Meeting of Ministers and Governors
São Paulo - Brazil
8-9 November 2008

Agreed Actions to Implement the G-20 Accord for Sustained Growth

1. We, the Finance Ministers and Central Bank Governors of the G-20, have adopted the reform agenda below that translates our G-20 Reform Accord for Sustained Growth into concrete policy measures for our countries.

2. In the **United States**, policy has recently shifted to measures to restore financial stability. These measures include provisions to add liquidity, inject capital, and shore up confidence in a wide range of financial institutions. These measures are designed to protect savers, reinvigorate credit, and restore confidence in the financial system, which is a prerequisite for solid economic growth. Looking further ahead, the U.S. has already begun to focus on regulatory reform of the financial sector, critical to ensuring future growth and economic stability. In addition, the United States continues to pursue growth-enhancing policies. These include maintaining low marginal tax rates and reducing the bias against capital formation in the tax code. Other critical elements in the growth strategy include more open foreign trade, improving the quality of education, and strengthening our energy security. Key efforts include working toward passing new free trade agreements in the Americas and Asia-Pacific region. The Government of **Canada** has taken significant action to further enhance the stability of its financial system, which is considered one of the soundest in the world. In Budget 2008, the Government took action to ensure that the central bank is able to supply liquidity effectively during financial system stress by modernizing the Bank's authority to conduct open market operations with a wider range of assets. More recently, the Government announced a number of changes to mortgage finance to strengthen Canada's housing market. In addition to these longer-term structural reforms, Canada announced a series of measures to ensure access to credit in Canada, such as creating a program to purchase high-quality insured mortgages from financial institutions and creating the Canadian Lenders Assurance Facility which will provide insurance on the wholesale term borrowing of federally-regulated deposit-taking institutions.

3. In **Mexico** the legal framework of the financial system was strengthened with the objectives of fostering competition, improving the corporate governance of financial intermediaries, enhancing the effectiveness of prudential regulation and better risk management, while improving consumer protection and access to financial services. In addition, a reform to the judiciary system was approved which introduced several major changes, such as the adoption of verbal trails, the presumption of innocence, new mechanisms for the resolution of controversies and measures to strengthen the authorities' crime fighting ability. **Brazil** will continue to give priority to

infrastructure investments, microeconomic reforms and domestic financial markets, ensuring macroeconomic stability. Infrastructure investments will be coordinated under the framework of the Programme of Growth Acceleration. Other important reforms include the constitutional amendment to replace the indirect taxation system with a value added tax; permission to create complete credit bureaus, with positive and negative information about credit delinquencies; and the creation of the Brazilian Sovereign Wealth Fund. In **Argentina**, ensuring continued vigorous and inclusive growth is the government's first priority. The country enters this period of financial turbulence with a strong macroeconomic position, accumulating six years of exceptional growth, solid productivity gains and an adequate amount of international reserves. It aims to consolidate the macroeconomic policy framework implemented since 2003, by preserving a competitive exchange rate, "twin surpluses", intertemporal solvency, and policies to favor production, employment, and investment. Special attention will be given to renewing social and productive infrastructure through public investment and to financing income policies aimed at further reducing poverty and improving income redistribution. The task ahead is to persevere in improving the economic policy mechanisms that will keep in place the pillars of the macroeconomic framework.

4. Members of the **European Union** will pursue further structural reforms as part of the renewed Lisbon strategy to take full advantage of the opportunities provided by globalization and to address the challenges posed by its intensification, by ageing populations and by climate change. Priorities include the completion of an integrated market for services and labor, financial services market integration, improving the EU-wide framework for venture capital and research, ensuring a better regulatory environment and opening up new opportunities for trade and investment. **Germany** will continue to strengthen the positive impact of its fiscal policies on employment and economic growth, while further pursuing structural fiscal consolidation. A further reduction of unemployment benefit contributions will promote employment, while this year's business tax reform makes Germany an even more attractive place to invest. The German government will strengthen its investments in R&D and higher education to promote innovation. Family policies that make it easier for parents to combine work and family life, while improving early childhood education, are another focus, including the introduction of a parental allowance for parents of newborn children and a considerable expansion of child care facilities for children younger than three years. **France** will pursue further structural reforms in order to make its economy more resilient and to raise its potential growth. Competition in product markets will be enhanced. As regards the labor force, reforms will both aim at a better use of existing manpower and at raising employment rates overall. Similarly, greater public and private investment in R&D and incentives for companies to innovate will be pursued to ensure France is at the frontier of developments in technology.

