

Annex 1:

St. Petersburg Fiscal Templates – G-20 Advanced Economies

AUSTRALIA

1. Medium-term fiscal strategy (*required for advanced economies*):

The Australian Government's medium term fiscal strategy is to ensure fiscal sustainability while providing the necessary flexibility for the budget position to vary in line with economic conditions.

a. Overall strategy for debt sustainability

Australian Government net debt as a share of GDP is currently projected to peak in 2014-15, at which point net interest payments are currently estimated to amount to approximately 0.6 of a per cent of GDP.

b. Debt-to-GDP ratio objective

Australia's fiscal strategy does not have a net debt objective. Net debt is currently projected to peak at 13 per cent of GDP in 2014-15, declining over the remainder of the forward estimates.

c. Expenditure and revenue reforms

Nil

d. Reforms to strengthen the fiscal framework

In 2012 the Australian Government established the independent Parliamentary Budget Office (PBO). The PBO is a specialised office dedicated to providing the Parliament with high quality analysis and advice on Budget related matters. The establishment of a PBO is an important reform designed to enhance the credibility and transparency of Australia's fiscal and budgetary frameworks. It will prepare policy costings and provide information on budget matters to Members of Parliament. It will also prepare submissions to inquiries of Parliamentary committees and conduct research on and analysis of the budget and fiscal policy settings more broadly.

2. Medium-term projections (*required for all members*):

Australia's medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) beyond 2016 are:

	<i>Actual</i>	<i>Estimates</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Debt [#]	10.0%	10.7%	11.7%	13.0%	12.7%	12.0%
Deficit	-3.0%	-1.3%	-1.6%	-1.3%	0.1%	0.4%
CAPB*	N/A	N/A	N/A	N/A	N/A	N/A

[#]Please note that the Australian Government does not report gross debt figures, but does report on net debt.

*Please note that the Australian Government does not report official CAPB figures.

3. Economic Assumptions (*required for all members*):

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
real GDP growth	2¾	2½	3	3	3	N/A
nominal GDP growth	2½	3¾	4½	5¼	5¼	N/A
ST interest rate	N/A	N/A	N/A	N/A	N/A	N/A
LT interest rate	N/A	N/A	N/A	N/A	N/A	N/A

CANADA

1. Medium-term fiscal strategies (*required for advanced economies*):

a. Overall strategy for debt sustainability

The Government of Canada remains committed to returning to balanced budgets by 2015 and expects to re-establish its debt-to-GDP ratio on a downward track.

b. Debt-to-GDP ratio objective

The Government of Canada's medium-term fiscal objective is to achieve a federal debt-to-GDP ratio of 25 per cent of GDP by 2021 or earlier if economic conditions permit. The Government would consider delaying the planned attainment of this goal, beyond 2021, only if a significant, unforeseen and adverse economic shock were to occur.

c. Intermediate objectives

The Government of Canada is committed to returning to balanced budgets by 2015. Canada's provinces are also committed to returning to balanced budgets over the medium term, with 9 of 10 having indicated a target year for returning to balance. British Columbia, Nova Scotia, Quebec and Saskatchewan are projecting balanced budgets or budgetary surpluses this year.

d. Expenditure and revenue reforms

Expenditure reforms:

- Results of the 2011 Departmental Spending Review (announced in Budget 2012): spending reductions are refocusing government programs to better align spending with priorities of Canadians; making it easier for Canadians to deal with their government; and modernizing and streamlining back office administrative functions. *The Departmental Spending Review identified \$5.2 billion in ongoing savings by 2014-15, representing 6.9 per cent of the review base.*
- The 2012 Fall Update confirmed the Government's intention (announced in Budget 2011) to eliminate severance benefits available to employees upon voluntary departure. *Eliminating severance benefits for voluntary departure are expected to generate \$500 million in ongoing savings.*
- Announced in Budget 2012, the Public Sector Pension Plan was adjusted so that public service employee contributions equal, over time, those of the employer. For employees who join the federal Public Service starting in 2013, the normal age of retirement will be raised from 60 to 65. *Public Sector Pension reforms are expected to generate savings of roughly \$900 million annually by 2017-18.*
- Budget 2012 also committed to ensuring that the Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS) remain on a sustainable path. The age of eligibility for the OAS pension and the GIS will be gradually increased between the years 2023 and 2029, from 65 to 67. *These reforms are expected to help offset some of the impacts of population aging.*

- Budget 2013 announced further initiatives to improve government administration and service delivery. *Initiatives are expected to save \$0.6 billion over 5 years.*

Revenue Reforms:

Budget 2013 announced a number of measures to close tax loopholes and improve the fairness and integrity of the tax system. Changes will also be made to the Canada Revenue Agency's (CRA) compliance programs. These measures build on reforms undertaken in Budgets 2011 and 2012. *Broadening and protecting the tax base supports the Government's efforts to return to balanced budgets, protects provincial revenues on shared tax bases, and gives confidence that the system is fair. These measures will generate close to \$4.4 billion in additional revenue over the next five years. Changes to CRA's compliance programs will increase revenues by \$2.4 billion over the next five years.*

e. Reforms to strengthen the fiscal framework

The Government of Canada is focused on restraining growth in direct program spending in order to balance the budget by 2015-16. Since Budget 2010 the Government has announced savings that will reduce the deficit by more than \$15 billion in 2014-15 and beyond, resulting in cumulative savings of more than \$84 billion over the 2010-11 to 2017-18 period. Direct program spending is projected to remain roughly at or below its 2010-11 level over the forecast horizon.

The Government of Canada has also taken steps to improve the reporting of the Estimates, including streamlining and standardizing documentation and the publication of a new database on government expenditures.

2. Medium-term projections:

Canada's medium-term projections for the federal debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance until 2017 are:

	<i>Observed</i>		<i>Forecast</i>			
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Debt (federal)	33.5	33.8	32.6	31.1	29.6	28.1
Deficit (federal)	-1.4	-1.0	-0.3	0.0	0.2	0.2
CAPB	n/a	n/a	n/a	n/a	n/a	n/a

Source: Finance Canada

3. Economic Assumptions:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Observed</i>	<i>Forecast</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	1.8	1.6	2.5	2.6	2.4	2.3
nominal GDP growth	3.1	3.3	4.7	4.7	4.4	4.3
ST interest rate	1.0	1.0	1.3	2.2	3.3	3.8
LT interest rate	1.9	2.1	2.8	3.5	4.1	4.6

EUROPEAN UNION

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

According to the reinforced Stability and Growth Pact (SGP) – under the so-called preventive arm – EU Member States' structural budgetary balance shall converge towards the country-specific medium-term objective (MTO), while the general government deficit must not exceed 3% of GDP and general government gross debt must not exceed 60% of GDP (or at least diminish sufficiently towards the 60% threshold). A "significant deviation" from the MTO or the adjustment path towards it is defined in the context of the preventive arm of the SGP and requires corrective policy measures to counter significant deviations from the MTO or the path towards it. Under the so-called corrective arm of the SGP, Member States which exceed the 3% of GDP deficit threshold have to take effective corrective action as part of the Excessive Deficit Procedure (EDP). A quantitative definition of the requirement that the debt ratio must "diminish sufficiently towards the 60% threshold" has been introduced, so that an Excessive Deficit Procedure may also be launched on the basis of a debt ratio above 60% of GDP.

