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"Enhancing Productivity for Inclusive Growth"

(Adopted at the Meeting of the Council at Ministerial Level on 2 June 2016)

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“ENHANCING PRODUCTIVITY FOR INCLUSIVE GROWTH”

1. On the occasion of the 2016 OECD Ministerial Council Meeting (MCM), we* have assembled under the Chairmanship of Chile, and the Vice-Chairmanship of Finland, Hungary and Japan on 1-2 June to discuss how to enhance productivity and inclusive growth in mutually reinforcing ways, as key drivers to increase people’s wellbeing.
2. We congratulate Latvia for the successful conclusion of its accession process. We now look forward to welcoming Latvia as a full Member of the OECD.

Setting out the challenges

3. Over the past year, major international agreements such as the UN 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda on financing for development, the WTO 10th Ministerial Conference in Nairobi and the Paris Agreement on Climate Change have laid the foundations for future collective action to achieve our common goals. We welcome the adoption of the initiative on strengthening the international tax system under the Base-Erosion and Profit Shifting project (BEPS), endorsed by G20 leaders, and further work on the Automatic Exchange of Information for tax purposes (AEOI). We encourage the OECD, with other international and regional organisations, to help Members design and implement policies to meet their commitments.
4. World economic growth remains too slow, with weak global trade and investment, low commodity prices, below target inflation in most major economies, persistent high unemployment, high debt levels in many countries and downside risks, especially in emerging market economies. We are concerned by the productivity slowdown, the longer-term rise in inequalities and the erosion of job quality. The problem of global excess capacity in certain sectors is a serious bottleneck for world economic growth. We recognise the need to strengthen economic growth through the appropriate use of fiscal and monetary policy tools and by accelerating the pace of structural reforms, which has stalled in many countries. We also need to enhance action to support trade and investment.
5. Geopolitical risks, conflict and insecurity have drawn many OECD countries into the centre of the recent refugee crises, posing challenges to their integration systems. We support the global call for an effective response to humanitarian challenges stressed at the World Humanitarian Summit in Istanbul.
6. Widely publicised cases of possible fraud and tax evasion highlight the urgent need to implement OECD standards to strengthen the international tax system and to address other major challenges such as international corruption and money laundering.

Enhancing productivity for inclusive growth

7. We agree that there are several possible drivers behind the observed trends in productivity growth, including weakness in investment and financial market conditions, a slow diffusion of new technologies, the possible growing market power of incumbent firms and unnecessary or inefficient regulation. We recognise that disparities in skills, quality of education, and health and social services can undermine aggregate productivity and increase inequalities. We agree on the need to promote a positive

* Ministers and Representatives of Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States and the European Union.

cycle between economic growth and enhanced opportunities and income. The OECD should deepen its understanding of the productivity challenge and its possible links to inequality trends to explore policy solutions for enhancing productivity while fostering inclusive growth. A coherent approach is needed to ensure that vulnerable groups participate in the labour market, firms have an equal opportunity to contribute to a dynamic economy and lagging regions fulfil their productive potential. We appreciate the contribution of the Productivity-Inclusiveness Nexus report to this important issue. The Declaration on Enhancing Productivity for Inclusive Growth aims to identify ways forward on these issues. We support further work within the Organisation, as well as through the Global Forum on Productivity.

8. We welcome the OECD's broader work on well-being and its cross-disciplinary approach to policy analysis, as promoted by the New Approaches to Economic Challenges (NAEC) Initiative, currently being mainstreamed within the Organisation. We support the OECD's efforts to enhance its analytical methods and to anticipate global developments. We encourage it to remain at the cutting edge of evidence-based economic thinking and prioritise its work in accordance with its core competences.

Policy action across the board to foster productivity and inclusive growth

Skills, jobs and social policies to support productivity and inclusive growth

9. We recognise the importance of skills, quality of education, and broader social policies, including active labour market policies, to support productivity growth, foster social inclusion and reap full benefits of innovation. We also recognise the benefits of social dialogue to advance these agendas. We encourage the OECD to deepen its analysis on lifelong learning and on what students may need to learn to succeed in an uncertain, digitalised and complex world. We stress the importance of developing transferable, transversal, digital and entrepreneurial skills and promoting interdisciplinary education and research. An effective co-ordination between education, training policies and labour market demands is needed, including the strengthening of vocational education. We welcome the OECD's new work on "Getting the skills right" and look forward to the outcomes of the work on broadening the notion of skills.

10. We echo the call of the Employment and Labour Ministerial Meeting this year to update the OECD Jobs Strategy, to advise on policies to make labour markets more inclusive and resilient, improving youth employment, gender equality and job quality. We welcome the 2015 OECD Recommendations on Ageing and Employment Policies; on Integrated Mental Health, Skills and Work Policy; and on Gender Equality in Public Life, the latter presented at the Ministerial Meeting on Public Governance for Inclusive Growth in Helsinki.

