVES-WFP-K15-BN>

Mexico has not fully complied with its commitment to make available resources for maintenance of food supply security for the poorest countries.

During the monitoring period, Mexico has not allocated any funds for long-term food security and did not deposit voluntary bilateral contributions to the Mechanism of render assistance for the countries with ailing economy in the line of the WB.

At the same time Mexico has taken some measures to provide poor countries with food assistance. In May, 2009 the Mexican naval ship El Huasteco delivered humanitarian supplies to Port-o-Prens (Haiti).<sup>496</sup> However, the Government of Haiti refused the supplies because of the epidemic A/H1N1.<sup>497</sup>

Mexico has not transferred its share to the UN budget, which funds, among other, the purposes of social protection of the poorest countries.<sup>498</sup> As of 7 May 2009 Mexico was due USD13 million to the UN budget.<sup>499</sup> As of 24 August 2009 Mexico still had not transferred its share to the UN regularly budget.<sup>500</sup>

So, Mexico receives a score of “0” for insufficient efforts to support food supply security of the poorest countries.

*Analyst: Natalya Zlokazova*

### **Russia: 0**

Russia has partly complied with the commitment on social protection for the poorest countries.

From the beginning of the world food crisis Russia has acted strengthening and diversifying help to the affected countries. Since January 2008 Russia allocated USD73 million to overcome food crisis and ensure food security, including emergency programs.<sup>501</sup>

As of 30 August 2009 Russia allocated USD24.3 million to the WFP budget<sup>502</sup>, which is much higher than in 2008 (USD15 million)<sup>503</sup>.

Russia supports the food aid programs. It was among the first countries to contribute USD7 million to the multilateral trust fund of the World Bank Global Food Crisis Response Program in 2008.<sup>504</sup> In 2009 additional contribution of USD11 million was made through the International Civil Defense Organization.<sup>505</sup>

<sup>496</sup> Mexican ship with humanitarian aid was prohibited to enter Haiti harbor because of the flue. Argumenty.Ru. 7 May, 2009. Date of access: 31 August, 2009 г. <http://www.argumenti.ru/news/news/14135>

<sup>497</sup> Mexican President has criticized humanitarian aid reuse. RIA News Agency. 7 May, 2009. Date of access: 31 August, 2009 г. [http://www.rian.ru/flu\\_news/20090507/170176951.html](http://www.rian.ru/flu_news/20090507/170176951.html)

<sup>498</sup> The UN is one of the most authoritative international organizations, which contributes to peace building, provides humanitarian support to the most poorest countries. The UN budget, which is formed by the contributions of the member states is a basis for humanitarian actions. Countries in arrears with payments fail humanitarian aid provision to the poorest countries.

<sup>499</sup> 9 countries have 90% indebtedness in regular UN budget. The UN official web cite. 21 May 2009. Date of access: 31 August 2009. <http://www.un.org/russian/news/fullstorynews.asp?newsID=11727>

<sup>500</sup> Contributions received for 2009 for the United Nations Regular Budget. Date of access: 31 August 2009. <http://www.un.org/ga/contributions/honourroll.shtml>

<sup>501</sup> Shorthand report by Ambassador Extraordinary and Plenipotentiary of Russian Federation in Italy, the representative of Russia in FAO and World Food Programme Aleksey Meshkov at the conference “Programs of Food Aid: Problems, Ways and Mechanisms of Increase of Effectiveness in Modern Conditions” held within the World Grain Forum. 7 June 2009. Date of access: 13 September 2009. <http://www.mid.ru/ns-dmo.nsf/cfabe4e8ed2f8ad7432569ff003cd1c0/432569f10031eb93c32575ce003cc96d>.

<sup>502</sup> Contributions to WFP in 2009 (in USD) as of 30 August 2009. World Food Programme. Date of access: 13 September 2009. <http://www.wfp.org/about/donors/wfp-donors/2009>.

<sup>503</sup> Contributions to WFP in 2008 (in US\$) as of 14 June 2009. World Food Programme. <http://www.wfp.org/node/7359>. Date of access: 13 September 2009.

<sup>504</sup> World Bank Group Response to the Financial Crisis. World Bank. 24 March 2009. <http://www.worldbank.org/financialcrisis/pdf/WBGResponse-VFF.pdf>. Date of access: 13 September 2009.

<sup>505</sup> Shorthand report by Ambassador Extraordinary and Plenipotentiary of Russian Federation in Italy, the representative of Russia in FAO and World Food Programme Aleksey Meshkov at the conference “Programs of Food Aid: Problems, Ways and Mechanisms of Increase of Effectiveness in Modern Conditions” held within the World Grain Forum. 7 June 2009. <http://www.mid.ru/ns-dmo.nsf/cfabe4e8ed2f8ad7432569ff003cd1c0/432569f10031eb93c32575ce003cc96d>. Date of access: 13 September 2009.

No data on Russia's participation in the Infrastructure Crisis Facility and the Rapid Social Response Fund have been registered.

Russia has implemented the first part of the commitment on investing in long-term food security of the poorest countries. Thus Russia has been awarded a score of "0" for partial compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with its commitment by investing in long term food security programs in the poorest countries.

Saudi Arabia and International Fund for Agricultural Development (IFAD) have launched an initiative of co financing agricultural projects in 8 developing countries (Lebanon, Yemen, Algeria, Senegal, Sudan, Morocco, Bosnia and Mauritania).<sup>506</sup> Saudi Arabia has promised to increase financing of IFAD and lift it up to USD50 million.<sup>507</sup>

Saudi Arabia has decided to cover the costs estimated USD2.5 million for holding of the World Summit on Food Security to be held by Food and Agricultural Organization of United Nations.<sup>508</sup>

Saudi Arabia finances the World Bank Vulnerability Fund, but during the monitoring period Saudi Arabia did not make any contributions to the organization.<sup>509</sup>

All in all, for partial implementing of the commitment Saudi Arabia get a "0" grade.

*Analyst: Pavel Prokopyev*

### **South Africa: 0**

South Africa has partially complied with its G20 commitment on social protection for the poorest countries and investing in long-term food security. It has invested in long-term food security.

Contributions of South Africa to WFP in 2009 as of 20 August 2009 constituted USD 286,6 thousand.<sup>510</sup>

There is no information indicating that the Government of South Africa made voluntary bilateral contributions to the WB's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund during the period of monitoring. Thus, it has been awarded a score of "0".

*Analyst: Yulia Kukushkina*

### **South Korea: -1**

South Korea has failed to comply with this commitment. South Korea's Government has not provided aid for the poorest countries to enhance their food security or made contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility and the Rapid Social Response Fund, were mentioned. Thus, South Korea is awarded a score of "-1".

*Analyst: Alexander Simonov*

### **Turkey: 0**

Turkey has partially fulfilled its commitment to ensure a long-term food security for the poorest countries.

On 22 May 2009, Turkish Foreign Ministry spokesman Özügergin said that Turkey has provided USD1 million to the United Nations World Food Programme (WFP) to be utilized for the needs

<sup>506</sup> Food security initiative launched. Al SaudiArabia. com. 20 May, 2009. Date of access: May, 20, 2009.

<http://www.alSaudiArabia.com/Food-security-initiative-launched/#more-5114>

<sup>507</sup> SAUDI ARABIA INCREASES IFAD CONTRIBUTION FIVEFOLD. WORLD FOOD PROGRAM. 22 MAY, 2009. DATE OF ACCESS: 6 SEPTEMBER, 2009.

<http://www.wfp.org/content/saudi-arabia-increases-ifad-contribution-fivefold>

<sup>508</sup> Saudi Arabia to fund FAO World Food Security Summit. Food and Agriculture Organization of United Nations. 30 July, 2009. Date of access: July, 30, 2009. <http://www.fao.org/news/story/en/item/29165/icode/>

<sup>509</sup> Crisis response funding for impoverished countries: Fresh and unconditional money required. European Network on Debt and Development. 15 April, 2009. Date of Access: 6 September, 2009.

<http://www.eurodad.org/aid/article.aspx?id=132&item=3587>

<sup>510</sup> CONTRIBUTIONS TO WFP 2009. DATE OF ACCESS: 7 SEPTEMBER 2009.

<HTTP://WWW.WFP.ORG/ABOUT/DONORS/WFP-DONORS/2009>

of the Gaza Strip. Burak also added that their efforts to help countries in need will continue on a bilateral as well as multilateral level.<sup>511</sup>

Turkish government indeed contributed to the long-term food security for the poorest countries, however they failed to act through voluntary bilateral contributions to the World Bank's Vulnerability Framework. Thus for partial fulfillment of its commitment Turkey has been awarded a score of "0".

*Analyst: Anvarjon Sultanov*

### **United Kingdom: +1**

The United Kingdom has fulfilled the commitment of investing in long-term food security and voluntary bilateral contributions to the World Bank's Vulnerability Framework.

