STRUCTURAL REFORMS FOR INCLUSIVE GROWTH: THREE APPROACHES

*Further to the 2015 request from Ministers that the EC produce a policy framework on inclusive growth*

# EXECUTIVE SUMMARY

This document proposes three approaches to guide the Economic Committee’s work on structural reform, with a focus on using structural reform to contribute to inclusive growth. This is in response to an instruction from APEC Structural Reform Ministers under the Renewed APEC Agenda on Structural Reform 2015 (or RAASR) to produce a draft framework to address the issue. The APEC Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region, which was agreed by APEC Leaders in Da Nang in 2017, provides further context for the proposed approaches.

This paper is not an action plan for APEC economies to follow. It does not entail any additional measurement requirements or reporting obligations, nor does it require economies to follow any particular procedures in implementing their own structural reforms. Rather, the objective of the paper is to guide the EC’s capacity building work. The three approaches outlined in this paper are intended to maximize the potential of structural reforms to promote inclusive growth, so that economic opportunities and the benefits of trade and growth are shared more broadly.

There is an undeniably strong link between inclusive growth and economic opportunities. Some economies that score highly on ease of doing business measures and already have robust competition laws and strong legal institutions in place are currently grappling with challenges such as growing societal disparities, falling labour share of gross domestic product (GDP) and rising anti-globalisation sentiment. While structural reforms can contribute to the expansion of economic opportunities, they can come hand-in-hand with structural barriers that prevent some groups from accessing those opportunities. Structural reform is about removing structural barriers to accessing those economic opportunities, something that needs equal attention if inclusion is to be addressed. This is where the work of the Economic Committee can add significant value.

APEC’s discussions on inclusive growth are shared by other international organisations, which consistently point to growing disparities having a corrosive impact on growth. This can result from a lack of access to education and health, weak labour markets and a lack of trust in institutions. Other international organisations point to the importance of structural reform if growth is to become more inclusive in the future. They also note that, if growth is to be genuinely inclusive, structural reforms may need to be supplemented by policies that improve the participation of women, rural and indigenous communities, and persons with disabilities in the economy and support investment in education and skills, innovation programs and the provision of infrastructure (including in remote areas).

Drawing on this work, a set of three approaches is proposed to guide the structural reform work of the Economic Committee to contribute to inclusive growth. Central to its proposition is the idea that structural reforms can be supplemented by supporting policies and programmes, and that more complex and integrated approaches are required to enable economies to face emerging challenges.

This document proposes three approaches that economies might take to better harness structural reform to promote inclusive growth:

Approach I – Focus on the Core: Getting the Basics Right

This entails a focus on the six core structural reform functions (the areas which constitute the Economic Committee’s work programme):

* Competition Policy and Law
* Corporate Law and Governance
* Regulatory Reform
* Public Sector Governance
* Strengthening Economic and Legal Infrastructure; and
* Ease of Doing Business.

Approach II – Selecting Pro-Inclusion Structural Reform and Deepening Those Reforms

This approach involves selecting “pro-inclusion”’ structural reforms and deepening, targeting and coordinating those core structural reform functions. Once sufficient of the six core structural reform functions (“the basics”) are in place, governments can use structural reform in a more strategic way to achieve objectives such as promoting inclusion and raising living standards of population through access to better education, medicine and other social services, as well as to basic infrastructure throughout economies (including in remote and rural areas).

Approach III - Integration

This is a complex, usually whole-of-economy approach which harnesses both structural reforms and supporting policies and programmes in a coordinated and holistic fashion. While more difficult and costlier to pursue than approaches I and II, such an approach is necessary to tackle the more deep-rooted structural barriers to inclusion.

The graph at **Figure 1** on p13 depicts these three approaches.

Each of the above elements is illustrated by examples from individual APEC member economies. These examples are drawn from RASSR Individual Action Plans as well as a recent questionnaire that was sent to APEC member economies.

The document concludes with two observations. First, that it is necessary to get the core structural reforms right so that economies obtain the maximum value from the resources committed to the implementation of structural reforms and supporting policies and programmes. That said, economies will select the mix and sequencing of structural reform approaches recommended in this paper according to their needs and circumstances.

Before undertaking further structural reforms or implementing supporting policies or programmes, economies would likely benefit from conducting an initial stocktake of their existing structural policies and an evaluation of their impacts in order to identify areas of success and any remaining gaps in implementation.

Second, the paper has obvious implications for future APEC work on structural reform with regards to APEC’s ongoing efforts to promote inclusive growth and address other emerging issues to ensure that economic growth is also innovative, balanced, sustainable and secure. In particular it points to the need for collaboration between different APEC fora and sub-fora in areas such as digital economy development, human capital development, services, supporting women and MSMEs, innovation and infrastructure provision, including in rural and remote areas. In many cases Approach II – Selecting Pro-Inclusion Structural Reform, and Approach III – The Integrated Approach – will be necessary to promote inclusive growth in these challenging areas.

# Introduction

When agreeing to the RAASR in Cebu in September 2015, APEC Structural Reform Ministers stated:

*“While absolute poverty has fallen and average income per capita has increased in the APEC region, growth in some cases has widened income disparities between the rich and poor. The benefits of rapid economic growth have been unevenly shared both across and within individual APEC economies. We note that there are groups (e.g. women, older workers and minorities), firms (e.g. micro, small and medium enterprises (MSMEs)) and regions that have benefited proportionately less from economic growth and globalization.*

*We are aware that inequality can undermine growth in the long-run by stunting private initiative and locking resources in low-productivity alternatives. We agree that structural reform, if implemented correctly, can provide for enhanced inclusion of hitherto underrepresented groups, firms, and regions by providing more opportunities to participate in and benefit from a growing economy. We support policies that are pro-development, strengthen markets, promote trade and investment, improve access to goods, services and labour markets, facilitate linkages to global value chains, and build resiliency against various shocks to advance inclusive growth.*

*We, therefore, instruct the Economic Committee to:*

*a. Develop a policy framework on how structural reform, including those being initiated by other APEC committees and working groups, can contribute to inclusive growth;*

*b. Develop a set of indicators for evaluating inclusiveness of structural reform policies (as a priority component of the indicators that are being developed with the APEC Policy Support Unit for the assessment of RAASR); and*

*c. Share knowledge and experience relating to structural reforms that may affect inclusive growth, and identify policies to mitigate negative impacts, where warranted.”*

Since 2015, many APEC bodies have paid close attention to the question of how structural reform can support inclusive growth. In particular, in Da Nang in 2017 APEC Leaders stated:

*“We underscore that structural reform, including competition policy, ease of doing business, regulatory reform, strengthening economic and legal infrastructure, corporate and public sector governance, and promoting human capital development, is key to balanced, sustainable, innovative and inclusive growth, job creation, productivity and competitiveness.”*

In Da Nang, APEC Leaders endorsed the APEC Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region. For each of these three pillars, the Action Agenda puts forward the following objectives:

*a. “Economic inclusion: Advance progress towards achieving full and productive employment and decent work for all, including young people, the elderly, and persons with disabilities, and equal pay for equal work; progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the average level in each economy as envisioned in the 2030 Agenda on Sustainable Development.*

*b. Financial inclusion: Strengthen the capacity of financial institutions to encourage and expand access to banking, insurance and financial services, and increase financial literacy and capability of all to access finance; and*

*c. Social inclusion: Empower all members of society to take advantage of economic opportunities.”*

This paper seeks to respond to the instruction under the RAASR to develop a policy framework on how structural reform can support inclusive growth, and to the APEC Action Agenda on Advancing Economic, Financial, and Social Inclusion in the APEC Region. First it looks briefly at the work of other international organisations in this area. Second it proposes a draft set of approaches for discussion. Third it briefly examines how economies might use one or more of the three approaches outlined. In seeking to illustrate the proposed set of approaches and how they might be applied, this paper draws examples from the following sources:

* RAASR Individual Action Plans (IAPs) (recognising that one of the three RAASR pillars guiding the development of IAPs is “deeper participation in those markets by all segments of society, including MSMEs, women, youth, older workers, and people with disabilities”);
* Replies to a recent questionnaire on structural reform and inclusive growth (“the questionnaire”) sent to APEC Member Economies and leads of EC work areas;
* Relevant examples from the work programs of other APEC bodies.

