

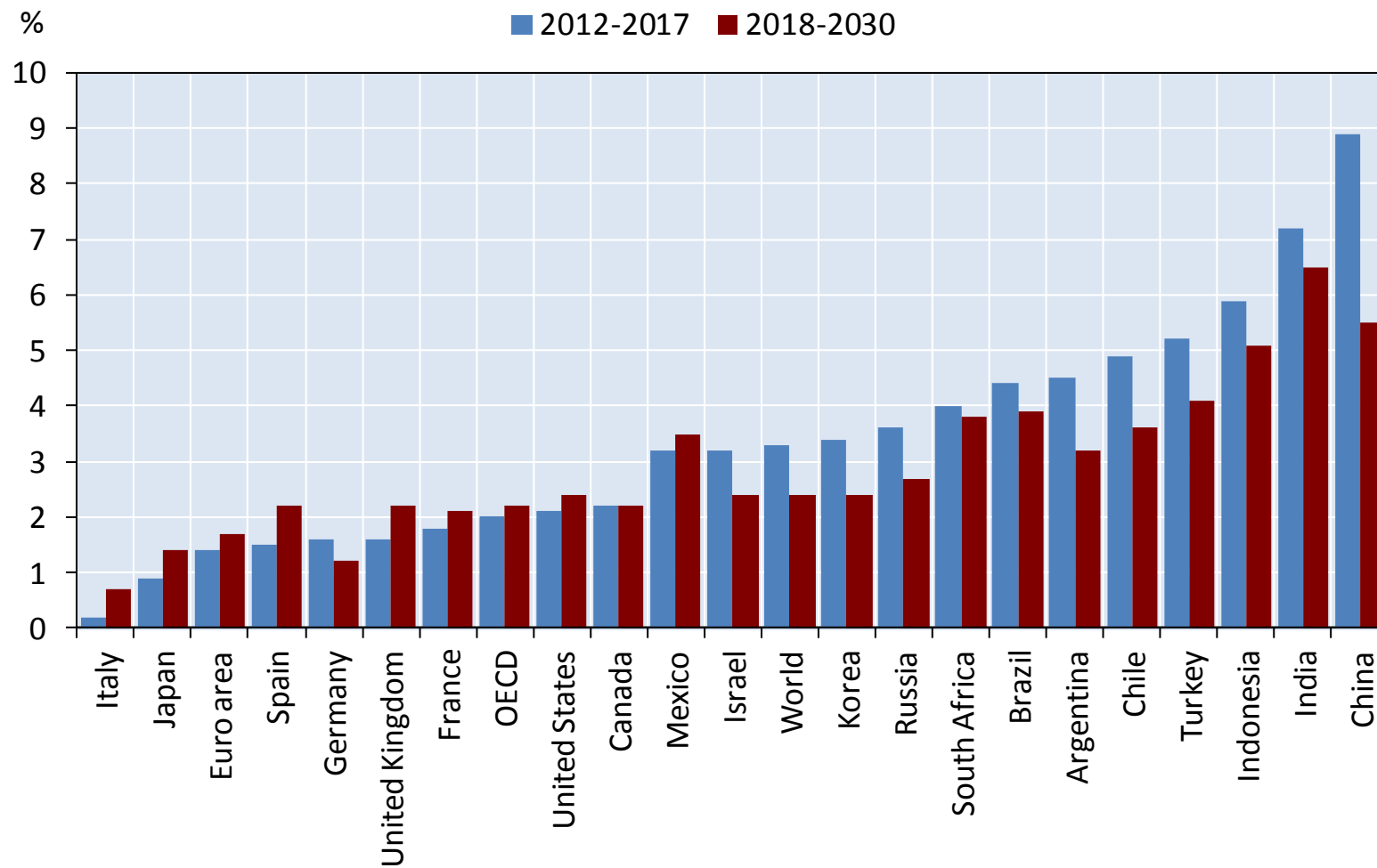
# **How to achieve higher growth?**

## **The role of structural reforms**

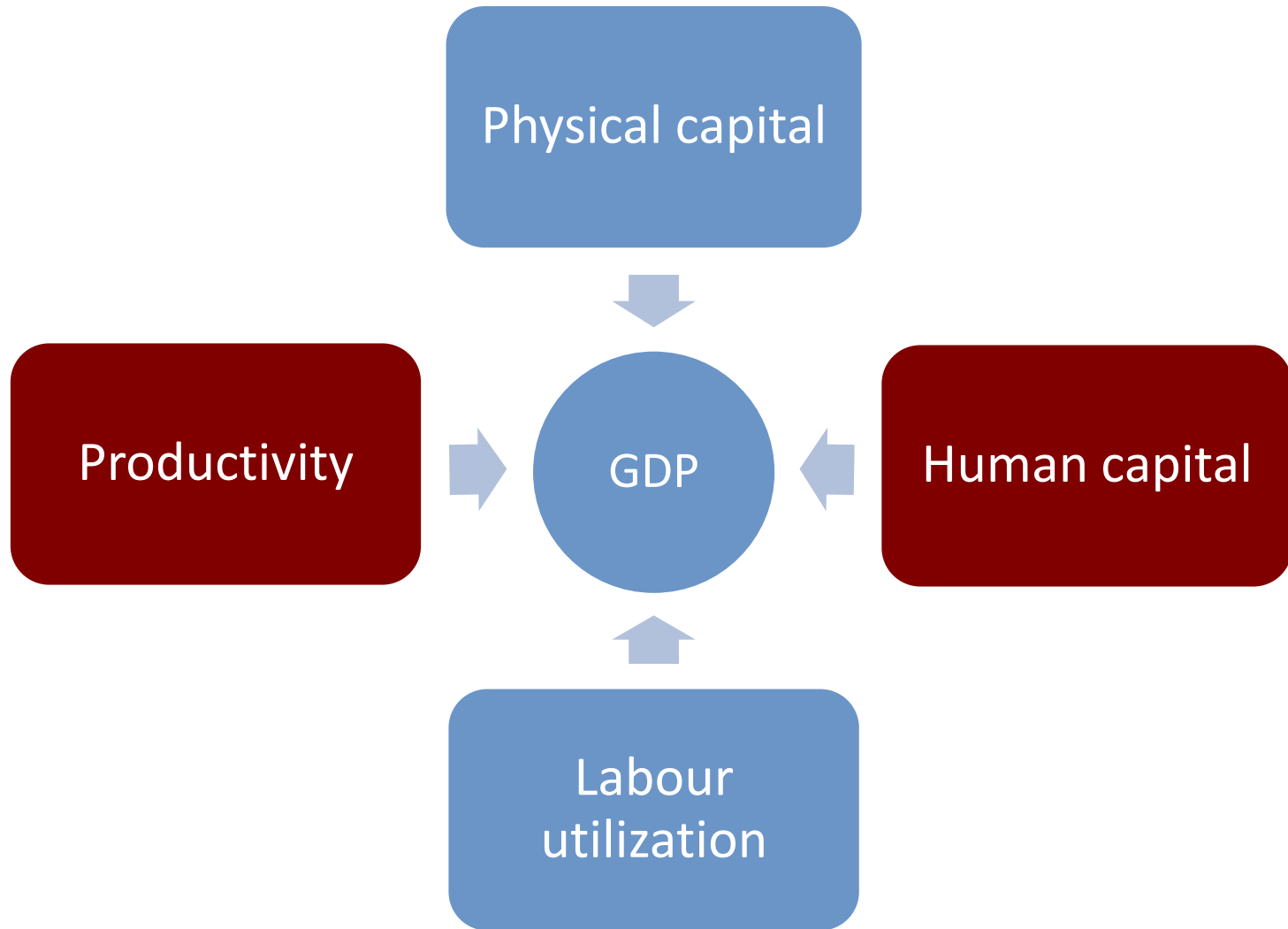
Isabell Koske  
OECD, Economics Department  
21 March 2013