The UK takes part in improving food security through the World Food Programme. The British Government has contributed over 17 million pounds to provide emergency food to those in need. And it has contributed 28 million pounds (2008/09) to programmes across Afghanistan to help farmers improve their productivity.<sup>512</sup> A 4 million pounds package of UK support for the people of Zimbabwe will be directed for local food production, including tools, seeds and fertilizer.<sup>513</sup>

Douglas Alexander, Secretary of State for International Development and Alistair Darling, Chancellor of the Exchequer reconfirmed UK's readiness to consider further increases to the World Bank Group's lending capacity. According to them, the UK has pledged 200 million pounds to the Rapid Social Response Fund. They also called other countries to make similar contributions. Ministers also reconfirmed UK's support for IBRD lending of \$100bn over three years.<sup>514</sup>

As the United Kingdom invests in long-term food security and World Bank's Vulnerability Framework, its score is "+1" for the fulfillment of the commitment.

*Analyst: Natalia Churkina*

### **USA: 0**

The USA have partially complied with their commitment to make available resources for social protection for the poorest countries.

The USA remain the largest contributor to the FAO's Regular Programme budget accounting for 22 percent of the 2009 budget. However, 2009 contributions are still outstanding. Although the USA is the largest country by arrears which comprised EUR22,669 million as on 31 July 2009.<sup>515</sup>

The status of the USA contributions to the Eighth Replenishment as at 17 April 2009 is USD90 million.<sup>516</sup> This is an increase of 74 percent over the Seventh contribution covering the three-year period from 2007 to 2009. US contributed USD54 million to the Seventh Replenishment<sup>517</sup> – an increase of 20 percent over the Sixth Replenishment.<sup>518</sup>

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<sup>511</sup> Turkey extends \$1 million in support to Gaza- Date of access 23 May 2009. <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176135&bolum=106>

<sup>512</sup> Afghanistan more food secure in 2009. 21 May 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/Afghanistan-food-security/>

<sup>513</sup> UK £60 million support for Zimbabwe announced today. 22 June 2009. Department for International Development. Date of access: 6 July 2009. <http://www.dfid.gov.uk/Media-Room/Press-releases/2009/UK-60-million-support-for-Zimbabwe-announced-today/>

<sup>514</sup> World Bank Spring Meetings 2009. 26 April 2009. Department for International Development. Date of access: 20 August 2009. <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/World-Bank-Group-Spring-Meetings-2009-Washington-US/>

<sup>515</sup> Member Nations with Arrears of Contributions at 31 July 2009. FAO. 31 July 2009. Date of Access: 22 August 2009. [http://www.fao.org/fileadmin/templates/rpc/pdf/Member\\_Nations\\_with\\_Arrears\\_at\\_31\\_July\\_2009.pdf](http://www.fao.org/fileadmin/templates/rpc/pdf/Member_Nations_with_Arrears_at_31_July_2009.pdf)

<sup>516</sup> Report on the status of contributions to the Eighth Replenishment of IFAD's resources, First Report, IFAD, EB 2009/96/R.30, 29 April 2009. Date of Access: 23 May 2009. <http://www.ifad.org/gbdocs/eb/96/e/EB-2009-96-R-30.pdf>

<sup>517</sup> Report on the status of contributions to the Seventh Replenishment of IFAD's resources, Tenth Report, IFAD, EB 2009/96/R.31, 18 March 2009. Date of Access: 23 May 2009. <http://www.ifad.org/gbdocs/eb/96/e/EB-2009-96-R-31.pdf>

<sup>518</sup> Report on the status of contributions to the Sixth Replenishment of IFAD's resources, IFAD, GC 30/INF.8, 14 February 2007. Date of Access: 23 May 2009. <http://www.ifad.org/gbdocs/gc/30/e/GC-30-INF-8.pdf>

The USA is the largest contributor to WFP. By 23 August 2009 from January 2009 the USA contributions achieved USD1,08 billion.<sup>519</sup> In 2008 the USA contributed USD2,075 billion.<sup>520</sup> – This is an increase of 75 percent over 2007 (USD1,183).<sup>521</sup>

There is no data on the U.S. making voluntary bilateral contributions to the World Bank's Vulnerability Framework.

Since the United States contributed to the social protection for the poorest countries but did not take part in voluntary bilateral contributions to the World Bank's Vulnerability Framework, the score is "0".

*Analyst: Tatyana Lanshina*

#### **EU: +1**

The EU has undertaken some actions to allocate resources for social protection for the poorest countries and for World Bank Framework's programs. According to the Communication from the Commission: Supporting developing countries in coping with the crisis COM (2009) 160 final from 8 April 2009, the European Commission advanced commitments constituting a large part of the Community assistance to ACP countries (EUR4.3 billion frontloaded for 2009 including EUR800 million for the Food Facility).<sup>522</sup>

18 May 2009 the Council conclusions on Supporting developing countries in coping with the crisis were adopted and the EU confirmed social-protection measures to support developing countries' actions to cope with the direct social impact of the crisis. Moreover, the Council recognized the crucial importance of revitalising agriculture in the context of the current food problem and ensured to continue support for, and increase investment in, agriculture and food security, with particular attention to small scale farmers, and take into account the crucial role of women.<sup>523</sup>

The Council welcomed the front-loading of the 1 billion EUR Food Facility and the recent financing decisions for a total of EUR508 million for projects with international organizations targeting 41 countries, and for launching a call for proposals which will target 35 countries (for a total of EUR200 million). The Council also underlined the importance of the ongoing work on the Global Partnership on Agriculture and Food Security (GPAFS), in close collaboration with relevant food and agriculture international organizations and also in the context of the G8.<sup>524</sup>

The European Union has pledged USD130 million to the Global Food Response Facility, which has now been subsumed into the Vulnerability Framework of the World Bank.<sup>525</sup>

The EU fulfilled all the parts of the commitment, and is awarded a score of "+1".

*Analyst: Arina Shadrikova*

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<sup>519</sup> Contributions to the WFP 2009. WFP. 23 August 2009. Date of Access: 23 May 2009.

<http://www.wfp.org/about/donors/wfp-donors/2009>.

<sup>520</sup> Contributions to the WFP 2008. WFP. 29 June 2009. Date of Access: 5 July 2009.

<http://www.wfp.org/node/7359>.

<sup>521</sup> Contributions to the WFP 2007. WFP. 17 May 2009. Date of Access: 23 May 2009.

<http://www.wfp.org/node/7358>.

<sup>522</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Supporting developing countries in coping with the crisis COM(2009) 160 final, Brussels, 8.4.2009. Date of Access: 10 August 2009.

<http://register.consilium.europa.eu/pdf/en/09/st08/st08695.en09.pdf>

<sup>523</sup> Council conclusions on Supporting developing countries in coping with the crisis (2943rd External relations Council meeting), Brussels, 18 May 2009. Date of Access: 10 August 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/107918.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/107918.pdf)

<sup>524</sup> Council conclusions on Supporting developing countries in coping with the crisis (2943rd External relations Council meeting), Brussels, 18 May 2009. Date of Access: 10<sup>th</sup> of August . Date of access: 2 September 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/107918.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/107918.pdf)

<sup>525</sup> Crisis response funding for impoverished countries: Fresh and unconditional money required. European Network on Debt and Development. 15 April, 2009. Date of access: 7 September, 2009.

<http://www.euroad.org/aid/article.aspx?id=132&item=3587>

## **The scope of regulation [66] [67]**

### **Commitment:**

We will amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks, and private pools of capital to limit the build up of systemic risk;

### **Commitment:**

We will ensure that our national regulators possess the powers for gathering relevant information on all material financial institutions, markets, and instruments in order to assess the potential for their failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions;

*G20 Declaration on Strengthening the Financial System*

### **Assessment:**

#### **Country Compliance**

<b>Country</b>	<b>Lack of compliance -1</b>	<b>Work in progress 0</b>	<b>Full compliance +1</b>
<b>Argentina</b>	-1		
<b>Australia</b>		0	
<b>Brazil</b>	-1		
<b>Canada</b>		0	
<b>China</b>	-1		
<b>France</b>			+1
<b>Germany</b>		0	
<b>India</b>		0	
<b>Indonesia</b>		0	
<b>Italy</b>	-1		
<b>Japan</b>		0	
<b>Mexico</b>		0	
<b>Russia</b>		0	
<b>Saudi Arabia</b>		0	
<b>South Africa</b>			+1
<b>South Korea</b>		0	
<b>Turkey</b>		0	
<b>United Kingdom</b>			+1
<b>USA</b>			+1
<b>European Union</b>		0	
<b>Average score</b>			<b>0</b>

### **Background:**

Lack of effective regulation is regarded as one of the main causes of the current economic crisis. G20 members have committed to improve their national regulatory systems, paying particular attention to large and complex financial institutions. Gathering relevant information on financial system is necessary to ensure effective oversight. Hence the commitment on gathering relevant information (67) is considered as part of commitment on amending regulatory systems (66). Necessity of close coordination at international level on gathering relevant information is emphasized. This coordination could be conducted through international multilateral institutions mentioned in this commitment: the Financial Stability Forum (FSF), the Bank for International Settlements (BIS) and other relevant institutions (see Sources of information).