# Work of Other International Organisations

Other international organisations have provided significant insights into how structural reform can contribute to inclusive growth. In this section, the paper will draw on work conducted by the OECD, United Nations, World Bank, ILO, IMF, and G20, recognising that much of the G20 work is based on advice provided by the OECD and IMF.

## The Problems Caused by Growing Disparities

The analysis of other international organisations that this paper draws on (see Bibliography) consistently shows that differences between economies have narrowed significantly. In advising the G20, the OECD notes that economic growth over recent decades has led to a convergence in living standards around the world, which has driven an unprecedented decline in income inequality globally, particularly due to the fast growth in China and India. Absolute poverty levels in many developing economies have decreased considerably due to rapidly rising productivity Increased productivity in turn has been based on the development of markets and market institutions, technological advancement and the growth of economic opportunities both within and outside the economies concerned.[[1]](#footnote-1)

On the other hand, in advising the G20, the IMF shows that within economies, income inequality has been rising up to mid-2000s, although fiscal policies have stabilised this pattern since the Global Financial Crisis. In many G20 members, a disproportionally large share of income has accrued to the top 1 percent of the income distribution. The top 1 percent accounts for around 10 percent of total income in many G20 members, with its share of wealth even higher. In contrast, the average labour share of income has declined in many G20 members, particularly among low- and middle-skilled workers. During 1995-2009, the combined labour share of low- and middle-skilled workers fell by more than 10% in G20 members while those for higher skilled workers increased by more than 5% in emerging G20 and 10% in advanced G20.[[2]](#footnote-2) Figures on the distribution of wealth show even more marked changes. This difference is also often observed between people living in remote and rural areas whose standard of living is lower than that enjoyed by people living in urban centres.

The causes of the widening disparities within economies are complex and not yet fully understood. Other international organisations argue that technological advances and international trade have had a positive impact on productivity and employment overall but that the results are less clear when looked at from the standpoint of specific sections of society in individual economies. All agree, however, that weak labour productivity growth is a clear symptom of the problem, particularly at the less skilled end of the labour market. In addition, the OECD has shown that the gap between high-productivity firms and lagging firms has increased not only at the global level, but also within many individual economies and within industries. It suggests that there might be a ‘sorting’ effect which increasingly separates frontier firms, able to access the best technologies and skills, from those that are less productive and unable to compete on the same grounds.[[3]](#footnote-3)

The OECD, IMF and World Bank all agree, however, that growing disparities within economies have a negative impact growth and on the functioning of markets. In advising the G20, the OECD noted that such impacts included:

* Poorer households have more restricted access to education and healthcare than the better off, and this in turn prevents them from fulfilling their potential. Children from poorer households are less likely to complete compulsory education and are therefore less likely to pursue higher education. This in turn inhibits the development of skills required by the domestic economy;
* Income inequality is also associated with some aspects of weak labour market performance. Low labour force participation, unemployment, underemployment or low-quality jobs are facets of this. In many instances, low quality jobs exist in informal labour markets where linkages to the rest of the economy are weaker;
* High inequality can erode trust in economic institutions by favouring the “vested interests” of those with more influence and opportunities. Such influence can in turn result in inequitable regulations and a flow of fiscal resources that favours particular groups;
* In most emerging markets and some advanced economies, the weakness in economic institutions can also result in major market failures and missing or underdeveloped markets. Many sectors suffer from inadequate competition which can in part be due to regulations that inhibit market entry.
* Finally the OECD notes that “inequality raises political challenges because it breeds social resentment and generates political instability. When large groups in the population gain little from economic growth or only benefit from a small share, the social fabric frays and trust in institutions is weakened. Combined with low income growth since the crisis, high inequality has helped to fuel populist, protectionist, and anti-globalisation sentiments with many people feeling that they are losing out to a small group of winners”.[[4]](#footnote-4)

## What do we mean by “Inclusive Growth”?

There is no internationally agreed definition of ‘inclusive growth’. But at its heart, inclusive growth is growth that encompasses more equal access to economic opportunities for all, and which addresses the variety of barriers which can prevent people from accessing opportunities and contributing to economic growth. Inclusive growth is not based on a redistributive approach. Rather, it is anchored in a strategy of sustainable, balanced and secure development that enables all parts of society to participate in, contribute to, and share in the benefits of growth.

## How Can Structural Reforms Support Inclusive Growth?

All international organisations surveyed agree that structural reforms can be an important part of the strategy in tackling stagnant labour productivity, particularly at the less skilled end of the market. Such reforms can have the impact of narrowing the productivity gap between high and low productivity firms. They can include labour market reforms which allow for improved participation of MSMEs, women and disadvantaged groups such as rural and indigenous communities, and persons with disabilities. Improved competition policies and the development of the digital economy can provide for much the same outcomes through enhancing the ability of firms to compete in markets. Structural reforms aimed at improving the quality of government institutions can also have positive impacts on inclusive growth. Such reforms can include pro-competitive regulatory reform or Ease of Doing Business (EODB) programs which enhance the ability of all firms to participate in markets. They can also include improved legal infrastructure, which improves certainty for firms in all markets but most of all in the new digital markets.

International organisations, therefore, are increasingly examining how individual aspects of structural reform can contribute to inclusive growth. The World Bank and OECD, for example, have produced a report in the area of competition policy: *“A Step Ahead – Competition Policy for Shared Prosperity and Inclusive Growth.”* The study examines the dramatic reductions in poverty that have occurred in recent decades and argues that sitting behind these reductions are productivity increases, particularly in labour productivity. Given these trends it becomes clear that the degree of competition in markets has an important and multifaceted impact on poverty reduction and shared prosperity. First, competition has both a direct and dynamic impact on the variables that form labour income in households. Second, effective market competition is widely acknowledged to spur economic growth by increasing industry- and firm-level productivity, leading to rises in GDP and expansions in jobs and labour productivity.[[5]](#footnote-5)

The World Bank is also increasingly focused on how EODB work programs can contribute to poverty alleviation as well as business growth. For example, reforms in the area of *doing business* can be particularly important in terms of encouraging employment growth and poverty alleviation. The World Bank shows that those economies with higher scores in the area of doing business are also those that are doing better in terms of employment creation (although it is careful not to ascribe a causal relationship at this stage). For those economies with lower scores the opposite is true – they tend to have lower rates of employment growth and more unequal income distributions.[[6]](#footnote-6)

The OECD is also launching a Business for Inclusive Growth Platform to map existing complementary public policies and business actions that promote inclusive growth, and to help companies develop the metrics and standards for measuring business and investment impact on inclusive growth.

In the Doing Business rankings, two of the most relevant categories for financial inclusion are “Getting Credit” and “Starting a Business.” The lack of available, affordable credit is a major constraint to the development of MSMEs. Under “Starting a Business,” the World Bank has found that, in many economies, the bureaucratic obstacles and high costs imposed by inefficient company registries deter people with good business ideas from embarking on the path of formal entrepreneurship. Cumbersome regulations and administrative procedures for starting a business are found to be associated with fewer legally registered firms, greater informality, a smaller tax base, and more opportunities for corruption. Time lost on the business registration process could be better spent on firm growth and innovation.[[7]](#footnote-7) Studies have also shown that simplifying business processes can create first-time female business owners at a rate 33 percent faster than that for their male counterparts.[[8]](#footnote-8)

Many other international organisations are also paying close attention to how the quality of government institutions and the enforcement of quality laws are contributing to inclusive growth. The IMF, for example, argues that governments have a central role to play in alleviating impediments to financial inclusion by creating the associated legal and regulatory framework (e.g., protecting creditor rights, regulating business conduct, and mechanisms to protect consumers), supporting the information environment (e.g., setting standards for disclosure and transparency), and educating and protecting consumers and strengthening risk-based supervision.[[9]](#footnote-9) Furthermore, many of UNCITRAL’s instruments have been designed to promote inclusive growth. For example, by providing a transparent, comprehensive and rational legislative framework of secured financing, the 2016 UNCITRAL Model Law on Secured Transactions is expected to have a beneficial impact on the availability and the cost of credit, in particular to small and medium-size enterprises in developing economies.[[10]](#footnote-10)