# Growth prospects call for reforms now.

## Potential GDP growth in selected countries and regions

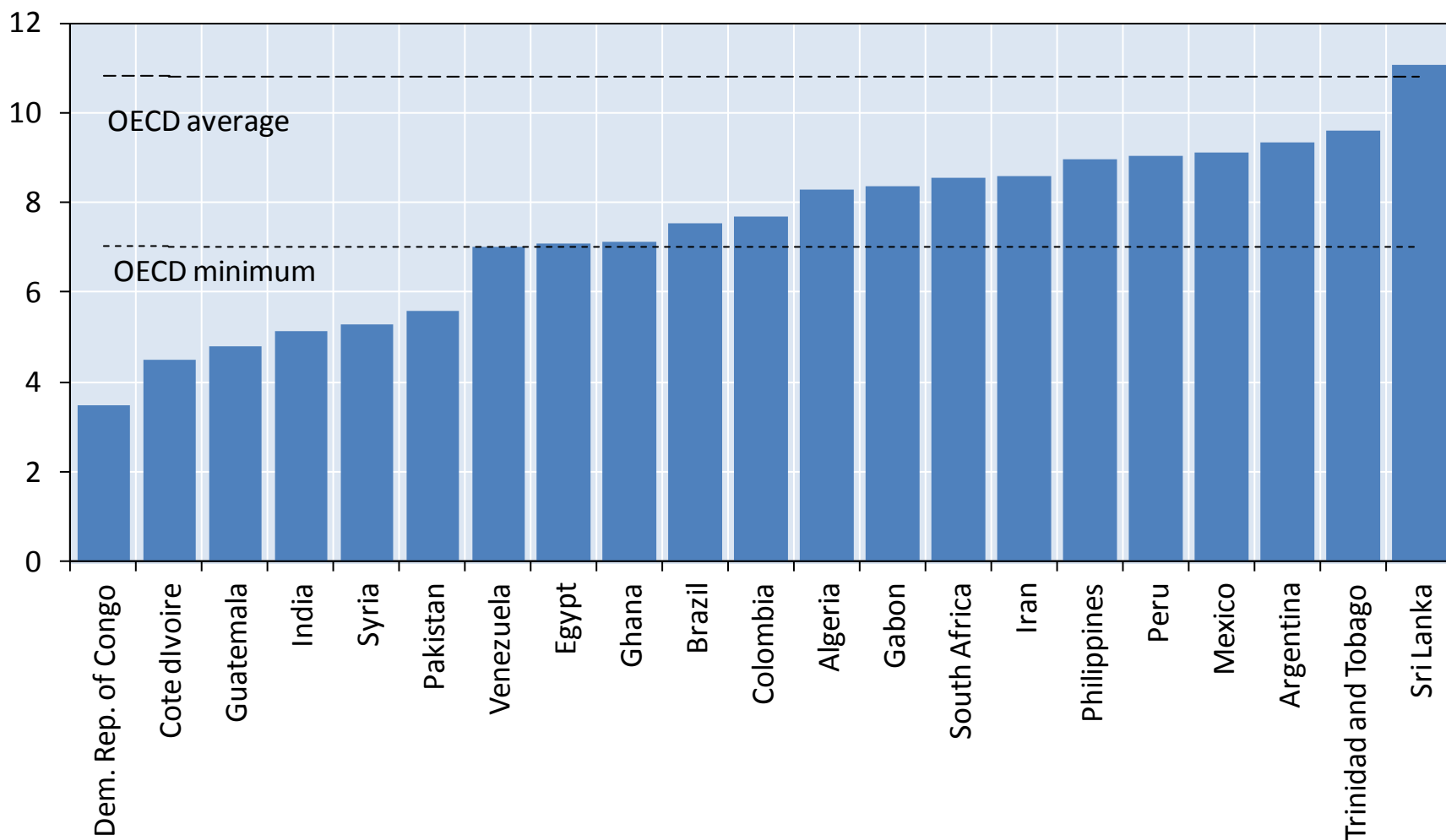


# There are four main policy levers