The FSF is an institution that brings together:

- national authorities responsible for financial stability in significant international financial centres, namely treasuries, central banks, and supervisory agencies;
- sector-specific international groupings of regulators and supervisors engaged in developing standards and codes of good practice;
- international financial institutions charged with surveillance of domestic and international financial systems and monitoring and fostering implementation of standard;

- committees of central bank experts concerned with market infrastructure and functioning.<sup>526</sup>

Its creation was endorsed in 1999 by G7 Finance Ministers and Central Bank Governors. At its plenary meeting in London on 11-12 March 2009 the FSF decided to broaden its membership and to invite as new members the G20 countries that are not currently in the FSF. After the 2009 G20 London summit the FSF was re-established as the Financial Stability Board (FSB) with a broadened mandate to promote financial stability. The FSB is designed to play major role in international cooperation of its member states regulatory authorities.

The BIS is an international organisation which fosters international monetary and financial cooperation and serves as a bank for central banks. The BIS fulfils this mandate by acting as:

- a forum to promote discussion and policy analysis among central banks and within the international financial community;
- a centre for economic and monetary research;
- a prime counterparty for central banks in their financial transactions;
- agent or trustee in connection with international financial operations.<sup>527</sup>

#### **Commitment Features:**

There are two components to this commitment: amending national regulatory systems and coordination at international level on ensuring availability of essential information for national regulators. For full compliance, members must pursue both objectives.

**First component.** Measures amending national regulatory systems can include:

- preparatory actions aimed at assessing the scale of regulatory system reform and necessity of certain policy shifts;
- public debates on regulatory system reform;
- publication of reports, blueprints, white papers on regulatory system reform;
- legal system development;
- regulatory policy changes.

Participation of national authorities is required for each action. Officials must participate in debates or initiate reports. Actions undertaken by independent experts or private sector don't constitute compliance.

**Second component.** Coordination at international level of regulators' activities.

Member state can be engaged in international cooperation by participating in relevant working groups and proposing initiatives on regulatory reform in different international organizations (most likely the FSB and the BIS). Participation in international meetings on the topic doesn't constitute compliance.

#### **Scoring:**

-1	Member doesn't amend its regulatory system <b>AND</b> doesn't participate in international coordination on ensuring availability of relevant information.
0	Member amends its regulatory system <b>OR</b> participates in international coordination on ensuring availability of relevant information.
+1	Member amends its regulatory system <b>AND</b> participates in international coordination on ensuring availability of relevant information.

#### **Argentina: -1**

Argentina has not complied with the G20 commitment to amend its regulatory system at the national level and exchange relevant information at the international level with the purpose of reducing risks in the financial sector. Nevertheless, Argentina takes an active part in international cooperation aimed at achieving consistency in fighting the crisis as well as amends its national regulatory system taking into account macro-prudential risks.

<sup>526</sup> History. Financial Stability Forum Website. Date of access: 2 September 2009.  
<http://www.fsforum.org/about/history.htm>.

<sup>527</sup> About BIS. Bank for International Settlements Website. Date of access: 2 September 2009.  
<http://www.bis.org/about/index.htm>.

As a result of the Economic Commission for Latin America and the Caribbean conference which took place on 11-13 August 2009 in Bogota, Columbia, the member-states agreed on the necessity to elaborate the “Best practice code” (Código de buenas prácticas) aimed at the unification of standards in the field of statistics and the application of the best international practice domestically.<sup>528</sup> Besides, an agreement on the necessity to introduce international standards in the national statistical systems for processing and interpreting information was achieved.<sup>529</sup> These measures are essential for improving transparency, credibility and predictability of the national economic indicators in the framework of the world economy. Moreover, standardizing the methods of processing information contributes to the strengthening of confidence in the national regulatory system at the international level, which increases the overall stability in the world economy. Two years are given for the development of the proposal, whereas its adoption is planned for the sixth meeting of the Economic Commission for Latin America and the Caribbean in 2011.<sup>530</sup>

According to Argentina’s Central Bank governor Martin Redrado, the Government carries on measures aimed at amending national regulatory system taking into account the changing environment. The amendment process is fully compatible with the set objectives on ensuring stability at the macro level and complies with the available instruments of its implementation. However, there is no reference to specific measures taken in the official sources of information.<sup>531</sup>

Thus, Argentina has not complied with the commitment and has been awarded a score of “-1”.

*Analyst: Polina Arkhipova*

#### **Australia: 0**

Australia has partially complied with the G20 commitment to decrease of the macro-prudential risks across the financial system both at the international and domestic level.

Australian Government tries to follow measures, taken by the International Organizations in the field of finance.

On 28 May 2009, Australian Prudential Regulation Authority (APRA) released a discussion paper and accompanying material for consultation on how it would implement the FSB’s remuneration principles in Australia. The new requirements will apply to APRA-regulated deposit-taking institutions and insurance companies.<sup>532</sup>

Consistent with the FSB principles, APRA proposes that each APRA-regulated institution have in place a written and comprehensive remuneration policy, and establish a board remuneration committee comprised of independent directors.<sup>533</sup>

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<sup>528</sup> Comunicado de prensa: [Acuerdos aprobados en la Quinta reunión de la CEA-CEPAL](http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/9/36799/P36799.xml&xsl=/prensa/tpl/p6f.xsl&base=/prensa/tpl/top-bottom.xsl). Quinta reunión de la Conferencia Estadísticas de las Américas de la Comisión Económica para América Latina y el Caribe (CEA-CEPAL). 14 August 2009. Available at: <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/9/36799/P36799.xml&xsl=/prensa/tpl/p6f.xsl&base=/prensa/tpl/top-bottom.xsl>

<sup>529</sup> Resoluciones de la quinta reunión de la CEA. Comisión Económica para América Latina y el Caribe (CEA-CEPAL). 21 August 2009. Available at: [http://www.eclac.cl/deype/noticias/noticias/4/36184/CEA5\\_resolucionesV6.pdf](http://www.eclac.cl/deype/noticias/noticias/4/36184/CEA5_resolucionesV6.pdf)

<sup>530</sup> Comunicado de prensa: La información estadística es esencial para el fortalecimiento de la democracia. Quinta reunión de la Conferencia Estadísticas de las Américas de la Comisión Económica para América Latina y el Caribe (CEA-CEPAL). 14 August 2009. Available at: <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/9/36769/P36769.xml&xsl=/prensa/tpl/p6f.xsl&base=/prensa/tpl/top-bottom.xsl>

<sup>531</sup> Presentation by the head of the Central Bank of Argentina Martín Redrado “El G-20 y el rol de los mercados emergentes en la nueva arquitectura financiera internacional”. Money and Banking Conference 2009, Banco Central de la República Argentina (BCRA), Buenos Aires, Argentina. 31 August 2009. Available at: [http://www.bcr.gov.ar/pdfs/eventos/Jornadas09\\_Redrado\\_Clausura.pdf](http://www.bcr.gov.ar/pdfs/eventos/Jornadas09_Redrado_Clausura.pdf)

<sup>532</sup> Reform of the taxation of employee share schemes. Australian Government. The Treasury. June, 2009. Дата доступа: 31 августа 2009 г. [http://www.treasury.gov.au/documents/1559/PDF/consultation\\_paper.pdf](http://www.treasury.gov.au/documents/1559/PDF/consultation_paper.pdf)

<sup>533</sup> Reform of the Taxation of employee share schemes, Consultation paper, The Treasury, 27 June 2009, Date of Access 5 July 2009 [http://www.treasury.gov.au/documents/1559/PDF/consultation\\_paper.pdf](http://www.treasury.gov.au/documents/1559/PDF/consultation_paper.pdf)



According to this commitment the Australian Government agreed with Belgium, New Zealand and South Korea to adopt exchange of information provisions in its treaties that meet the international standards set by the OECD Model Tax Convention.<sup>534</sup>

To sum it all up Australia has partially complied with a commitment id assessed a score of “+1”.

*Analyst: Dina Padalkina*

#### **Brazil: -1**

There has been no activity of the Federal Government of Brazil on strengthening national regulatory system and cooperation at international level for reducing the systemic risk in financial sector registered during the monitoring period.

Thereby Brazil receives a score of “-1”.

*Analyst: Polina Cherepova*

#### **Canada: 0**

Canada has partially fulfilled the obligation concerning the scope of regulation. The Government of the country has introduced a number of measures to modify and improve national regulation and tax system. However, there is no information about active participation of Canada in different international working groups designed to create new regulation system.