## A Broader Approach May Be Needed

There is a strong view amongst other international organisations that the core structural reforms described above are a necessary but not a sufficient condition to provide for inclusive growth.[[11]](#footnote-11) While they may create incentives for new business activities, growth based on these activities may quickly run into constraints if there are not, for example, sufficient skills or adequate infrastructure available to support these activities. This has led to calls for core structural reforms to be seen in the context of a broader range of supporting policies and programs. An integrated approach (Approach III) to structural reforms to promote inclusive growth would therefore include areas such as the following:

* *Strengthening the participation of women in economic life*. A wide range of policy options can be employed in this area. These include the promotion of policies to adequately protect women due to their involvement in unpaid care work and the fact that many have been employed in the informal sector, as well as the provision of adequate childcare work and paid parental leave, increasing access to flexible work arrangements, facilitating transition from part-time work to full-time work, ensuring that women have equal access to governmental and health services, eliminating discriminatory practices in the workplace including on pay and career progression and extending social protections to women, especially those working in poorer households, unpaid care work or in the informal economy;[[12]](#footnote-12)
* *Investment in education and skills development*. The vulnerability of many low- and middle-skilled workers underscores the critical role of long-term investment in education, equal access, opportunities in higher decision making roles and upgrading of workers’ skills throughout their careers. Eliminating financial barriers to higher education and discriminatory policies, but also supporting retraining programs that allow reallocation of workers displaced by routinisation or automation of tasks and measures to guarantee the access of women and girls in traditionally male-dominated fields of study and work (science, technology, engineering, and mathematics in particular) and the promotion of STEM education and work in general are key priorities. Such programs are of particular importance to women and girls, the young, senior citizens and workers from rural and remote regions. Recent evidence suggests that wage inequality is lower in economies that are better at meeting the demand for skills, especially in the lower half of the wage distribution. More efficient allocation of labour resources may thus both raise labour productivity and reduce earnings inequality.[[13]](#footnote-13) Policies which invest in education and skills should, where possible, be linked to policies on enhancing innovation and improving infrastructure. Linking better education and skills development to technological advances will allow economies to better reap the advantages and opportunities of a high-tech world;
* *Innovation programs*. Business dynamism is important to foster growth but there is evidence that dynamism has slowed in many economies. The uptake of new digital technologies is uneven and particularly low for MSMEs. In response, governments have initiated programs aimed at bridging the gap between the most and least productive firms. Many of these programs aim to enhance digital skills, reduce the gender gap, and increase the availability of infrastructure, particularly to small firms and those from rural and remote regions. Closer cooperation on innovation- including among international clusters- could be a useful tool to promote innovation in those regions; [[14]](#footnote-14)
* *Provision of infrastructure*. Productive infrastructure investment boosts demand and job creation in the short term and capital and labour productivity in the longer term. Specifically, investment that is well targeted to support the disadvantaged (for example, specific investments that improve the productivity of the agricultural sector in developing economies or those that improve the prospects for higher labour force participation of women) also helps ensure that the benefits are more broadly shared. Policies to promote the more inclusive provision of and equal access to digital infrastructure are particularly important in this area.[[15]](#footnote-15) Improvements to energy, electricity, ICT, transport and water infrastructure connectivity increase labour productivity, open business opportunities and raise living standards.

The promotion of MSMEs and entrepreneurship are other possible areas where supporting policies and programs can be considered.

Finally, other international organisations consistently acknowledge that not all structural reforms support inclusive growth. For example, policies that increase competitiveness and economies’ access to global markets raise growth prospects and form the basis for higher living standards. However, inequality can still increase if growth-inducing policies do not support broad-based employment or they displace the vulnerable.[[16]](#footnote-16) Equally some measures that contribute to achieving productivity improvements, such as support for innovation, can lead to higher inequality – at least for a period – by increasing the demand for skilled labour and raising the wages of higher earners. In these situations, the disadvantages of such policies for economic inclusion can be mitigated by appropriate macro-economic policies including in the area of tax transfers, by the design of appropriate social safety nets and by follow-up structural reform policies that enhance economic inclusion.[[17]](#footnote-17) The success of such mitigation measures, however, requires significant cohesion within governmental systems.

# Proposed Policy Approaches to Structural Reform and Inclusive Growth

The remainder of this paper sets out a proposed set of three policy approaches to guide the Economic Committee’s work on structural reform, with a focus on using structural reform to contribute to inclusive growth. The ideas in the paper draw on work that has been conducted by other international organisations. However, the proposed approaches to structural reform are based on the circumstances and experience of APEC member economies.[[18]](#footnote-18) Our approach to structural reform begins with the core elements of the Economic Committee’s work programme: competition policy and law, corporate law and governance, regulatory reform, public sector governance, strengthening economic and legal infrastructure and ease of doing business – which are all integral elements in a structural reform program.

The three approaches to using structural reform to support inclusive growth (illustrated in Figure 1) are:

1. *Getting the Basics Right.* Ensuring that basic policies and institutions are in place that support more open, well-functioning, transparent and competitive markets;
2. *Selecting Pro-Inclusion Structural Reforms* and deepening their application. Many structural reforms directly improve inclusive growth. This approach prioritizes “pro-inclusion” reforms, which can include market-deepening reforms in areas such as Services and Innovation, as well as digital economy development;
3. *The Integrated Approach.* A comprehensive approach that includes the first two approaches, but also incorporates supporting policies and programs and a broader set of policies and issues. An integrated approach to structural reforms can often be more effective in promoting inclusion and attaining other policy objectives, while ensuring that economic growth is maximised. It can cover areas such as:
	1. Strengthening the participation of women in economic life and efforts on financial inclusion for women;
	2. Supporting MSMEs ( including from remote areas);
	3. Human capital development, domestic social protection floors and promotion of basic labour protection;
	4. Improving infrastructure;
	5. Rural and remote areas development and integration; and
	6. Digital economy development.

**Figure 1: Three Approaches to Structural Reform and Inclusive Growth**

**Approach II**: Selecting pro-inclusion Structural Reforms and deepening their application

**Approach III**: Integration - Bringing structural reform approaches and supporting policies and programmes together to support inclusion

**Approach I**: Focus on Core Structural Reform Functions

Reforms and supporting policies and programmes together in way to support inclusion

We examine the three approaches below. In providing examples, we show that significant work has already been undertaken on each, both within member economies and in APEC itself. For each, we also point to existing APEC resources that can be drawn on for member economies seeking to take their policy approaches forward.

We begin with a description of Approach I to promoting inclusive growth – Getting the Basics Right. Next, we describe Approach II – Selecting Pro-Inclusion Structural Reform – with reference to structural reform and human capital development, services and innovation. We then describe a variety of areas where supporting policies and programs are normally applied. The following section describes Approach III, an Integrated Approach which brings together structural reform elements with supporting policies and programs. We conclude with some thoughts on the application of the three approaches to applying structural reforms to promote inclusive growth.

## **Approach I: Core Structural Reforms - Getting the Basics Right**

There is evidence that effective structural reform, along with supporting policies for inclusion, can positively contribute to inclusive growth. The sustained reduction in poverty and increasing prosperity seen in APEC economies in recent decades have been strongly connected with economic growth. While trade liberalisation has been a significant contributor, increasingly growth has also been underwritten by other structural reforms in areas such as competition policy and regulatory reform. Effective structural reforms are widely acknowledged to spur economic growth by increasing industry- and firm-level productivity, leading to rises in GDP, expanding employment and rising labour productivity and living standards, including among disadvantaged groups.

These arguments can be illustrated when examining each of the elements of structural reform in APEC:

### Competition Policy and Law

Competition policy refers to laws, cases, policies, rules and regulations of government that are aimed at protecting and preserving the competitive process in markets with the goal of promoting economic efficiency and consumer welfare. Competition policy also entails advocacy of pro-competitive principles when the government formulates other laws, policies, rules or regulations. Without effective competition policy, markets may be controlled by one or a few firms meaning that more efficient firms are inhibited from entering the market and costs of products and services to consumers and other firms are high. In addition, established firms may have little incentive to innovate, and competition based on new technologies may effectively be locked out of the market. These outcomes will constrain the creation of new and higher paying jobs as well as disadvantaging consumers.

