September 2016

**G20 Enhanced Structural Reform Agenda**

*Prepared by the G20 Framework Working Group*

Introduction

Structural reform has been a priority for the G20 and a key part to achieving the G20’s goal of strong,

sustainable and balanced growth. It is an important driver of growth over the long term, and can

support confidence, demand and growth in the short term especially when used in conjunction with

macroeconomic policies. G20 Finance Ministers and Central Bank Governors are committed to using

**“*all policy tools – monetary, fiscal and structural – individually and collectively” to “strengthen***

***growth…foster confidence and preserve and strengthen the recovery*”**.

Given the critical role played by structural reform, it is important to ensure that members’ efforts in this

area are ambitious, relevant, focused and effective. This underlies the motivation for the development

of an enhanced structural reform agenda, which is a priority for the G20 in 2016. In this context,

Finance Ministers and Central Bank Governors “***committed to further enhancing the structural reform***

***agenda, including by developing a set of priorities and guiding principles as a reference for G20 reform***

***efforts, as well as by creating an indicator system to further improve assessing and monitoring of the***

***progress of structural reforms and their adequacy to address structural challenges, taking into account***

***the diversity of country circumstances. This enhanced structural reform agenda will be incorporated***

***into the existing work stream under the Framework for Strong, Sustainable and Balanced Growth***”.

This paper sets out the details of the G20’s enhanced structural reform agenda as developed this year by

the G20 Framework Working Group for Strong, Sustainable and Balanced Growth.

Priorities

The nine areas identified as structural reform priorities for the G20 are:

-

-

-

-

-

-

-

-

-

Promoting trade and investment openness

Advancing labour market reform, educational attainment and skills

Encouraging innovation

Improving infrastructure

Promoting fiscal reform

Promoting competition and an enabling environment

Improving and strengthening the financial system

Enhancing environmental sustainability

Promoting inclusive growth

It should be noted that the specific priority areas making up the structural reform agenda will differ from

country to country, and countries will focus on those priority areas that are of greatest relevance to

their reform agendas. As the IMF has noted in its paper entitled “A Framework for Structural Reforms:

Priorities and Guiding Principles”, the identification of reform priorities begins with an assessment of the

1



September 2016

country’s structural policy gaps as this will indicate where reforms are likely to have the largest impact in

terms of boosting growth. The choice and design of specific structural reforms must necessarily be

informed by a country’s macroeconomic environment and national preferences. This includes taking

into account the country’s income level, its position in the economic cycle and its policy space for

reforms.

Guiding Principles

The guiding principles for each of the nine priority areas are listed as follows:

***Promoting trade and investment openness***









Reduce tariff and non-tariff barriers to trade

Reduce barriers and restrictions to foreign direct investment

Implement trade facilitation measures to reduce border costs

Reduce, as appropriate, behind-the-border restrictions on trade and investment and seek

greater cross-border harmonisation



Reduce barriers to trade and investment through multilateral as well as plurilateral and bilateral

agreements while minimising the discriminatory measures against third parties

***Advancing labour market reforms, educational attainment and skills***



Reduce barriers to the labour force for groups with low participation rates such as women,

youth and older workers







Expand and improve the effectiveness of active labour market policies

Rebalance protection from jobs to workers and reduce labour market duality and informality

Improve access and efficiency of vocational education and training, tertiary education, skilling

and reskilling





Improve educational outcomes through widening access and raising quality of early childhood,

primary and secondary education

Promote quality job creation and enhance labour productivity

***Encouraging innovation***











Ensure and sustain research and development expenditures

Raise effectiveness and efficiency of research and development and innovation support policies

Strengthen collaboration between research institutions/universities and industry

Improve international research cooperation

Improve access to early-stage venture capital

***Improving infrastructure***



Raise the quality of public infrastructure investment (while ensuring sufficient financing for

infrastructure and infrastructure maintenance) and promote private sector participation

including through the use of Public-Private Partnerships (PPPs)