On April 4, 2009 Canada implemented the internationally agreed tax standard.<sup>535</sup>

Then, on May 19, 2009 Jim Flaherty, Minister of Finance, and Tony Clement, Minister of Industry announced opening of the Business Credit Availability Program (BCAP) website, which is designed to explain the roles of Export Development Canada (EDC), the Business Development Bank of Canada (BDC) and private sector institutions, and provide contact information. Working in co-operation with the private sector, EDC and BDC will provide at least 5 billion in additional loans and other forms of credit support and enhancement at market rates to businesses with viable business models whose access to financing would otherwise be restricted.<sup>536</sup>

On June 22, 2009 Minister of Finance announced the launch of the Transition Office, which will lead Canada’s effort to establish the Canadian securities regulator. It is a part of Canada’s Economic Action Plan aimed at strengthening and growing Canada’s capital markets in the long term through consistent regulation. The Transition Office will lead all aspects of the transition, including the development of the federal Securities Act, collaborating with provinces and territories, and developing and implementing a transition plan with respect to organizational and administrative matters. The Transition Office will begin operations July 13, 2009.<sup>537</sup>

Lawrence Cannon, Minister of Foreign Affairs, signed the Convention between Canada and Greece for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital. The main purpose of this tax treaty is to reduce tax barriers to trade and investment.<sup>538</sup>

Thus, Canada has got “0” for committing to obligations concerning the scope of regulation. There is an evidence that the country improved tax system and introduced Transition Office program to ensure better regulation. However, Canada has not not actively participated in international working groups aimed at designing new regulation system to prevent financial crisis in the future.

*Analyst: Alyona Bulatnikova*

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<sup>534</sup> New Tax Information Protocol with Belgium, Joint Media Release with The Hon Simon Crean MP Minister for Trade, 25 June 2009, Date of Access 30 June 2009

[http://www.trademinister.gov.au/releases/2009/sc\\_090625\\_jmr\\_sherry\\_taxbelg.html](http://www.trademinister.gov.au/releases/2009/sc_090625_jmr_sherry_taxbelg.html)

<sup>535</sup> Following G20 OECD delivers on tax pledge. 4 April 2009. Date of Access: 23 May 2009.

[http://www.oecd.org/dataoecd/38/14/42497950.pdf\\_02/04/2009](http://www.oecd.org/dataoecd/38/14/42497950.pdf_02/04/2009)

<sup>536</sup> Ministers announce the launch of the business credit availability program website. Ottawa 19 May 2009. Date of Access: 22 May 2009. <http://www.fin.gc.ca/n08/09-047-eng.asp>

<sup>537</sup> Ministers of finance announces launch of Canadian securities regulator Transition Office. Ottawa, June 22, 2009. Date of access: July 10, 2009. <http://www.fin.gc.ca/n08/09-064-eng.asp>

<sup>538</sup> Minister Cannon Signs Double Taxation Convention with Greece. June 29, 2009. Date of access: July 10, 2009.

[http://w01.international.gc.ca/minpub/publication.aspx?publication\\_id=387345&lang=eng&docnum=185](http://w01.international.gc.ca/minpub/publication.aspx?publication_id=387345&lang=eng&docnum=185)

## **China: -1**

During the period of monitoring no actions of Chinese Government to correct national regulative systems as well as information exchange on the international level to prevent financial risks, have been registered. Thus, China is assessed a score of “-1”.

*Analyst: Ilya Fedorov*

## **France: +1**

France has complied with the both elements of the commitment on the regulatory systems reform.

The President of France together with the Chancellor of Germany and Prime Minister of the UK in a letter addressed to the Prime Minister of Sweden, the country which currently holds the Presidency of the European Union, said that “a key issue of the Pittsburgh Summit will be to further design an international regulatory framework for the financial sector”.<sup>539</sup> The measures proposed are:

- Enhancing transparency: “There should be appropriate disclosure requirements imposed on banks”.
- G20 members-states should agree on a comprehensive list of countermeasures that could be implemented starting in March 2010 for jurisdictions that failed to implement effectively the international standards regarding the exchange of tax information.<sup>540</sup>

On 4 September 2009 Christian Noyer, Governor of the Banque de France, proposed to complement micro-supervision with macro-financial supervision, taking into account the systemic importance and interconnectedness of institutions, markets, instruments and the cumulative risks and dynamics which they create. That means looking both at system wide implications of prudential decisions and their impact on financial imbalances and the real economy.<sup>541</sup>

On 8 June 2009 the Conference on The Macroeconomy and Financial Systems in Normal Times and in Times of Stress jointly organized by the Banque de France and the Bundesbank took place to discuss the central banks role in developing essectivw system of regulation.<sup>542</sup>

The French authorities have taken measures to amend national regulatory system.

The Government has made decisions on a reform where insurance and banking supervision will be merged under the umbrella of a “systemic” college under the auspices of the Banque de France. The Central Bank will assume additional responsibilities in financial supervision.<sup>543</sup>

On 28 August 2009 France’s Finance Minister and of President Switzerland signed additional agreement to the French-Swiss tax convention of 1966. This agreement stipulates exchange of information including bank secrecy between fiscal authorities in compliance with the latest OECD standards.<sup>544</sup>

During the monitoring period France has amended its regulatory system and proposed a number of initiatives in this field on the international level. Thus France has been awarded a score of “+1” for full compliance with this commitment.

<sup>539</sup> UK, France and Germany release joint letter on G20. The official site of the Prime Minister’s Office. 3 September 2009. <http://www.number10.gov.uk/Page20496>. Date of access: 15 September 2009.

<sup>540</sup> UK, France and Germany release joint letter on G20. The official site of the Prime Minister’s Office. 3 September 2009. <http://www.number10.gov.uk/Page20496>. Date of access: 15 September 2009.

<sup>541</sup> Publication of Banque de France’s Financial Stability Review “The future of financial regulation”. Remarks by Christian Noyer, Governor of the Banque de France. Banque de France. 4 September 2009. <http://www.banque-france.fr/gb/instit/telechar/discours/2009/090904.pdf>. Date of access: 15 September 2009.

<sup>542</sup> “Complexity and the financial crisis” Jean-Pierre Landau, Deputy Governor of the Banque de France. Introductory remarks at the Conference on The Macroeconomy and Financial Systems in Normal Times and in Times of Stress jointly organized by Banque de France and the Bundesbank. Banque de France. 8 June 2009. <http://www.banque-france.fr/gb/instit/telechar/discours/2009/090608.pdf>. Date of access: 15 September 2009.

<sup>543</sup> Publication of Banque de France’s Financial Stability Review “The future of financial regulation”. Remarks by Christian Noyer, Governor of the Banque de France. Banque de France. 4 September 2009. <http://www.banque-france.fr/gb/instit/telechar/discours/2009/090904.pdf>. Date of access: 15 September 2009.

<sup>544</sup> Levée du secret bancaire: un accord franco-suisse. Portail du Gouvernement. <http://www.gouvernement.fr/gouvernement/levee-du-secret-bancaire-un-accord-franco-suisse>. Date of access: 15 September 2009.

## Germany: 0

Germany has partially complied with a commitment to identify and take account of macro-prudential risks across the financial system. The German Government has undertaken substantial measures to amend the national system of regulation, but it has not undertaken steps to gather relevant information on all material financial institutions to reduce financial risks on the international level.

In July, 2009 legislation on new principles of federal budget and budgets of the Landers has come into force. This legislation allows to modernize and unify Landers' budget systems. Now budget data have to be introduced according to unique classification and on the basis of the general functional plan.<sup>545</sup>

The upper Chamber of the German Federal Parliament Bundesrat has adopted the regulation on strengthening financial markets and insurance control. Within this regulation the Federal Service for control on financial services has to be endowed with extended authorities to regulate the market. The aim is to stabilize financial system and create a basis for expansion of business contacts between financial institutions.<sup>546</sup>

On 3 August, 2009 the low Chamber of the Federal Parliament of Germany Bundestag passed a bill to fight income taxation shelter and giving tax authorities inauthentic information on revenues. This measure allows raising control and volume of tax revenues of Germany's Federal budget.<sup>547</sup>

On 14 August 2009 the Federal Service for control on financial services has issued a statement on minimum requirements to credit and financial services risk management institutes. These requirements also include requirements to liquidity risks regulation, risks of concentration, group risk management. In particular, quality increase management systems have to be coincided with long-term goals of enterprises, which have a probability of risks and also have to take in account situations of getting a profit and possible losses. Requirements have to be considered by national business until 31 December, 2009. Thus, having strengthened control on the financial market, Germany has implemented one of the G20 commitments to strengthen risk management systems. This complied with Financial Stability Board (FSB) recommendations to the G20 countries.<sup>548</sup>

The German Federal Government has undertaken substantial measures to amend the financial regulation system for risks revelation, but it has not taken part in coordination of these measures at the international level. Thus, for partial compliance Germany is awarded a score of "+1".

Analyst: Yuriy Zaytsev

## India: 0

India has partially complied with its commitment to decrease risks in the financial sector.