On 21 June 2013, EU Finance Ministers approved a draft recommendation for the fiscal policies of euro-area Member States that will be referred to the European Council (EU Heads of State or Government) with a view to formal adoption in July 2013. It is recommended that euro-area Member States coordinate their fiscal policies to ensure that the pace of fiscal consolidation is differentiated according to the fiscal and economic situation of the euro-area Member States with budgetary adjustments defined in structural terms in line with the Stability and Growth Pact. This allows the automatic stabilisers to function along the adjustment path. In view of reinforcing the credibility of fiscal policy over the medium term, it is recommended that fiscal consolidation is supported by an overall efficient and growth-friendly mix of expenditure and revenue and by appropriate structural reforms which enhance the economic growth potential.

b. Debt-to-GDP ratio objective

The general government gross debt must not exceed 60% of GDP (or at least diminish sufficiently towards the 60% threshold).

c. Intermediate objectives

Yearly targets for general government debt, deficit and structural balance exist and have to be implemented by EU Member States while real growth of general government expenditure, net of new revenue measures should not exceed potential medium-term GDP growth.

d. Expenditure and revenue reforms

Member States are free in deciding expenditure and revenue reforms. Member States are also encouraged to undertake various measures enhancing the quality and soundness of their public finance and expenditures, in particular in the context of annual country specific recommendations.

e. Reforms to strengthen the fiscal framework

The reinforced Stability and Growth Pact, which took effect in December 2011, includes a new framework for imposing financial sanctions on euro area Member States in case of non-compliance with the EU fiscal rules. A new Regulation, as from 30 May 2013, introduced new common provisions for monitoring and assessing draft budgetary plans of euro area Member States and ensuring the correction of excessive deficits, and for enhanced surveillance of countries experiencing or threatened with serious financial difficulties. A new Directive on requirements for budgetary frameworks in the EU Member States, imposes certain requirements on domestic budgetary arrangements, procedures, rules and institutions, to better ensure that national budgetary positions are in line with the EU fiscal framework. The Treaty on Stability, Coordination, and Governance in the European Monetary Union was signed on 2 March 2012 by 25 EU Member States. It entered into force on 1 January 2013, following ratification by 12 euro-area Member States. It introduces a structural budget balanced rule in national framework (maximum structural deficit of 0,5% of GDP), with an automatic correction mechanism in case of significant deviation.

2. Medium-term projections¹:

The European Union medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) are:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
Debt	86.9%	89.8%	90.6%	86.9%	85.0%	82.7%
Deficit	-4.0%	-3.4%	-3.2%	-2.0%	-1.2%	-0.6%
CAPB	0.1%	1.0%	0.8%	1.7%	2.3%	2.5%

3. Economic Assumptions¹:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	-0.3%	-0.1%	1.4%	1.9%	2.0%	2.0%
nominal GDP growth	2.0%	0.8%	3.1%	3.6%	3.7%	3.8%
ST interest rate	1.0%	0.8%	1.1%	1.5%	1.8%	2.2%
LT interest rate	3.7%	3.4%	3.5%	3.8%	4.1%	4.4%

¹ Data for 2012-2014 is based on the European Commission's Spring 2013 Forecast and Commission services calculations*. Data for 2015-2017 is based on the updated 2013 Stability and Convergence Programmes provided by EU Member States (weighted average of available programme data)**. In terms of medium and longer term implications for fiscal sustainability, taking account of the projected changes in age-related expenditure, the macroeconomic scenario and the fiscal outlook and plans, the European Commission "no-policy-change" scenario is considered, with structural primary balance/GDP ratio kept constant at 2014 estimated level as in the European Commission 2013 Spring forecast.

* Data for short- and long-term interest rates is based solely on the updated 2013 Stability and Convergence Programmes.

** No official programme data were available for Greece and Cyprus, while not all remaining Member States reported on all variables. For 2017, Member States are not obliged to report.

FRANCE

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

France's fiscal policy is framed within the European fiscal framework with targets and budget rules, now incorporated in the domestic legal framework.

b. Debt-to-GDP ratio objective

Consistent with the European fiscal Framework, France aims at a debt-to-GDP ratio below 60 % over the long run.

c. Intermediate objectives

France has committed to reach a balanced budget in structural terms by 2017, ensuring that the debt-to-GDP ratio will return under the 60% ceiling in less than 20 years.

d. Expenditure and revenue reforms

The French Government has initiated the evaluation of the public policies implemented by all government departments and agencies to be completed by 2017 in order to optimize public spending.

By 2017 €200bn public expenditure will be reviewed in the framework of the Government modernization. Over €4bn of potential cuts have already been identified, including a reform of the family tax rebate decided as part of the "Government modernization" (€1bn cut) as well as €2bn cuts in state aids to corporations by 2015.

Central government expenditures, excluding debt and pensions, will decrease by €1.5 bn in 2014, while expenditures on the Government's priorities of promoting jobs and fighting poverty is financed by redeploying resources. In July 2013, the central government and local government bodies have reached an agreement setting a framework to balance local budgets ("*Pacte de confiance et de responsabilité*"): subsidies to local governments will be reduced by €1.5 bn in 2014, and then by another €1.5 bn in 2015.