***Papua New Guinea*** *believes an effective competition and consumer policy framework is essential to well-functioning markets that drive productivity and growth, promoting strong and innovative businesses and creating better outcomes for consumers. Changes in the pipeline include its competition agency adopting a leniency policy and mandatory notification of mergers and acquisitions. (Source IAP)*

***Chinese Taipei*** *believes that sound competition law is conducive to inclusive growth. In response to the rapid economic change as well as international developments in competition law, Chinese Taipei has been promoting legal amendments in the past decade to overcome various barriers. Although the law was amended twice in 2015, it is increasingly important for Chinese Taipei to further update its law to continuously take international trends and industrial development into account, particularly in innovation markets. Efforts also include coordination among competent authorities to jointly review existing laws or draft amendments which are impeding competition. Chinese Taipei’s target is to enhance the effectiveness, fairness, and transparency of law enforcement against anti-competitive conduct. (Source: questionnaire response)*

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| *Following the introduction of its competition law,* ***Viet Nam*** *has embarked on several further priority actions to enhance competition policy in its economy, including:** *Improving the legal framework for competitive neutrality between State Owned Enterprises (SOEs) and private firms;*
* *Separating the ownership function and administrative management function of the State over SOEs;*
* *Promoting the use of economic evidence in competition policy enforcement. (Source: IAP)*

***Vietnam*** *has also embarked on reform of SOE corporate governance. This includes improving the legal framework for competitive neutrality between SOEs and private firms and separating the state’s ownership and administrative management functions over SOEs. (Source: IAP)**The* ***Philippines*** *intends to review potentially anti-competitive legislation and regulations that may substantially prevent, restrict, or lessen competition. The Philippine Competition Commission has drafted a framework for delisting, amending, repealing or consolidating anti-competitive legislations and regulations. This initiative is part of the Philippines’ Individual Action Plan and is meant to make the legislative and regulatory framework more conducive to the promotion of market competition.* |

### Corporate Law and Governance

Corporate law and governance is the set of processes, customs, policies, laws and institutions affecting the way a firm is directed, administered or controlled. It includes such areas as company and insolvency law, bankruptcy proceedings and receivershipas well as the efficient administration of state owned enterprises. High quality corporate law and governance ensures the effective governance of firms and is particularly important to ensuring that firms have adequate incentives to innovate. Without it, firms will be less competitive, meaning that sustainable firm expansion and job creation will be inhibited.

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| ***Japan*** *is promoting improved economic inclusion through improvements to its corporate governance regime. These include improving the effectiveness and efficiency of corporate disclosure and automating and digitalizing the processes for shareholders’ meetings. (Source: IAP)* |

### Regulatory Reform

APEC’s work on regulatory reform aims to ensure that governments are equipped with the institutions and processes that will enable them to put in place high quality laws and regulations (incorporating a gender perspective). To this end economies implement “good regulatory practices” (GRPs), with three of the most important tools being internal government organisation of rule-making activity, regulatory impact assessment and public consultation mechanisms. GRP tools are an effective means for governments to meet their objectives in a well-planned and transparent manner. They provide the means to ensure that the impacts of policy options for reform are fully analysed and that those who gain and lose from reform can be identified, providing the opportunity to put in place strategies to minimise the impacts on those who may be disadvantaged by reform.

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| ***Indonesia*** *is seeking to introduce good regulatory practice tools to its rulemaking processes. It is seeking to ensure that all regulations are consistent with higher level regulations, reflect needs and urgency (through cost/benefit analysis) and are proportional to the burden imposed on the private sector and the people/community. (Source: IAP)* *The* ***Philippines*** *enacted the Ease of Doing Business and Efficient Government Service Delivery Act of 2018. Among others, the Act institutionalizes the use of Regulatory Impact Assessment (RIA) for all proposed regulations of government agencies. Through RIA, regulatory burdens as well as the cost of compliance and administration will be lessened to the benefit of business entities, central and local governments, and the general public.****Mexico*** *enacted a new General Law of Better Regulation on May 18, 2018. This Law makes mandatory the domestic implementation of the better regulation policy and the use of GRP by establishing the National System of Better Regulation in order to create the coordination mechanisms that will facilitate and increase the consolidation of the regulatory reform throughout Mexico. This Law promotes inclusive growth due to the mandatory requirement for local governments to adopt key GRP tools such as RIA, as some of the largest regulatory barriers remain at regional level. Additionally, this new Law makes mandatory the public consultation of regulatory proposals from all levels of government including regulations issued by the local levels of government, as well as the obligation to establish a minimum consultation period. Finally, this new Law will create the National Catalogue of Regulations, Procedures and Services to compile information from all levels of government related to GRP in order to provide transparency, facilitate regulatory compliance and promote the use of information technologies for government interaction. (Source: questionnaire response)**An important structural reform tool for* ***Russia*** *is RIA. It helps ensure transparency and necessary competition conditions in the development of projects, including those with participation from government.* *Currently in Russia, RIA is applied for:* * *assessment of the impact of regulation on the business climate and investment attractiveness, competition and market structure;*
* *identification and analysis of potential benefits, costs and effects of existing regulations;*
* *ensuring the selection of the most effective solution to problems; and*
* *reducing the risks associated with the operation of new regulation and increasing the confidence of citizens and businesses in the decisions made by the state.*

*An important element of the RIA is holding public consultations with stakeholders, which allows stakeholders’ positions to be identified and makes the process of reviewing draft regulatory legal acts transparent. From 2011 to September 2018, Russia’s Ministry of Economic Development had prepared more than 7,781 RIA reports. (Source: questionnaire response)* |

**Public Sector Governance**

Public sector governance refers to the structure, laws, regulations and decision-making processes that govern, enable and constrain the provision and financial sustainability of the provision of goods and services by government. It aims to ensure that there are sufficiently robust governmental institutions within the economy (such as competition agencies and financial regulators) that will ensure that markets are regulated in an efficient, transparent and non-discriminatory manner. Such institutions are of particular importance to the effective participation of MSMEs within many markets. Given the number of MSMEs in the APEC region (including those led by women), those institutions should pay particular attention to how government provision of goods and services may impact those enterprises, in order to avoid unwanted negative effects.

Public Sector Governance also includes the open government initiatives, government procurement and the provision of basic government, public health and education services, including through electronic means irrespective of their geographic location to ensure inclusiveness of the economic development and accessibility of public goods to all.

***Russia*** *ensures that public audits are conducted for most projects with government participation. In 2017 audits were conducted for of all projects with a total value of 3 billion rubles or higher. This measure is aimed at enhancing the efficiency of public investments, including investments of natural monopolies, through obligatory public technical and price audit of all large-scale projects including those partially financed by government. (Source: questionnaire response)*

***The United States*** *has adopted a program to improve patent quality and* *the average number of months that the patent process takes. This seeks to reduce the backlog of applications and streamline the patent application process. The U.S. Patent and Trademark Office (USPTO) is taking concrete steps to:*

* *strengthen its capacity to optimize patent quality and timeliness to get quality innovation to the market place faster and more efficiently; and*
* *reduce the excess inventory of unexamined patent applications and pendency – both of which affect the delivery of innovative goods and services to the market and the related economic growth and creation of high-paying jobs. (Source: IAP)*

### Strengthening Economic and Legal Infrastructure (SELI)

Legal reform should be an integral part of structural reform, since the policies and regulations governing economic transactions are (or should be) based on laws. Legal systems cover almost every business and economic process. Effective legal/justice systems are a prerequisite for investment, trade, and business friendly environments. Poor economic performance is often rooted in legal practices (for example, ineffective secured lending and bankruptcy laws, cumbersome business registration requirements, inefficient dispute resolution rules, outdated land tenure systems, and lack of effective access to justice). Structural reform should aim to tackle policy and legal changes simultaneously.

APEC’s SELI work aims to ensure that property rights are protected, and contracts and regulations are enforced, and is therefore fundamental to the efficient operation of markets. Particular emphasis is placed on relevant international instruments in facilitating cross-border trade and investment, enhancing ease of doing business, and fostering effective enforcement of contracts and efficient settlement of business disputes. Again the work tends to be particularly important for MSMEs and for new market entrants.

