



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 7.1

2019 APEC Economic Policy Report – Structural Reform and Digital Economy Terms of Reference

Purpose: Consideration
Submitted by: Chile



**Finance and Central Bank Deputies' Meeting
Santiago, Chile
7-8 March 2019**

2019 APEC ECONOMIC POLICY REPORT- STRUCTURAL REFORM AND DIGITAL ECONOMY

TERMS OF REFERENCE

1. Title

2019 APEC Economic Policy Report (AEPR): Structural Reform and Digital Economy

2. Aims and Objectives

The 2019 AEPR on Structural Reform and Digital Economy aims to build economies' capability to identify and implement structural reforms on digital economy that allow APEC economies to adapt to a dynamic digital transformation, and to contribute to a balanced, inclusive, sustainable, innovative and secure growth.

The report will provide analysis and recommendations on how structural policies can help unleash the potential of the digital economy and promote the aforementioned growth. Core structural reforms include regulatory and legal reform, competition policy, strengthening economic and legal infrastructure, ease of doing business and public sector governance models.

The study will:

- a) Contribute to understand the opportunities and challenges presented by the digital economy as well as current progress and best practices for the development of digital economy measurement.
- b) Contribute to understand how different programs and plans on digital economy have been developed within APEC economies. The Economic Committee (EC), as the leading APEC fora on structural reforms, will benefit from gathering information on the existing strategic digital economy development documents, developed at the economy level to understand the applications of structural reforms to the digital economy.
- c) Identify structural reforms that may assist in the development of technology-based businesses and transformation of traditional business through digitization and that create appropriate regulatory frameworks to foster digital technology adoption and application.
- d) Understand the role of structural reforms in promoting inclusive growth in the digital economy.
- e) Collect best practices on the effectiveness of structural policies related to FinTech, Regtech and Suptech and public services, as well as case studies on the spheres, individually defined by member economies.

These objectives will be a valuable contribution to the key focus areas of the APEC Internet and Digital Economy Roadmap (AIDER): 4 (Development of holistic government policy frameworks for the Internet and Digital economy), 5 (Promoting coherence and cooperation of regulatory approaches affecting the Internet and Digital Economy) and 10 (Enhancing inclusiveness of Internet and Digital Economy). The report will also contribute to Focus Area 9 (Improvement of baseline of Internet and Digital Economy measurements), and in that way will help to lay the foundation for APEC's future digital economy work.

3. Background

The 2019 AEPR theme on *Structural Reform and the Digital Economy* was endorsed at EC2 and Senior Official's Meeting (SOM) 3.

Digital technologies, such as Big Data, Internet of Things, Artificial Intelligence, Blockchain, Cloud computing, 3D printing, among others, have become essential catalysts for innovation and prosperity in all aspects of today's world. The advancement of society through the propelling of digital technology will be the most powerful enabler for achieving balanced, inclusive, sustainable, innovative, and secure growth.

For example, creating favourable environment for business transformation through wider use of digital means (including for Micro, Small and Medium Enterprises (MSMEs) can stimulate trade and investment in the same way as reducing tariffs in the Asia-Pacific region.

On the other hand, digital business models and processes pose new challenges for regulation. Governments need to balance public and private interests, make the market more competitive for both high-tech and traditional businesses and build a comprehensive digital ecosystem. They also need to integrate security and ethical considerations into regulating new types of digital interactions, in the effort to achieve economic growth in an inclusive manner.

Furthermore, as activities of digital businesses and consumers are continuously evolving and some economies have already approved laws to regulate new technologies such as FinTech, Regtech and Suptech, it is time to collect and review current best practices (such as sandboxes, digital retail payments, robo-advisors), conduct capacity building activities and understand similarities and differences among member economies in this sphere.

We expect the report to provide an opportunity for APEC economies to collaborate and build meaningful policy recommendations through the sharing of views, case studies, experiences and ideas. The 2019 AEPR is the second joint report by the Economic Committee and Finance Minister's Process (FMP) and demonstrates growing EC-Senior Finance Officials' Meeting (SFOM) collaboration. Chile will be the Core Team Lead for AEPR 2019.

