



July 13, 2016

STAFF BACKGROUND PAPER FOR G-20 SURVEILLANCE NOTE: PRIORITIES FOR STRUCTURAL REFORMS IN G-20 COUNTRIES

EXECUTIVE SUMMARY

Structural reforms can provide a powerful lift to growth—both in the short and the long term—if they are well aligned with individual country conditions. These include an economy's level of development, its position in the economic cycle, and its available macroeconomic policy space to support reforms. The larger a country's output gap, the more it should prioritize structural reforms that will support growth in the short term *and* the longer term—such as product market deregulation and infrastructure investment.

Macroeconomic support can help make reforms more effective, by bringing forward long-term gains or alleviating their short-term costs. Where monetary policy is becoming over-burdened, domestic policy coordination can help to make macroeconomic support more effective. Fiscal space, where it exists, should be used to offset short-term costs of reforms. And where fiscal constraints are binding, budget-neutral reform packages with positive demand effects should take priority.

Some structural reforms can themselves help generate fiscal space. For example, IMF research finds that by boosting output, product market deregulation can help lower the debt-to-GDP ratio over time. Formulating a medium-term plan that clarifies the long-term objectives of fiscal policy can also help increase near-term fiscal space.

With nearly all G-20 economies operating at below-potential output, the IMF is recommending measures that both boost near-term growth and raise long-term potential growth. For example:

- **In advanced economies,** these measures include shifting public spending toward infrastructure investment (e.g., *Australia, Canada, Germany, US*); promoting product market reforms (*Australia, Canada, Germany, Japan, Korea, Italy*) and labor market reforms (*Canada, Germany, Japan, Korea, UK, US*); and fiscal structural reforms (*France, UK, US*). Where there is fiscal space, lowering employment protection is also recommended (*Korea*).

- **Recommendations for emerging markets (EMs) focus on raising public investment efficiency** (*India, Saudi Arabia, South Africa*), labor market reforms (*Indonesia, Russia, Saudi Arabia, South Africa, Turkey*), and product market reforms (*China, Saudi Arabia, South Africa*), which would boost investment and productivity within tighter budgetary constraints particularly if barriers to trade and FDI were eased (*Brazil, India, Indonesia*). Governance (*China, South Africa*) and other institutional reforms are also crucial. Where policy space is limited, adjusting the composition of fiscal policy can create space to support reforms (*Argentina, India, Mexico, Russia*).
- **Some commodity-exporting EMs** (*Brazil, Russia, Saudi Arabia, South Africa*) are facing acute challenges, with output significantly below potential and an urgent need to rebuild fiscal buffers. To bolster growth, Fund staff recommends product market and legal reforms to improve the business climate and investment; trade and FDI liberalization to facilitate diversification; and financial deepening to boost credit flows.

IMF advice also aims to promote inclusiveness and macroeconomic resilience. The Fund recommends a targeted expansion of social spending toward vulnerable groups (*Mexico*), social spending for the elderly poor (*Korea*), and upgrading social programs for the nonworking poor (*US*). Recommendations to bolster *macrofinancial resilience* include expanding the housing supply (*UK*), resolving the corporate debt overhang (*China, Korea*), coordinating a national approach to regulating and supervising life insurers (*US*), and reforming monetary frameworks (*Argentina, China*).

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INTRODUCTION AND POLICY CONTEXT¹

1. Global growth remains weak, and downside risks have become more salient. This disappointing performance is due to several persistent and interlinked forces, which include (i) a pre-crisis slowing of total factor productivity growth, compounded by population aging; (ii) the crisis legacy of debt overhang in advanced economies and rising corporate leverage and pockets of excess capacity in emerging economies; and (iii) the scarring of production capacities caused by low investment and high unemployment in some advanced economies after the crisis. Growth could be even lower if the current increases in economic and political uncertainty in the wake of the “Brexit” vote continue and the attendant financial market repercussions take a toll on confidence. This possibility adds to downside risks from insufficient policy efforts to raise the trajectory of global growth, while managing emerging market transitions and vulnerabilities.