5. The **United Kingdom** Government's long-term goal is to maintain macroeconomic and financial stability in order to achieve its objective of a fair society where there is security and opportunity for all. It remains committed to maintaining an environment that encourages investment and growth and provides employment opportunities for everyone. The United Kingdom will remain at the heart of efforts to tackle climate change in the EU and internationally. **Italy** has embarked upon a program of structural reforms clustered around three main themes: growth, sustainability and social cohesion. Key policy actions include: (i) reform of the public administration; (ii) procedural streamlining; (iii) support to sustainable economic growth and development, and (iv) reform of the education system. The plan for the reform of the public administration aims at increasing its efficiency and effectiveness by introducing and reinforcing meritocracy, innovation, and transparency. In this context, a key role is played by the measures for procedural streamlining through simplifying and reducing the administrative burden by 25% by 2012. These measures are expected to have a positive impact also on GDP growth. Streamlining will increase competitiveness by: eliminating obsolete legislation; rationalizing and accelerating administrative procedures, and cutting bureaucratic requirements for starting business. To support sustainable economic growth and development, the Government approved a number of initiatives directed, inter alia, at: (a) channeling the Funds for Underdeveloped Areas toward energy and telecommunications infrastructure, environmental protection, and the internationalization of firms; (b) liberalizing local public services and postal services; (c) creating Innovation Funds for initiatives with high innovation content. In the education sector, the Government has initiated a process of reorganization and innovation focusing on upgrading the facilities, including ICT services, and reforming the curricula.

6. **Russia** has significantly improved its economic performance and living standards over the last 10 years. Nevertheless, the current adverse trends in the global financial and economic environment require more intensive implementation of the planned reforms, so the authorities are seeking a sound balance between measures for preserving macroeconomic stability and efforts to support sustainable economic growth. Reforms in health and education sectors are being carried out. High priority is also given to public sector reform which is aimed at increasing its effectiveness, cutting administrative barriers and promoting the development of small and medium-sized private enterprise as well as strengthening the budgetary system. Against the backdrop of the current global financial crisis, the **Turkish** economy has performed reasonably well, thanks to the improved fundamentals of the economy in the recent years. In the period ahead, Turkish authorities will stand ready to take every measure needed to minimize the domestic ramifications of the global shock. In this vein, the Central Bank of Turkey has recently taken several steps to ensure the smooth and efficient functioning of foreign exchange markets. In addition, with a view to further improving the fundamentals of the economy, the Turkish authorities will proceed with a comprehensive structural reform agenda. These reforms will include inter alia, (i) enacting a new Commercial Code, reflecting

international best practices, (ii) continuing with the reform of the energy market, (iii) further steps to realign the revenue administration and tax legal framework with international best practices and (iv) proceeding with the second phase of the labor market reform, with a view to further improving the flexibility of the labor market.

7. The strong performance of the **South African** economy over the past six years is attributable to both prudent economic policies and a supportive global environment. As a result of the deteriorating international outlook, however, a slowdown in domestic growth is projected for this year and 2009. Nevertheless, the government will continue to support reforms that reinforce financial-sector and macroeconomic stability while encouraging domestic savings in order to support rising investment and thus raise the potential growth rate of South Africa. For this there is a need to improve skills development and raise the standard of educational outcomes; encourage competition in concentrated markets; improve the performance of network industries and lower costs, promote innovation and productivity improvements; and remove anti-export biases that may exist due to high tariffs and input costs. To accelerate job creation, the government budget will also continue to support public spending on infrastructure such as energy generation and public transport, while improving public service delivery. These measures are of special importance as six years of robust expansion have seen the economy push up against growth constraints, mainly electricity supply constraints, shortages of skilled labor and aging physical infrastructure. **Saudi Arabia** continues to place a high priority on diversifying the economy, reducing dependence on oil, enhancing the investment-friendly environment, maintaining monetary and financial stability and expanding employment opportunities. To boost the economy, wide-ranging economic and structural reforms have been undertaken. The private sector continues to be encouraged and the financial system further strengthened and expanded. Although the international economic and financial atmosphere has become adverse, the growth momentum in Saudi Arabia is expected to continue this year with an increase in non-oil exports, a surplus in the balance of payments, and an improvement in employment opportunities. Inflation which spurted recently due to high food prices and rent has tended to ease off in August 2008 following suitable anti-inflationary measures taken by the government.