for boosting economic growth.



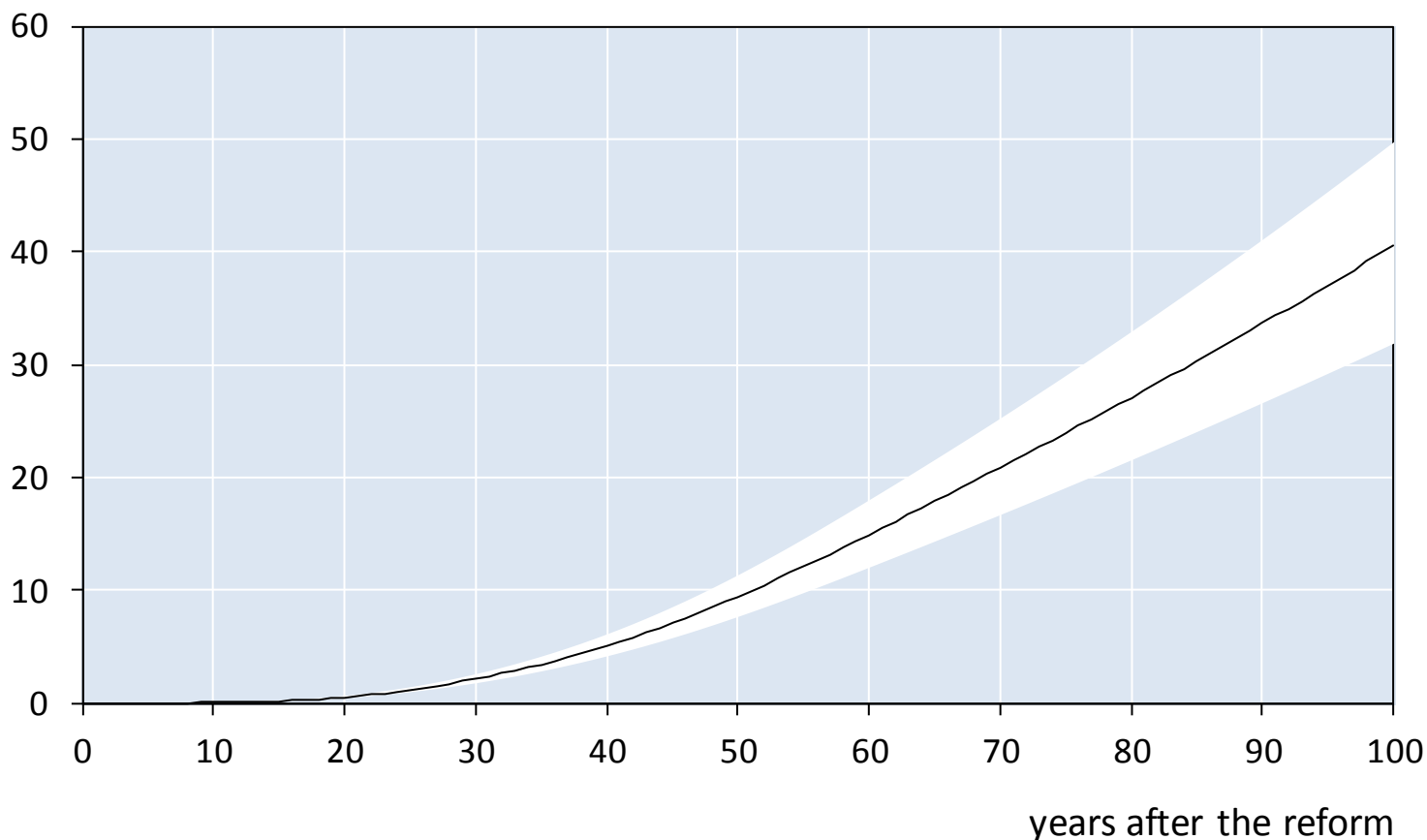
**Studies suggest that an extra year of schooling raises the level of GDP per capita by 6% to 8%.**