***Hong Kong, China*** *has been implementing a range of actions aimed at improving the laws and institutions that are applied to financial markets. These include:*

* *implementing the latest standards prescribed by the Basel Committee on Banking Supervision in the areas of capital adequacy, banking supervision and disclosure requirements;*
* *establishing an Independent Insurance Authority (“IIA”) to comply with the international requirements promulgated by the International Association of Insurance Supervisors;*
* *establishing an effective resolution regime for financial institutions in accordance with the latest international standards set by the Financial Stability Board;*
* *enhances the payout capability of the Deposit Protection Scheme. (Source: IAP)*

***Singapore*** *payment regulations currently cut across two pieces of legislation: the Payment Systems (Oversight) Act; and the Money-Changing and Remittance Businesses Act, which govern stored value and remittances respectively. With technological advances and the advent of FinTech, the lines between payments and remittance are blurring; new payment providers are emerging and some do not fit neatly into these categories. Singapore is currently conducting a public consultation to propose changes to the payments regulatory framework and establishment of a National Payments Council. (Source: IAP)*

### Ease of Doing Business

APEC’s EODB work program aims to improve the overall business environment to make it easier for firms to start a business, get credit, trade across borders, enforce contracts, and deal with permits. Based on the World Bank’s Doing Business survey, the EODB’s practical and tangible approach provides the means to significantly improve the strengths of key government institutions, to make it easier for firms to operate in markets, and to reduce the scope for corrupt practices.

***China*** *has made significant progress in a number of areas of EODB. Since 2013, departments of the State Council have reduced the number of required administrative approvals by 44%, and ended non-administrative permits and approvals. As a result, the central government has cut the number of enterprise investment projects it approves by 90%, and the number of intermediary service items for administrative approval by 74%, while significantly diminishing vocational qualification licensing and accreditation items. The number of pricing decisions/requirements by the central government has dropped by 80%, and that by local governments has fallen by over 50%. In addition, the central government has carried out business system reforms in areas such as regulation of market access and registered capital, which has shortened the time for the creation of an enterprise by over one third. The market supervision mode of “two randoms and one publicity” has been fully adopted. This refers to the random selection of inspection objects, the random designation of law enforcement personnel and the prompt publicity of the situation and results of sampling inspections to the society.*

*The mode of “Internet plus government services” has been introduced and measures such as one-stop services have been taken. Meanwhile, through the issuance and implementation of a series of guideline documents, China has simplified approval items, shortened the time of approval, lowered service costs and increased transparency with regards to areas such services regulation, getting engineering construction permits and starting a business. (Source: questionnaire response))*

*In order to facilitate trade declaration and customs clearance****, Hong Kong, China*** *will set up a full-fledged Trade Single Window to provide a single information technology platform for the one-stop lodging of all trade documents for meeting regulatory requirements of importing and exporting goods. (Source: IAP)*

***Mexico:*** *The Federal Mexican Government seeks to promote and encourage the creation of micro and small enterprises, making the necessary legal and technological tools available to entrepreneurs and the population in general to facilitate and simplify the procedures for setting up new companies. In view of this need, on 14 March 2016 the Federal Congress passed legislation amending the General Corporate Law, creating the Simplified Stock Corporation (SAS), a new legal entity to incorporate MSME´s in a digital and free way, with all the legal effects.*

*The platform* [*www.gob.mx/tuempresa*](http://www.gob.mx/tuempresa)*, enables entrepreneurs to complete all the necessary procedures to establish their business. Furthermore, this platform is interoperable with different government agencies, through web services.*

*The implementation of this platform simplifies the incorporation process for micro and small business and promotes the growth of these companies so that, in future, they adopt more sophisticated forms of administration and operation.*

*At the end of July 2018, 15,679 SAS have been created. 71% of them are single-owner, involved around 18,000 shareholders, which 74% are for men and 26% women. The average time to complete the constitution process is one hour eight minutes and each 55 minutes a new Simplified Stock Corporation is created. (Source: IAP)*

***Papua New Guinea*** *has been implementing a range of actions aimed at making it easier to do business. EODB reforms include upgrading border agencies’ IT systems, the introduction of sea container screening facilities and rolling out an integrated electronic payments system. (Source: IAP)*

**Approach II. Selecting Pro-Inclusion Structural Reform**

Structural reform can be used to support inclusive growth if the type of reform will have an obvious positive impact. At a certain point, when sufficient of the core elements of structural reform are in place, it is possible for governments to use structural reform in a strategic way to achieve inclusion objectives. For example, competition policy can be most effective in reducing poverty and increasing shared prosperity by boosting competition in sectors such as food production or transport that are most relevant for less well-off households. EODB work programs can be (and generally are) directly aimed at supporting increased participation by MSMEs in the economy. Regulatory reform in specific sectors which employ more women can increase women’s access to the formal labour market and promote women’s employment in non-traditional, higher paid sectors. It can also contribute to create employment opportunities for disadvantaged groups. It is important to note that, to achieve maximum impact and avoid unwanted negative effects, all policies related to regulatory reform must be accompanied by comprehensive policies supporting workers’ interests. Regulatory reform in all spheres of economic activities is required for the comprehensive development of digital economy in order to support inclusive growth of APEC, including in rural and remote areas.

Under the RAASR, much of the Economic Committee’s work program has sought to assess which structural reforms have the most positive impact on inclusive growth. Some of the key areas discussed in this section in relation to Approach II are also candidates for Approach III, the Integrated Approach (discussed below).

### Structural Reform and Human Capital Development

The 2017 APEC Economic Policy Report (AEPR) on Structural Reform and Human Capital Development outlined a range of challenges facing APEC economies in terms of labour and education policies. Many economies grapple with a shortage of skills in the face of technological change, yet also underutilise key groups of workers such as women and workers from remote regions. The AEPR concluded that unilateral structural reforms that promote human capital development can be instrumental in overcoming these challenges – particularly in light of the opportunities and challenges of the digital age. In many cases it was most important to reform labour market regulations and legislation to ensure greater alignment between the capabilities of workers and the needs of employers. Careful analysis and policymaking were required to ensure that workers were compensated fairly and worked in humane and safe environments while employers were not discouraged from hiring workers due to excessive costs and regulations.[[19]](#footnote-19)

***Japan*** *has embarked on workplace reform which is aimed at (1) improving working conditions of non-regular workers including realization of “equal pay for equal work”, (2) correcting the practice of long working hours, and (3) promoting employment of the elderly. The reforms include changes to laws and formulating a guideline toward the realization of equal pay for equal work. (Source: IAP)*

***The Republic of Korea*** *is implementing legislative reform to improve the position of its non-regular workers. It is making efforts to establish a principle of hiring regular workers for permanent and continuous work and safety-related work, and to allow the use of non-regular work only on reasonable grounds. Moreover, to resolve discrimination at the workplace, the Republic of Korea will conduct a complete overhaul of the system redressing discrimination and continue to revise the relevant laws and regulations. (Source: questionnaire response)*

***Mexico****, through the Secretariat of Labor and Social Welfare, has promoted three reforms to its legislation, two to the Mexican Constitution and one to the Federal Labor Law. This was in order to promote the creation of quality jobs and the placement of jobseekers in decent jobs through programs and actions that make labor markets more flexible and productive. The 2012 Reform recognizes new modalities of employment, such as temporary work, teleworking, hourly jobs and outsourcing. In addition, this reform permits the labor inclusion of groups with difficulties in accessing the labor market, such as women and young people, including with respect of their salary, benefits, social security and pensions. (Source: questionnaire response)*

### Structural Reform and Services

The 2016 AEPR on Structural Reform and Services strongly emphasised the fact that successful structural reform to promote the growth of individual services sectors will have a positive impact on inclusive growth. In part, this was because most MSMEs worked in services rather than manufacturing and other sectors that export goods. Furthermore, many more of these MSMEs are owned by or employed women, in contrast to larger firms.

