Meeting of Ministers and Governors in Kleinmond, South Africa, 17-18 November 2007

G-20 REFORM AGENDA 2007

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

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

2. The **United States** continues to build on the growth-enhancing policy actions of the recent past. Lowering marginal rates and reducing the bias against capital formation in the tax code have been key. Fostering more open foreign trade, improving the quality of education, maintaining the competitiveness of U.S. capital markets, and strengthening energy security have also improved growth prospects. Key growth-enhancing efforts include working toward passing new free trade agreements in the Americas and Asia-Pacific region and pursuing a successful conclusion to the Doha Round. **Canada** continues to focus on improving economic growth and productivity; fostering opportunity and creating a more prosperous society. To this end, the government is lowering taxes, controlling expenditure and creating a more effective and efficient public sector, while, at the same time, making government investments in key drivers of growth such as education, infrastructure and science and technology. **Brazil** will continue to give priority to infrastructure investments, microeconomic reforms and domestic financial markets, ensuring macroeconomic stability. Infrastructure investments will be coordinated under the framework of the Programme of Growth Acceleration. Other important reforms include the exemption of value-added tax on raw material in the civil construction sector, the consolidation of tax law regarding small and micro enterprises and the exemption of income tax on foreigners, when investing in Brazilian public bonds or in venture capital. In **Mexico** two key reforms have been approved by Congress: a new Pension System for workers of the public sector, which will guarantee a minimum benefit for workers; and a comprehensive fiscal reform based on improved tax collection, the introduction of a new corporate tax, increased fiscal decentralisation and greater efficiency and transparency of public expenditure. Additional fiscal revenues will increase resources available for social programs and infrastructure investment. Together with greater efficiency in expenditure, these reforms will have a positive impact on the country's economic growth. In **Argentina**, the main objective of the economic program is to achieve sustained growth while implementing social policies aimed at reducing inequality. The government will continue pursuing sound fiscal and monetary policies and deepening the domestic credit market, whilst investing to improve the current economic infrastructure in the country. Domestic savings will continue to be a priority as a source of investment financing in order to minimise vulnerability to international economic fluctuations.

3. Members of the **European Union** will pursue further structural reforms as part of the renewed Lisbon strategy to take full advantage of the opportunities provided by globalisation and to address the challenges posed by its intensification, by ageing populations and by climate change. Priorities include the completion of an integrated

market for services and labour, financial services market integration, improving the EU-wide framework for venture capital and research, ensuring better regulatory environment and opening up new opportunities to trade and investment. In **Germany**, the federal government's fiscal and economic policy is orientated equally to the structural consolidation of public budgets and social security systems and to enhancing the general conditions for growth and employment. Structural reforms include important steps to reduce non-wage labour costs, corporate taxation, the reduction of administrative costs and the high-tech strategy. Envisaged reform of fiscal federalism especially deals with constitutional rules to reduce net borrowing. In **France** a key objective is to raise the economic growth rate by at least 1%, chiefly through large-scale structural reforms, including better use of existing manpower. Broader reforms, aimed in particular at enhancing competition in product markets, will contribute to higher employment rates overall. Similarly, greater public and private investment in R&D and incentives for companies to innovate will be required to ensure France is at the frontier of developments in technology. **Italy** has enacted several measures to enhance productivity, growth and competitiveness, including liberalisation measures in several service sectors (banking, insurance, pharmaceutical, air transport, legal profession, IT services). In the energy sector, liberalisation has lead to more transparency in fuel prices and to increased gas supply. Several Laws have simplified procedures concerning property rights, consumer protection, and insurance. The system of incentives for firms has been improved so as to give priorities to SMEs. The **United Kingdom** is committed to building a strong economy and a fair society in which there is opportunity and security for all. It is determined to preserve an environment of high employment and productivity and to building a highly-skilled, flexible workforce. It is committed to creating conditions for business success and to maintaining international competitiveness in an environmentally-sustainable world.