Raise the efficiency of regulatory approval processes for infrastructure projects, while ensuring

transparent bidding processes

2



September 2016





Promote the use of cost-benefit and value-for-money analysis, possibly supplemented by multi-

criteria analysis, for public infrastructure projects

Reduce institutional and regulatory barriers for long-term investment financing by institutional

investors and promote new financial instruments while ensuring financial stability

***Promoting fiscal reform***



Promote sustainable and comprehensive social protection programs which are supported by

growth-friendly tax/contribution and expenditure measures

Broaden the tax base and phase-out inefficient tax expenditures

Prioritise growth-friendly expenditure, preserve productive public investment and improve

efficiency in spending













Improve the transparency and efficiency of tax collection

Improve the efficiency of public administration and public service delivery

Strengthen the role of fiscal frameworks, rules and institutions

Focus on fighting tax fraud and tax evasion

***Promoting competition and an enabling environment***











Strengthen competition law and enforcement

Reduce administrative and legal barriers to starting and expanding a business

Promote a level playing field for market competition

Implement efficient bankruptcy procedures

Reduce restrictive regulations that impair competition, lessen the excess burden of regulatory

compliance and apply sound oversight of regulatory policy

Enhance the rule of law, improve the efficiency of the judicial system and fight against

corruption



***Improving and strengthening the financial system***







Ensure financial stability

Support growth, enhance competition and innovation while maintaining prudential objectives

Ensure that the institutional framework is conducive to market finance, while ensuring financial

stability and investor protection





Improve and strengthen access to both traditional bank financing and innovative sources of

finance, while ensuring financial stability

Prevent systemic risks inherent in activities of financial institutions; strengthen macroprudential

policy framework

***Enhancing environmental sustainability***



Extend the use of market-based mechanisms to mitigate pollution and increase resource

efficiency







Promote the development of clean and renewable energy and climate-resilient infrastructure

Promote the development and deployment of environment-related innovations

Improve energy efficiency

3

September 2016

***Promoting inclusive growth***



Improve equality of opportunity by reducing barriers to employment and improving outcomes in

education and training





Expand coverage and enhance efficiency of pre-school, primary and secondary education

Provide social transfers and income redistribution programs that are well targeted and designed

in a growth- and employment-friendly way





Promote financial inclusion and financial literacy

Reduce barriers to gender equality, particularly with respect to education, employment and

entrepreneurship



Adopt measures to mitigate the possible adverse impact of certain pro-growth policies on

inequality

As outlined by the OECD, principles provide useful, high-level guidance to members when considering

reforms in a given priority area. It is important to note that the principles above are intended to be used

on a voluntary basis. They are non-binding and non-prescriptive, as they do not necessarily apply to all

countries planning to undertake reforms in the nine priority areas discussed above. G20 members

recognize that a balance needs to be struck between different principles when undertaking reforms

within a priority area.

The priorities and guiding principles may be used by members to help guide future policy reform efforts,

including in the context of updating their growth strategies. In 2016, members have been encouraged

to utilize, on a voluntary basis, the nine priority areas in discussing new structural reform policies in their

2016 growth strategies.

Quantitative Framework: Indicator System

As indicated above, the development of an indicator system to enhance the assessment and monitoring

of the progress and effectiveness of G20 members’ structural reform efforts and their adequacy to

address structural challenges is an important component of the enhanced structural reform agenda.

Following extensive discussions and with the support of international organizations, particularly the

OECD, members of the Framework Working Group have agreed on the following common set of core

indicators for the quantitative framework. This set of core indicators is intended to complement rather

than duplicate the indicators already used in the G20 Accountability Assessment Report as well as the

IMF’s Update of Staff Sustainability Assessment, developed through the G20 Indicative Guidelines.