The Global Investment Promotion Benchmarking 2009 report gives the rating to the Department of Industrial Policy and Promotion under India's Commerce Ministry in an appendix of its consolidated results, but provides no details. The report finds that over 70 per cent of government investment-promotion intermediaries miss out on investment and job-creating opportunities by failing to provide accurate and timely information to potential investors.<sup>549</sup>

<sup>545</sup> Wichtige Entscheidungen im Bundesrat. Bundesministerium der Finanzen. Den 10 Juli, 2009.

[http://www.bundesfinanzministerium.de/nr\\_54/DE/Wirtschaft\\_und\\_Verwaltung/Finanz\\_und\\_Wirtschaftspolitik/100709\\_Bundesrat.html?nnn=true](http://www.bundesfinanzministerium.de/nr_54/DE/Wirtschaft_und_Verwaltung/Finanz_und_Wirtschaftspolitik/100709_Bundesrat.html?nnn=true)

<sup>546</sup> WICHTIGE ENTSCHEIDUNGEN IM BUNDESRAT. BUNDESMINISTERIUM DER FINANZEN. DEN 10 JULI, 2009.

[http://www.bundesfinanzministerium.de/nr\\_54/DE/Wirtschaft\\_und\\_Verwaltung/Finanz\\_und\\_Wirtschaftspolitik/100709\\_Bundesrat.html?nnn=true](http://www.bundesfinanzministerium.de/nr_54/DE/Wirtschaft_und_Verwaltung/Finanz_und_Wirtschaftspolitik/100709_Bundesrat.html?nnn=true)

<sup>547</sup> Gesetz zur Bekämpfung der Steuerhinterziehung. Bundesministerium der Finanzen. Den 10 Juli, 2009.

[http://www.bundesfinanzministerium.de/nr\\_54/DE/Wirtschaft\\_und\\_Verwaltung/Finanz\\_und\\_Wirtschaftspolitik/100709\\_Bundesrat.html?nnn=true](http://www.bundesfinanzministerium.de/nr_54/DE/Wirtschaft_und_Verwaltung/Finanz_und_Wirtschaftspolitik/100709_Bundesrat.html?nnn=true)

<sup>548</sup> BUNDESREGIERUNG BESCHLIEßT VERORDNUNG ZUR BEKÄMPFUNG VON STEUERHINTERZIEHUNG.

BUNDESMINISTERIUM DER FINANZEN. DATUM DES ZUGANGS: DEN 18 AUGUST, 2009.

[http://www.bundesfinanzministerium.de/nr\\_54/DE/Buergerinnen\\_und\\_Buerger/Gesellschaft\\_und\\_Zukunft/129\\_maRisk.html?nnn=true](http://www.bundesfinanzministerium.de/nr_54/DE/Buergerinnen_und_Buerger/Gesellschaft_und_Zukunft/129_maRisk.html?nnn=true)

<sup>549</sup> India's investment promotion 'very weak': WB. iGovernment. 12 May 2009. Date of Access: 23 May 2009.

<http://www.igovernment.in/site/Indias-investment-promotion-very-weak-WB/?section=Economy/>

In May, 2009 Indian Government announced it had taken important decision regarding state financial reporting. India would soon change its cash based accounting format to adopt the one based on accrual, enabling the government and its agencies to record transactions as they occur, irrespective of when the cash is received or remitted. The accrual based financial statements would provide more appropriate presentation of financial performance and position of the government.<sup>550</sup>

Nonetheless the Indian Government has not taken part in international information exchange framework to ensure access to relevant information and to decrease risks in financial sector. Thus, India is awarded a score of “0”.

*Analyst: Igor Churkin*

### **Indonesia: 0**

Indonesia has partly complied with the G20 commitment to amend the regulatory systems and to take account of macro-prudential risks across the financial system.

The Finance Department has announced the decision to coordinate the state budgeting system with the Corruption Eradication Commission. On 11 May 2009 the Department’s secretary-general, Mulya Nasution, said that this improvement would be reflected in the 2010 State Budget plans.<sup>551</sup>

On 19 May 2009 Boediono, the Governor of Bank Indonesia, said that banking monitoring should be tighter than before and this will be a challenge for the new governor of Bank Indonesia replacing him.<sup>552</sup>

Thereby, Indonesia has undertaken measures for restructuring national regulatory systems and has not made efforts to encourage information sharing on international level. As a result, Indonesia is assessed at a score of “0” for partial fulfillment of the commitment.

*Analyst: Maria Tyurikova*

### **Italy: -1**

During the monitoring period the Italian government has not introduced any amendments into the regulation system and has not participated in international coordination on ensuring availability of relevant information for preventing risks in financial sector. Consequently, Italy deserves a score “-1”.

*Analyst: Anna Vekshina*

### **Japan: 0**

Japan has partly complied with the commitment to amend national regulatory system and close coordination at international level to exchange information in order to prevent systemic risks in financial sector.

On 11 June 2009 the Planning and Coordination Committee of the Business Accounting Council held a meeting on the application of International Financial Reporting Standards (IFRS) in Japan. At the meeting, the Committee agreed upon “Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)”. The use of IFRS is allowed from the fiscal year ending in March 2010. The decision regarding the mandatory use of IFRS is to be made around 2012.<sup>553</sup> Such an initiative of amending national regulatory system increases Japanese market’s transparency, which will lead to lower systemic risks and higher international cooperation opportunities. This fact means that Japanese government lowered barriers for international partners in getting financial information about Japanese companies.

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<sup>550</sup> India to change government accounting format. iGovernment. 6 May 2009. Date of Access: 22 May 2009. <http://www.igovernment.in/site/India-to-change-government-accounting-format/?section=Policy/>

<sup>551</sup> Government Coordinates Budget System. TEMPO Interactive, Jakarta. Date of Access: 12 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/12/brk.20090512-175756.uk.html>

<sup>552</sup> Boediono Concerned about Banking Monitoring. TEMPO Interactive, Jakarta. Date of Access: 20 May 2009. <http://www.tempointeractive.com/hg/nasional/2009/05/20/brk.20090520-177339.uk.html>

<sup>553</sup> Financial Services Agency, Press Releases, Business Accounting Council (Planning and Coordination Committee) agrees on “Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)”. 12 June 2009. Date of Access: 30 August 2009. <http://www.fsa.go.jp/en/news/2009/20090612-3.html>

Japanese officials pressed for the regulation of speculative money in the oil futures market to ensure price stability<sup>554</sup> and for strengthening supervision of futures markets and over-the-counter commodity trade<sup>555</sup> prior to G8 Summit in July 2009. In the speeches made by Governor of the Bank of Japan Masaaki Shirakawa<sup>556</sup>, <sup>557</sup> and by Commissioner of Financial Services Agency Dr. Takafumi Sato<sup>558</sup>, <sup>559</sup> the problem of world financial system regulation in order to fight macro-prudential risks was frequently raised.

On 22 April 2009 the Japan-EU High Level Meeting on Financial Issues was held in Brussels. Both sides exchanged views on insurance-related matters, the regulation of credit rating agencies and audit. The next meeting will take place in Tokyo.<sup>560</sup>

Japanese government partly complied with this commitment by taking action in order to amend national regulatory system, but actions at the international level were insignificant. Thus, Japan receives a score of “0”.

*Analyst: Evgeny Gushchin*

### **Mexico: 0**

Mexico has partially complied with the G20 commitment on amending its regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system as well as ensuring that its national regulators possess the powers for gathering relevant information on all material financial institutions, markets, and instruments.

On 21 March, 2009 Mexico's Senate approved the bill that would give the central bank greater authority to regulate the interest rates and commissions that banks and finance companies charge consumers, as well as boost competition in the credit card payment system. The bill, which now goes to the lower house of Congress for debate, says the Bank of Mexico should make sure loans are made under “accessible and reasonable conditions”.<sup>561</sup>

Through the large-scale fighting corruption program Mexican government carried out mass staff transfers in customs office. More than 1000 customs officers were dismissed in the country. Newly trained experts were employed instead of the redundant ones.

Armed forces of Mexico supported such large-scale customs staff change program. More than 40 thousands military men were involved in the counter-narcotic and weapon operations. It is expected that staff reshuffle will have noticeable economic effect. According to the Mexican government, the initiative will double custom duties collection<sup>562</sup>.

Mexico has made significant efforts in changing of regulation system, that empowers Central Bank with better possibilities to identify and take account of macro-prudential risks across the financial system.

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<sup>554</sup> G8 News 090516-20 Japan hoping for G8 support to bolster commodity market control May 20, 2009 Platts Takeo Kumagai.

<sup>555</sup> G-8 MINISTERS TO DISCUSS OIL PRICES, REGULATION, ENERGY SAVING MAY 22, 2009 KYODO BY SHINYA AJIMA. 22 MAY, 2009. DATE OF ACCESS: 31 AUGUST, 2009.