2. Given these developments, there is an urgent need for G-20 countries to step up their efforts to turn growth around. Structural reforms play a particularly important role, given their ability to increase potential growth. In 2014, G-20 members pledged to lift their collective GDP by an additional 2 percent by 2018. Since then, they have made over 1,000 growth-enhancing policy commitments to deliver on this objective.

3. While G-20 countries have made impressive efforts to identify structural reforms, implementation has been difficult, for both political and economic reasons. The assessment prepared by the Fund and the OECD in late 2015 indicated that of the commitments made until then, only about half had been fully implemented, with a projected impact on collective G-20 GDP of only about 0.8 percent by 2018. Other measures were assessed as “in progress,” but subject to a number of implementation risks.

4. This year, under the Chinese presidency, the G-20 has launched a renewed focus on structural reforms to complement the existing growth framework. By elaborating a set of priorities and guiding principles on structural reform, the G-20 is supporting its members as they seek to identify high-impact policy initiatives. The G-20’s priorities and guiding principles on structural reforms provide welcome flexibility, for example by allowing members to tailor structural reforms to country circumstances. At the same time, it will be important to ensure that countries continue to learn from others as they plan and implement structural reforms. International organizations—including the Fund—will continue to support this effort. To that end, this note identifies, on the basis of the Fund’s guiding framework for structural reforms, specific measures for individual G-20 countries that merit prioritization.

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IMF GUIDING FRAMEWORK FOR STRUCTURAL REFORMS

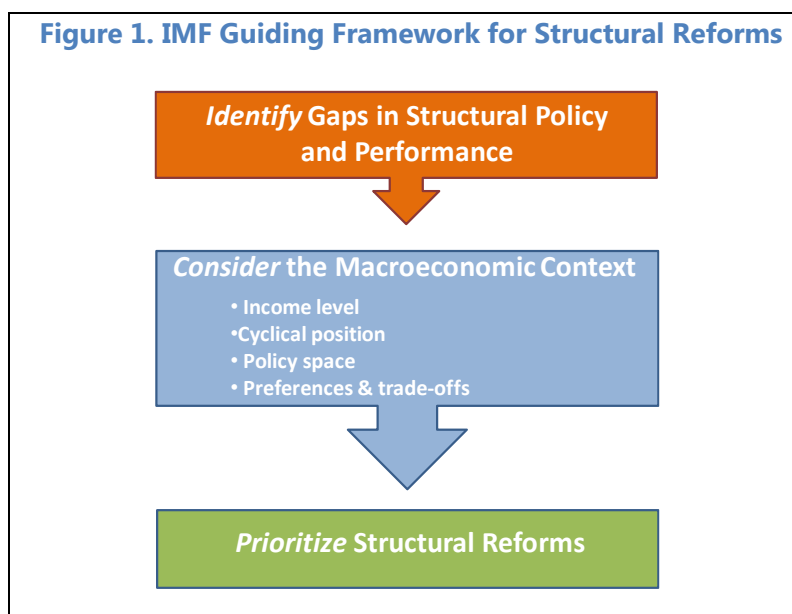
5. An important lesson from the Fund’s cross-country work is that the best-designed structural reforms are those that take into account the economic environment in which they will be implemented. For example, in a country with weak macroeconomic demand, it pays to start with structural reforms that come with their own demand support—such as opening service markets to new entries, which can bring additional investment and hires. Where there is fiscal space, it can be used to encourage innovation and advance educational attainment and skills to raise growth in the short and long term. Fiscal space can also be used to alleviate short-term costs that may be associated with some reforms, and promote inclusiveness, for example by helping to spread the gains from structural reforms more evenly across the population.