The report also emphasised the facilitation role that services play for the rest of the economy. Financial systems are mechanisms for intermediating between those with savings (funds not needed for immediate use) and those seeking to finance investment projects. Financial service providers help to mobilize savings, allocate capital to productive uses, and monitor borrowers. Similarly, transport services affect the cost of shipping goods and movement of workers within and between economies. Business services such as accounting, engineering, consulting and legal services reduce transaction costs associated with the operation of markets and enforcement of contracts, and are complementary channels through which knowledge and know-how (e.g., business process innovations) are transmitted across firms and industries. Retail and wholesale distribution services connect producers and consumers. Health and education services are key inputs into – and determinants of – the stock and growth of human capital.[[20]](#footnote-20)

The AEPR found that many services sectors in APEC economies faced relatively high restrictions and that there were significant opportunities for unilateral reform of individual services sectors that would benefit inclusive growth. At an APEC-wide level, many of these challenges were addressed by the APEC Services Competitiveness Roadmap which was endorsed by APEC Leaders in 2016. The Roadmap commits APEC economies to collectively undertake a range of APEC-wide actions encompassing both trade liberalisation and structural reform in a range of services sectors including transport, communications, education and professional services. It specifically recognises the importance of implementing the RAASR if the growth of services sectors is to be achieved, and calls for the development of a set of good practice principles on domestic regulations in the services sector. Finally, under the Roadmap, individual economies have committed to implementing the services obligations contained in their APEC IAPs.

The challenges identified by the AEPR in the services area are being further addressed at an APEC-wide level by ongoing work to identify domestic regulation principles to streamline processes for authorizing service suppliers. In addition, work to construct an APEC index on the basis of services trade restrictiveness indexes by organizations such as the OECD will enable APEC economies to assess the real-world impact of policy choices relative to those of non-APEC economies, and hence to gauge where opportunities for unilateral reform of individual services sectors will have the greatest potential for economic gain.

***The Republic of Korea*** *has embarked on a strategy to improve the competitiveness of its services sectors. This includes improvements to its laws and regulations (under the “Framework Act on Service Sector Development) to foster service sectors in a more comprehensive and systemic manner (source: IAP)*

***The******Philippines*** *has a National Transport Policy which provides for the creation of independent regulatory bodies for railway, airport and maritime transport sectors to streamline the transportation sector and efficiently implement the identified development strategies.*

***Viet Nam*** *aims to improve the legal frameworks governing its services sectors. It notes that many of these frameworks are currently inadequate and put in place barriers to competition in services markets. It aims to combine the development of strategies for the development of key sectors with regulatory reform based on international best practice standards (source: IAP)*

### Structural Reform and Innovation

Another area on which many APEC members are putting a strong emphasis is structural reform to encourage products and services innovation. Structural Reform and Innovation was the subject of the 2015 AEPR. Innovation policies have a strongly inclusive dimension as they have the potential to unlock latent innovative and creative skills in the economy. By using digital technologies they can help overcome some of the barriers faced by less engaged sections of the population such as women, MSMEs, people from rural and indigenous communities and persons with disabilities.

The 2015 AEPR argued that if structural reform were used to encourage innovation, implications were evident for each area of the Economic Committee’s work. For example, once economies have in place the key elements of competition law, the emphasis shifts to considering competition policy with a focus on efficiencies from new technologies. This involves a deeper assessment of competition cases, which includes predicting and allowing for the far-reaching benefits that disruptive innovation can bring to markets. In the area of regulatory reform, processes around setting standards and providing conformity assessment procedures need to ensure that competition from new technologies is not inhibited.[[21]](#footnote-21) For strengthening economic and legal infrastructure, new online dispute settlement processes are required for trade to flourish across borders. As well as the Economic Committee, other APEC bodies such as the Investment Experts Group are working on this issue.

The adoption of digital technologies is particularly important in the area of digital innovation. In this respect, the APEC Internet and Digital Economy Roadmap is an especially useful resource. It brings together approaches to both structural reform and associated support policies that will promote inclusive outcomes from these technologies. The Roadmap promotes coherence in, and cooperation on, regulatory approaches to digital technologies. Many of these issues are currently being worked on by groups such as the Committee on Trade and Investment, the Telecommunications and Information Working Group, the Policy Partnership on Science and Technologies, the Human Resources Development Working Group, the SME Working Group and others.

In the area of digital innovation, structural reform of telecommunications (especially broadband services) may be of particular importance to encouraging inclusive growth. The cost and quality of telecommunications have economy-wide impacts. ICT networks are a transport mechanism for transmission of information and products that can be digitized. Telecommunications are crucial to the dissemination and diffusion of knowledge—including through the internet. But if there is not adequate competition in telecommunications markets, the costs to users may be prohibitively high, especially for poorer segments of society. Equally, effective participation by the poor in digital work will require effective government institutions to ensure that standards of service are sufficiently high and that disputes can be resolved.

***The Philippines*** *is putting in place a National Broadband Plan (NBP) which seeks to establish broadband connectivity as a basic right for all consumers, businesses and government entities. It aims to develop the broadband ecosystem through policies ensuring fair competition for consumer welfare, innovation and investment and efficient allocation and management of assets. It also covers reform on existing laws, policies and standards to maximize the benefits of broadband in all sectors of the government. Further, the NBP seeks to identify key supply-side and demand-side initiatives to achieve the economy's sustainable goals through information and communication technologies (ICTs), exemplified by a vibrant content industry, equitable information access and affordable telecommunications services. (Source: IAP)*

*In June 2013,* ***Mexico*** *carried out a constitutional reform in the telecommunications sector with the aim of establishing provisions governing the regulation, modernization and strengthening of this sector. This reform adopted six guiding principles: 1) issuance of a new legal framework; 2) specific rules for effective competition; 3) strengthening of the institutions involved in the telecommunications and broadcasting sectors; 4) specific objectives for universal service coverage; 5) seployment of the infrastructure; and 6) sxpansion of the fundamental rights of freedom of expression, access to information and information and communication technologies (ICT). Subsequently, on July 14, 2014, the new Federal Telecommunications and Broadcasting Law (LFTyR, in its Spanish acronym) was published. This law sets out a number of issues, including convergent single concessions, the administration and allocation of the radio spectrum, the interconnection of networks, the substantial market power and preponderant economic agents, the sharing of the local network and the user’s rights, among other concerns. (Source: questionnaire response)*

*Digital inclusion is a priority area for* ***New Zealand****, which has recently formed a Ministerial Advisory Group to develop a “Blueprint for Digital Inclusion”. In July 2018 the Ministry of Education announced NZ $1 million of funding to establish a contestable fund for providers which run programmes to promote digital skills.*

**Policies and Programs that Support Inclusion**

As noted earlier, a coordinated suite of policies and programs may be required to ensure that inclusive growth outcomes of structural reform are maximised and/or that any costs associated with structural reform are minimised. These policies and programs are not necessarily core elements of the Economic Committee’s structural reform program. They generally constitute government support for various kinds of inclusion policies or aspects of economic development and growth that do not involve changes to laws or institutions. They often (but not always) involve the expenditure of considerable public resources. A survey of current IAPs, however, shows that such programs are numerous and considered to be part of an integrated package of policies designed to enhance the overall benefits of structural reform, including by promoting inclusive growth.

Some of the more common policies and programs can be observed in the following areas:

### Strengthening the Participation of Women in Economic Life

There is growing recognition that there are many factors inhibiting the full and equal participation of women in the economy. In some cases regulatory or cultural barriers may be the cause. In others, there is a lack of policies with gender perspective and a comprehensive policy supporting workers’ interests that includes measures and actions to guarantee flexible work practices that will enable better distribution and co-responsibility for domestic and care work between women and men. Measures to promote financial inclusion and increase the ability to women to access digital technologies can address some of these barriers and provide significant additional skills and resources to the economy in areas where shortages exist. For example, use of remote working technologies can help to overcome transport, infrastructure and childcare challenges (although their success will likely be contingent on having the right supporting legislation and programmes in place).