Social security funds will also take part in the effort to contain government expenditures:

- Employers' and labour representatives have reached an agreement on supplementary pension schemes that will help consolidate public finances
- A reform will be enacted by the end of 2013 to ensure the equilibrium of our pension system in the short term, in keeping with the trajectory to balance public finances in structural terms, and in the long term (20–25 years into the future), which is the timescale for pension system management
- The tax exemption for children will be lowered and the tax reduction for secondary school tuition fees will be removed, leading to € 1.2 bn budgetary saving in 2014 and social benefits subsidizing childcare will be reduced for wealthy families, leading to a € 0.5 bn budgetary saving in the medium term.
- Regarding unemployment benefits, the renegotiation of the "Unemployment Insurance Convention" between social partners will take place in autumn
- These reforms come in addition to the efforts already announced on health insurance (National Healthcare Expenditure Target of 2,7 % for 2013),

Tax measures will be taken in 2014, mainly focused on reduction of tax exemptions and stepping up the fight against tax fraud and evasion. The aggregate tax and social security contribution rate should decrease in the medium term as the Competitiveness and Employment Tax Credit (“CICE”) starts to produce its effects, and as continued efforts to contain expenditure and achieve structural balance by 2017 provide some leeway to reduce the tax burden. Environmental taxation will be strengthened to finance the “CICE”.

e. Reforms to strengthen the fiscal framework

France’s fiscal governance framework is consistent with the European Fiscal compact with

- a structural medium-term fiscal objective enshrined in national legislation;
- an independent High Council for Public Finances, which gives a public opinion on the Government’s growth forecasts and the respect of the adjustment path towards the medium term objective in structural terms;
- a fiscal correction mechanism in case of deviation from the structural adjustment path voted in the multi-year budget law.

2. Medium-term projections:

France’s medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance until 2017 are:

[Fiscal path presented mid-April in the French Stability Program, before the mid May publication of the National Accounts by the French Statistical Institute. These figures will be updated for the 2014 draft budget law.]

	Observed	Forecast				
	2012	2013	2014	2015	2016	2017
Debt	90.2	93.6	94.3	92.9	90.7	88.2
Deficit	-4.8	-3.7	-2.9	-2.0	-1.2	-0.7
Structural balance	-3.7	-2.0	-1.0	-0.2	0.2	0.5
CAPB (structural primary balance, including one-offs)	-1.3	0.3	1.4	2.3	3.0	3.3

Source: French Stability Program 2013-2017, April 2013

3. Economic Assumptions:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth These figures will be updated for the 2014 draft budget law.]:

	Observed	Forecast				
	2012	2013	2014	2015	2016	2017
real GDP growth	0.0	0.1	1.2	2.0	2.0	2.0
nominal GDP growth	1.6	1.7	3.0	3.7	3.7	3.7
ST interest rate	na	na	na	na	na	na
LT interest rate	na	na	na	na	na	na

GERMANY

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

Germany is complying with the requirements of the constitutional “debt brake” and European Stability and Growth Pact as well as with the requirements on international level – and will continue to do so in the future.

b. Debt-to-GDP ratio objective

In the German Stability Programme – Update 2013, adopted by the cabinet in April 2013, the debt-to-GDP ratio is projected to decline to 80 ½% in 2013 and will continue to decline to approximately 69% in 2017.

c. Intermediate objectives

According to the benchmark figures for next year’s federal budget approved by the cabinet in June 2013 the budget of the Federation will achieve a structural balance in 2014 and even a structural surplus from 2015 onwards (cf. point 2).

General government has achieved its medium-term objective (MTO; structural deficit of max. 0.5% of GDP) last year with a structural surplus of 0.3% of GDP for the first time since German reunification. Germany will achieve its MTO in all years of the fiscal planning period until 2017 with a structurally balanced budget or a structural surplus.

d. Expenditure and revenue reforms

Germany invests in areas enhancing long-term growth and has reduced the burden from social contributions. Federal spending on education as well as research and development has increased disproportionately in the current legislative period. The contribution rate to the statutory pension scheme has been reduced again as of January 2013.

e. Reforms to strengthen the fiscal framework

The German Parliament has passed legislation on the domestic implementation of the Fiscal Compact that supplements existing fiscal policy rules with an additional mechanism to prevent and correct adverse fiscal developments at all government levels. Germany’s medium-term budgetary objective – i.e., capping general government structural net borrowing at 0.5% of GDP in line with the Fiscal Compact and the Stability and Growth Pact – will be codified into domestic law as part of the Budgetary Principles Act (*Haushaltsgrundsatzgesetz*). The Stability Council will be explicitly authorized to monitor compliance with this upper limit and to recommend suitable measures for avoiding or eliminating excessive deficits. A new, independent council is to be established that will assist the Stability Council in monitoring compliance with the borrowing cap.

2. Medium-term projections:

Germany's medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) beyond 2016 are:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
Debt	81.9	80 1/2	77 ½	75	71 ½	69
Net lending/borrowing	0.1	-1/2	0	0	1/2	1/2
CAPB	2.6	2 1/2	3	3	2 1/2	3

3. Economic Assumptions:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	0.7	0.5	1.6	1.4	1.4	1.4
nominal GDP growth	2.0	2.2	3.3	3.0	3.0	3.0
ST interest rate	n.a.	n.a.	n.a.	n.a.		
LT interest rate	n.a.	n.a.	n.a.	n.a.		

ITALY

1. Medium-term fiscal strategy

a. Overall strategy for debt sustainability

The overall strategy is governed by the European rules and regulations and the national fiscal framework, substantially strengthened through the introduction in the Constitution of the structural balanced budget rule and the reinforced law that makes it operational. The strategy is based on: 1) the Medium Term Objective/MTO, the balanced budget in structural terms, which will be achieved this year and kept in the following years; 2) the expenditure rule, according to which a pre-defined expenditure aggregate (see below) should not grow more, in real term, than the medium term potential output growth rate, unless the excess of growth in expenditure is fully offset by discretionary tax measures and/or revenues mandated by law; 3) the debt rule, according to which the distance of the debt-to-GDP ratio from the 60 per cent objective should be reduced at a pace of 1/20th a year, calculated on the basis of the average of three years.

b. Debt-to-GDP ratio objective

The objective is 60 per cent, to be reached through the debt rule. The rule is respected if the differential between the actual ratio and 60% has decreased over the three years before the assessment at an average rate of 1/20th per year as a benchmark. This in turn is translated into a well identified debt reduction benchmark (backward looking benchmark). In addition, the rule is also respected if the budgetary forecasts indicate that the required reduction in the differential will occur over the three year period encompassing the two years following the final year for which data is available (forward looking benchmark). Finally, the influence of the cycle on the pace of debt reduction should be taken into account (benchmark corrected for the cycle). The rule is breached only if all the four possible configurations of debt benchmarks are violated.

c. Intermediate objectives

Given the rules of the Stability and Growth Pact and the excessive deficit procedure, countries have a transitional period of 3 years for applying the debt rule. This means that the first assessment of the debt rule as outlined above for Italy will not occur before 2015. During this period, budgetary targets should be planned so as to ensure a gradual and constant convergence to the benchmark, as is the case for Italy.