11. We recognise the importance of fighting inequalities and promoting inclusive growth from early stages in individuals' lives. We welcome the OECD's current work on children, in the areas of education, health and social policies and encourage further co-ordinated analysis

12. We need to strengthen our integration policies to better benefit from migrants' skills and promote cohesive societies. We encourage the OECD to enhance its work of migrants' integration and related policies to support Members' efforts, as well as continue its analysis on migration trends and on the migration and development nexus.

Reaping the benefits of digitalisation and innovation

13. We recognise that a coherent and holistic policy approach is necessary to fully harness and leverage the benefits of innovation and digitalisation for increased productivity, quality jobs and inclusive growth. We should promote and protect the global free flow of information, in accordance with OECD Principles for Internet Policy Making. To this end, we look forward to the Ministerial Meeting on Digital Economy, Innovation, Growth and Social Prosperity that will be held in Cancún, Mexico on 21-23 June.

We also underline the need to enable innovation and experimentation at the firm level, including SMEs, fostering technology and knowledge diffusion by strengthening collaboration between public research institutions and industry, and facilitating investment in R&D and other forms of knowledge-based capital.

14. We reaffirm the commitments of the 2015 Daejeon Declaration on Science, Technology and Innovation policies for the Global and Digital Age. In particular, we call on the OECD to bring together its policy and analytical expertise, including the ongoing work on the Next Production Revolution, the digital economy, the Future of Work, skills and education. We also call on the Organisation to further its analysis on how to reap the benefits of new and fast-developing areas such as biotechnology, artificial intelligence, the sharing and circular economy as well as platform markets. We encourage the OECD to develop an horizontal policy strategy on digitalisation, its opportunities and challenges.

Enabling firms to thrive

15. We recognise the need to promote an enabling environment to allow firms to thrive and innovate, particularly small, young firms and start-ups. We need to foster sound and easily manageable regulation and institutional arrangements to ensure a level-playing field for incumbents and new entrants, including on market openness, competition, and access to finance, especially for SMEs, and in particular young and innovative firms. We need to remove distorting policies that inhibit the growth of innovative firms and hinder the restructuring or exit of poorly-performing ones. We call on the Organisation to further develop appropriate indicators on competition, regulation and trade for OECD Members and Partners.

16. We note the importance of the regional and local dimensions in creating an environment that is supportive of productivity growth in firms, which can be reinforced through urban-rural linkages as well as effective collaboration between national and sub-national levels of government. We call on the Organisation to provide guidance for territorial strategies that enhance firm-level and local productivity, including national-local and public-private partnerships. We look forward to the OECD's contributions to the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in October which will set out the New Urban Agenda for years to come.

Fostering trade and investment for productivity and inclusive growth

17. We recognise the need to boost trade and investment to both foster productivity, and inclusive and sustainable growth. Our priority is to reinforce an open, rules-based multilateral trading system that remains relevant to today's global economy given the rapid development of e-commerce and Global Value Chains (GVCs). We also welcome WTO-complementary bilateral, regional and plurilateral initiatives aimed at promoting trade and productivity growth. We call for the implementation of the expanded Information Technology Agreement (ITA) as agreed, the entry into force of the Trade Facilitation Agreement (TFA) by the end of this year, the conclusion of the Environmental Goods Agreement (EGA) by the G20 Summit in September, and the conclusion of the Trade in Services Agreement (TiSA) negotiations possibly by the end of 2016. We note the priorities for urgent attention of the OECD identified in the Agricultural Ministerial Declaration adopted last April.

18. Following the Nairobi Ministerial Conference, there remains a strong commitment to advance negotiations on the pending Doha issues. We agree that a range of issues of importance to today's global economy, that are currently subject of trade rulemaking in Regional Trade Agreements, are highly relevant issues for consideration in the WTO. We reaffirm our standstill and rollback commitments to resist all forms of protectionism. We also recognise the negative impact on trade of global excess capacity in sectors such as steel and shipbuilding and stress the need to avoid market distorting measures and enhance the well-functioning of markets. We encourage the Organisation to continue and deepen its work on the Trade in Value Added (TiVA), Trade Facilitation Indicators (TFIs), and Services Trade Restrictiveness Index

(STRI), in order to clarify how trade openness can contribute to increase productivity, growth and inclusiveness.

19. We encourage the OECD to continue analysing investment trends and enhancing its work to promote investment policies that foster an open, transparent and rules-based domestic and international investment environment, including through the Freedom of Investment Roundtable, the Annual Conferences on Investment Treaties and the OECD Codes of Liberalisation. We celebrate the 40th anniversary of the OECD Declaration on International Investment and Multinational Enterprises. We call on the OECD to continue promoting strong Responsible Business Conduct (RBC), notably the MNE Guidelines, strengthening the functioning of the National Contact Points, and fostering work on due diligence in relevant sectors, such as agricultural supply chains, to encourage inclusive, responsible and sustainable growth.