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| --- |
| *The 2018 Budget introduced the Government of* ***Canada****’s first Gender Results Framework. This new whole of government tool tracks how Canada is currently performing in terms of gender equality, including addressing the barriers that contribute to the gender divide. It also helps to define what is needed to achieve greater equality and how progress towards that goal will be measured. The framework is aligned with the Government of Canada’s policy of GBA+, ensuring that gender is considered in relation to other intersecting identity factors.****The Republic of Korea*** *is focusing on improving women’s employment, with a view to further developing human resources and achieving inclusive long-term growth. There are structural vulnerabilities in terms of wages, job stability, and skill level that hinder women’s active economic participation. In 2009, the Republic of Korea established the Women’s Re-employment Centre, a one-stop institution for career counselling, vocational training, and job referrals. Between 2009 and 2015, it more than doubled the number of regional offices of the Centre and, since 2015, it has categorized the Centre’s regional offices into “general,” “career-developing” and “rural” branches to meet the needs of various targets, including highly educated women in their 30s and women in rural areas. In addition, to encourage women to restart their careers after a career interruption, the Centre provides job training programs in value-added sectors, such as 3D printing, big data and drones. (Source: questionnaire response)****Malaysia*** *is implementing a program aimed at increasing the number of women occupying decision making positions in the public and corporate sectors. An initial target was adopted for the public sector of achieving at least 30% women in such positions. This resulted in the percentage of women in that sector rising from 18.8% in 2004 to 33.7% in 2013, 35.1% in 2015 and 35.4% as at March 2016. The success of this exercise has seen a target of 30% also adopted for the corporate sector. (Source: IAP)**Over the past decade,* ***Mexico*** *has been making strides in strengthening its dual approach to gender equality by developing laws, policies and programmes. Both the Planning and the Federal Budget and Fiscal Accountability Acts mandate gender mainstreaming, while the 2013-2018 National Development Plan (NDP) calls for the gender perspective to be integrated in all public policies as part of a transversal strategy that applies across all departments of federal and state government. As a corollary to the NDP, Mexico adopted its National Programme for Equality and Non-Discrimination (PROIGUALDAD). Subsequent and similar frameworks are also in place at the local level of government to varying degrees. This programme standardises the federal government’s objectives which include building the gender perspective into all its planning, programming and budgeting at all levels.* ***New Zealand*** *has recently increased paid parental leave to 26 weeks to ensure that both parents are supported at a crucial stage in their child’s life*. *The government has also set a corporate governance commitment for women to make up half of all state-sector boards and committees by 2021.* |

### Supporting MSMEs, including MSMEs from Remote Areas

As noted earlier in the report, many structural reforms are aimed at improving participation by MSMEs in the economy. Many policies are aimed at supporting inclusive growth, mainstream the gender perspective and also facilitate MSME participation, both directly and indirectly. (For example, some programs aimed at women’s participation also have the effect of supporting MSMEs as in many economies women own a large percentage of MSMEs. Programs aimed at supporting innovation or providing infrastructure also have a disproportionately positive effect on MSMEs). Some member economies place a particularly strong emphasis on supporting MSMEs from remote areas given that resources from such areas can be underutilised.

***Chinese Taipei*** *is implementing a “comprehensive ecosystem” to assist women’s and youth MSMEs to grow and internationalise. This program includes enhancing women’s and youth MSMEs’ capability in applying ICT, strengthening their management ability, facilitating access to financial support, building an entrepreneurial platform for start-ups, and encouraging cooperation between MSMEs and big companies to encourage technological and business innovation. (Source: questionnaire response)*

### *Hong Kong, China implemented the Technology Voucher Programme (TVP) in November 2016 to subsidise eligible MSMEs in using technological services and solutions to improve productivity, or upgrade or transform their business processes. Funding up to HK$200,000 for each eligible enterprise is provided on a 2:1 matching basis. The approved funding from TVP can be used to cover technology consultancy, customised and off-the-shelf/readily available equipment/hardware, software and technological services or solutions that form an essential part of the project. (Source: questionnaire response)*

***Malaysia*** *is seeking to enhance the participation of MSMEs in domestic and international markets. It has established the SME Corporation Malaysia (SME Corp. Malaysia) under the Ministry of International Trade and Industry Malaysia as the Central Coordinating Agency for SME development to formulate overall policies and strategies for Small and Medium Enterprises (SMEs) and coordinate the implementation of SME development programmes across Ministries and Agencies. (Source: IAP)*

*The* ***Philippine*** *Export-Import Credit Agency (PhilEXIM) has designed a full range of credit and guarantee programs to meet the growing needs of the economy’s exporting industries and sectors. Among the programs now being extended to the export sector are (a) guarantee for SMEs that lack collateral to secure preshipment working capital from any of PhilEXIM’s participating financial institutions; (b) postshipment guarantee to cover bills on purchases brought about by the same export transaction; and (c) automatic guarantee coverage on preshipment and postshipment export loans under the two mentioned guarantee programs without the need for a prior guarantee from PhilEXIM. PhilEXIM also has a guarantee program on loans to exporters, particularly SMEs, to finance their participation in international trade fairs and expositions as well as domestic expositions being visited by foreign buyers.*

**C. Enhanced Innovation Programs Especially for Digital Technologies**

There is evidence that the digital revolution has yet to significantly impact labour productivity and inclusion, including in rural and remote areas. In part, this is explained by the growing productivity gap between firms, particularly between those firms that are making full use of digital technologies and those that are not. In some cases, significant productivity gaps are also evident within firms between low- and high- skilled workers and also a digital gender gap. Innovation programs are often aimed at bridging these gaps to the benefit of firms and their employees. The APEC Internet and Digital Economy Roadmap sets out a range of approaches aimed at promoting inclusion in this area, including measures to bridge differences between genders, regions, skilled and unskilled workers and small and large firms.

***China*** *is implementing a number of measures to speed up innovation development. These include taking steps to:*

* *strengthen deployment of priorities and reinforce the leading role of technological innovation including through an increase in basic R&D;*
* *encourage people to start their own businesses and to create a climate that encourages innovation and entrepreneurship;*
* *build institutions and mechanisms to stimulate innovation and construct an innovation system with Chinese characteristics (Source: IAP)*

***The United States*** *is expanding broadband capacity to provide a robust environment for innovation and seeking to champion policies that will maximize the potential of the Internet. These are:*

* *Advocate for relevant domestic and international policies that do not unnecessarily hinder the digital economy or chill innovation in the online environment.*
* *Use and participate in multi-stakeholder processes to develop solutions to evolving digital economy issues.*
* *The U.S. Department of Commerce will use its expertise in funding broadband projects and providing technical assistance to help communities increase their broadband infrastructure and provide citizens with the tools to use the infrastructure to attract jobs and investments.*
* *The National Telecommunications and Information Administration (NTIA) and U.S. Patent and Trademark Office (USPTO) will work with stakeholders—including creators, rights holders, service providers, and consumers—to develop a public record and make recommendations on critical digital copyright issues. (Source: IAP)*

### *A Papua New Guinea priority is to modernise telecommunications infrastructure and address gaps in remote locations so that rural communities can capture the benefits and opportunities offered by effective telecommunications services. PNG’s universal access and service (UAS) regime is bringing together the government, donors and the private sector to prioritise, fund and build this infrastructure initially through a combination of government, donor and private sector funding The first and ongoing priority under the UAS program is extending mobile communication services to rural and underserved areas as the technology is cost-effective, scalable and easily lends itself to the economy's challenging geographical landscape.*

**D. Improving Infrastructure**

The provision of infrastructure can be targeted to promote inclusion and equality. In many instances it is vital to ensuring engagement in the economy by firms which are small, from remote regions or owned by marginalized groups. The provision of infrastructure must consider the access to basic services, water and sanitation in remote areas and is particularly important to promote engagement with digital technologies, meaning that many governments have pursued programs in universal broadband access and related areas.