d. Expenditure and revenue reforms

The expenditure rule introduced by the revised Stability and Growth Pact in 2011 in order to assess the progress towards the MTO, has been transposed into Italian legislation with law No. 243/2012. The Law states the maximum limit for the projected growth of expenditure in compliance with the European rules. The reference expenditure aggregate is the sum of total general government expenditure, net of debt servicing outlays, expenditure related to European programs fully matched by EU funds, the non-discretionary component (i.e. linked to the economic cycle) of expenditure on unemployment benefit and a four year average of public investment expenditure. Given that Italy reaches the MTO, the growth of the expenditure aggregate expressed in real terms cannot exceed the average potential growth rate

unless the excess of growth is offset by discretionary revenue measures and/or by revenues mandated by law. For the years 2013-2017, the rule foresees that the expenditure aggregate will be stable in real term (0 growth rate).

e. Reforms to strengthen the fiscal framework

The Italian fiscal framework has been substantially strengthened as a consequence of the decisions taken at the European level. At the national level, the Constitutional law 1/2012 has introduced the structural balanced budget rule in the Constitution and Law 243/2012 has made it operational. Fiscal and budgetary rules and monitoring have been strengthened, including through the creation of an independent Fiscal Council, correction mechanisms to ensure the achievement of the objectives have been established, and the exceptional events that allow a temporary deviation from the policy objective within the European framework have been defined.

2. Medium-term projections:

Italy's medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance beyond 2016 are:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
Debt	127.0	130.4	129.0	125.5	121.4	117.3
Deficit	-3.0	-2.9	-1.8	-1.5	-0.9	-0.4
CAPB	4.4	5.3	6.0	5.8	6.0	6.1

3. Economic Assumptions:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	-2.4	-1.3	1.3	1.5	1.3	1.4
nominal GDP growth	-0.8	0.5	3.2	3.3	3.2	3.2
ST interest rate	0.8	1.2	2.7	3.7	4.4	4.9
LT interest rate	5.7	4.8	5.3	5.7	6.0	6.2

JAPAN

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

Strong economy is a source of national strength. Without economic growth, fiscal consolidation and Japan's future prosperity cannot be achieved. Based on such basic recognition, the Japanese government seeks to achieve sustainable economic growth led by private demand with its "three arrows" strategy of "aggressive monetary policy", "flexible fiscal policy" and "growth strategy that promotes private investment".

The Government seeks to achieve nominal GDP growth of around 3% and real GDP growth of around 2% on average over the coming decade (from FY2013 to FY2022). The Government seeks to create a virtuous cycle, in which economic revitalization promotes fiscal consolidation and progress in fiscal consolidation contributes to further economic revitalization, and thereby achieving both sustainable economic growth and fiscal consolidation.

b. Debt-to-GDP ratio objective

The Government aims to halve the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010 and to achieve a primary surplus by FY2020, and thereafter the Government will seek to steadily reduce the public debt-to-GDP ratio.

c. Intermediate objectives

In order to halve the primary deficit to GDP ratio by FY2015 from the ratio in FY2010, it is necessary to improve the primary balance of the national and local governments by approximately 17 trillion yen from FY2013.

To achieve this, it is necessary to reduce the primary deficit of the National Government's General Account, which accounts for a large part of the primary deficit of the national and local governments. As for the FY2014 and FY2015 budgets, the Government will review priorities of policy measures from the timing of budget requests, reduce wasteful spending to the maximum extent and focus on high-priority measures, taking into consideration fiscal revenue developments. Through these efforts, the Government aims to improve the primary balance of the General Account at least by approximately 4 trillion yen in FY2014 and in FY2015 respectively, and bring down the General Account's primary deficit to around 19 trillion yen in FY2014 and to around 15 trillion yen in FY2015, thereby seeking to achieve the target to halve the primary deficit of the national and local governments.

The Government will make its utmost efforts to keep the amount of newly issued National Government bonds below that of a preceding fiscal year for the FY2014 and FY2015 budgets.

The Government will review the progress towards the FY2015 fiscal target every six months, taking into account economic and fiscal outlook.

In order to achieve a primary surplus of the national and local governments by FY2020, the Government will seek to improve the primary balance of the General Account and turn it into a surplus.

To achieve this target, the Government will steadily reduce the primary expenditure, i.e. the General Account expenditure excluding debt repayment and interest payment, to GDP ratio, while increasing fiscal revenues (taxes and non-tax revenues) to GDP ratio in each fiscal year's General Account budget, thereby eliminating the imbalance between them.

In this process, on the expenditure side, the Government will gradually reduce the primary expenditure to GDP ratio by controlling the primary expenditure to the extent possible through eliminating wasteful spending in each year's budget, while increasing GDP through economic growth. On the revenue side, the Government will seek to expand tax revenues through economic growth. In the process of making these efforts, the Government will consider securing financial resources for social security spending that has been on the rise mainly due to the population aging, through measures both on expenditure and revenue sides, including reforms of the systems.

d. Expenditure and revenue reforms

Expenditure side:

The Government will seek to strengthen expenditure prioritization by focusing on each year's pressing issues as well as conducting drastic scrap-and-build measures. The Government will also attach high priority to such measures that are highly conducive to private-sector demand and innovation, that warrants urgent attention, and that are to be implemented together with regulatory reforms. The Government will be mindful not to easily allow expenditure increases in spite of higher inflation prospects by promoting cost-cutting and enhancing the quality of administrative services. The Government will take following measures in key expenditure areas.

(1) Social Security

The Government seeks to control the overall level of social security expenditure to the extent possible amid an upward trend mainly due to the population aging and advances in medical technologies. The Government will also make its utmost efforts to improve its efficiency, by resolving the issue of the exceptionally high levels of the public pension benefits, the elimination of which is a pre-requisite for invoking the macroeconomic-slide mechanism, as well as ensuring concrete progress in enhancing the efficiency in promoting the use of generic medicine.

(2) Infrastructure

To address the issues such as strengthening international competitiveness, revitalizing communities, and enhancing national resilience, the Government will ensure the "selection and focus" through prioritizing projects with high return on investment, in combination with non-infrastructure measures.

(3) Public Finances of Local Governments

As the economy recovers, there is a need to proceed with normalizing the crisis-response mode following the Lehman Shock, in which measures such as special expenditure allowances have been taken. The Government will promote reforms both on the expenditure and the revenue sides, while supporting those local governments that make self-efforts.

(4) Challenge Again

The Government will promote reforms to establish a system in which those (people, companies, and communities) who work hard are rewarded. The government will support those who need assistance and will develop a system that motivates people to make a challenge again.