4



September 2016

**G-20 Structural Reform**

**Priorities**

**Structural Indicators1**

**Policy indicator2**

Implicit barriers to trade and

investment

**Outcome indicator3**

***Promoting trade and investment***

***openness***

OR\*

Trading across borders

Barriers to entrepreneurship

OR\*

***Promoting competition and an***

***enabling environment***

Starting a business

Public funding of business

R&D (share of GDP)

AND

R&D tax incentives (share of

GDP)

Total

***Encouraging innovation***

OR\*

spending

on R&D

(share of

GDP)

Labour

productivity

Public Investment (share of GDP)

OR\*

***Improving infrastructure***

Investment (share of GDP)

***Advancing labour market***

***reform, educational attainment***

***and skills***

Employment to

population ratio

Shared Prosperity Premium

OR\*

***Promoting inclusive growth***

Gini coefficient

\*Members choose either one of the two indicators.

The annex provides further information from the OECD and World Bank Group on each of these

indicators.

It is expected that this indicator system will evolve over time to enhance its comprehensiveness, in

particular to include additional indicators to cover other priority areas.

With respect to data sources, the indicators make use only of data that is already publicly available. In

most cases, international organizations will be the main source of data for the above indicators, and

international organizations will discuss with members where significant inconsistencies or substantial

data gaps as compared with national data sources exist. In those few cases where the international

organizations do not currently collect the data on an indicator for a member, the member may propose

an alternative indicator for which they collect the data. Members’ proposed alternative indicators

1 A key objective for the use of the indicators is to provide a reference in the assessment and monitoring of the progress of

structural reforms and their adequacy to address structural challenges under the G20 process, as appropriate. Use of these

indicators within the G20 does not necessarily represent national positions in occasions other than the G20.

2

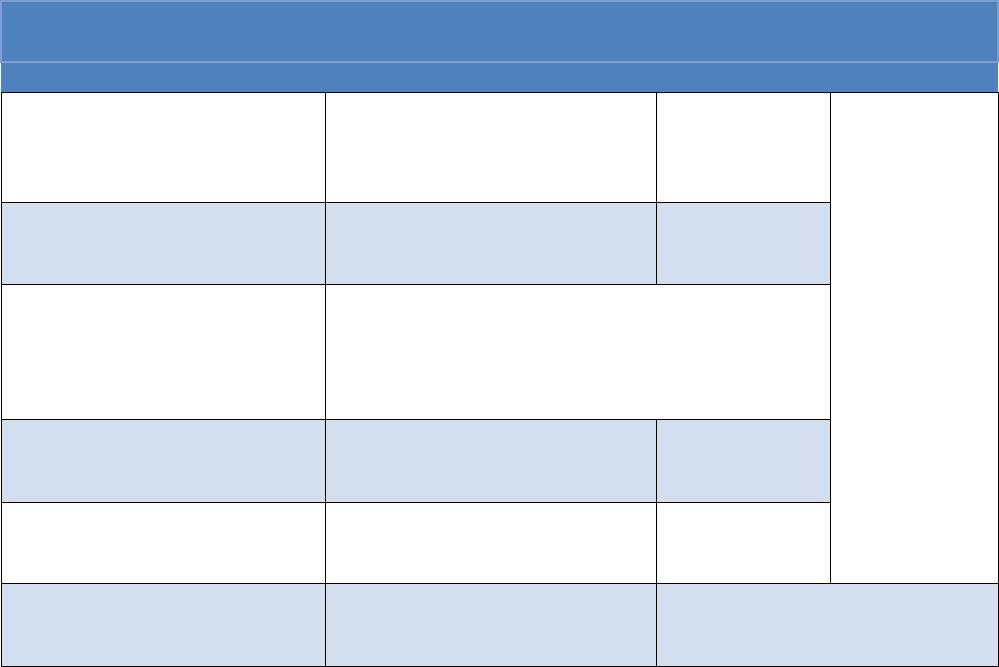
According to the OECD, policy indicators are essential for capturing the role that structural reform has on economic outcomes.

According to the OECD, outcome indicators reflect economic developments that can be driven by many other factors not

3

controlled by policy makers.