## Average years of schooling



# Also the quality of education matters for economic growth.

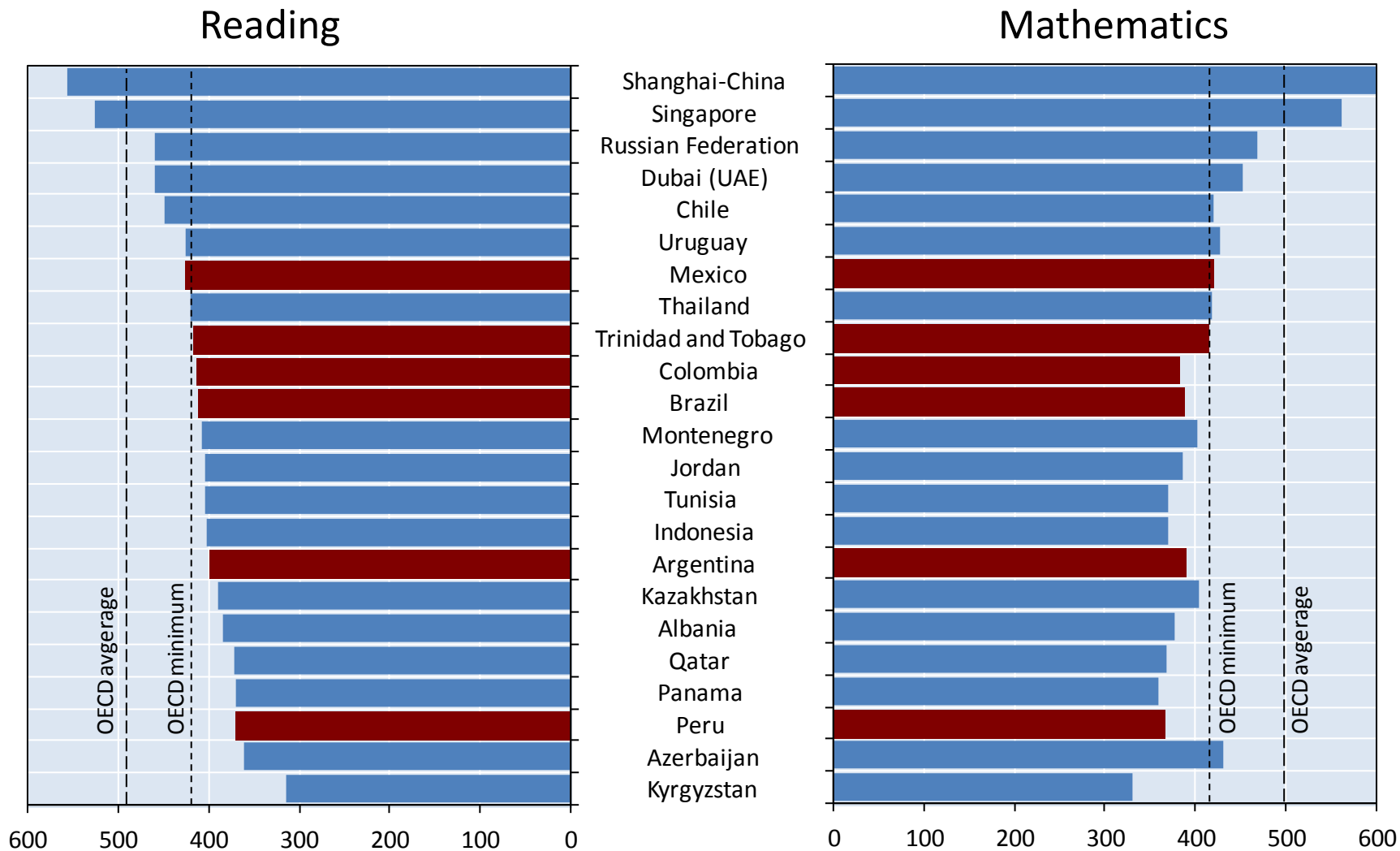
## GDP per capita impact of a 25-point increase in PISA score % addition to GDP per capita