Revenue side:

The Act on Comprehensive Reform of the Tax System stipulates that the consumption tax rate will be raised by 3% to 8% in April 2014 and by 2% to 10% in October 2015, and that the Government will make a decision before implementing each increase, taking into consideration economic conditions and other factors in a comprehensive manner in accordance with the legislation. Also, the Government will make necessary efforts, such as considering an appropriate tax system taking into consideration structural changes in the economy and the society.

e. Reforms to strengthen the fiscal framework

The Government will continuously review various fiscal measures in each expenditure category mainly in terms of the necessity and the efficiency, taking into accounts its content and nature, and enhance the effectiveness of the PDCA (i.e. measures to improve spending efficiency through the Plan-Do-Check-Act cycle) especially for such measures that have been in place for more than five years, thereby ensuring elimination of wasteful spending.

In budget formulations towards the target years, the Government has established a principle to secure stable financial resources by expenditure cuts and/or revenue increases when introducing or extending measures that entail expenditure increases or revenue decreases.

2. Medium-term projections:

	<i>Estimate</i>	<i>Projections</i>				
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Debt/GDP	188.1	190.6	191.4	190.4	188.6	187.9
Deficit/GDP	-8.6	-9.1	-6.4	-5.4	-4.9	-5.1
Primary Balance/GDP	-6.4	-7.0	-4.3	-3.3	-2.6	-2.4

Note: Figures in this table refer to those of the national and local governments combined. They exclude the expenditures and revenues related to the recovery and reconstruction from the Great East Japan Earthquake.

Source: Economic and Fiscal Projections for Medium to Long Term Analysis (Cabinet Office, August 2013)

3. Economic Assumptions:

	<i>Estimate</i>	<i>Projections</i>				
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
real GDP growth	1.2	2.8	1.0	2.0	1.9	2.0
nominal GDP growth	0.3	2.6	3.1	3.7	3.9	3.5
LT interest rate	0.8	1.1	1.4	2.3	2.7	3.0

Source: Economic and Fiscal Projections for Medium to Long Term Analysis (Cabinet Office, August 2013)

Note: Tax revenues in each fiscal year in the projections above include increases in line with the current legislation. Regarding the hikes in consumption tax rate, the Government will make a decision in this autumn, taking into consideration economic conditions and other factors in a comprehensive manner. If a decision not stipulated in the current legislation is made, the projections will be revised accordingly.

KOREA

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

The Korean government aims to achieve a balanced budget by 2017 and lower public debt to GDP ratio to around the middle of 30%. To that end, it will keep growth of total expenditure lower than that of total revenue. Furthermore, in order to implement new administration's major campaign pledges without undermining fiscal soundness, we will finance them by increasing tax revenues and reducing expenditures.

b. Debt-to-GDP ratio objective

lowering public debt to GDP ratio to around the middle of 30% by 2017

c. Expenditure and revenue reforms

The Korean government will push ahead with ambitious expenditure and revenue reforms to fund major campaign pledges of the new administration. A funding plan was put in place in May.

Expenditure side: 1) Pursuing permanent spending cuts rather than temporary ones based on revision of regulation, 2) Cutting discretionary spending and seeking to cut mandatory spending as well, 3) Utilizing private financial resources to complement the public finances.

Revenue side: 1) Legitimizing the underground economy, 2) Modifying tax reductions and exemptions, 3) Expanding the scope of taxation on financial products and transactions

d. Reforms to strengthen the fiscal framework

The Korean government establishes a five year mid-term fiscal strategy every year under which it manages public finances in a stable manner.

Public debt and fiscal risk management will be strengthened. 1) Calculating total public debts including the debt of public enterprises as well as central and local government debt in accordance with the IMF manual(2012). 2) Developing fiscal risk indices that can reflect potential risks to avoid a sudden increase in public debt due to a transfer of private debt to public sector. 3) Expanding the scope of public enterprises that should submit medium-to long-term financial management plans to the National Assembly.

The government will improve a public project evaluation system by strengthening linkage between pre- and post-evaluation and simplifying each evaluation.

It will prepare a long-term fiscal outlook toward 2060, in which areas that heavily affect long-term finance (such as pension and health insurance) will be incorporated.

2. Medium-term projections:

Korea's medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) beyond 2016 are:

	<i>Estimate</i>	<i>Projections*</i>				
	2012	2013	2014	2015	2016	2017
Debt	34.9	36.2	n/a	n/a	n/a	n/a
Deficit**	-1.1	-1.8	n/a	n/a	n/a	n/a
CAPB	n/a	n/a	n/a	n/a	n/a	n/a

* The 2013 forecast reflects the recent fiscal stimulus (supplementary budget). Forecasts for the post-2013 period will be unveiled after a mid-term ('13~'17) fiscal plan is confirmed in October.** General government balance without social security funds

3. Economic Assumptions (required for all members):

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections*</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	2.0	2.7	n/a	n/a	n/a	n/a
nominal GDP growth	3.0	n/a	n/a	n/a	n/a	n/a
ST interest rate	2.7	n/a	n/a	n/a	n/a	n/a
LT interest rate	3.4	n/a	n/a	n/a	n/a	n/a

* Forecasts for the post-2013 period will be unveiled after a mid-term ('13~'17) fiscal plan and relevant macroeconomic outlook is confirmed in October.

SPAIN

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

The **pillars for our debt sustainability strategy were set in the Organic Law for Sustainability and Budgetary Stability (2012)** which defines a new framework for a rigorous budget control of all actors in the public sector and a strict fiscal rule that enforces a balance structural budget and a limit of general government debt to GDP of 60%. However, this fiscal rule incorporates some exceptions due to cyclical factors and a transitional period to allow for the adjustment, in particular, deficit and debt limits will not be fully binding until 2020. As a consequence, for the first time since the onset of the crisis, a systematic and coordinated effort to reduce fiscal deficit in the State Budget for 2012 fiscal year was made by all Public Administrations, and is expected for this one.

The Spanish government strategy for fiscal sustainability is outlined annually in two annual documents: the Stability Program and the National Reform Plan, the two main documents in the design of economic policy, which set targets, measures and timetables. Both programs are closely linked functionally with a common macroeconomic scenario, a unitary approach for challenges diagnosis and the remedies to be applied. The two documents latest version covering the period 2013-2016 were released on April 26th.