6. The IMF staff’s guiding framework for structural reforms can help policymakers prioritize amongst reform measures (Figure 1).² At the country level, the starting point for identifying reform priorities should be an assessment of the country’s structural policy gaps, as this will indicate where reforms are likely to have the largest pay-offs in terms of boosting growth. However, this assessment will generally leave policymakers with a large number of potential reforms, across many policy areas. A crucial next step is to take into account the macroeconomic circumstances under which reforms are being carried out. Three dimensions are particularly relevant:

- *Income level.* Countries should generally prioritize structural reforms in areas that have been identified as having a high pay-off for their respective level of economic and financial development. For example, for emerging market economies, the largest productivity payoffs are generally associated with reforms that improve market functioning. Advanced economies should give higher priority to reforms geared toward supporting technological progress.
- *Position in the economic cycle.* The larger a country’s output gap, the more it should prioritize structural reforms that will support growth in the short term *and* the longer term—such as infrastructure investment, given the larger fiscal multipliers in times of economic slack (as well as the lower borrowing costs), and product market deregulation, given their positive pay off even under weak macroeconomic conditions.
- *Policy space to support reform.* A country’s policy space will play an important role in determining whether—and if so, how—to implement structural reforms. Where budget constraints are binding and monetary policy is also constrained, the sequencing of reforms might have to be adjusted to favor lower- or no-cost measures with positive demand effects of

² “Staff Note for the G20—A Guiding Framework for Structural Reforms,” <https://www.imf.org/external/np/pp/eng/2016/033116.pdf>, April 2016.

their own, or budget-neutral reform packages. In contrast, where there is fiscal space, available resources should be used to offset any short-term costs of structural reforms.



MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

7. The complex interplay between macroeconomic policies and structural reforms will be a crucial factor determining the effectiveness of both policies. Demand support can increase the effectiveness of structural reforms, by bringing forward their long-term gains or by alleviating their short-run costs. This effect may be particularly important under weak macroeconomic conditions. Structural reforms in turn can make demand policies more effective—and in some cases, can even increase macroeconomic (particularly fiscal) policy space.

8. Macroeconomic policy space differs considerably across the G-20. In most advanced economies, *monetary policy* has come close to the lower bound in terms of nominal interest rates. In many emerging markets, currency pressures and financial stability considerations may be limiting the scope of monetary policy action. Structural reforms can in some cases help to increase monetary policy space. For example, in countries with higher inflation, labor or product market reforms that lead to lower prices could create more space for monetary easing in support of growth.

9. Assessing *fiscal space* amongst G-20 countries is somewhat more challenging. Fiscal space is a multi-dimensional concept reflecting whether a government can raise spending or lower taxes without endangering market access and debt sustainability. Making such a determination requires a forward-looking assessment of whether the fiscal position is sustainable under current as well as alternative policies—including structural reforms—and a reasonable configuration of shocks. This will also depend, among other things, on the level and trajectory of public debt, present and

future financing needs, the fiscal track record, the economic conjuncture, and market sentiment. Balancing these considerations involves careful analysis and judgment.

10. Fund staff assesses fiscal space using a four-stage approach. First, they clarify cyclical conditions and gaps, including those related to structural reforms, infrastructure, and balance sheet repair, which have a bearing on fiscal multipliers. Second, they consider indicators related to the availability of financing on favorable terms and market perception risks, the level and trajectory of public debt and financing needs under baseline and stress cases, and the needed adjustment to stabilize debt. Third, they explore a dynamic approach by simulating discretionary fiscal policy experiments featuring expansion relative to the baseline, and mapping out their implications for macro outcomes and sustainability. And fourth, they arrive at the final assessment by using judgment to draw on the results from stages 1-3, and incorporate considerations for additional country-specific factors such as the trade-offs related to complying with existing fiscal frameworks.

11. Looking across the G-20, countries find themselves in different positions with regards to fiscal space. Some countries (e.g., *Canada* and *Korea*) appear to have a reasonable degree of fiscal space to support structural reforms, based on indicators like public sector financing costs, the profile of public debt, and future financing needs. Other countries (such as *Brazil* and *Italy*) will need to advance fiscal consolidation, targeting to the extent possible growth-friendly adjustment measures, given their relatively high debt burden.

12. The assessment of fiscal space also needs to take into consideration that some structural reforms may themselves have an impact on fiscal space. *Direct effects* on fiscal space would entail any embedded gains (e.g., from reducing the duration of unemployment benefits) or costs (e.g., higher spending on active labor market policies or lower labor taxation; also compensation for those who will be left worse off by reform). *Indirect effects* primarily entail the dynamic impact of reforms on output.