5



September 2016

should be appropriate for assessing the priorities and would require discussion with international

organizations on the overall comparability with the missing common indicators.

*Usage of Indicators*

As mentioned, a key purpose of the development of the indicator system is to help assess and monitor

the progress of G20 structural reforms and their adequacy to address structural challenges, taking into

account the diversity of country circumstances. In this context, the OECD will produce a technical

report, with input from other international organizations, using the common set of indicators to help

assess G20 progress and challenges within the structural reform priority areas. The report will consist of

two components:

1. An assessment of the G20’s collective structural reform efforts in the priority areas drawing on

the data on the indicators and supplemented by other publicly available information specifically

for those priority areas with no agreed-upon indicators.

2. A description of individual members’ data on indicators presented using a dashboard approach.

Relevant information from the G20 growth strategies, including the peer reviews, and the OECD

technical report will feed into the annual G20 Accountability Assessment Report as appropriate.

Dashboards consisting of a series of charts for each member could be included in the Accountability

Assessment Report. The charts would illustrate the member’s changes against each of the indicators

over time.

The frequency of the OECD technical report will be every two years to coincide with the IMF’s Update of

Staff Sustainability Assessments based on the G20 Indicative Guidelines, beginning in 2017. Data

available in 2016 will form the benchmark for each of the indicators and will be used to produce the

technical report in 2017 going forward.

It is important to note that national circumstances will need to be reflected in the discussion of the

results of the indicators. It is also understood that not all countries will necessarily be pursuing reforms

in all priority areas at the same time. While the indicators will be presented in a dashboard approach,

these are not meant for cross-country comparisons, but rather to demonstrate developments at the

member level over time.

Furthermore, members may use additional policy and outcome indicators of their own choosing and

give their own quantitative assessment of expected growth impact of reforms within their growth

strategies as well as during the peer review process, to enhance the analysis of structural policy

challenges as well as to monitor the progress of structural reforms. Members may use their own data

sources for these additional indicators.

Conclusion

Structural reforms play an essential role in boosting productivity and potential output as well as

fostering inclusive growth. The G20’s enhanced structural reform agenda, comprising the priority areas,

6



September 2016

their guiding principles and the indicator system, demonstrates the G20’s commitment to the

implementation of effective and impactful structural reforms as part of its efforts to foster strong,

sustainable and balanced growth. An increased focus on implementing structural reforms will help

bolster potential growth and make G20 economies more innovative, strong and resilient.

The Framework Working Group will look for opportunities to continue to improve the G20’s enhanced

structural reform agenda. This enhanced structural reform agenda will be incorporated into the existing

workstream of the Framework Working Group as a tool to help assist members’ structural reform

efforts. Building on the foundation laid in 2016, other policy and outcome indicators may be added in

future years to enhance the system. Moreover, the Framework Working Group will continue, as

appropriate, to explore additional ways to utilize the indicator system to enrich analyses of the

structural challenges members face and to monitor progress with the implementation of structural

reforms.

7

September 2016

**Annex - Additional Information for Indicators from the OECD and World Bank Group**

**Indicator**

**Source**

**Notes**

**G20 country Time coverage**

**coverage**

**Labour**

**productivity**

IMF, ILO

Measures the efficiency with which

inputs are used to produce goods and

services. Calculated as a ratio of a volume

measure of output to a volume measure

of input use.

All

Annually to

2014

Labour productivity is measured here as

GDP at PPP exchange rates (IMF) per

employed person (ILO). This is to provide

the broadest country comparison

possible rather than alternative measures

using gross value added or total hours

worked. PPP exchange rates are based on

the International Comparisons Program

2011 report.

**Employment**

**to**

**population**

**ratio**

ILO

Measures the share of employment for

the working age population (15 and

over). A high ratio means that a large

proportion of a country's population is

employed.

All

Annually to

2014

This excludes those not directly in

market-related activities (potentially in

the informal sector), because they are

either unemployed or out of the labour

force altogether. ILO harmonised

estimates are used.

