



**Asia-Pacific
Economic Cooperation**

2017/SOM1/EC/025rev1

Agenda Item: 9

**Policy Support Unit Terms of Reference for APEC
Economic Policy Report 2017: Structural Reform
and Human Capital Development**

Purpose: Consideration

Submitted by: Canada



**First Economic Committee Meeting
Nha Trang, Viet Nam
27-28 February 2017**

APEC Policy Support Unit (PSU) Terms of Reference

1. Title

APEC Economic Policy Report (AEPR) 2017: Structural Reform and Human Capital Development (HCD).

2. Aims and Objectives

The aims of the Study are to:

- (a) Provide a summary of the linkages between structural reform and HCD, with focus on making economic growth and trade more inclusive, and recent efforts of APEC economies in that regard. Case studies and Individual Economy Reports (IERs) will increase the relevance for APEC economies. The Core section will have a forward-looking component that will highlight common challenges and priorities and make policy recommendations in the area of structural reform and HCD. The report aims to be useful to both developed and developing economies.
- (b) Foster dialogue among APEC members on structural reform and human capital development, and provide an impetus for continued APEC engagement in this area. Phase II of the project will include a workshop in 2018. The Core Team will seek the advice of the HRDWG with regards to a two-year strategic plan to encourage implementation of AEPR recommendations and provide a platform for ongoing work in APEC in the area of structural reform and human capital development. Details of Phase II will be elaborated later in 2017 by the Core Team, in consultation with HRDWG and others as appropriate.

3. Background

This Project is in line with the broad priority of APEC to promote structural reforms through RAASR for the period of 2016-2020. In 2016, APEC Economic Leaders adopted Lima Declaration on advancing quality growth and HCD with a commitment to continue to work in this area. The topic of the 2017 AEPR was endorsed in the 2016 AMM Joint Statement in Lima. It aligns well with Viet Nam's first 2017 priority on sustainable, innovative and inclusive growth, and its third priority of ensuring that small businesses are innovative and competitive.

A Core Team led by Canada was formed during the 2016 APEC Summit in Lima to take the 2017 AEPR forward. The Core Team consists of Viet Nam, Peru, Canada, and Indonesia, with strong support from the PSU. The Core Team had several conference calls from December 2016 to February 2017, and developed an action plan for the 2017 AEPR and a draft outline for the report (most elements are captured in the outline below), which was consulted with the HRDWG and the EC. The Core Team has also produced a draft IER questionnaire which is in the process of being consulted.

Based on the outline, the PSU will draft most of Parts 1 and 2 of the 2017 AEPR, advise on the case studies, and analyse the IER questionnaires. The Host economy, Viet Nam will provide a Case Study (other economies may volunteer to provide case studies as well). The PSU and Core Team will provide guidance on the Case Studies. However, the Core Team has determined that it would be optimal to have an expert consultant write portions of the 2017 AEPR, particularly the portion of Part 2 that deals with challenges and policy recommendations (see below). To cover the costs of the expert consultant, a RAASR application has been submitted for USD 85,000. If some APEC economies come forward with an offer to cover the costs of the consultant, then the RAASR application will be withdrawn.

The project is designed to complement ongoing work of both EC and HRDWG, namely implementation of RAASR's action plans, the works on drafting the HRD Strategic Plan for 2016-2020 and efforts to realize the newly adopted APEC Education Strategy. During all phases of the project there will be strong **cross-fora collaboration** between e.g. EC and HRDWG, with international institutions as appropriate, etc. Phase II of the project has the potential to catalyze collaboration across fora and between APEC economies in the coming years. While the relationship between structural reform and HCD is not well understood, HCD is an area where economies have policy

space. Many APEC economies seek to accelerate HCD to promote development and to better weather global economic and market shifts. Structural reforms and accelerated HCD will make APEC economies more adaptable and resilient, with large potential benefits for developing economies, where there are good opportunities to leverage growth from these kinds of interventions. One of the goals of emphasizing structural reform and/in HCD is thus to lay the groundwork for greater regional economic cooperation and integration, and to strengthen efforts to promote sustainable, innovative and inclusive growth in the APEC region.

4. Scope of the Project / Research Structure

The 2017 AEPR will have four sections. Part 1, the **Introduction** will provide an overview of the regional context and the importance of structural reform and HCD, and the relationship between the two. Part 2, the **Core** section will describe how structural reform can a) improve labour productivity, b) improve labour force participation and inclusion, c) improve adaptability, and d) facilitate connectivity and mobility. This section, which may include a special thematic study, will conclude with **key challenges, lessons learned and good practices and policy recommendations in relation to structural reform and HCD**. Part 3 will consist of **case studies** (Viet Nam and perhaps other economies - TBD). Part 4 will consist of **Individual Economy Reports (IERs)**. The IER questionnaire developed by the PSU and Core Team is based on a lean, forward-looking format that is designed to enable economies to focus on their priorities, challenges, and opportunities for regional cooperation. The proposed report structure (including the Case Studies and IERs) aims to enhance the relevance of the analysis and recommendations of the 2017 AEPR for both developed and developing APEC economies.

Research undertaken by the PSU for Part 1 (Introduction and Overview) and Part 2 (structural reform so that economies can improve labour productivity, labour force participation and inclusion, the adaptability of the labour force, and connectivity and mobility) of the 2017 AEPR will draw on public domain information and use quantitative and qualitative methods to determine the impact of the reforms. Case studies will be conducted by volunteer economies, in coordination and consultation with Canada (as project lead), PSU (for technical inputs), and the Core Team. The PSU will consult economies, APEC fora and other international organizations, and international experts, and work with the expert consultant as necessary. Regular updates will be provided to the EC (intersessionally and at EC meetings).

5. Key Deliverables

The PSU will provide the following deliverables:

- (a) Progress Reports – the PSU will deliver progress reports at each EC meeting and participate in discussions on the AEPR.
- (b) Draft of Chapters 1 (Introduction) and 2 (Core), including and analysis of IERs – July-August
- (c) Written comments on case studies by volunteer economies – July-August
- (d) Finalize Chapters 1 and 2 – September

6. Project Management /Administration

The Study will be managed by the PSU and overseen by Canada.

7. Timeline

Task	Delivery Date
EC to endorse the Terms of Reference.	March 2017
Core Team to circulate the draft outline and IER questionnaire for endorsement.	March 2017
Economies to propose case studies in consultation with Canada (as project lead), PSU (for technical inputs), and the Core Team.	March 2017
Core Team to circulate IER questionnaire to economies	April 2017
PSU to collect/analyse information for Chapters 1 and 2 through	March-May 2017

literature review and data analysis.	
PSU to engage consultant to write a portion of the AEPR (to be determined; subject to funding approval)	May-June 2017
Economies to submit completed IERs to Core Team	June 2017
Economies contributing case studies to submit draft reports to Core Team and PSU	July 2017
PSU to draft Chapters 1 and 2; provide written comments on case studies; and analyse IERs	June-August 2017
PSU to submit first draft Chapters 1 and 2 to Core Team	August 2017
Core Team to circulate draft Chapters 1 and 2 to EC for comments.	EC2 (August 2017)
Economies contributing case studies to submit revised reports to the Core team and PSU.	August 2017
PSU to finalize Chapters 1 and 2 and submit to Core Team	September 2017
Core Team to finalize AEPR for EC endorsement.	September 2017
EC to finalize AEPR for CSOM/AMM and publication	October-November 2017
PSU to provide progress reports.	Intersessionally, as required

The above schedule is indicative only. The timeline may be adjusted subject to the discussions with/schedule of the PSU.
