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STRATEGIC ORIENTATIONS FOR THE OECD: REPORT BY THE SECRETARY-GENERAL

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TABLE OF CONTENTS

STRATEGIC ORIENTATIONS FOR THE OECD: REPORT BY THE SECRETARY-GENERAL	3
1. Preface.....	3
2. The context: International Economic Crisis and the Global Response.....	4
3. The Strategic Response to the Crisis and the evolving nature of OECD work.....	4
4. The OECD continues to deliver in many other policy areas.....	5
4.1 Accession work.....	6
4.2 Enhanced Engagement work.....	6
5. OECD Contributions to the Global effort in the context of a new governance architecture	7
5.1 Contributions to the G20.....	7
5.2 Contributions to the G8.....	7
5.3 Contributions to other regional configurations and working with developing countries.....	8
5.4 Global Governance Challenge	8
5.5 The way forward.....	9
5.6 Global Co-ordination Challenge – The Contribution of International Organisations.....	10
5.7 OECD’s internal reforms and Communication Challenge – Reaching the Global Audience...	11
ANNEX: HIGHLIGHTS OF OECD’S WORK OVER THE LAST YEAR.....	13
Secretary-General’s leadership and representation of the Organisation	13
Current Work in key policy areas.....	14

**STRATEGIC ORIENTATIONS FOR THE OECD:
REPORT BY THE SECRETARY-GENERAL**

1. Preface

1. The global recession is provoking a fundamental rethinking of what constitutes a well established vision and practice for effective economic policies and good global governance.

2. The OECD, as the hub for dialogue on global issues, is well placed to contribute to these efforts for a stronger, cleaner and fairer world economy. I would, therefore, like to use *The Strategic Orientations of the Secretary-General* for the OECD 2009/10 to:

- Provide my assessment of the current and future policy challenges in managing the crisis; and on the OECD's *Strategic Response to the Financial and Economic Crisis*;
- Comment on the emerging global governance configurations; and suggest ways to ensure an enhanced role for the OECD in the evolving global architecture; and
- Comment on the highlights of our work over the last year.

3. The departure from previous Strategic Orientations, in which I focused primarily on the Programme of Work and Budget of the Organisation, is driven by the dramatic challenges in the global economy.

4. The analytical skills of the OECD, its role in setting standards and its working methods have enabled it to develop an early "whole-of-OECD" response to the unprecedented financial, economic and social turbulences.

5. The OECD had an early start on new global governance arrangements: the 2007 Meeting of the OECD Council at Ministerial Level provided us the mandate for preparing the accession of five countries (Chile, Estonia, Israel, the Russia Federation and Slovenia) and for pursuing enhanced engagement with a view to possible membership with five emerging economies (Brazil, the People's Republic of China, India, Indonesia and South Africa). The 2007 G8 Summit entrusted the OECD with hosting and supporting the secretariat of the Heiligendamm Dialogue Process, an innovative format of co-operation between the G8 and five emerging countries of the G5 (Brazil, China, India, Mexico and South Africa). We welcome these ten countries as close partners for this 2009 Meeting of the OECD Council at Ministerial Level.

6. I hope that these *Strategic Orientations* will stimulate a productive debate on policy priorities to address the crisis, and will result in substantive contributions expected from the OECD to its Member and partner countries, international *fora* and the international community at large.

2. The context: International Economic Crisis and the Global Response

7. Since we met at the 2008 MCM, the worst economic crisis in decades erupted and its effects on growth, employment and development are unprecedented and ongoing. It is hurting both OECD and emerging economies as well as the low-income countries, which are the least able to withstand its impact.