The outcome of this framework and the measures contained in the two aforementioned documents were very positive in year 2012. In a year with an output contraction of 1.4%, the second most recessionary year in the current crisis after 2009, net public sector borrowing requirements (net of one-offs generated by support to financial institutions and regional and local administration liquidity fund) declined two percentage points (p.p.) of GDP, from 9% in 2011 to 7% in 2012. This result was possible because of the introduction of discretionary (expenditure and revenue side) measures that, overall, have amounted to around 4 p.p. of GDP. This has led to an effective structural effort of around 2.6 p.p. of GDP.

The 2013 stability program has established a very significant deficit reduction that should in any case be seen as a relaxation of the commitment to fiscal consolidation when compared to the previous one. On the contrary, **its proposed structural efforts** (measured by the reduction in the structural deficits year by year) **are not inferior to those included in the previous update of the Stability Program**, being higher in 2014 and 2015. **The slower pace of consolidation in nominal terms is an adaptation to the new cyclical environment** and will contribute to ensuring the end of the recession in late 2013 or early 2014 and therefore foster employment creation and gradually strengthen public accounts. Moreover, as explained in the program, around two thirds of the structural deficit registered in 2011 will be corrected in 2013, reaching in 2017 the balanced structural deficit for the general government. The composition of rebalancing measures of public accounts between the expenditure and the revenue side is well balanced with around 55% of the adjustment consisting of reductions in expenditure.

b. Debt-to-GDP ratio objective

In September 2011, the article 135 of the Spanish Constitution was amended, introducing in the supreme law of our legal framework a **fiscal rule that limits structural deficit in our country and sets a general government debt limit (long-term anchor) equal to 60% of GDP** (the reference value of the Treaty on the Functioning of the European Union), except in exceptional circumstances where structural deficit is allowed: natural disasters, economic recession, or extraordinary emergencies. This has been developed by the already mentioned Organic Law 2/2012, April 27th, of Budgetary Stability and Financial Sustainability, which provides for a transitional period until 2020, as established by the Constitution. During this period the Government is required to set a reduction path of budgetary imbalances up to the limits specified in the Law, i.e., a balanced budget in structural terms and a public debt of 60% of GDP.

In 2012, the debt-to-GDP ratio grew by 15 p.p. to 84.2% as a result of financial operations carried out by the State, mainly those related to financial sector restructuring and recapitalization and the establishment of a liquidity fund for the local and regional administration. At the end of 2013 public debt will reach 91.4², i.e., 7.2 p.p. more than in 2012, mainly due to fiscal deficit forecasted for 2013 (6.3% of GDP) plus 1 p.p. stock-flow adjustments. As showed in the table, the debt stock will continue to increase until 2016, but the increases will be progressively lower as the primary deficit is reduced and turn into surpluses from that year on. **This improvement of the primary balance, thanks to fiscal consolidation efforts, will be coupled with a reduction in the yield spread and the expansion of the nominal GDP that will put the Spanish public debt on a sustainable footing** with lower progressive increases in the debt-to-GDP ratio until 2016 that will turn into reductions from 2017 onwards. The overall increase in the debt-to-GDP ratio **for the period 2013-2016** will be 15.6 p.p. to 99.8%, being interest payments the greatest contributor, (14 points) followed by the primary deficit (4.6 p.p.) and the stock-flow adjustment of (4 p.p.), while the GDP nominal growth will detract 7 percentage points to the ratio.

	Debt-to-GDP ratio dynamic					
	2012	2013	2014	2015	2016	2012-2016
Total debt level	84,2	91,4	96,2	99,1	99,8	15,6
Variation (in p.p.)	15	7,2	4,8	2,9	0,7	15,6
contribution to debt increases						
Primary budget balance	-7,7	-3	-2	-0,5	0,9	4,6
Interest paid	3	3,3	3,5	3,6	3,6	14
Effect of nominal GDP growth	0,9	-0,1	-1,6	-2,2	-3,0	-7,0
other factor (adjust. Stock-flow)	3,4	1	1	1	1	4

Source: Ministry of Economy and Competitiveness

c. Intermediate objectives.

Our long-term anchor of 60% of debt to GDP ratio will be operational from 2020 on. In the meantime, we do not have specific intermediate objectives.

² It must be noted that nominal deficit medium term projections provided in the chart at the end of this document have been revised very recently, as of June 28th. However, debt to GDP projections have not been recalculated yet and do not incorporate this latest revision of the deficit path. As a consequence, the debt to GDP projections that we are providing may be subject to slight changes in the near future.

d. Expenditure and revenue reforms

Revenue policies:

Measures taken in 2012

In **2012, a reform of the tax system was implemented** in a way it was consistent with the fiscal consolidation efforts that supported growth, including a shift of taxation from labor to consumption, and the introduction of environmental taxes. **Many of these taxes have been maintained in 2013** (as it is described afterwards).

More precisely, **the Royal Decree-Law 20/2012 of July 13th on measures to ensure fiscal stability and to promote competitiveness** included significant changes in the value added tax (VAT), as the rise of 3 p.p. in the tax rate since September 1, 2012, in the Personal Income Tax, removing fiscal deduction for the acquisition of a primary residence, and in the corporate income tax, limiting the compensation of loss carry forwards and the deductibility of financial expenses or increasing installments.

On the other hand, **the reform of environmental taxation** has been articulated by Law 15/2012, of December 27th on Tax for Energy Sustainability. This piece of law includes the creation of three new taxes and increased taxation of excise duties. In this same area, Law 2/2012, of June 29 of the General State Budget for 2012, revised upwards the zero-tax rate applied on biofuels.

Measures included in the 2013 Stability Program

To strengthened consolidation, the Stability Program foresees a series of measures that would contribute to additional resources.

In the first place, in the area of **corporate tax**, it gives continuity to the temporary measures taken for 2012 and 2013.

Secondly, regarding the **personal income tax**, it also gives continuity to supplementary levy to the state tax initially established for tax years 2012 and 2013 by Royal Decree-Law 20/2011, of December 30th, on urgent budgetary, tax and financial deficit correction, that will be in force at least until 2014.

Thirdly, legislative changes are to be made in the **VAT regime** applicable to SMEs and self-employed.

Together, these taxation measures will allow an additional income of 17.005 million in 2013, 4.708 million in 2014 and 562 million in 2015, with an increased participation of indirect and environmental taxation.

Spending policies:

The government has approved a **public service reform** with an expected impact on all public sector of 3,700 M € in 2013 and additional 1,650 in 2014, that includes measures of general government efficiency, as minimum time of 37.5 hours' work-week, the reduction of union leaves, and measures to increase the working hours of civil servants.