**Shared**

**Prosperity**

**Premium**

WBG

Measures the difference between the

average income or consumption growth

of the bottom 40% of the population and

the growth in mean consumption or

income per capita for the entire

All except

Japan,

Korea and

Saudi Arabia data circa

2008-2013

Annually

starting in

2016 using

population during the same period.

**Public**

**Investment**

OECD

Measures government investment by

gross fixed capital formation (GFCF)

expenditure by all levels of government,

expressed as a share of GDP.

All except

Argentina,

Brazil,

China, India,

Indonesia

and Saudi

Arabia

Annually to

2015 for most

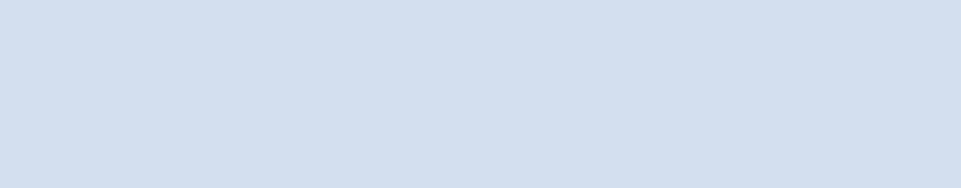
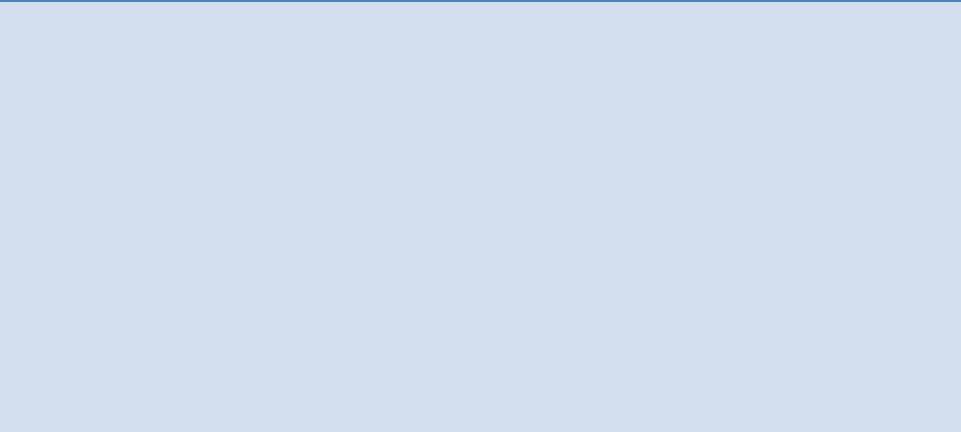
countries

GFCF measures gross net investment

(acquisitions less disposals) in fixed

capital, including public infrastructure.

8



September 2016

Public investment contributes to changes

in the public capital stock over time.

A comparison between the averages for

two five year periods is used to compare

the recent trend in public investment.

**Investment**

IMF

Measures total GFCF (private and public)

expenditure as a share of GDP. Total

investment contributes to changes in the

aggregate capital stock over time.

All

Annually to

2015 for most

countries

A comparison between the averages for

two five year periods is used to compare

the recent trend.

**Gini**

**coefficient**

WBG,

OECD

Measures the level of inequality based on

the distribution of income in an

All except

Saudi Arabia most recent

Frequency and

economy. It is expressed as a percentage

ranging from 0 (perfect equality) to 100

(perfect inequality).

WBG data

varies Latest

(generally

2011 to 2013)

shown against

2008 where

The Gini measure based on disposable

income post taxes and transfers is used

as it provides the best measure of

inequality.

available

World Bank Group data are used where

available as it provides the broadest

country coverage (OECD data used for

Korea). Data are based on underlying

country household surveys. The

estimation method for advanced and

developing countries is consistent.

**Implicit**

OECD

Product

Market

Measures regulatory barriers to foreign

competition through the differential

treatment of foreign suppliers and

barriers to trade facilitation. This

measures behind-the-border factors that

can facilitate trade and investment such

as the recognition of foreign regulations,

use of international standards and

international transparency of domestic

regulation.