8. The crisis reminds us of the importance of governmental actions for the proper functioning of market economies, for keeping markets in check and controlling excesses and for making the best out of healthy competition. The crisis is the result of massive regulatory, supervisory, corporate governance and risk management failures. This was accompanied by a loose macro policy environment and insufficient adjustment and fiscal consolidation that left some countries with too little room to manoeuvre when they needed to stimulate activity. The incentives embedded in a system focused on maximising short-term profits rather than by long-term sustainability created the conditions which led to the crisis. The public's trust in the market economy has been greatly undermined. The challenge now is to maintain those elements of the open market model that functioned and were beneficial, while correcting those that have caused such problems. The OECD can make a meaningful contribution in the search for an appropriate policy mix.

9. The crisis has also led to a dramatic deterioration of labour market conditions, hurting particularly vulnerable groups, like young and senior workers. Unemployment is expected to approach 10% on average by the end of 2010, which is an additional 25 millions of unemployed persons in OECD countries in less than three years. This will undoubtedly have severe social consequences, therefore posing serious policy challenges to mitigate social costs without undermining labour market efficiency.

10. Governments around the world took decisive actions to avoid a meltdown of their banking systems and support demand. Fiscal and monetary tools, including massive bail-out programs, fiscal stimulus packages and monetary easing by central banks, were used to avoid a more pronounced recession. Well-targeted, concerted actions and policies were welcome news. The main message of today's *OECD Economic Outlook* includes both recognition of the seriousness of the challenges, as well as a positive view about the actions and policies to address them.

11. The crisis gave new impetus to international co-operation and multilateralism. This had been lacking for some time. International organisations were called to the fore to find solutions. New international governance frameworks emerged. The G20, usually a gathering of Ministers of Finance, was upgraded and expanded to heads of state level. The selection of this "architecture" made evident the shift in the global economic balance, and the fact that any new global governance design must reflect the role played by the emerging economies.

12. Other configurations are expected to continue to play an important role in addressing different aspects of the global agenda, such as G7/G8, G8+G5/ G8 + G5 + 1 or the Major Economies Forum (MEF). We work with all of them.

13. While the economic crisis and its social consequences are at the heart of policy concerns, other medium and long-term challenges cannot be ignored. The most prominent examples are climate change, the Doha trade negotiations and the fight against poverty. In all these issues, the time to take decisive action is now, notwithstanding the crisis, rather than using the crisis as an opportunity to strengthen action.

3. The Strategic Response to the Crisis and the evolving nature of OECD work

14. Since December last year, in a truly horizontal effort by all areas of the OECD and with the close involvement of the Council, we developed the *Strategic Response to the Financial and Economic Crisis*, which provides OECD's policy blueprint for a stronger, cleaner and fairer world economy.

15. We contribute to the regulatory framework of banks through our participation in the Financial Stability Forum and we review the financial sectors of our Members and some non-Member countries through our *OECD Economic Surveys* (18 to 20 per year). However, our main focus is on the incentive structures and the institutional issues that contributed to the crisis, and on how these incentives can be aligned for a sounder management of the financial system. This work includes issues in corporate governance, competition and taxes. In the macroeconomic area, we enhanced our projections and policy analysis, including that of fiscal policy in terms of impact and sustainability more generally, but also that of monetary and financial policies.

16. We also work in other areas related to structural challenges and growth where the skills and credentials of the OECD are well-established. This includes pensions, the green economy, the assessment of stimulus packages, global trade and investment, labour and employment, education, health, innovation, SMEs and entrepreneurship, regional policies and the many social issues stemming from the crisis, such as the increasing income inequality. As the crisis has spread from the financial markets to the broader economy and we discuss strategies for recovery, these areas increase in importance.

17. In its regular work towards a stronger, cleaner and fairer world economy, the OECD was already active in providing inputs in most of the policy areas touched by the crisis. It also confirmed that, the OECD method (committee structure, peer reviews, “peer learning, peer sharing”, Member representatives with expertise in specific policy areas and an experienced Secretariat) delivers positive results in terms of identifying and addressing the most relevant priority areas for the future.

18. This crisis underscored the existence of institutional failures even in the most advanced economies, whose governance frameworks will need to be reviewed. The OECD is uniquely qualified to do so, as we have been working with, and analysing advanced economies for more than five decades; and we have developed a valuable knowledge base which can help to build common understandings.