Apart from these, it is worth mentioning the **proposed general government reform** which will impact different areas of the Administration, although the details are still pending. The objective is to achieve an in-depth reform of the Administration that will take place during the next years and will focus on administrative duplicities, administrative simplification, an improvement in the use of common resources and a streamlining of the Institutional Administration. The initial step was to establish a Reform Commission (CORA) which seeks the way to attain an austere and efficient public administration

that is a competitive value for Spain, streamlining structures, procedures and resources. The Commission will present its work on June 30th. The result, as part of the consolidation of the State Budget, will allow for substantial savings in government spending.

During 2013, the State, in addition to the measures taken in revenue and employment policy, is planning to adopt spending measures amounting to about 1,000 million euros in savings, not including measures taken in the area of public administration already mentioned. This savings will come from operational expenditures and current transfers, investment and capital transfers.

In addition to the general administration reform, the government is introducing a **reform of the local government**. The impact of the reform is crucial, with expected savings of 8,000 M € in 2014 to 2015, years in which the greatest impact is concentrated. This reform involves a significant effort in terms of reorganization of powers between the different levels of government and an improvement of the local civil service.

Also, the Autonomous Regions are planning a major effort in 2013 in their own budgets, with an expenditure cut of about 6,000 million euros, mainly concentrated in education and health, which account for the major share of CCAA expenses. This effort will continue in the following years, with expenditure reduction of about 2,000 million per year.

e. Reforms to strengthen the fiscal framework

The government has recently presented draft legislation for the creation of an independent authority for fiscal responsibility. This will mean that Spain will have an independent institution with functional autonomy to guarantee the compliance of all Administrations with the principles of budgetary stability and financial sustainability, in line with international recommendations to establish a “fiscal council”.

2. Medium-term projections:

Spain’s medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) beyond 2016 are:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
Debt	84,2	91,4	96,2	99,1	99,8	
Deficit	-10,6	-6,5	-5,8	-4,2	-2,8	
CAPB	-4,0	1,0	1,8	2,7	3,5	

3. Economic Assumptions :

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	-1,4	-1,3	0,5	1	1,4	
nominal GDP growth	-1,3	0,1	2	2,4	3,2	
ST interest rate	1,196	-	-	-	-	
LT interest rate	5,87	4,84	4,51	4,15	3,80	

UNITED KINGDOM

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

The United Kingdom (UK) is committed to reducing the deficit and to restoring debt to a sustainable, downward path. In 2010, the Government set out clear, credible and specific medium-term fiscal consolidation plans to return the public finances to a sustainable path. Over the last few years, the Government has taken action to reverse the unprecedented rise in borrowing between 2007-08 and 2009-10, primarily through public spending control, and recently reinforced by Spending Round 2013. The Government has also reprioritised spending from current expenditure to fund additional capital spending to promote growth. The Government's fiscal strategy has been effective in providing protection against a challenging backdrop of global uncertainty and fiscal vulnerabilities. This has restored fiscal credibility, allowing activist monetary policy and the automatic stabilisers to support the economy. Uncertainty in the global outlook further reinforces the case for stability in the Government's consolidation plans. The Government has also taken measures to address long-term policy challenges resulting from an ageing population, as identified in the Office for Budget Responsibility's (OBR) annual Fiscal sustainability report.

b. Debt-to-GDP ratio objective

Once the exceptional rise in debt has been addressed, a new target for debt as a percentage of GDP will be set, taking account of the OBR's assessment of the long-term sustainability of the public finances.

c. Intermediate objectives

As announced in the June Budget 2010, the Government's fiscal strategy is underpinned by a forward-looking fiscal mandate to achieve cyclically-adjusted current budget balance by the end of the rolling five-year forecast period (2017-18 at Budget 2013), ensuring that the Government sets plans consistent with a reduction in the structural deficit. The fiscal mandate is based on: a cyclically-adjusted aggregate, to allow some fiscal flexibility at times of economic uncertainty and to allow the automatic stabilisers to operate; a rolling five-year forecast period, to ensure that fiscal consolidation is delivered over a realistic and credible timeframe; and the current balance, to protect the most productive public investment expenditure.

To date, the Government has taken action to get the deficit falling in each year, both in £ billions and as percentage of GDP. According to the OBR's March 2013 Economic and fiscal outlook, this trend is expected to continue over the forecast period. The composition of the UK's fiscal consolidation is spending-focused and it is expected that around 80 per cent of the total consolidation in 2015-16 will be delivered by lower spending.

d. Expenditure and revenue reforms

Spending Review 2010 set firm and fixed departmental budgets for four years from 2011-12 to 2014-15, as well as announcing reforms to Annually Managed Expenditure (AME), including welfare and public service pensions. At Autumn Statement 2012, the Government also confirmed its fiscal assumption that Total Managed Expenditure (TME) in 2015-16, 2016-17 and 2017-18 will continue to fall at the same rate as in the Spending Review 2010 period. Budget 2013 fixed the envelope for TME for 2015-16 and Spending Round 2013 set out detailed departmental spending plans for 2015-16.

Budget 2013 announced a significant crackdown on offshore tax evasion, tax avoidance and aggressive tax planning in four key areas: offshore tax evasion; avoidance of employment taxes; tax avoidance schemes; and corporation tax. Collectively, these announcements will raise over £4.6 billion in new revenue over the next five years and protect against the loss of billions of pounds of revenue.

e. Reforms to strengthen the fiscal framework

The Government has introduced substantial reforms to the UK's fiscal framework. At the June Budget 2010, the Office for Budget Responsibility (OBR) was created, introducing independence, greater transparency and credibility to the economic and fiscal forecasts on which the Government's fiscal policy is based. The OBR also assesses the long-term sustainability of the public finances through the production of 50-year projections of growth and fiscal aggregates (spending, revenue, deficit and debt) in their annual Fiscal sustainability report publication. Since 2011, the Government has published the Whole of Government Accounts – the full accruals based accounts covering the whole UK public sector, including information on contingent liabilities in the UK. This represents a significant step forward for transparency.

Building on these reforms, at Autumn Statement 2012, the UK Government announced that it is developing a framework for managing liabilities that do not appear in the fiscal aggregates and a control total for the commitments arising from off-balance sheet Private Finance Two (PF2) contracts. Spending Round 2013 announced that the control total will limit payments under all Private Finance Initiative (PFI) and PF2 contracts, funded by central government, in nominal terms in each future Parliament and will be set for the five years from 2015-16 at £70 billion, with performance assessed on an annual basis at Budget.