13. The impact of structural reforms on fiscal space varies across different types of reforms, and, for some of them, also depends on the state of economic activity.³ New IMF staff analysis on advanced economies finds that product and labor market reforms can improve public debt-to-GDP ratios over the medium term—thereby helping to increase fiscal space—but the specifics vary across reform types.

- Major past episodes of *product market deregulation* boosted output sufficiently to reduce the debt-to-GDP ratio by about 4 percentage points on average, after five years. While such structural reforms do not entail systematic short-run fiscal costs, occasionally there may be some costs (e.g., to compensate those left worse off).
- Major episodes of *job protection reforms* were found, on average, not to have a significant effect on public debt ratios. This reflects their rather small effects on output in the first five years after the reform, as well as the general absence of upfront fiscal costs (or gains). However, this result

³ International Monetary Fund, 2016, "Time for a Supply-Side Boost? Macroeconomic Effects of Labor and Product Market Reforms in Advanced Economies," World Economic Outlook, Chapter III.

masks widely different effects depending on prevailing economic conditions. Job protection reforms were found to *increase* the public debt-to-GDP ratio when carried out at times of major slack, and to *decrease* it during times of robust growth. This reflects the fact that such reforms have positive employment and output effects in good times, but can entail short- to medium-term economic costs when implemented in bad times, with adverse implications for public debt dynamics.

14. These findings highlight the potential benefits of providing fiscal support for structural reforms. In particular, staff analysis finds that combining job protection reform with fiscal stimulus eventually *lowers* the public debt-to-GDP ratio, despite the short-term fiscal cost. By contrast, combining such reforms with fiscal contraction appears to be self-defeating: relaxing job protection at a time of fiscal contraction may make firms more likely lay off workers, thereby depressing demand and output, which ultimately has a negative impact on fiscal space.

15. Fiscal space can also be enhanced by the elaboration of medium-term fiscal plans. Because it typically takes several years for reforms to impact output and public debt positively, fiscal support should be complemented by the formulation of a medium-term plan clarifying the long-term objectives of fiscal policy. This is especially helpful where fiscal space is limited. This approach could create fiscal space in the near term, which could in turn be used to facilitate the adoption of reforms, while amplifying their payoff over the medium term.

16. Ultimately, the case for macroeconomic policy support for structural reforms will be reform- and country-specific, depending in particular on the cyclical position of the economy. The initial fiscal position is equally important—where fiscal space is very tight at the outset, the relief provided by an anticipated reduction in the debt ratio may be small.

17. However, even when macroeconomic support is not available, there will be some structural reforms that are so critical for medium-term growth that they should be implemented as soon as feasible. In these situations, there may however be scope to enhance the growth-friendliness of macroeconomic policies, in particular through (budget-neutral) tax and spending reforms.

IMF STRUCTURAL REFORM RECOMMENDATIONS FOR G-20 COUNTRIES

18. As part of its surveillance mandate, the Fund advises its member countries on macro-critical structural reforms. These are reforms that affect or have the potential to affect domestic or external stability, or global stability. In making its recommendations, the Fund takes into account the economy's level of development, its position in the business cycle, and its policy space.

19. Given that nearly all G-20 economies have output that is below potential, IMF recommendations focus primarily on measures that both boost near-term growth and raise potential growth over the long run. IMF recommendations also consider the availability of policy

space—though in a few cases, structural reforms that are critical for long-term growth are recommended even though policy space may be lacking (summary tables below).