# There is still significant room for improving student performance.

Human capital

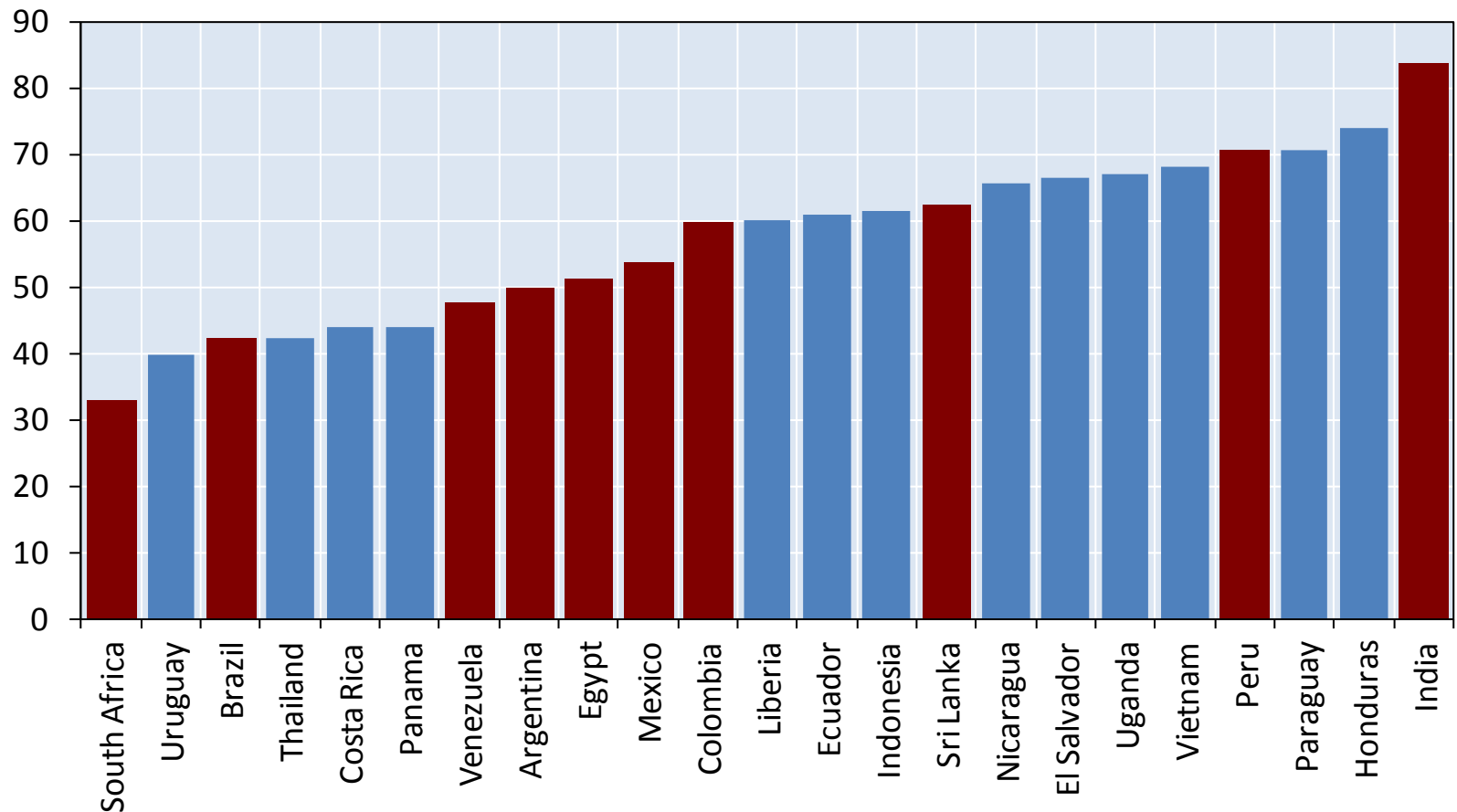
## Average test score on PISA tests



# Informality hampers human capital accumulation as informal workers lack access to training.

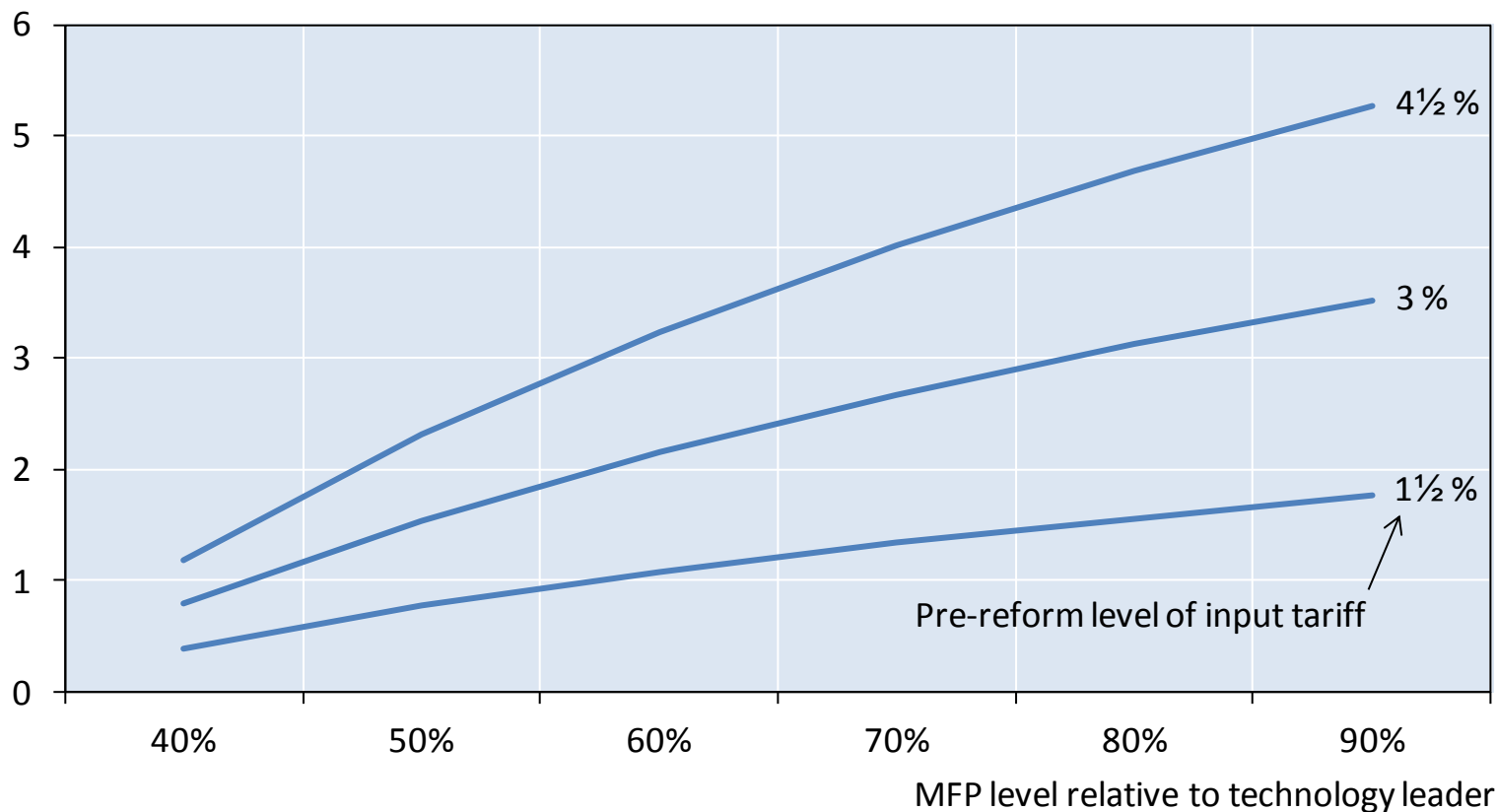
## Share of persons in informal employment

