Meeting of Ministers and Governors in Melbourne, 18-19 November 2006

G-20 Reform Agenda 2006

Agreed actions to implement the G-20 Accord for Sustained Growth

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

2. The **United States** continues to build on the growth-enhancing policy actions of the recent past and has new proposals to raise growth prospects. Lowering marginal rates and reducing the bias against capital formation in the tax code has been key. Fostering more open foreign trade and investment, improving the quality of education, developing more confidence in corporations through improved corporate governance standards, and establishing more confidence in retirement security have also helped growth prospects, while maintaining price stability. A new dialogue with China and the American Competitiveness Initiative are two areas with promise for future economic growth. **Canada** is focused on promoting a more competitive and productive economy. It is committed to sound monetary policy, debt reduction and tighter spending control, and to strengthening government framework policies and Canada's economic union, promoting a competitive and efficient tax system, and making effective government investments in key drivers of growth such as education, infrastructure and science and technology. **Brazil** will continue to ensure macroeconomic stability, implement further microeconomic reforms, increase infrastructure investment and deepen domestic financial markets. In **Mexico,** significant accomplishments were made during President Fox’s administration (2000-2006) on budget and fiscal responsibility, securities market, credit and savings and economic competition. Pending areas remain the pension system for public sector employees, labour market, corporate governance of state-owned enterprises and fiscal reform.

3. Members of the **European Union** will pursue further structural reforms, which are coordinated as part of the Lisbon strategy. At the level of EU Member States, such reforms focus on raising potential growth and increasing employment through enhanced environmentally sustainable competitiveness and innovation. They include product market liberalisation, growing financial market integration, more flexible labour markets that maintain employment security, support for entrepreneurship, lighter regulation and actions to boost R&D. At the EU level, important progress is also being made. In particular, freeing up the cross-border provision of services is expected to boost competitiveness. The final adoption of the Services Directive is expected by the end of 2006. **Germany** remains committed to continuing the reforms already begun to consolidate state finances and to enhance the foundations for growth and employment. The structural deficits of all levels of government will be reduced by a comprehensive consolidation package. Framework conditions for investment and innovation are being improved by structural reforms in corporate taxation, the reduction of administrative costs and the new high-tech strategy. Other structural reforms, such as increasing the retirement age or measures

to promote improvements in health care or in the basic allowance for job-seekers, will help to ensure the sustainability and efficiency of the social security system. The reform priority for **France** will be to focus on further enhancing job creation, by delivering a fairer tax system that facilitates the transition from welfare into work, and eliminating social contributions at low salary levels for small firms. France is also committed to achieving fiscal balance in the medium-term by meeting constant real spending targets and reducing its public debt. In addition, higher private sector investments in research and development will be promoted. Recent pension and health care reforms have also delivered major results, and further improvements are also underway. To raise productivity and employment, **Italy** plans to improve the efficiency of the public administration and simplify the regulatory environment, foster framework conditions conducive to enhanced competition and private investment and reduce the restrictions that hamper competition in the product market. The **United Kingdom** is committed to entrenching stability and to building a flexible, enterprising economy with a highly-skilled, high-productivity workforce and a strong science and innovation sector. It is determined to ensure fairness alongside flexibility, providing security and support for those that need it. It is also delivering lasting improvements in public services through sustained investment and reform.

4. The **Russian Federation** will concentrate on improving human well-being and increasing the effectiveness of its social policy through further reforms of public health and education systems. Russia will also focus on developing infrastructure, stimulating innovations, supporting manufactured export and attracting foreign investment. Civil service and administrative reforms will be continued. **Turkey** will undertake reform of public finances, including restructuring the social security system and broadening the tax base, as well improving the regulation and supervision of the financial sector.

5. In **South Africa**, the government is committed to a number of interventions, given the fiscal space created on the basis of sound public finances over the last decade. The basis of the reforms will be done under the framework of the Accelerated and Shared Growth Initiative for SA (AsgiSA), which focuses on increasing public investment; enhancing the efficiency of parastatal firms; skills development; improving public service delivery; expanding the social security system; reducing the interest cost of government debt; and reforming tax policy and administration. **Saudi Arabia** places high priority on diversifying the economy, reducing dependence on oil, enhancing the investment-friendly environment, maintaining monetary and financial stability and expanding employment opportunities. To achieve these objectives, wide-ranging economic and structural reforms have been undertaken, including encouragement of the private sector, further strengthening and expansion of the financial system and labour market reforms.

6. In **India,** the objective of the reform program is to achieve sustained higher growth along with social equity and inclusiveness. The Government is also alive to the fact that growth can be constrained by inadequate infrastructure. It is, accordingly, the endeavour to provide quality roads, railways, ports, airports, power supply and communication to the industry to improve its competitiveness. The objective of fiscal policy is to achieve fiscal consolidation and ensure elimination of the revenue deficit by the end of fiscal year 2008-09. This process will be revenue-led and will involve rationalising the tax structure and improving the tax-

GDP ratio. In addition, India's financial sector is being gradually reformed within a well-defined road map to improve the quality of financial services and upgrading credit delivery systems. **Indonesia** will focus on fiscal consolidation and transparency, while continuing to strengthen its public debt management. It will give a high priority to enhancing private sector involvement in the economy through credible and fair policy and risk-sharing frameworks and creating a better investment climate, namely by removing infrastructure constraints, introducing a public-private partnership scheme by improving regulatory frameworks and financing sources, and maintaining monetary and financial stability. It is also committed to enhancing domestic and international competitiveness, empowering the people and reducing poverty.

7. **Japan** will continue its reform agenda that includes measures to promote further reform of the financial system, to advance privatization, such as in postal services, and to address more vigorously the problem of fiscal sustainability. **Korea** will continue to closely monitor macroeconomic developments in order to address in a timely manner the dual economic risks of slower growth and recent housing price rise. Economic policy will focus on raising Korea's growth potential through structural reforms. Key among these are the continued developments of the financial system by deregulating capital markets and steps to enhance productivity in the services sector. Korea will also continue to address large expenditure pressures from population aging by tackling health care and pension related problems. Economic reform in **China** aims at establishing and improving the modern enterprise system, setting up a pricing system in reflection of market demand and supply and the scarcity of resources, allowing market forces to play a bigger role in resource allocation in a bid to increase allocation efficiency, thus further developing the market economy. The reform also targets at coordinated economic and social development and social harmony that enables every citizen to share the benefits of reform and development. At the current stage, priorities include: accelerating the reform of state-owned shares in large SOEs; speeding up comprehensive rural reform; deepening fiscal, tax, investment and pricing reforms; pressing ahead with the social security system reform; and further improving the socialist market economy.

8. **Australia** is committed to improving nation-wide efficiency in the provision of water, transport, and electricity; improving health services and skills recognition; reducing the regulatory burden on Australian business; simplifying superannuation taxation; facilitating the transition from welfare to work; and establishing a national workplace relations system. Australia will also maintain its strong record of macroeconomic management through the ongoing operation of medium-term fiscal and monetary policy frameworks.