All except

1998-2013 for

Saudi Arabia OECD, 2008-

2013 for

BRIICS, 2013

for Argentina

**barriers to**

**trade and**

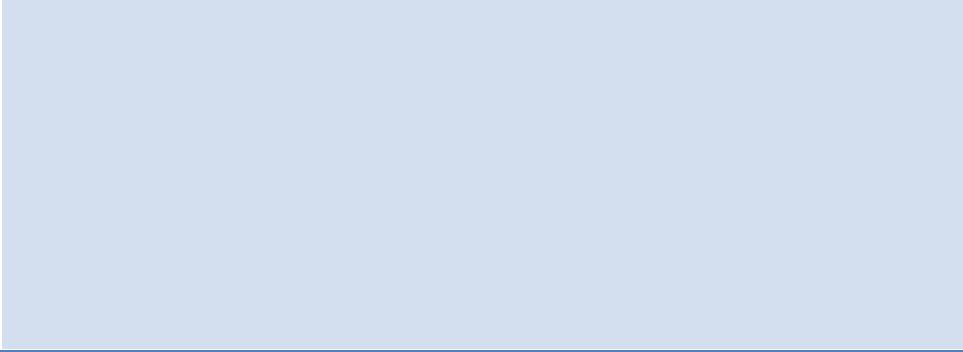
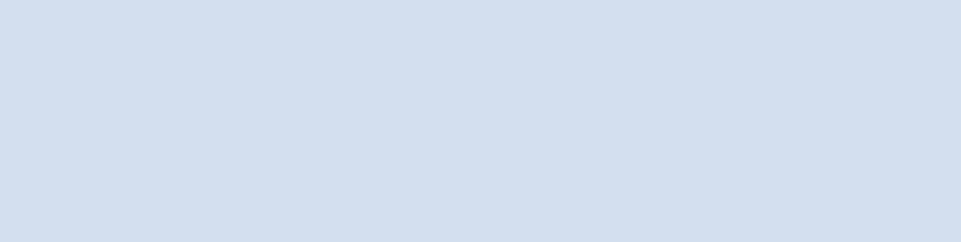
**investment**

Regulation

The composite indicator is constructed

based on a detailed assessment of

9



September 2016

specific policy measures, collected

through a survey of national policy

settings.

Detailed information on the OECD

Product Market Regulation indicators can

be found at:

www.oecd.org/eco/growth/indicatorsofp

roductma rketregulationhomepage.htm

**Barriers to**

**entrepreneur**

**ship**

OECD

Product

Market

Measures regulatory barriers to domestic

competition through the complexity of

regulatory procedures (linked to license

and permit systems), administrative

barriers to start-ups and the regulatory

protection of incumbents.

All except

1998-2013 for

Saudi Arabia OECD, 2008-

2013 for

BRIICS, 2013

for Argentina

Regulation

The composite indicator is constructed

based on a detailed assessment of

specific policy measures, collected

through a survey of national policy

settings.

Detailed information on the OECD

Product Market Regulation indicators can

be found at:

www.oecd.org/eco/growth/indicatorsofp

roductma rketregulationhomepage.htm

**Trading**

**across**

**borders**

WBG

Doing

Business

Measures the time and cost (excluding

tariffs) associated with three sets of

procedures—documentary compliance,

border compliance and domestic

transport—within the overall process of

exporting or importing a shipment of

goods.

All

Annually

The distance-to-frontier score is the

simple average of the distance to frontier

scores for the time and cost for

documentary compliance and border

compliance to export and import.