% of total non-agricultural employment, 2010 or latest available year



# Trade openness raises productivity by facilitating technology diffusion.

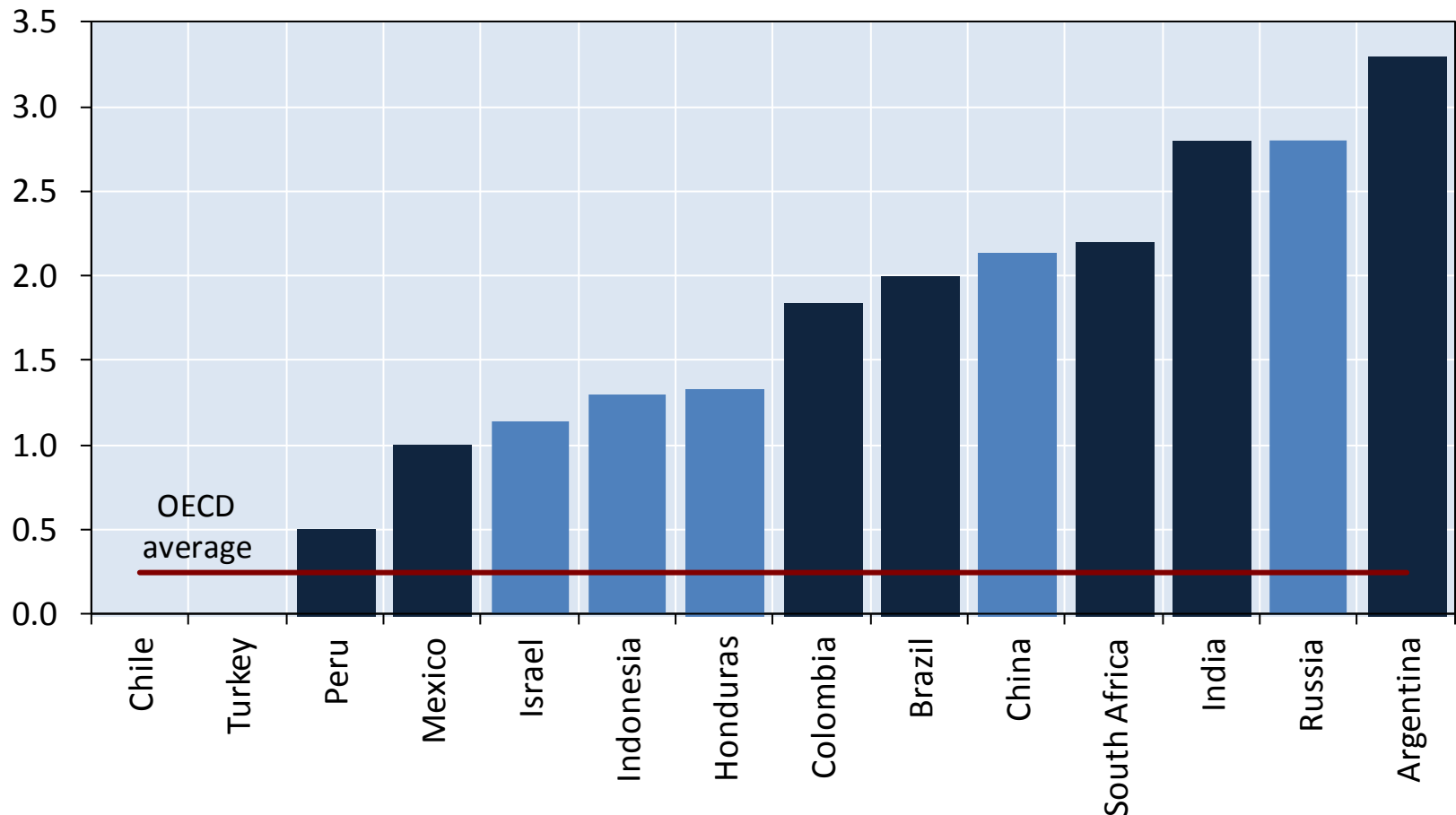
## MFP growth effect of eliminating input tariffs in all sectors in percentage points