***Canada*** *has put in place an historic, ten-year $120 billion infrastructure plan. Phase 1 will provide $11.9 billion over five years to support clean growth and create jobs across the economy, which includes:*

* *$3.4 billion over three years to upgrade and improve public transit systems across Canada;*
* *$5 billion over five years to invest in water, wastewater and green infrastructure projects;*
* *$3.4 billion over five years for social infrastructure, including affordable housing, early learning and child care, cultural and recreational infrastructure and community health care facilities on First Nation reserves; and*
* *$3.4 billion over five years to maintain and upgrade existing federal infrastructure. (Source: IAP)*

*Digital infrastructure in* ***Russia*** *is being developed under the State Program “Digital Infrastructure” and the Action Plan “Information Infrastructure.” The Action Plan (adopted in December 2017) envisages the establishment of data centres in Russia, the expansion of broadband internet access and development of the 5G network. Development of the program contributes to inclusive growth, the elimination of digital inequality, the construction of the needed telecommunications network, the creation of access points to it and the connection of small settlements to it with fibre optic lines. (Source:IAP)*

*ICT infrastructure has been developed actively in* ***Russia*** *since the implementation of the relevant programs: “ICT Infrastructure Development in Rural and Urban Areas” (under the Federal programme “Information Society 2011-2020”) and specific investment programme, conducted by one of the biggest Telecom operators in Russia – Rostelecom. The implementation of these programs allowed a wide range of remote areas to become connected (including 34 settlements in the Arctic zones and main island territories in the Far East and South Russia). Residents of the settlements with the population 250-500 people have enjoyed free Wi-Fi since 2017, in addition to free access to 2000 websites, including the e-government services web-portal.*

*Information infrastructure in* ***Russia*** *continues to be developed under the State Program “Digital Economy in the Russian Federation” and the Action Plan “Information Infrastructure” which was adopted afterwards. The Action Plan (launched in December 2017) envisages the establishment of data centres in Russia, expansion of broadband internet access and development of the 5G network. Development of the program contributes to inclusive growth, the elimination of digital inequality, the construction of the needed telecommunications network, the creation of access points and the connection of small settlements to it with fibre optic lines.*

Finally, it is recognised that the outcome of structural reform will not be positive for all individuals or groups, particularly in the short term. This requires careful thought to be applied to the design of social safety net programs, and to ensuring a gender perspective in the whole process of public policy, given the longer-term connection of those programs to other areas such as women’s empowerment, skills development and the provision of infrastructure. Policies and programs in other areas such as health provision may also be of particular importance in this respect. This underlines the importance of a holistic approach to structural reform, taking the gender perspective and other inclusion considerations into account.

***The Republic of Korea*** *is promoting inclusive growth through the improvements to its social safety net programs. These include promoting customized welfare services and informing those unaware of their welfare benefits in order to help satisfy any unmet needs. (Source: IAP)*

***New Zealand*** *has recently implemented improvements to its social safety net programs designed to promote economic inclusion. These include improvements to family tax credits, new payments for young children, a winter energy payment to help old people and poor families and improved accommodation allowances. (Source: questionnaire response)*

*Reforms of the health system in* ***Russia*** *are being developed under the state programme “Development of Health” (implemented since 2013). As a result of implementing the program over the past five years, it has been possible to achieve positive results in the development of health care, to form a modern system for the protection of maternity and childhood, to substantially reduce the rates of maternal, infant and child mortality, and to restore large-scale preventive examinations of the population and health screenings. (Source: questionnaire response)*

**Approach III: The Integrated Approach**

The third approach described in this paper is the Integrated Approach. The Integrated Approach begins by taking an inventory of the structural reform approaches that have been applied so far (Approaches I and II) to promoting inclusive growth, and next considers the role of *supporting policies and programs* (see the previous section).

At the heart of the Integrated Approach is the idea that structural reform elements and supporting policies and programs should work together so that the benefits of structural reforms are maximized, the downsides are mitigated and inclusive growth is promoted. This is often a whole of economy approach that draws on relevant government ministries, the private sector, international organizations and other actors. A more holistic approach to structural reform implementation can enable economies to address structural barriers to accessing economic opportunities and ensure that the benefits of growth are shared more broadly.

# Concluding Comment: Applying the Three Approaches

This paper has set out three approaches on how structural reform can support inclusive growth:

* First, concentrating on the basics of structural reform to improve the functioning of markets;
* Second, selecting the types of structural reform that are likely to have the greatest impact on inclusive growth (including consideration of the supply-side) and deepening, targeting and coordinating those structural reform functions; and
* Third, an integrated approach that involves both the other structural reform approaches and a wide range of policies and programs (appropriately designed from a gender perspective) beyond core structural reform functions that can enhance the positive impacts of structural reform and mitigate potential negative outcomes. This approach can help to ensure that structural reforms promote broader objectives such as inclusion and equality, while continuing to support economic growth and achieve high-quality development.

The information sets on which this paper draws and the survey results indicate that APEC economies are already implementing all three approaches in some form or other. The approach chosen by each economy will depend on context and current strategy, and on the size of the challenge in question. For example, some economies will want to use the integrated approach from an early stage so that they can immediately begin to grapple with complex issues and emerging challenges in their efforts to promote inclusive growth.

To recap: putting in place core structural reform elements will help to support dynamic, transparent and well governed markets. Particularly for economies at an earlier stage of development, core structural reform elements can boost economic growth and provide an opportunity for rapid technological catch-up, with particular benefits for the poorer and disadvantaged sections of society.

Where economies already have core structural reform elements in place, it is appropriate to give priority to selecting further structural reforms that can have marked benefits for efforts to promote inclusion. These reforms can lie in such areas as putting in place appropriate labour laws and institutions, deregulating key services sectors and ensuring that competition policies and legal frameworks genuinely promote innovation. Otherwise, government policies and programs in areas such as skills development or infrastructure provision will have a more limited impact as there will not be sufficient incentives and market protections to allow such programs to succeed. Mainstreaming a gender perspective in all programs and policies is an important cross-cutting measure in support of efforts to promote inclusive growth.

Economies, particularly those with advanced structural reform agendas that have already implemented the first two approaches, may want to give priority to a more integrated approach that brings together a wider selection of policies and programs to enhance the positive impacts of structural reform and mitigate the negative impacts. This could occur in response to public demands for greater inclusion and improved public services, and with a view to becoming more resilient to market and technological shifts. A more integrated approach to structural reform could include active labour market policies and strengthening social safety nets to help workers to weather such shifts.

**Work of the Economic Committee – Emphasis on Collaboration**

Increasingly, the Economic Committee seeks to ensure that its core structural reform work supports inclusive growth. This was very evident in the responses to the questionnaire submitted by member economies and the leads of Economic Committee’s work areas. Discussions to date indicate that the Committee will increasingly need to collaborate with other APEC bodies and key partners from international organisations if its work is to be genuinely supportive of inclusive growth. In particular, the second and third approaches recommended in this paper (selecting pro-inclusion structural reforms and the Integrated Approach) will almost invariably involve working with other parts of the APEC system. Some areas of potential collaboration between the Economic Committee and other forums are outlined in Figure 2 below.

**Figure 2: Areas of Possible Future Economic Committee Collaboration under approaches II and III of the Framework**

In addition to working with other APEC fora, the Economic Committee could consider engaging with stakeholders outside the organisation including international bodies, research institutions and academia.

**Next Steps for the Economic Committee on Structural Reform and Inclusive Growth**

Upon approval of this Framework, the Economic Committee could consider the following steps with a view to strengthening work on inclusive growth:

* Integrate of the Framework into the work plans of the CPLG and EC FoTCs, to maximize and broaden the impact of the EC’s structural reform work on inclusive growth.
* Develop a formal proposal in the form of a paper to be considered at the next HLSROM in 2020 or 2021 on how structural reform and inclusive growth could be integrated into the EC’s next structural reform program, which will run from 2021-2024.
* Develop a voluntary peer review process to assist economies in their implementation of the three approaches to structural reform and inclusive growth.
* Hold a policy dialogue or APEC event on ways that structural reform and inclusive growth could influence APEC’s long-term work and Post-2020 Vision, given the priority that many economies attach to this topic, and provide input to the APEC Vision Group and Senior Officials as required.
* Organise a stocktake by economies of existing structural policies and with an evaluation of the extent to which they promote inclusive growth.
* Consider which tools or indicators might be used to evaluate inclusiveness of structural reform policies and measure progress on inclusive growth, building on work already undertaken by partners such as the OECD and other relevant fora.
* Set up a programme of study visits to allow economies to share and learn from each other’s best practices. Economies at similar levels of development could group themselves to gain more value from these exchanges.

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18. In particular, acknowledgement is given to the OECD’s Framework for Policy Action on Inclusive Growth which was endorsed by the 2018 OECD Ministerial Council Meeting. [↑](#footnote-ref-18)
19. 2017 APEC Economic Policy Report on Structural Reform and Human Capital Development p ii [↑](#footnote-ref-19)
20. 2017 APEC Economic Policy Report on Structural Reform and Services p9 [↑](#footnote-ref-20)
21. This is an area that is also covered by the CTI’s Committee on Standards and Conformance and is a topic being considered in the 2018 Conference on Good Regulatory Practices. [↑](#footnote-ref-21)