4. The **Russian Federation** continues to strengthen its economic and financial performance. Robust economic growth, accompanied by improved living standards and human capital development are the most important government priorities. Health care and education reform are still in progress. The social security system is also being transformed to make social security more target orientated. Budgetary reform will ensure long-term financial stability and will provide for a fairer distribution of the funds generated from non-renewable resources. **Turkey** will preserve fiscal discipline, cautious monetary policies, and keep momentum on structural reform by passing social security legislation to put the system on a more sustainable footing. Turkey aims to restructure the energy sector to facilitate a more liberal and competitive market structure, while preserving supply security; to reform the labour market to increase market flexibility and promote formal employment; to enhance the institutional capacity of tax administration to create fiscal space for further structural reforms; and to reform the civil service to increase the efficiency of public services.

5. A combination of prudent fiscal decisions, increased foreign exchange reserves, lower debt levels and lower inflation have contributed to stronger economic growth and employment creation in **South Africa**. Investment programmes in public services, community development and infrastructure have, and will continue to be prioritised. Major investments in energy generation and public transport are underway. The Joint Initiative of Priority Skills Acquisition (Jipsa), has been created to redress skills shortages in the public and private sector. Government will seek to strengthen the economic and regulatory environment for SMMEs and improve job creation. **Saudi Arabia** places high

priority on diversifying the economy, reducing dependence on oil, enhancing the investment-friendly environment for both domestic and foreign investors, maintaining monetary and financial stability and expanding employment opportunities for Saudi nationals. Administrative and legal procedures have been streamlined and wide-ranging economic and structural reforms undertaken, including labour market reforms, establishing a commission to develop and promote tourism; and seeking larger markets for Saudi exports through enhanced competition, free trade agreements between the GCC and its major trading partners, regional integration and by acceding to the WTO.

6. The objective of **India's** reform program is to sustain high growth along with social equity and inclusiveness, while maintaining financial stability. Government recognises that growth can be constrained by infrastructure and accordingly is endeavouring to provide quality roads, railways, ports, airports, power supply and communication to trade and industry to improve its competitiveness. Fiscal policy will seek to continue the fiscal consolidation and ensure elimination of the current budget deficit, through a revenue led process based on rationalising the tax structure and improvement in the tax-GDP ratio. India's financial sector is being reformed to improve soundness, efficiency, resilience and diversification of the financial system. **Indonesia** will continue to ensure macroeconomic and financial stability and a sustainable fiscal position by applying thoroughly researched policies. A high priority will be on reforming the bureaucracy while ensuring state assets are managed prudently, responsibly, and transparently. Indonesia is also committed to introducing a new government accounting system that will be the basis for a more transparent budget, and to promoting public-private partnerships based on open and transparent competition.

7. **Australia** has focused on measures to further improve its long-term economic growth and prosperity by enhancing productivity and participation. These measures include: improving nation-wide efficiency in the provision of water, transport, and energy infrastructure; investing in education; improving work incentives; facilitating the transition from welfare to work; and establishing a national workplace relations system. Australia has also maintained its strong record of macroeconomic management through the ongoing operation of medium-term fiscal and monetary policy frameworks. **Japan** will continue to advance reforms to facilitate domestic and inward foreign direct investment, strengthen competitiveness in key sectors, and further advance fiscal consolidation. Further development of science and technology remains priority. For this purpose, investment in strategic areas and human capacity building continue to be promoted. A strategy to advance intellectual property is revised every year to meet evolving challenges. **Korea** will continue to closely monitor macroeconomic developments in the financial sector, including the foreign exchange market, to maintain stability and sustainable growth. Economic policy will focus on raising Korea's growth potential through the formation of structural reforms, including the provision of a superior business environment through regulation reform, the continued development of the financial sector through consolidation of capital markets and the establishment of solid financial infrastructure, and administrating the necessary policies to enhance productivity in the services sector. In **China** emphasis will be on the importance of energy conservation and environmental protection through economic restructuring and on changing the growth pattern. China has gradually enhanced the role of market forces, and has worked to improve the fiscal, taxation, financial, investment and pricing systems. The government functions have gradually shifted toward economic regulation, market supervision, social management and public service.