8. The main objective of **India**'s economic reforms has been to realize the full growth potential of the economy along with social equity and inclusiveness. The Government recognizes that growth can be constrained by physical and financial infrastructure and accordingly is endeavoring to provide quality roads, railways, ports, airports, power supply and communication to trade and industry to improve its competitiveness together with the employability of labor force through the improvement of health and education and upgrading skills. In respect of the financial sector, the broad approach has been to improve soundness, efficiency, resilience and diversification of the financial system taking into account Basel II norms and the Financial Stability Forum's recommendations, and particularly the

lessons that the international community has learnt from the recent global financial turmoil. Accordingly, India is pursuing reforms to develop institutional and financial infrastructure and to lay down a appropriate regulatory and supervisory regime to ensure financial stability consistent with the overall objectives of growth with price stability. The pace of reforms has been contingent upon putting in place appropriate systems and procedures, technologies and market practices. The stance of monetary policy would be to ensure a monetary and interest rate environment that accords a high priority to price stability, well-anchored inflation expectations and orderly conditions in financial markets while being conducive to continuation of the growth momentum. The external sector reform agenda would include continuation of the gradual process of fuller capital account liberalization that is currently underway. Fiscal policy will seek to continue the fiscal consolidation and ensure elimination of the current budget deficit, through improved revenue mobilization based on a rationalization of the tax structure and an improvement in tax administration. **Indonesia** is determined to ensure macroeconomic and financial stability while maintaining robust economic growth and promoting social inclusiveness in development. To this end, it pursues fiscal discipline and prudent debt management practices, reforming the public financial management system, promoting stability in financial markets, removing investment bottlenecks through public-private partnerships, and increasing investment in human development to improve competitiveness and productivity. On the monetary side, Indonesia will pursue consistent inflation targeting, improve quality lending, improve MSME access to financing, and move towards universal banking and consolidation of the banking system.

9. **Australia** is committed to sustaining economic growth by expanding productive capacity in the economy. Key measures include: a comprehensive review of the State and Federal taxes; the introduction of a Carbon Pollution Reduction Scheme; and improvements to Commonwealth-State relations, including creating a more integrated national economy, infrastructure investments, and improvements to the quality of health and education services. Australia will work to maintain financial stability through a range of regulatory and liquidity actions including: fully implementing the recommendations of the Financial Stability Forum; increasing the prudential oversight of financial institutions' liquidity profiles, risk exposures and provisioning; and, through the Reserve Bank of Australia, will continue to provide liquidity as appropriate to alleviate pressures during periods of financial stress. **Japan** is tackling the task of revitalizing the Japanese economy in three stages, by pursuing (i) economic stimulus measures in the short term, (ii) fiscal consolidation in the medium term, and, (iii) economic growth supported by economic reform in the medium to long term. The economic stimulus measures announced in October 2008 are not intended to be a temporary stimulus for the economy, but rather aim at attaining robust economic growth led by domestic demand and maximizing the potential of the Japanese economy. The **Korean** government has taken preemptive, decisive and sufficient counter-measures to cope with the unprecedented challenge. They include i) measures to stabilize financial and foreign exchange markets,

including government guarantees on inter-bank loans, liquidity injections into the financial market, an increase in the ceiling for the Foreign-Exchange Stabilization Fund, and benchmark interest rate cuts; ii) measures to stimulate the real economy, such as a fiscal stimulus package of 12 billion US dollars, efforts to revitalize the real estate market, and deregulation designed to promote investment; and iii) measures to support SMEs and low income families, including greater credit guarantees, financial aid, a consulting service for business start-ups, and better welfare support for low income families.

10. **China**'s economic reform continues to intensify this year. First, the reform of collective forest property rights is in full swing. Based on local experiments, the Chinese government issued an *Opinion of Comprehensively Promoting the Reform of Collective Forest Property Rights* on June 6, 2008, which provides that clear property rights and household contracts will be achieved within 5 years through the reform and the rural basic operational system will be improved. Second, the reform of state capital operating and budgeting systems continues. In 2007 the State Council issued the *Opinion of Experiment on the State Capital Operating and Budgeting System*, which articulates the approach to the reform and better defines the distribution relationship between the state as the owner and enterprises to improve the income distribution system of state-owned enterprises. Third, the reform of state-owned banks is expanding. After the share-holding reform of the Industrial and Commercial Bank of China, the China Construction Bank and the Bank of China, the Chinese government will continue to promote the corporate reform of the Agricultural Bank of China and market-oriented transformation of policy banks including the State Development Bank to sharpen the operating efficiency of the banking system. Fourth, the Reform of foreign exchange management is taking a new step. The State Council unveiled a new *Regulation on Foreign Exchange Management of the People's Republic of China* on August 5, 2008 to enhance the foreign exchange management system and accelerate its opening process. Fifth, the reform of income tax of domestic and foreign companies is fully implemented. The new *Income Tax Law,* which took effect as of January 1, 2008, can create a level playing field for all companies. The Chinese government will continue to promote all these reforms and the socialist market economy to achieve sound and rapid development.