Detailed information on the World Bank

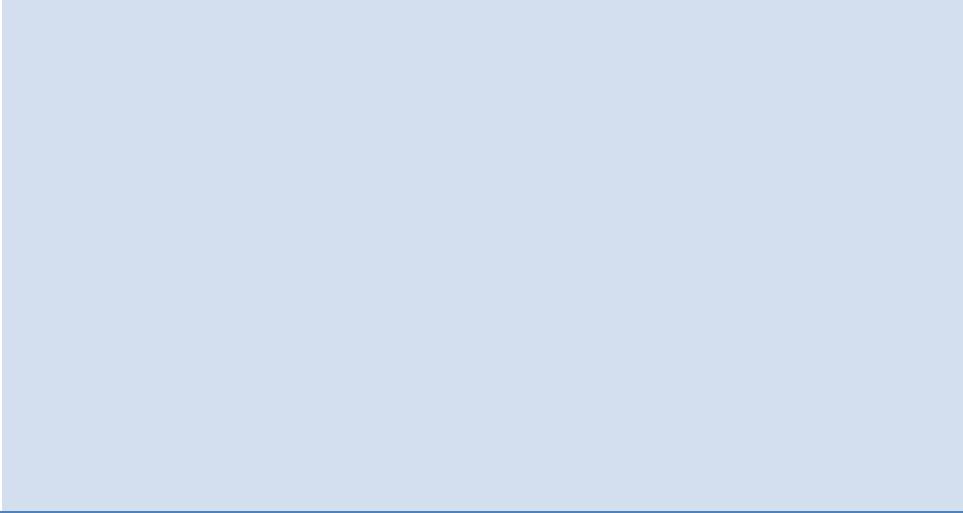
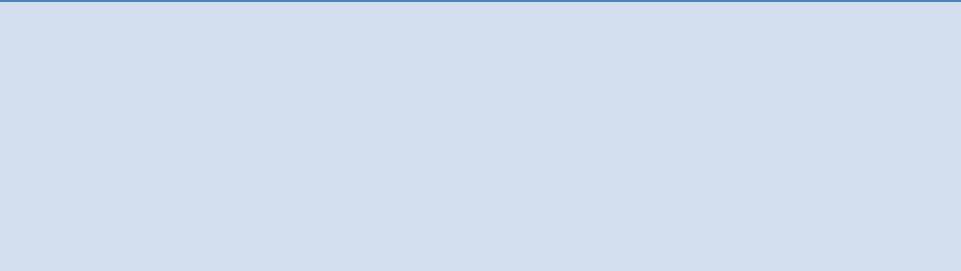
Doing Business indicators can be found

at:

http://www.doingbusiness.org/methodol

ogy/trading-across-borders

10



September 2016

Annually

**Starting a**

**business**

WBG

Doing

Business

Measures all procedures officially

required, or commonly done in practice,

for an entrepreneur to start up and

formally operate an industrial or

commercial business, as well as the time

and cost to complete these procedures

and the paid-in minimum capital

requirement.

All

The distance-to-frontier score is the

simple average of the distance-to-frontier

scores for each of the four component

indicators.

Detailed information on the World Bank

Doing Business indicators can be found

at:

http://www.doingbusiness.org/methodol

ogy/starting-a-business

**Public**

OECD

OECD

Measures government support for

research and development (R&D) aimed

at encouraging innovation by direct

public funding of business R&D.

Calculated as a share of GDP.

All except

Argentina,

Brazil, India, 2011 or 2012

Indonesia

and Saudi

Arabia

All except

Argentina,

India,

Annually

2000-2013

**funding of**

**business**

**R&D**

latest for some

countries

**R&D tax**

**incentives**

Measures government support for

business R&D aimed at encouraging

innovation through tax incentives.

Calculated as a share of GDP.

Annually

2000-2013

2011 or 2012

latest for some

countries

Indonesia

and Saudi

Arabia

**Total**

**spending on**

**R&D**

OECD

Measures gross domestic expenditure on

R&D, including spending by business,

higher education institutions and

government. Data for spending by each

of these sectors is also available with the

same coverage. Calculated as a share of

GDP.

All except

Brazil, India,

Indonesia

and Saudi

Arabia

Annually

2000-2013

2011 or 2012

latest for some

countries

11