# Barriers to trade could be dismantled further in many countries.

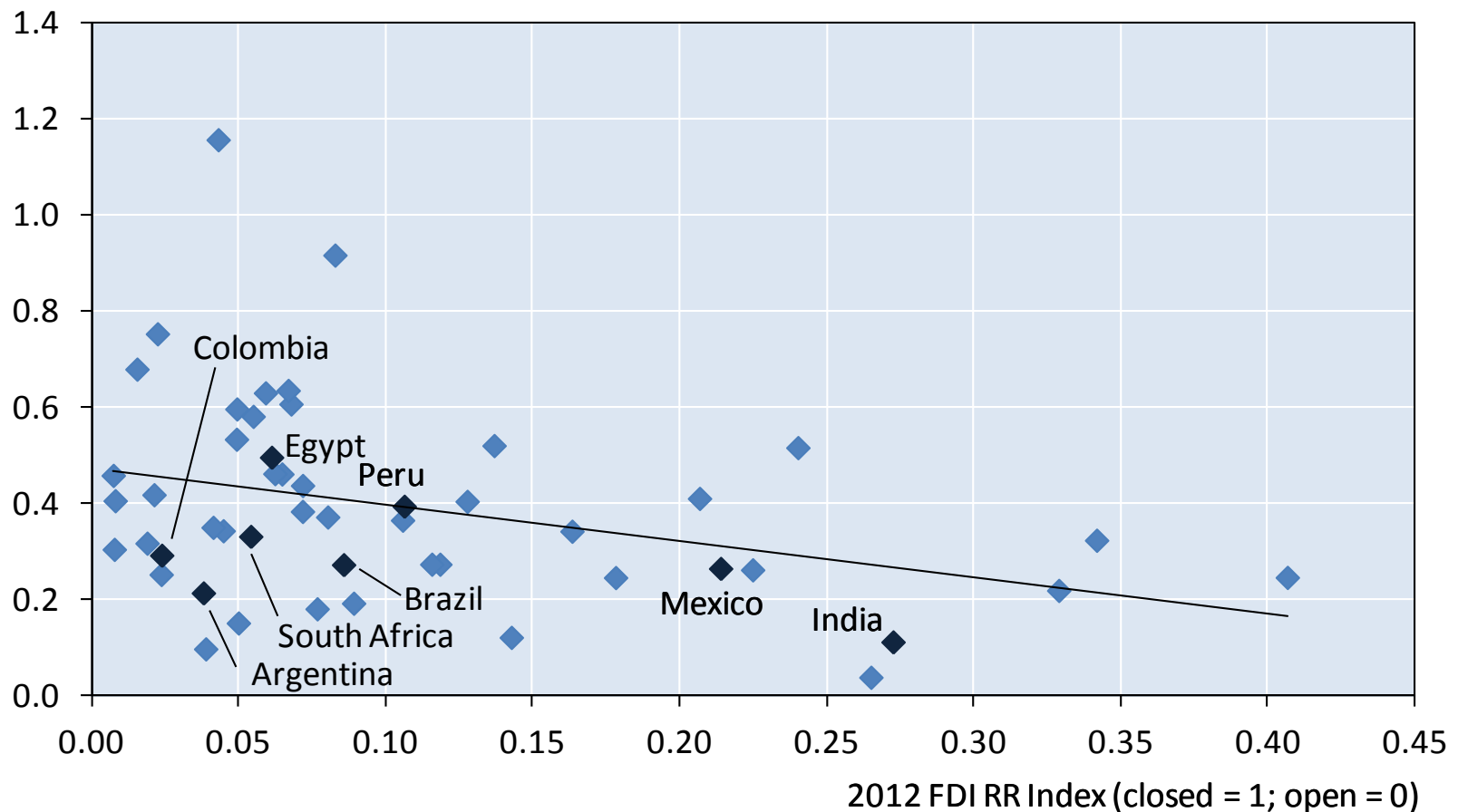
## Index of tariff and regulatory barriers to trade from 0 to 6 from least to most restrictive



# Similarly, foreign direct investment spurs technological convergence.

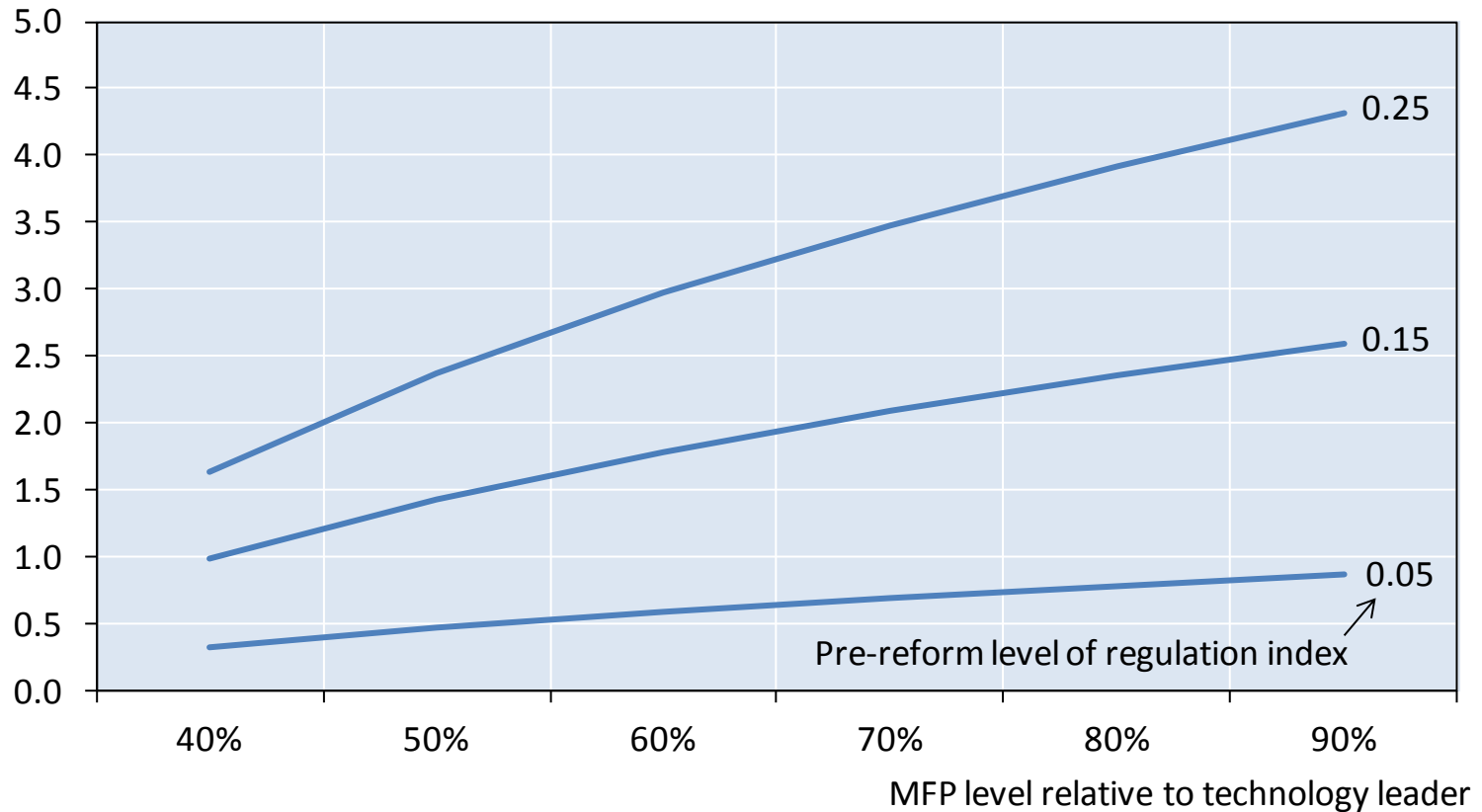
## FDI regulatory restrictiveness index and inward FDI stock