4. Scope of the Project and Report Structure

The 2019 AEPR will focus on structural policies that are contributing to the development of the digital economy in the APEC region, based on EC and SFOM experience and priorities. Given this backdrop, the 2019 AEPR structure will be as follows:

I. Main Report

- Introduction
- Part 1: Definitions, Priorities and Measurement of the Digital Economy. This section will cover:
 - a) Background on Digital Economy and Scope of the report: Opportunities and challenges presented by the digital economy
 - b) Challenges in measuring the digital economy
 - c) Overview of application of structural reforms¹ to the digital economy and priorities for reforms
 - d) Summary of key points from Individual Economy Reports and major existing APEC work on digital economy (e.g. internet and digital economy roadmap);
- Part 2: Structural Reforms for Digital Economy Development. This section will cover:
 - a) Fostering innovation and business transformation in the digital economy
 - b) Updating competition policies, good regulatory practices, public sector governance for the Internet and Digital Economy and implications for ease of doing business
 - c) Deep dives:
 - Financial sector: application of Fintech, Regtech and Supotech (including through regulatory sandboxes)
 - Public Services
- Part 3: Structural reforms, the Digital Economy and Social Inclusion. This section will cover:
 - a) Development of holistic policy approaches that support inclusive growth and other domestic objectives that economies identify.

II. Annexes

- a) Individual Economy Reports (IER): Surveys of the structural and regulatory challenges for APEC economies in relation to Individual Action Plans on Digital Economy
- b) Case studies – Volunteer economies will submit short case studies (3-4 pages per study) on sandboxes and other topics

5. Key Deliverables

¹ Regulatory Reform, Competition Policy, Ease of Doing Business, Strengthening Economic and Legal Infrastructure, Public Sector Governance and, CLG

The PSU will manage the main report production, including the drafting of the Introduction and Part 1. Based on instructions from the Core Team, the PSU will engage a consultant to draft Part 2 and 3 of the report. The PSU will also be responsible for monitoring and reporting progress on the AEPR main report, and synthesising the IERs (which will be received by the Program Director).

The OECD will provide peer review of the report, including the consultants firm's outline and the draft report. The OECD will participate in discussions at EC/FMP on the report, as appropriate. OECD may provide technical boxes as requested by the core team.

The PSU will provide the following deliverables:

- (a) Progress Reports - the PSU will deliver progress reports at each EC/FMP meeting, and inter-sessionally as necessary, and will participate in the discussions on the AEPR main report.
- (b) Draft of main report for consultation with Core Team.
- (c) Draft of main report for consultation with economies.
- (d) Draft of main report for EC2 and endorsement will be inter-sessionally.
- (e) Finalise the main report for SFOM endorsement.
- (f) Finance Ministers' Meeting, Closing Senior Official Meeting, Annual Ministerial Meeting to welcome report - October/November.

The consultant firm will present an outline of Part 2 and 3 of the report (of around 3 pages) by April. The consultant firm will also provide a draft of the report to the PSU by [June 2019] and will incorporate comments from the Core Team for distribution of a draft to EC in July – August 2019. The consultant firm may be required to incorporate further comments from the EC.

6. Project Management /Administration

The main report will be managed by the PSU and overseen by Chile as the Core Team lead. The Core Team comprises: Australia; Canada; China; Japan, Mexico; New Zealand; Russia; Chinese Taipei; Thailand; the United States; and Viet Nam.

7. Timeline

Task	Delivery Date
EC/SFOM inter - sessionally endorse the Terms of Reference	During EC1, March 2019
EC/SFOM inter - sessionally endorse the IER survey template	March 2019
PSU to engage consultant for the AEPR main section	March 2019
Core Team to circulate through the Secretariat the IER questionnaire to economies	March 2019
Core Team to solicit case studies from volunteer economies and circulate case study guidelines to these economies	March 2019
PSU/consultant to collect/analyse information for main report through literature review and data analysis	March - April 2019
Consultant to submit extended outline/progress report of the AEPR main section	April 2019
PSU consult Core Team on extended outline	April 2019
PSU and consultant to draft main report	March – June 2019
<ul style="list-style-type: none"> - Economies to submit completed IERs and case studies to Core Team through the Secretariat - PSU to provide written comments on case studies and synthesise IERs 	<p>May 2019</p> <p>June 2019</p>
Consultant to submit draft report of the AEPR main section to PSU	June 2019
PSU to submit first draft main report to Core Team	July 2019
Consultant/PSU take into account comments from Core Team	July 2019
Core Team to circulate draft main report to EC and SFOM for comments	July- early August 2019
Core Team to finalize draft AEPR for EC and SFOM endorsement	August 2019
Presentation and discussion of AEPR at EC2	August 2019 (SOM3-EC2)
EC Endorsement of AEPR inter - sessionally	September 2019
SFOM endorsement, submission of AEPR to FMM	Early October 2019
Submission of AEPR to CSOM/AMM and get ready for publication	November 2019

This schedule was developed in line with the EC-SFOM collaboration on the AEPR. The above schedule is indicative only. The timeline may be adjusted subject to the discussions with PSU.