- In *advanced economies*, measures that raise both short- and medium-term growth include shifting the composition of public spending toward infrastructure investment, fiscal structural reforms that enhance the efficiency of resource allocation more broadly, and product and labor market reforms. Where policy space is limited, product market deregulation is particularly recommended for raising investment, employment, and output without generating budgetary costs in the short run. Interactions across these different reforms are also factored in IMF advice. For example, tax simplification and broadening measures can reduce inefficiencies, generating revenues to finance other high pay-off (but costly) reforms.
- Recommendations for *emerging market economies* focus on public investment and product and labor market reforms. They also address trade and FDI impediments, governance of public institutions, and other institutional reforms. Where fiscal space is limited or consolidation is necessary, governments are encouraged to adjust the composition of fiscal policy to make it more growth-friendly.⁴
- Some commodity exporting emerging economies (*Brazil, Russia, Saudi Arabia, South Africa*) are facing acute challenges, given a steep and protracted decline in commodity prices. Low growth means that output in these countries is significantly below potential GDP (about -2½ percent lower on average, excluding Saudi Arabia), and fiscal buffers need to be rebuilt. Reform strategies advocated by the Fund are targeted at supporting short-term growth and diversification, with more weight put on product market and legal reforms to improve the business climate and private investment; trade and FDI liberalization to help with diversification and ease balance of payments pressures; and financial deepening to facilitate credit flows.

20. In addition to boosting growth, IMF recommendations also aim to promote inclusiveness and macroeconomic resilience. To promote *inclusiveness*, Fund staff recommends a carefully targeted expansion of social spending toward vulnerable groups in *Mexico*, social spending for the elderly poor in *Korea*, and upgrading of social programs for the nonworking poor in the *United States*. Examples of recommendations that focus on bolstering *macrofinancial resilience* include expanding the housing supply in the *United Kingdom*, resolving the corporate debt overhang in *China* and *Korea*, coordinating a national approach to regulating and supervising life insurers in the *United States*, and reforming monetary frameworks in *Argentina, China, and India*.

IMF Structural Reform Recommendations for Advanced Economies

21. In a number of countries, reforms that facilitate the scaling up of infrastructure investment would help raise productive capacity, boost short-term demand directly, and catalyze private investment. Measures that enhance the efficiency of spending and/or taxation,

⁴ This has been the focus of much separate work by Fund staff. A recent example is “Fiscal Policy and Long-term Growth.” IMF Board Paper, International Monetary Fund, Washington (2015).

and those that tackle administrative and/or regulatory constraints, could help create the fiscal space for a shift in the composition of public spending towards infrastructure investment. *Australia* and *Canada*, in particular, are better positioned to benefit from this approach given a significant output gap, low interest rates, fiscal space allowing debt financing, and efficient investment processes. To further improve the capacity to execute new projects, a nation-wide plan that coordinates between different levels of government is a priority for *Australia* and *Canada*. For *Germany*, the focus should be on capacity upgrades at the subnational level. In the *United States*, staff estimates that investment to close infrastructure gaps (particularly in surface transportation and telecommunications) could boost potential growth by $\frac{1}{4}$ percentage point.

22. Facilitating the entry of new suppliers and their ability to compete are expected to yield positive gains in domestic demand and employment. For *Australia*, *Canada*, *Germany*, *Japan*, and *Italy*, IMF recommendations focus on spurring competition in services and network industries. Significant productivity gains could also be achieved from increased competition and deregulation in education services in *Korea*, and in healthcare in *Korea* and the *United States*.

23. Labor market reform recommendations focus on boosting participation and productivity, with due consideration for near-term demand support and fiscal space. Many countries with aging societies face falling labor force participation. In many advanced economies, further labor market policy measures, including better training, are required to ensure that women, refugees, and older workers are better integrated into the labor market. In most cases, because such measures would raise labor supply only gradually, their short-term growth impact is not a major concern in policy prioritization and design. Lowering employment protection can also help, though because it works better when growth is healthier, ideally it should be paired with fiscal support.

- *Canada*, *Germany*, *Japan*, *Korea*, the *United Kingdom*, and the *United States* stand to benefit from broadening full-time employment opportunities for women, by expanding child care provision and after school programs and, in some cases, by lowering the tax burden on secondary earners (e.g., *Germany*). A priority for *Germany*, in particular, is to integrate low-skilled migrants into the labor force through training, active labor market policies, and lowering the tax wedge. Extending working lives—by indexing the retirement age to life expectancy and removing financial disincentives to work beyond pensionable age—would also help.
- In *Korea*—where fiscal space is available—expanding benefits for non-regular workers and reducing labor-market rigidities by introducing performance-based assessment and clear conditions for dismissal would improve productivity and equity, with short-term costs alleviated by a fiscal expansion. To boost private sector job creation in *France*, it will be important to reform the unemployment and welfare benefit systems to strengthen work incentives and job search, ideally in conjunction with measures to support self-employment and the creation of new enterprises, and further liberalizing regulated professions. In *Italy*, IMF staff recommends complementing the Jobs Act with a new decentralized wage bargaining system that aligns public wage setting with productivity growth at the firm level, reduces the wedge between public and private wages, and reduces regional wage disparities.

