

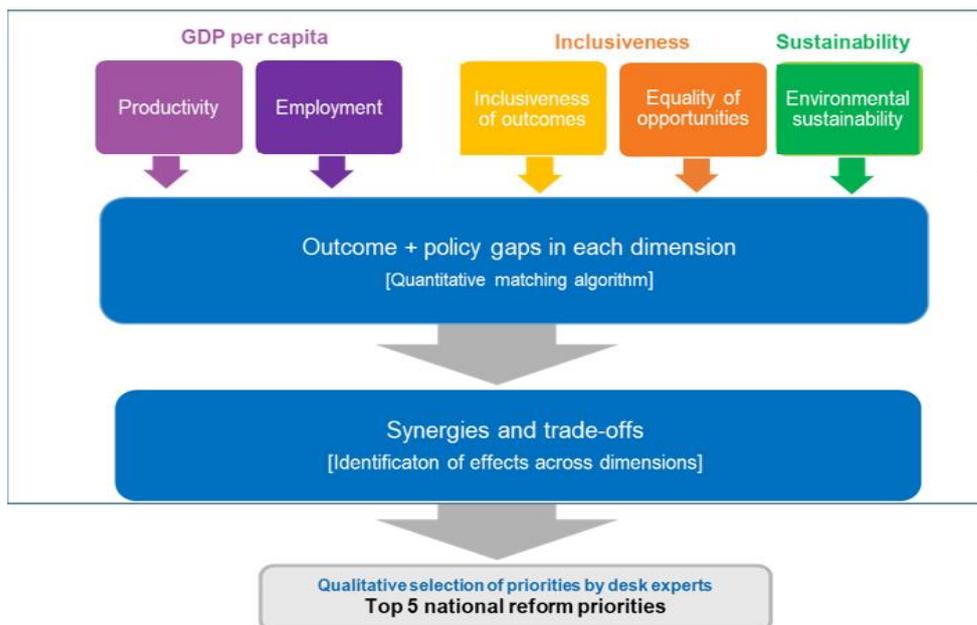
Going for Growth 2021: Shaping a Vibrant Recovery

The OECD Going for Growth framework for prioritisation of structural reforms

Going for Growth uses quantitative and qualitative insights to identify the five top structural reform priorities to boost medium-term economic growth in an inclusive and sustainable way. In addition, it formulates recommendations on how to address these priorities and tracks actions taken. Limited to 31 OECD members in its 2005 edition, *Going for Growth*'s coverage has grown over time to include 49 economies by 2019, including many non-OECD economies. Over the last years, the *Going for Growth* framework was also voluntarily applied to identify reform priorities in some economies not included in the standard publication (Bulgaria, Kazakhstan, Romania, Saudi Arabia and Tunisia).

Building on a production-function decomposition of GDP per capita, *Going for Growth* has for long focussed on reforms to improve labour productivity and labour utilisation. In its 2017 edition, however, its framework to identify reform priorities was extended to include an **inclusiveness** dimension. Reducing inequalities of income and opportunities, as well as poverty, is indeed necessary to safeguard social cohesion and the well-being of citizens, which are key to sustain growth in the longer run. On the other hand, growth and well-being are increasingly threatened by environmental pressures like – among others – air pollution and climate change. This acknowledgement led, in the 2019 edition, to the explicit inclusion of **environmental sustainability** as an additional dimension in the framework to identify economy-specific policy priorities (Figure 1).