<sup>556</sup> Some Thoughts on Incentives at Micro- and Macro-level for Crisis Prevention, Remarks at the Eighth Bank for International Settlements Annual Conference in Basel, Masaaki Shirakawa, Governor of the Bank of Japan, 26 June 2009, Date of Access: 4 September 2009. <http://www.boj.or.jp/en/type/press/koen07/ko0906e.htm>

<sup>557</sup> International Policy Response to Financial Crises, Remarks at the Symposium Sponsored by the Federal Reserve Bank of Kansas City, Masaaki Shirakawa, Governor of the Bank of Japan. 22 August 2009. Date of Access: 4 September 2009. <http://www.boj.or.jp/en/type/press/koen07/ko0908c.pdf>

<sup>558</sup> Current situation of Japan's financial system and FSA's policy response, Speech by Dr. Takafumi Sato, Commissioner, Financial Services Agency, The Foreign Correspondents' Club of Japan, Tokyo, 17 June 2009. Date of Access: 4 September 2009. <http://www.fsa.go.jp/en/announce/state/20090617-1.html>

<sup>559</sup> Financial business environment in Japan: current progress and future change, Speech by Dr. Takafumi Sato, Commissioner, Financial Services Agency, The International Bankers Association, Tokyo. 22 June 2009. Date of Access: 4 September 2009. <http://www.fsa.go.jp/en/announce/state/20090622-1.html>

<sup>560</sup> FSA Newsletter June 2009. Japan-EU High Level Meeting on Financial Issues. Date of Access: 4 September 2009. <http://www.fsa.go.jp/en/newsletter/2009/06b.html>

<sup>561</sup> Mexico's Senate Approves Bill to Regulate Bank Fees, Rates. The Wall Street Journal, 04.21.2009. Date of Access: 4 September 2009. <http://mexicoinstitute.wordpress.com/2009/04/21/mexicos-senate-approves-bill-to-regulate-bank-fees-rates/>

<sup>562</sup> Mexican authorities have dismissed 1000 customs officers. Gzt.ru. 17 August, 2009. Date of access: 15 September, 2009. <http://www.gzt.ru/topnews/world/254870.html>

The Mexican government has partially complied with this commitment having made some changes in its national regulatory system to prevent macro-prudential risks. Therefore, Mexico receives a score of “0”.

*Analyst: Natalya Zlokazova*

### **Russia: 0**

Russia has partly complied with the commitment on amending national regulatory system and international cooperation in this field.

On 11 July 2009 the Russian Government adopted a Plan on creation of the financial centre in Russia.<sup>563</sup> The plan includes a number of measures on financial system development, including regulatory system improvement:

- securities legal regulation improvement;
- clearing activity legal regulation improvement;
- securities loans and repurchase agreements legal regulation improvement. Pledging of securities and other financial instruments legal regime development;
- introduction of separate regulation of public and nonpublic companies in the fields of management bodies structure and formation and information disclosure requirements.
- Creation of a united centre of corporate information disclosure;
- in July 2009 Russian State Duma adopted the bill on transparency of pricing in open tenders at the first reading. The bill establishes information disclosure requirements to the tender organizers.<sup>564</sup>

The Central Bank of Russia plans to involve auditing firms in bank inspections in order to increase efficiency of its supervisory responsibility. The Central Bank will amend its regulations to let auditing firms organize bank inspections by order of the Central Bank board of directors.<sup>565</sup>

No facts on the Russian authorities' participation in the international cooperation on financial regulation have been registered except the BRIC and G20 Financial Ministers meetings.

Thus Russia has been awarded a score of “0” for partial compliance with this commitment.

*Analyst: Mark Rakhmangulov*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with the commitment by reforming its judicial system in the part, concerning the stabilization of the financial system.

Saudi Arabia made amendments to the legislation, aimed at strengthening further financial regulatory and supervisory frameworks, including measures to improve banks risk management systems, implementing remaining FSAP recommendations, and assessing the AML/CFT framework.<sup>566</sup> After the consultations with representatives of the private sector and Government Agencies there were regulations implemented in legislation about Corporative Government, Listing Rules, Real Investment Funds Operations and others.<sup>567</sup>

There wasn't found any relevant information on Saudi's engagement in international cooperation by participation in relevant working groups or proposing initiatives on regulatory reform in different international organizations.

All in all, for amending the regulatory system and not participating in international coordination on ensuring availability of relevant information, Saudi Arabia receives a score of “0”.

*Analyst: Pavel Prokopyev*

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<sup>563</sup> Plan on creation of the financial centre in Russia. Government of Russia. 11 July 2009.

<http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/07/11/3010218.htm>.

Date of access: 13 September 2009.

<sup>564</sup> Plan on creation of the financial centre in Russia. Government of Russia. 11 July 2009.

<http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/07/11/3010218.htm>.

Date of access: 13 September 2009.

<sup>565</sup> Report on the banking sector and oversight development in 2008. Central Bank of Russia. 22 May 2009.

[http://cbr.ru/publ/root\\_get\\_blob.asp?doc\\_id=8461](http://cbr.ru/publ/root_get_blob.asp?doc_id=8461). Date of access: 13 September 2009.

<sup>566</sup> IMF Executive Board Concludes 2009 Article IV Consultation with Saudi Arabia. Kingdom of Saudi Arabia. Ministry of Finance. 13 July 2009. [http://www.mof.gov.sa/en/docs/news/index.asp?n\\_ID=530](http://www.mof.gov.sa/en/docs/news/index.asp?n_ID=530)

<sup>567</sup> Implementing Regulations. Capital Market Authority. Date of access: September, 1, 2009.

[http://www.cma.org.sa/cma\\_en/subpage.aspx?secserno=19&mirrorid=277&serno=19](http://www.cma.org.sa/cma_en/subpage.aspx?secserno=19&mirrorid=277&serno=19)

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

The Government of South Africa has fully complied with its commitment on regulation system. Payments between Southern African countries are to be made easier after the central banks of the Southern African Development Community (SADC) said they are hoping to create a new single payment and settlement system for the region. Dave Mitchell, South Africa's Reserve Bank national payment system department head, said 12 of the 15 states have implemented gross real-time settlement systems, which meant they now have the means of conducting immediate electronic settlements. In an interview on Business Report, Mitchell said the SADC was hoping to set up a similar system to that being employed in the EU, ultimately resulting in one central bank, one multinational payment and settlement system and one currency<sup>568</sup>.

On 9 July 2009 National Treasury has introduced regulations governing co-operative banks in South Africa. These regulations have been promulgated in terms of the Co-operative Banks Act. The Co-operative Banks Act hopes to promote access to financial services, especially by previously excluded South Africans, by establishing a regulatory framework and development institution for co-operative banks. The regulations provide a framework for co-operative banks and prescribe the types of investments which these banks are allowed to invest in on behalf of their members. Draft Combined Rules have also been published for public comment. These rules describe the forms needed to register, and the manner and period in which these forms should be submitted<sup>569</sup>.

Taking into consideration that South Africa has undertaken actions for reformation its regulatory system both on the national and international levels, compliance with this commitment can be assessed at a score of "+1".

*Analyst: Yulia Kukushkina*

### **South Korea: 0**

The government of Korea has partly fulfilled its G20 commitment to amendment national regulatory systems and information exchange for decreasing finance risks.

The Republic of Korea prefers monetary means of economy restructure (via the Bank of Korea) and makes attempts of regulatory system amendment. Eight months on the Bank of Korea keeps the base rate at all-time low – 2%, foreign currency exchange control was lightened for finance markets stabilization, interbank crediting was facilitated, bank reserves and mortgage regulations were eased and the bank transfer system was also restructured<sup>570</sup>. Nevertheless, a cap on excessive borrowing is enforced.<sup>571</sup> There are also to be restrictions on marginal foreign currency deals<sup>572</sup> and additional restrictions on mortgage loans.<sup>573</sup>

The Korean authorities take also attempts to establish a transparent regulatory system of issuing derivatives, however, this endeavour faces a rough reaction of Korean and foreign financial companies<sup>574</sup>.

For the fulfillment of this commitment Korea is assessed a score of "0".

*Analyst: Alexander Simonov*

### **Turkey: 0**

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<sup>568</sup> SADC works towards single payment system, TradeInvestSA.14 April. Day of access: 19 May 2009.

[http://www.tradeinvestsa.co.za/news/140409\\_SADC\\_hopes\\_for\\_single\\_payment\\_system.htm](http://www.tradeinvestsa.co.za/news/140409_SADC_hopes_for_single_payment_system.htm)

<sup>569</sup> Press Release: Cooperative Banks Rules and Regulations, National Treasury Republic of South Africa. 9 July 2009 [http://www.finance.gov.za/comm\\_media/press/2009/2009070901.pdf](http://www.finance.gov.za/comm_media/press/2009/2009070901.pdf) Date of access: 9 July 2009

<sup>570</sup> Korea. Net. Gateway to Korea. Date of access: 6 September.