- Bridging the skill divide will also be essential. Expanding vocational training partnerships between industry and educational institutions would help retool the labor force and increase employment and labor mobility in *Canada, France, the United Kingdom, and the United States*.
- A comprehensive skills-based immigration reform would have a large effect on labor supply in the *United States*, where a targeted expansion of the supply of higher-skilled workers would help alleviate pressures on unskilled wages and raise demand. Relaxation of immigration restrictions in sectors with labor shortages is particularly relevant for *Japan*.

24. IMF recommendations on *fiscal structural reforms* focus on tax, pension, subsidies, and social spending measures that can raise medium-term productive capacity and create policy space.⁵ Well-designed tax and spending policies can boost productivity, employment, and growth in *Australia, France, Italy, the United Kingdom, and the United States*. In the *United States*, a reform of the tax system—broaden bases, remove exemptions, simplify the system, rebalance from direct to indirect taxes (e.g., on carbon and gas), and reduce statutory rates—would help revitalize business dynamism and investment, and could raise real GDP by 1½ percent over ten years. The expansion of R&D tax credits could support technology startups and promote innovation. Tax reform recommendations for the *United Kingdom* include scaling back distortionary tax expenditures (e.g., nonstandard zero VAT rates) to improve efficiency and increase tax neutrality whereas *Australia* would benefit from shifting from income taxes toward a Goods and Services Tax. *Japan* should gradually increase the consumption tax rate as part of a pre-commitment to a gradual pace of tax increases to ensure medium-term fiscal sustainability. For *France*, the emphasis of the Fund’s recommendations is on overall social spending reforms and streamlining public employment to ensure a sustainable, growth-oriented fiscal policy. In general, and specifically for the *United Kingdom* and the *United States*, reforming the pension and health systems should aim at containing future aging-related costs, e.g., by extending the retirement age and indexing benefits to the CPI.

25. The IMF’s country-specific recommendations also cover other areas where measures are needed to ease frictions in resource allocation. For example, *Canada* would benefit from lower interprovincial barriers to trade. In *Italy*, a more ambitious reform of the financial sector and a more effective bank resolution framework will accelerate balance sheet repair, improve credit flow, and support economic recovery. To encourage a more efficient use of the housing stock in the *United Kingdom*, Fund staff recommends easing planning restrictions, mobilizing unused public land for construction, and reforming property taxes.

⁵ Fiscal structural reforms encompass: (i) fiscal institutions and budgetary frameworks, (ii) changes in the tax base and policy driven by longer-term considerations, and (iii) changes in pensions, health and social security systems driven by demographic developments, specifically where population aging is a long-term macro-critical issue.

Table 1. IMF Recommended Reform Priorities: Advanced Economies

Reform Priorities	Australia	Canada	Germany	France	UK	Italy	Japan	Korea	USA
Innovation	●	●		●			●		●
Product Market	●	●	●	●		●	●	●	
Labor Market		●	●	●	●	●	●	●	●
Infrastructure	●	●	●		●				●
Banking System				●	●	●			
Legal System/Property Rights				●	●	●			
Capital Market Development							●		
Fiscal Structural	●	●	●	●	●	●	●	●	●
Trade/FDI Liberalization		●					●		●

IMF Structural Reform Recommendations for Emerging Markets

26. Given that most G-20 emerging markets are in weak economic condition and appear to have limited fiscal space, the IMF focuses on structural reforms that can also deliver payoffs in the near term. In addition to highlighting public investment and product and labor market reforms, the IMF's recommendations focus on reforms in the areas of international trade and investment, governance, and other institutional and regulatory issues.