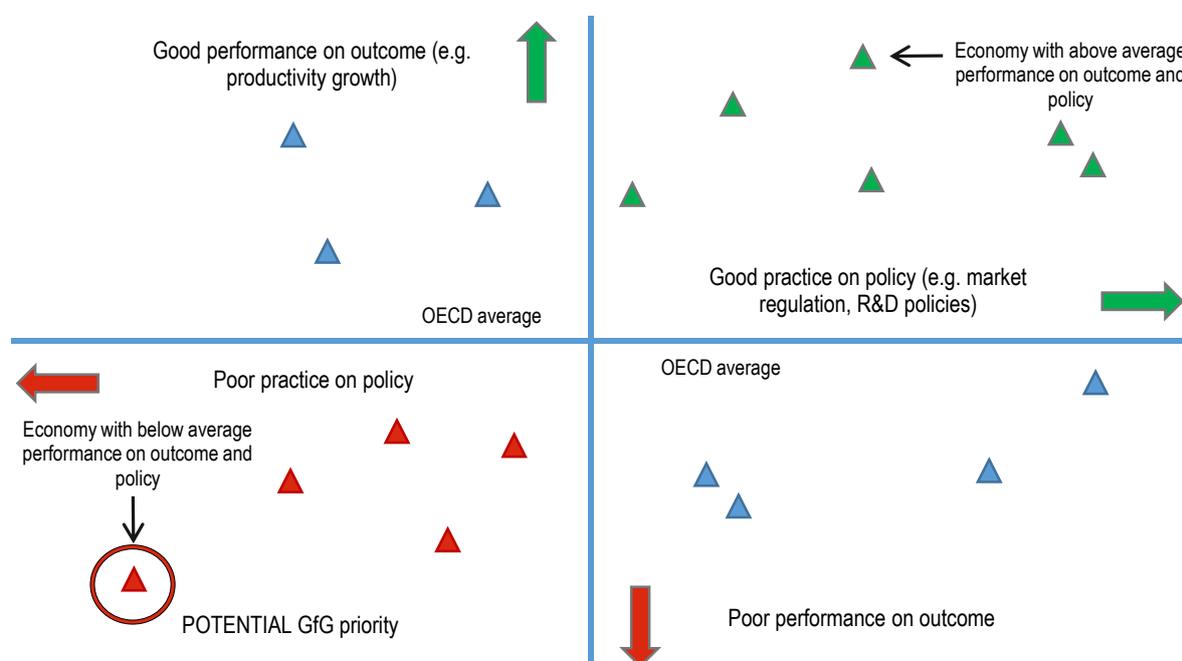
Figure 1. Going for Growth framework



The identification of reform priorities for each individual economy builds on a mixed approach combining a quantitative and a qualitative assessment. The starting point of the process, however, consists in the detailed examination of dashboards of indicators including, for each of the *Going for Growth* dimensions (i.e. growth, inclusiveness and environmental sustainability), the best available outcome and policy indicators matched into pairs based on the surveillance of economic evidence. Put differently, along each dimension, every single indicator of economic outcomes is matched with the indicators of policies empirically proven to address them. The pairings, hence, occur based on the links between outcome and policy indicators established in the academic literature and applied research by the OECD and other institutions. The current *Going for Growth* framework includes more than 450 of these links.

For each of these outcome-policy pairs, economies are then benchmarked against the OECD average by standardising both outcome and policy indicators to have the mean across economies equal to zero and standard deviation of one. In this context, an outcome-policy pair becomes a priority candidate in a given economy if falling into the lower-left quadrant of Figure 2. I.e. when both the outcome and the associated policy score below the OECD average.

Figure 2. Identification of the candidates for priorities



In the following step, OECD expert judgement is used to actually select the five top priority challenges faced by each economy. This step also considers areas relevant for growth, which have not been included in the matching process due to improper measurement or limited comparability. Reliance on expert judgement allows overcoming limitations of data quality and coverage and ensure the framework's comprehensiveness. Expertise from OECD desks on individual economies, in addition, drives the formulation of detailed reform recommendations, for each of the selected priorities, and supports reporting on actions taken. A final step is peer-review and dialogue and consultation process with the governments before the final publication.

Towards a more integrated and flexible framework

In the 2021 edition of *Going for Growth*, the priority-selection process explicitly focusses on accounting for interactions (potential trade-offs and synergies) across the three dimensions of growth, inclusiveness and environmental sustainability. For example, among the employment-enhancing policies, the unemployment

benefit replacement rate for long-term unemployed can be linked to higher unemployment levels, through lower job search incentives. In an economy where this would appear as a priority candidate, the new framework will also identify impacts on inequality through the inclusiveness dimension. Similarly, if switching to more reliance on indirect taxes is identified as a priority candidate in the productivity dimension, the potential for increasing environmentally-related taxes would be identified in the environmental sustainability dimension. At the same time, increasing environmental taxes would be flagged as having potentially negative effects on inclusiveness (e.g. because of energy poverty risks or the higher share of energy products in consumption baskets of lower-income households). This helps better identification of the need for compensatory measures associated with policy priorities across the different dimensions and, thereby, facilitate presenting the priorities in the form of a more comprehensive strategy.

Periodic comprehensive reviews of policy and outcome indicators ensures the selection framework remains up-to-date with the frontier of academic and applied research, as new data and evidence become available on key policy issues (i.e. on gender, regional disparities or the inequality of opportunities to access housing, health and education).

The flexibility of the Going for Growth framework has been particularly important when setting priorities for the COVID-19 recovery, in which the reliance on Desk expertise needed to compensate for the high uncertainty and the limited timeliness of data and indicators used in the framework.