Living up to our international commitments

20. We recognise the OECD's role in supporting the Members' and international community's implementation of the 2030 Agenda and the achievement of the Sustainable Development Goals (SDGs), building on its core strengths and expertise. In this regard, we appreciate the vision set out in the proposed OECD Action Plan on the Sustainable Development Goals, and the role that the OECD can play in providing high quality and coherent public policy advice grounded in evidence. We welcome the OECD's continued work, in co-ordination with Members, to strengthen collaboration with the UN system and other international organisations so as to maximise synergies and complementarities of efforts.

21. Within the vision set out in the 2030 Agenda, and the Addis Ababa Action Agenda, the effective use of all means of implementation for financing development, including domestic resources, will be critical to its achievement. We support the OECD work carried out with developing countries on the use of the new *Policy Framework for Investment* and the Tax Inspectors Without Borders initiative. We reaffirm the importance of Official Development Assistance (ODA) to promote development, prioritising those countries most in need or facing fragile situations. We stress that the strategic use of ODA to catalyse private capital is a growing priority for many Members' development co-operation efforts. We recognise that middle-income countries continue facing development challenges in specific areas and we acknowledge the increasing importance of south-south initiatives as a source of development finance and expertise. We encourage the OECD to continue its efforts to modernise the measurement and coherence of development finance, in particular, its specific work with others to clarify the concept of Total Official Support for Sustainable Development (TOSSD), which will complement, and not replace, ODA.

22. We call on the OECD to contribute to the effective implementation of the Paris Agreement on Climate Change, particularly on improving transparency of action and support, phasing out inefficient fossil fuel subsidies, increasing investments in renewables and energy efficiency, implementing effective emissions reduction policies and tracking climate finance, working together with the International Energy Agency, the Nuclear Energy Agency and the International Transport Forum. The OECD should continue advising on the implementation of climate policy action for macroeconomic and structural policy settings, and how these policies interact both domestically and internationally, as well as promoting renewable energies and market-based approaches to tackle climate change. We welcome the progress made in preparation of the Environment Policy Committee meeting at Ministerial level to be held in Paris in September 2016.

23. We strongly support the OECD's focus on the full implementation of BEPS, including its proposed inclusive framework, and we call on the Organisation to develop the tools necessary to support all jurisdictions to meet their AEOI commitments, and to develop a common transmission system.

24. We congratulate the OECD on a successful Anti-Bribery Ministerial meeting and look forward to the follow-up on its Ministerial Declaration. We call on the OECD to adopt a more coherent approach to its anticorruption work within its existing mandate and structures so as to improve coordination and information sharing and maximise the impact of its expertise, convening power and tools. We invite the Organisation to also engage emerging and developing countries in this agenda.

Promoting OECD's global reach

25. We stress the importance of the OECD strategy to continue strengthening its global reach and reinforce its role in establishing and promoting high standards in its fields of expertise, while addressing new challenges as they arise. We call for a strategic reflection by Members on the future size and membership of the Organisation and for a report to the 2017 MCM. We welcome the OECD's role and contributions in the G20/G7, APEC, the Pacific Alliance and other international dialogue processes.

26. We welcome the launch of the OECD Latin America and the Caribbean Regional Programme as a central reference for the future work on productivity, inclusion and governance in the region. We call on the OECD to take further steps on its implementation in close co-operation with regional partners. We also welcome progress made by the Southeast Asia Regional Programme which should continue to be strengthened, including by enhancing co-operation with the Economic Research Institute for ASEAN and East Asia (ERIA). At the same time, we commend the MENA, Eurasia and Southeast Europe regional Programmes and support their continuous efforts in disseminating OECD standards and good practices through close dialogue with these partners. We encourage the Organisation to look for ways to enhance its engagement with the Sub-Saharan region according to the Committees' global relations priorities.

27. We also welcome the progress made by Colombia, Costa Rica, and Lithuania in their ongoing accession processes. We support the progress achieved with the Key Partners (Brazil, China, Indonesia, India and South Africa), in particular the work programmes with China and Brazil. We also welcome Japan's return to the Development Centre and the other recent memberships. We look forward to a successful conclusion and evaluation of the two-year Country Programmes and the continuation of the OECD's co-operation with Ukraine.

Leadership and management

28. We commend the Secretary-General on his efforts to enhance the relevance and impact of the OECD, and look forward to continuing our work together on delivering "Better Policies for Better Lives". We acknowledge the role of the Secretary-General in proposing new initiatives, including in his Strategic Orientations, for further consideration by the Council.

29. We welcome the Secretary-General's efforts to manage the Organisation most effectively, including by increasing staff diversity and gender balance, and the recent advancements on evaluation, value-for-money, audit and horizontal projects. We encourage the Secretary-General to maintain the drive towards continuous improvements in the transparency, management and operations of the Organisation so that the OECD is recognised as being at the leading edge in these fields.