27. Better management of public investment processes can increase the pay-off from such investment, in terms of productive capital and growth. Potential gains from improving the quality and efficiency of public investment could be substantial for *India*, *Saudi Arabia*, and *South Africa*. Improvements could come from ongoing project oversight and reviews, and greater use of public-private partnerships. Improving land acquisition laws (e.g., *India*) can stimulate private spending on infrastructure at little to no fiscal cost.

28. IMF advice on labor market reforms is tailored to different market environments and development levels. For example, labor market allocation and productivity could be improved in *Indonesia* through the easing of complex wage setting restrictions and hiring and layoff procedures. In *South Africa*, labor flexibility could be increased by excluding small- and medium-sized enterprises from collective bargaining outcomes, and by introducing contracts where workers gradually accumulate benefits and job security. Reducing skill mismatches through education and vocational training is a crucial element of reform recommendations for *Indonesia*, *Russia*, *Saudi Arabia*, *South Africa*, and *Turkey*. In some cases, these efforts would benefit from joint implementation with other institutional reforms (more below).

29. Easing barriers to trade and FDI can give a quick boost to investment and productivity, particularly if done in conjunction with product market reforms that encourage adoption of international best practices. *Brazil, India, and Indonesia* can realize large potential gains within their tighter budgetary constraints by reducing tariffs, lifting domestic content requirements, and pursuing preferential trade agreements. Promoting market entry and competition, particularly in the services and network sectors, is priority to boost growth in *China, Saudi Arabia, and South Africa*.

30. In several countries, institutional and regulatory reforms can provide critical foundational support to other reform initiatives. Implementing further subsidy and social spending reforms—for instance, by reducing spending rigidities related to indexation of benefits and pensions—would create policy space to support other supply-side reforms in *Argentina, China, India, Mexico, and Russia*. For *China* and *South Africa*, priorities include strengthening SOE governance and in the case of *China*, hardening budget constraints by removing implicit guarantees and subsidies. Improving security, the rule of law, and the judiciary system are key priorities for *Mexico, Turkey, and Russia*; and strengthening the frameworks for public-private sector dispute settlement (e.g., *Russia*) and contract enforcement are pertinent for *India, Mexico, and Saudi Arabia*. By enforcing laws against gender discrimination, ensuring safety, and improving child care facilities, *India, Mexico, and Saudi Arabia* could take much better advantage of favorable demographics to boost female labor force participation and demand without straining the budget.

Table 2. IMF Recommended Reform Priorities: Emerging Markets

Reform Priorities	Argentina	Brazil	China	Indonesia	India	Mexico	Russia	Saudi Arabia	Turkey	South Africa
Innovation			●				●			
Product Market			●	●	●		●	●		●
Labor Market				●	●	●	●	●	●	●
Infrastructure		●		●	●		●			●
Banking System	●		●	●	●		●			
Legal System/Property Rights				●	●	●	●	●	●	
Capital Market Development			●	●				●		
Fiscal Structural	●	●	●	●	●		●	●	●	●
Trade/FDI Liberalization	●	●		●				●		●

CONCLUSION

31. To lift growth and counter risks, a broad-based policy effort will be needed. This approach should combine better-balanced demand support where needed, with the structural reforms that are critical for raising productivity and employment. By choosing the right package of reforms—reflecting an economy’s unique position with regards to structural policy gaps, position in the economic cycle, and policy space—policymakers can maximize their immediate impact on growth. Strong policy frameworks that anchor fiscal and monetary policy in the long run, are also important complements to structural reforms, including by allowing for effective demand management in the short run.

32. The IMF will continue to support its members as they seek to adopt such policy packages. “Best practices” learned from cross-country experience can help the Fund advise governments on which types of policy packages may be best suited to support growth. This advice may be provided in the context of surveillance, technical assistance, and/or as part of a financial arrangement. The Fund also remains committed to supporting G-20 efforts to bolster structural reforms, and in particular to exploring how best to combine them with macroeconomic policy management.