[http://korea.net/news/issues/issueDetailView.asp?board\\_no=20774](http://korea.net/news/issues/issueDetailView.asp?board_no=20774)

<sup>571</sup> BOK policy to stabilize financial and foreign exchange markets Korea. Net. Gateway to Korea. 21 May 2009. Date of access: 6 September, 2009. [http://korea.net/news/issues/issueDetailView.asp?board\\_no=20391](http://korea.net/news/issues/issueDetailView.asp?board_no=20391)

<sup>572</sup> South Korea Raises Deposits for Foreign-Exchange Margin Trading. Bloomberg. 16 July 2009. Date of access: 6 September, 2009. [http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aHmyt\\_nebJyQ](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aHmyt_nebJyQ)

<sup>573</sup> Thai Central Bank May Keep Rate as Stimulus Kicks In (Update1). 15 July 2009. Bloomberg. Date of access: 6 September, 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aoxBbI39KzF8>

<sup>574</sup> Korea's Bid to Tighten Control of Derivatives Opposed (Update2). Bloomberg. 2 July 2009. Date of access: 6 September, 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aqaIZwHi1VsA>

Turkey has partially fulfilled its commitment to amend its regulatory systems to avoid any macro-prudential risks across the financial system in future.

On 15 June 2009, the Deputy Prime Minister in charge of the economy, Ali Babacan said, that the government plans to introduce a new regulations for consumer credit cards. Speaking at a press conference in Ankara, the minister said measures need to be taken to address the ongoing problem of uncollected debt in Turkey and to encourage people to use credit cards more carefully and avoid buying things they cannot afford.<sup>575</sup>

On 24 June 2009, a recent decision by the Turkish government to extend financial support to the Loan Insurance Fund (KGF) was published in the Official Gazette. A bill will create a new KGF to help allay the problem of finding financial resources for small and medium-sized enterprises (SMEs) and to ensure the smooth operation of the loan system. The bill also lifts some restrictions imposed by the Banking Law to ensure that banks take on an active role in the new KGF system.<sup>576</sup>

According to a recent study conducted by the Organization for Economic Cooperation and Development (OECD), within the framework of a new application introduced by the OECD Turkey could attract some USD100 billion. Pursuant to new application countries listed in the organization's "white list" will have the right to recall money that was previously deposited in bank accounts in foreign countries. In "white list" the OECD places countries which are active in the fight against money laundering and tax evasion. Prime Minister Recep Tayyip Erdoğan's chief economic adviser Şaban Dişli said such mechanisms are important to help the country's ailing economy stand on its own two feet.<sup>577</sup>

Turkey's government has fulfilled only part of the commitment by eliminating risks in financial system however Turkey did not participate in discussions about reducing such risks on international level. Thus, Turkey is awarded a score of "0".

*Analyst: Anvarjon Sultanov*

### **United Kingdom: +1**

The United Kingdom has complied with the commitment to amend national regulatory system, as it has realized several important initiatives in this sphere, including initiatives on international partnership in regulation improvement. The UK's readiness to amend national regulatory system was confirmed in the Chancellor of the Exchequer's budget statement on 22 April 2009. Alistair Darling stated out that the Government should strengthen trust in financial services sector, first of all, through improving the regulatory system.<sup>578</sup>

British Government has prepared several documents with measures on amending of regulatory system. On 29 June 2009 the Government published a consultation document on a code of practice on tax for banks, which sets out the behaviours the Government expects from banks in the management of their tax affairs to minimise tax avoidance.<sup>579</sup>

On 8 July 2009 the Chancellor of the Exchequer Alistair Darling published "Reforming Financial Markets", a document setting out the Government's proposals for the reform of the financial system. The proposals focus on reform of the way banks are regulated. The UK plans to place higher capital requirements on firms that present greater risks to the system, to help consumers make better informed choices, to set up a new Council for Financial Stability - which

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<sup>575</sup> New government plan to restructure credit card debt repayment – Date of access 16 June 2009. Source: <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=178180>

<sup>576</sup> Treasury to support loan insurance fund. Date of access 25 June 2009. <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=179011>

<sup>577</sup> Turkey could attract USD100 billion from bank accounts abroad 22 August 2009. Date of Access: 10 August 2009. <http://www.todayszaman.com/tz-web/news-184747-turkey-could-attract-100-billion-from-bank-accounts-abroad.html>

<sup>578</sup> Chancellor of the Exchequer's budget statement. 22 April 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/bud\\_bud09\\_speech.htm](http://www.hm-treasury.gov.uk/bud_bud09_speech.htm)

<sup>579</sup> Code of practice on tax for banks. 29 June 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_63\\_09.htm](http://www.hm-treasury.gov.uk/press_63_09.htm)



will bring together the Bank of England, the FSA and the Treasury to monitor system-wide financial stability and respond to long-term risks as they emerge.<sup>580</sup>

On 16 July 2009 Sir David Walker's proposals for the reform of the corporate governance of UK banks and other financial institutions were presented. The consultation period will run until 1 October 2009 and the final report will be published in November 2009.<sup>581</sup>

On 17 June 2009 the Chancellor of the Exchequer said that the UK has already passed The Banking Act which gave the government new powers to deal with failing banks and strengthened the Bank's existing responsibility for financial stability. The UK has also already strengthened the Financial Services Authority's powers to ask financial institutions for information.<sup>582</sup>

In June 2009 the Financial Services Authority began to control the compensatory policy of banks and to penalize those of them which guarantee dividends for the period exceeding a year, as it is incompatible with the effective risk management.<sup>583</sup>

The United Kingdom also promotes international cooperation in amending regulatory systems. In the report published on 7 May 2009 by the Financial Services Global Competitiveness Group it is stated that the UK's financial services sector can continue to be a world leader by working as a genuine partner of British business and emerging economies while embracing the need for global regulatory reform. Proposed in the report measures include dialog with emerging market economies, through the creation of joint ventures, co-investment and training and sharing experiences on regulation and business models in relation to primary exchange structure and risk management.<sup>584</sup>

On 17 June 2009 the Chancellor of the Exchequer pointed out that it is essential to work at the G20 level to achieve a single and high-quality set of global standards and said that the UK will be bringing forward proposals to the G20 finance ministers in the Autumn 2009.<sup>585</sup>

Thus, the United Kingdom has realized several important initiatives in regulatory system and made proposals on international cooperation in this sphere. The UK's score is "+1" for the fulfillment of this commitment.

*Analyst: Natalia Churkina*

## **USA: 0**

The United States took measures to decrease risks in financial sector, mainly on the national level.

In May, 2009 Treasury Secretary Timothy Geithner proposed a comprehensive regulatory framework for all Over-The-Counter derivatives, which under current law are largely excluded or exempted from regulation. Objectives of Regulatory Reform of OTC Derivatives Markets are: Preventing Activities Within The OTC Markets From Posing Risk To The Financial System, Promoting Efficiency And Transparency Within The OTC Markets, Preventing Market Manipulation, Fraud, And Other Market Abuses.<sup>586</sup> In spring and summer 2009 there were various proposals how to reform the regulatory system. There were debates over whether there should be a sweeping reform of the Federal Reserve System as part of any regulatory overhaul, whether the central bank should be given more power to oversee systemic risk, etc. Treasury

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<sup>580</sup> Government plans for the reform of financial markets. 8 July 2009. HM Treasury. Date of access: 19 August 2009. [http://www.hm-treasury.gov.uk/press\\_65\\_09.htm](http://www.hm-treasury.gov.uk/press_65_09.htm)

<sup>581</sup> Government welcomes publication of Walker review. 16 July 2009. HM Treasury. Date of access: 19 August 2009. [http://www.hm-treasury.gov.uk/press\\_67\\_09.htm](http://www.hm-treasury.gov.uk/press_67_09.htm)

<sup>582</sup> Speech by the Chancellor of the Exchequer, the Rt Hon Alistair Darling MP, at Mansion House. 17 June 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_57\\_09.htm](http://www.hm-treasury.gov.uk/press_57_09.htm)

<sup>583</sup> Not to promise something excessive. 23 July 2009. Vedomosti. Date of access: 19 August 2009. <http://www.vedomosti.ru/newspaper/article.shtml?2009/07/23/206469>

<sup>584</sup> Report sets out vision for UK financial services sector. 7 May 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_47\\_09.htm](http://www.hm-treasury.gov.uk/press_47_09.htm)

<sup>585</sup> Speech by the Chancellor of the Exchequer, the Rt Hon Alistair Darling MP, at Mansion House. 17 June 2009. HM Treasury. Date of access: 6 July 2009. [http://www.hm-treasury.gov.uk/press\\_57\\_09.htm](http://www.hm-treasury.gov.uk/press_57_09.htm)

<sup>586</sup> Congressional Letter: Over-The-Counter (OTC) Derivatives, Department Of The Treasury, 13 May 2009. Date of Access: 15 May 2009. <http://www.financialstability.gov/docs/OTCletter.pdf>.