2011 inward FDI stock  
(% of GDP)



# Making domestic regulations more competition-friendly also helps to boost productivity.

## MFP growth effect of deregulating network sectors in percentage points



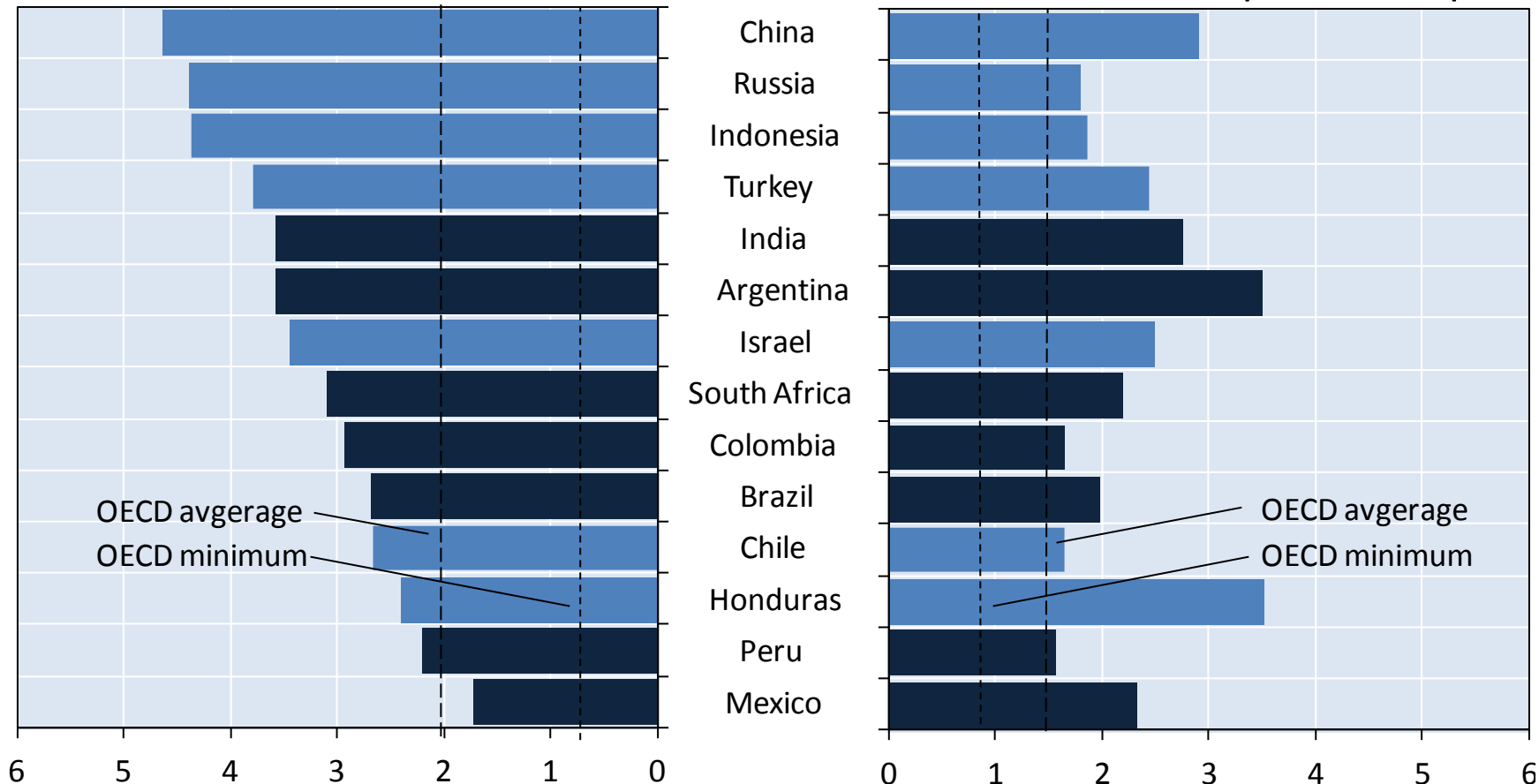
# Many countries have room for easing product market regulations.

## Product market regulation indicator

from 0 to 6 from least to most restrictive

### State control

### Barriers to entrepreneurship



Source: OECD, World Bank. Data for Argentina, Colombia, Honduras and Peru are preliminary and refer to 2013. Data for all other countries refer to around 2008.

# Structural reforms can make a difference to growth.

## GDP effect of structural reform scenario

■ Annual GDP growth effect of reforms (left) ■ Annual GDP growth in baseline (left)

◇ GDP level effect of reforms by 2030 (right)