19. The work of the OECD highlighted commitments and standards that are threatened by the crisis. In October last year we proposed to maintain aid commitments for the G8 Gleneagles goals. I subsequently wrote, together with the Development Assistance Committee Chair, to all OECD leaders, asking them to endorse this “Aid Pledge”. Subsequently, governments belonging to the DAC reaffirmed their aid commitments and agreed to maintain aid flows in line with these commitments. I was happy to share this positive news with the participants of the Financing for Development Conference in Doha (in November).

20. In the trade area, the OECD Members also showed their commitment, adopting a “Trade Pledge” in the Executive Committee in Special Session meeting of last 24-25 November to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports, and to “strive to reach agreement this year on modalities that lead to a successful conclusion to the WTO’s Doha Development Agenda with an ambitious and balanced outcome”.

21. Finally, in the context of our work on Export Credits, OECD Members and major developing economies committed to maintain export credits and trade financing, and recently agreed to monitor the very substantial commitments announced at the G20 London Summit in this area.

4. The OECD continues to deliver in many other policy areas

22. Beyond OECD’s work on the crisis, the Organisation continues to deliver its analysis and advice on many relevant policy areas, such as education, health, inequality, development, migration, innovation, water and others, which are detailed in the Annex.

23. We also continue working on previous initiatives to transform the Organisation into a more open and plural one. There will be detailed progress reports of such initiatives in this meeting. I mention some highlights:

4.1 Accession work

24. The Accession discussions are advancing smoothly and candidate countries are co-operating actively with the OECD. Between June and September 2008, Chile, Estonia, Israel and Slovenia each submitted their Initial Memorandum, the document in which they specify their position in relation to all OECD legal instruments. The Russian Federation is set to submit its Initial Memorandum at the time of the MCM.

25. The work of committees related to Accession has intensified and the reviews of Chile, Estonia, Israel and Slovenia are well underway. Some committees have completed their review of one or several countries.

4.2 Enhanced Engagement work

26. The Enhanced Engagement (EE) initiative was, at its inception, an OECD invitation to five partner countries (Brazil, People's Republic of China, India, Indonesia and South Africa) to forge a closer, more structured and more predictable form of co-operation "with a view to possible membership". The initiative also included expanding the OECD's relations with regions of strategic interest, starting with Southeast Asia. Enhanced Engagement did stroke a chord with our partner countries, who all recognise the relevance of OECD's work.

27. If the global market economy is to overcome the crisis and return to a sustainable growth path, this can only be achieved by coherent, strategic responses to the crisis by all economies, whether advanced, emerging or developing. Thus, EE provides the partner countries, the OECD Member countries and Accession candidates an opportunity to jointly develop those responses, as a 40-country effort, in a number of important policy areas. These include the key issue of addressing protectionist pressures, where the OECD provides a "non-negotiation space" outside the formal negotiating *fora* where countries can develop a shared agenda (as in trade policy), or provides instruments with rights and remedies (as in investment policy). EE also provides an opportunity for joint strategic responses in updating regulatory frameworks (for instance in corporate governance or competition policy), in developing better tax systems, or in understanding, shaping and implementing low-carbon growth strategies.

28. For instance, the *OECD's economic review* capability was extended to include all EE partner countries, which are also covered in a growing number of statistical databases. All EE5 – which are becoming significant global investors – participate in the Freedom of Investment Roundtable and make important contributions. Taxation work already benefits from active involvement of China, India, and South Africa (as participants in the Committee on Fiscal Affairs) and the OECD is engaged in dialogue with Brazil and Indonesia on the development of their tax systems. In these, and other areas such as public governance, regulatory frameworks, corporate governance, territorial and rural development, education, competition, innovation, environment, social protection, partner countries are playing an increasingly direct and active role in core OECD work. This includes engagement in Committees and horizontal projects as well as adherence to OECD instruments and participation in the development of new ones.