Secretary Timothy Geithner stressed that the reform requires not just legislative changes, but the government should fundamentally re-examine how supervision is conducted.<sup>587</sup>

The Obama Administration officially presented the package of regulatory reforms for the financial sector on 18 June 2009. The reform offers a wide range of reforms from creating a systemic risk regulator and a new consumer protection agency to enhanced oversight, such as registration of hedge funds and derivatives trading.<sup>588</sup> The President Administration has been working on the reform since 25 February 2009 when President Obama directed his economic team to develop recommendations for financial regulatory reform.<sup>589</sup> The reform is among Obama's top priorities. However, as many respective economic newspapers admit, there is still too little progress in this direction.<sup>590</sup>

The work on the Consumer Financial Protection Agency at the end of August, 2009 was still in progress. On 28 August, 2009 Eric Stein, Treasury's deputy secretary for consumer protection, said that such a consumer-oriented federal agency is necessary.<sup>591</sup> Consumer groups welcomed the proposal, business groups criticized it, arguing that the agency would mean higher prices for consumers and constrict consumer choices, and policy-makers continued to modify the proposals.

Creating a systemic risk regulator is also in process. Experts insist that a systemic risk regulator must play a consultative but not imperative role and must be independent of the Government and the Federal Reserve because these structures may also be sources of systemic risk.<sup>592</sup> Though at the end of August it was highly probable that FRS will play the role of systemic regulator.

In the sphere of international cooperation in preventing systemic risk no significant actions were undertaken by the United States.

For progress in the sphere of financial stabilization at the national level and for the lack of practical implementation of the proposed ideas the USA is assessed a score of "0".

*Analyst: Tatyana Lanshina*

## **EU: 0**

The EU has partially complied with its commitment on the regulatory financial system as undertaken measures on the Community level.

The Council adopted a directive amending directives on settlement finality in payment and securities settlement systems and on financial collateral arrangements as regards linked systems and credit claims. The main objective of the amendments is to bring the rules on settlement finality in payment and securities settlement systems in line with the latest market and regulatory developments and strengthen the tools for managing instability and turmoil in financial markets by protecting the increasing number of linkages between systems to ensure the proper functioning of settlement systems; establishing a harmonised legal framework for the use of credit claims as collateral in cross-border transactions to increase market liquidity and promote better availability of credit.<sup>593</sup>

<sup>587</sup> Crisis or No, Debate Over Reg Reform Splintering, Bank Investment Consultant, 21 May 2009. Date of Access: 23 May 2009. <http://www.bankinvestmentconsultant.com/news/crisis-reg-reform-debate-2661984-1.html>.

<sup>588</sup> Obama Financial Reform Plan Draws Mixed Reviews, CNBC. 17 June 2009. Date of Access: 7 July 2009. <http://www.cnbc.com/id/31404219/>.

<sup>589</sup> Treasury Secretary Tim Geithner Written Testimony House Financial Services Committee Hearing, U.S. Department of the Treasury, tg-71, 26 March 2009. Date of Access: 15 May 2009. <http://www.ustreas.gov/press/releases/tg71.htm>.

<sup>590</sup> Geithner Vents at Regulators as Overhaul Stumbles. The Wall Street Journal. 4 August 2009. Date of Access: 23 August 2009. [http://online.wsj.com/article/sb124934399007303077.html?mod=dist\\_smartbrief](http://online.wsj.com/article/sb124934399007303077.html?mod=dist_smartbrief).

<sup>591</sup> Treasury's Stein Discusses Consumer Agency, Draws Big Audience, Nasdaq. 28 August 2009. Date of Access: 29 August 2009. <http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=200908261559dowjonesdjonline000575&title=treasurys-stein-discusses-consumer-agencydraws-big-audience>.

<sup>592</sup> Advice, Not Consent: A Case for a Systemic Risk Adviser and against a Systemic Risk Regulator. RGE Monitor. 26 August 2009. Date of Access: 29 August 2009. [http://www.rgemonitor.com/financemarkets-monitor/257569/advice\\_not\\_consent\\_a\\_case\\_for\\_a\\_systemic\\_risk\\_adviser\\_and\\_against\\_a\\_systemic\\_risk\\_regulator](http://www.rgemonitor.com/financemarkets-monitor/257569/advice_not_consent_a_case_for_a_systemic_risk_adviser_and_against_a_systemic_risk_regulator).

<sup>593</sup> Council of the European Union, Press-release: Council strengthens tools to counter financial market instability and to enhance liquidity 9102/09 (Presse 99), Luxembourg, 27 April 2009. Date of Access: 10 August 2009. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/107390.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/107390.pdf)

In the Council Conclusions on the Long-term Sustainability and Quality of Public Finances from 29 April 2009, the Council appreciated the progress achieved in the provision of second level datasets on government expenditure by classification of functions of government (COFOG II) which is important for analyzing the trends in the composition of public expenditures. The Council also invited the Commission and Member States to continue to enhance the availability of such data, to stick to delivery plans, improve the quality of data and extend time series.<sup>594</sup>

In adopted Communication by the European Commission on Financial Supervision in Europe a set of ambitious reforms was proposed concerning the current architecture of financial services committees, with the creation of a new European Systemic Risk Council (ESRC) and European System of Financial Supervisors (ESFS), composed of new European Supervisory Authorities for making financial markets safer for investors and restoration confidence in the system.<sup>595</sup>

22 June 2009 the Council adopted a directive on undertakings for collective investment in transferable securities (UCITS) (3605/1/09 REV 1 + 10824/09 ADD1) which seeks to update the regulatory framework applicable to European investment funds – undertakings for collective investment in transferable securities (UCITS) – which represent a market of around EUR5 billion. It should provide the investors with the key information about activity of the companies, create a genuine European passport for UCITS management companies and strengthen the supervision of UCITS and of the companies that manage them, by means of enhanced cooperation between supervisors.<sup>596</sup>

The Council adopted a regulation introducing a legal framework for credit rating agencies (3642/09) and a directive updating capital requirements for banks (3670/09), which constitute a significant part of the work programme it launched last autumn in response to the financial crisis. The regulation comes in response to calls from both the European Council and the G20 and establishes a common framework for measures adopted at national level, in order to ensure the smooth functioning of the EU's internal market with comparable levels of investor and consumer protection from one member state to another.<sup>597</sup>

The EU has acted taking into account international standards and aims on financial regulatory systems to improve the regulations at the Community level but not on the international level. Thus, the EU has partially complied with the commitment and is awarded a score of “0”.

*Analyst: Arina Shadrikova*

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<sup>594</sup> Council of the European Union, Conclusions on the Long-term Sustainability and Quality of Public Finances 8818/09, approved 05 May 2009, Press-release. Date of Access: 10 August 2009.

<http://www.consilium.europa.eu/uedocs/NewsWord/en/ecofin/107535.doc> Draft Council conclusions on the long-term sustainability and quality of public finances from the General Secretariat of the Council 8818/09, Brussels, 29 April 2009. Date of Access: 10 August 2009. <http://register.consilium.europa.eu/pdf/en/09/st08/st08818.en09.pdf>

<sup>595</sup> European Commission, press-release IP/09/836, Brussels, 27 May 2009. Date of Access: 10 August 2009. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/836&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>596</sup> Council improves rules for EU investment funds, Council of the European Union, Press-release 11167/09 (Presse 184), Luxembourg, 22 June 2009. Date of Access: 10 August 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/108674.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/108674.pdf)

<sup>597</sup> Financial services: new rules on credit rating agencies, bank capital requirements, cross-border payments and e-money, and a programme to support the effectiveness of EU policies, Council of the European Union, Press-release 12380/09 (Presse 234), Brussels, 27 July 2009. Date of Access: 10 August 2009.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/109349.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/109349.pdf)

## **Annex 1. G20 London summit commitments selected for monitoring**

### **1) Restoring growth and jobs**

2009-16 “We are resolved to ensure long-term fiscal sustainability and price stability and will put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand.”

*G20 Leaders’ Statement: The Global Plan for Recovery and Reform*

### **2) Resisting protectionism and promoting global trade and investment**

2009-40 “We reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports;”

2009-41 “In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;”

2009 - 42 “We will minimise any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries”.

*G20 Leaders’ Statement: The Global Plan for Recovery and Reform*

### **3) Ensuring a fair and sustainable recovery for all (1)**

2009-47 “We reaffirm our historic commitment to meeting the Millennium Development Goals and to achieving our respective ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa.”

*G20 Leaders’ Statement: The Global Plan for Recovery and Reform*

### **4) Ensuring a fair and sustainable recovery for all (2)**

2009-48 “We are making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank’s Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund.”

*G20 Leaders’ Statement: The Global Plan for Recovery and Reform*

### **5) The scope of regulation**

2009-66 “We will amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks, and private pools of capital to limit the build up of systemic risk;”

2009-67 “We will ensure that our national regulators possess the powers for gathering relevant information on all material financial institutions, markets, and instruments in order to assess the potential for their failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.”

*G20 Declaration on Strengthening the Financial System*