Further, Spending Round 2013 announced that the UK Government will, for the first time, introduce a cap on the country's welfare spending to improve spending control, support fiscal consolidation, and ensure that the welfare system remains affordable. The cap will apply to over £100 billion of welfare spending – a significant proportion of Annually Managed Expenditure (AME) – including all social security and tax credits expenditure, except for the state pension and the most counter-cyclical elements of welfare, such as Jobseeker's Allowance (thereby taking account of the automatic stabilisers). The UK Government will set a nominal cap at Budget 2014, alongside the OBR's fiscal forecast, that

will be binding from 2015-16, supporting the delivery of fiscal consolidation during the Spending Round and beyond.

2. Medium-term projections:

According to the Office for Budget Responsibility's March 2013 Economic and fiscal outlook, the UK's medium-term projections for the debt-to-GDP ratio, deficit, cyclically-adjusted primary balance, and cyclically-adjusted surplus on current budget until 2017-18 are:

All numbers given for public sector aggregates (general government plus public corporations)	<i>Estimate</i>	<i>Projections</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Debt ¹	75.9	79.2	82.6	85.1	85.6	84.8
Deficit ^{2,3}	7.4	6.8	5.9	5.0	3.4	2.2
CAPB ³	-3.3	-2.3	-1.2	-0.3	1.4	2.5
Cyclically-adjusted surplus on current budget ⁴	-4.0	-2.8	-1.7	-1.2	0.1	0.8

¹Public sector net debt.

²Public sector net borrowing.

³Excludes the one-off transfer of assets from the Royal Mail Pension Plan to the UK government, which reduces the 2012-13 estimate by £28bn (1.8 per cent of GDP).

⁴The fiscal mandate (set out above under the intermediate objective) uses this fiscal aggregate.

3. Economic Assumptions:

According to the Office for Budget Responsibility's March 2013 Economic and fiscal outlook, the debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	0.2	0.6	1.8	2.3	2.7	2.8
nominal GDP growth	1.5	2.7	3.8	4.2	4.4	4.6
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
real GDP growth	0.2	0.8	2.0	2.4	2.7	2.8
nominal GDP growth	1.3	3.2	4.0	4.2	4.5	4.6
ST interest rate ¹	0.7	0.6	0.7	0.9	1.4	2.0
LT interest rate ²	1.8	2.4	2.7	3.3	3.6	3.9

¹Weighted average interest rate on conventional gilts

²Weighted average interest rate on conventional gilts

UNITED STATES

The United States' is committed to strengthening the sustainability of federal government finances in a balanced way over the medium term while also providing needed budgetary support to innovation, infrastructure, and education to secure strong growth in the near and long-term. The President's fiscal strategy would replace the current \$1.1 trillion spending sequestration with \$1.8 trillion in additional deficit reduction, bringing total deficit reduction achieved over the coming decade to \$4.4 trillion. The fiscal strategy includes \$1.1 trillion dollars in additional reduced outlays and \$600 billion in additional revenues from tax reforms on top of earlier outlay reductions and revenue increases more than \$2.5 trillion. The strategy would further reduce tax loopholes and tax benefits for the wealthiest while also including \$400 billion in health-related savings that build on the health reform law and help contain long-term costs related to Medicare. The strategy would also improve social security solvency by using a more accurate measure of inflation for cost of living adjustments throughout the budget, with protections for the most vulnerable.

The fiscal strategy's projected deficit and debt paths over the medium term are contingent on a certain evolution of domestic and foreign economic developments and on the adoption by Congress of the President's proposed spending and revenue policies. The projected debt path is not a commitment, but a budget projection.

Medium-Term Projections	2012	2013	2014	2015	2016	2017
Debt (Federal, Held by the Public)	72.6	75.9	77.7	78.2	78.1	77.3
Debt (Federal, Net of Financial Assets)	66.1	68.7	70.0	70.0	69.4	68.4
Deficit (Federal)	7.0	4.7	4.5	3.5	3.1	2.6
CAPB*	4.1	2.8	1.5	1.0	1.3	1.6

Assumptions

Real GDP growth	2.2	2.0	3.1	3.5	3.5	3.5
Nominal GDP Growth	4.0	3.5	5.0	5.4	5.5	5.5
S/T interest rate	0.1	0.1	0.1	0.3	1.2	2.3
L/T interest rate	1.8	2.1	2.6	3.2	3.7	4.1

* As there are no cyclically-adjusted budget balances in the Mid-Session Review, the numbers above are from the original FY2014 budget.

St. Petersburg Fiscal Templates – G20 Observers

SWITZERLAND

1. Medium-term fiscal strategy:

a. Overall strategy for debt sustainability

Switzerland's overall strategy is to maintain and expand a rules-based fiscal policy. At the federal level the constitutional fiscal rule, the so-called "debt brake", defines this strategy. Implementing the "debt brake" results in a cyclically adjusted balance of at least zero and therefore in the stabilization of nominal debt. In many cantons, similar fiscal rules are in effect.

b. Debt-to-GDP ratio objective

There is no explicit objective for the debt-to-GDP ratio of Switzerland. However, the fiscal rules described in a) imply a further reduction of the already moderate debt-to-GDP ratio.

c. Intermediate objectives

For central government spending, the limitation of expenditure growth to nominal GDP growth is an intermediate objective aiming at the stabilization of the share of the government sector at the federal level, a goal that is not covered by the debt brake. Various intermediate objectives, reflecting the state of respective cantons' public finances, exist at the cantonal level.

d. Expenditure and revenue reforms

With the implementation of the «consolidation and evaluation of tasks package 2014», cuts of about 1% of central government spending are envisaged for the years 2015 to 2016. On the revenue side, a general reform of Switzerland's corporate taxation system has been initiated recently.

e. Reforms to strengthen the fiscal framework

After the introduction of a fiscal rule for the unemployment insurance in 2003, the Federal Council examines the introduction of fiscal rules for further areas of social security, for instance for the old-age pension system.

2. Medium-term projections:

Switzerland's medium-term projections for the debt-to-GDP ratio, deficit, and cyclically-adjusted primary balance (where applicable) beyond 2016 are:

	Estimate	Projections				
	2012	2013	2014	2015	2016	2017
Gross Debt (according to GFSM 2001, % of gdp)	49.1	48.3	46.7	45.6	43.5	
General government balance (% of gdp)	0.3	0.2	0.5	0.7	0.9	
CAPB						

3. Economic Assumptions:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for interest rates, inflation and growth:

	<i>Estimate</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017
real GDP growth	1.0	1.4	2.1	2.0	1.7	1.7
nominal GDP growth	1.1	1.6	2.3	2.7	2.7	2.7
ST interest rate	0.1	0.1	0.2	1.0	1.5	2.0
LT interest rate	0.7	0.7	1.2	2.0	2.5	3.0