5. OECD Contributions to the Global effort in the context of a new governance architecture

5.1 Contributions to the G20

29. In the context of the G20 and its Working Groups, the OECD became a valuable source of inputs in areas such as taxes, competition, investment, corporate governance and exit strategies. We also raised important issues that were not addressed initially by these Working Groups, such as investment protectionism, pensions, financial literacy and labour policies. These inputs were well-received and acknowledged for their high quality and sound policy advice. We will continue this work.

30. In a 15 December, letter Prime Minister Brown acknowledged our contribution and encouraged the OECD to focus on corporate governance, financial education, trade and investment and the so-called “green recovery”.

31. The OECD work on taxes received a lot of attention during the G20 London Summit. After almost 12 years of work in this area, in the course of two weeks, all 84 jurisdictions monitored by the Global Forum on Tax Issues had either adopted or committed to adopt the international standard of Article 26 of the OECD Model Tax Convention on the exchange of tax information. I am aware that taking the decision to conform with the OECD Standard on the Exchange of Tax Information was difficult for some of our Member countries, but they were courageous and correct.

32. The results in the area and the progress achieved in a short period of time are an example of how the OECD can become even more effective and relevant when accompanied by high-level political support. Indeed, leaders recognised this as one of the important “deliverables” of the G20 London Summit in April and praised the work of the OECD.

33. We need to move swiftly into the implementation stage and establish a mechanism to monitor progress and make sure all jurisdictions comply. We will also have to focus more sharply on our work on harmful tax practices, now more relevant than ever.

34. Another example is the OECD work on investment, which was also welcomed by the Summit and relies on our long-standing activities in the field. The OECD was recognised as the place where monitoring and reporting on investment and financial protectionism should be undertaken, as part of our “Freedom of Investment Initiative”, in close co-ordination with UNCTAD, the WTO and the IMF. We will be examining how best to work with countries that are not Members of the OECD and that are not yet part of the International Investment Declaration.

35. As the economic crisis develops into a social crisis, a third area in which OECD’s work was acknowledged is in social and employment issues. Prime Minister Brown requested our support in this field, to monitor developments and advise on sound policies to address them. We also participated in the G8 Social Summit and the G20 High Level Meeting on Labour where we provided important inputs. In this area, we work closely with the ILO.

5.2 Contributions to the G8

36. The OECD has been working actively with the G8. During my mandate, we have participated in the Summits of Heiligendamm and Hokkaido, as well as in most of the preparatory Ministerial meetings. We have also developed extensive collaboration with the 2009 Italian Presidency and expect to join leaders in L’Aquila next July. Our contributions have focused on numerous subjects, both sectoral and horizontal: the world economy, future sources of growth, development policies, investments, labour and employment, environment, water, food security, IPRs, accountability. We have also been assisting Italy’s G8 Presidency in shaping an analytical tool to assess “whole-of-country” contributions to development. This instrument

could constitute the basis for enhanced dialogue between donors and partner countries on how to improve their respective policies.

37. We have been working with the Italian G8 Presidency on the Common Principles on Integrity, Transparency and Propriety in Economic and Financial Activities (known as the “Lecce Framework”), as called for by the G7 Finance Ministers in Rome last February. This is being closely co-ordinated with the work on the German initiative to build a “Global Charter” for sustainable growth and to be discussed within the G20, where we are also participating. These two initiatives could become the framework for a new approach to business and economics that would provide a better balance between markets and governments.

38. We have contributed to this important debate through a contribution of expertise and analytical support. In first step, in collaboration with four other global institutions – the International Labour Organization, the International Monetary Fund, the World Bank and the World Trade Organization – we brought together, into a single and coherent inventory, the set of instruments that our institutions have developed over decades. The inventory aims to facilitate stock-taking, to see where strengths lie and to identify gaps. We have also followed-up this work with a number of discussions and exchanges that should provide orientation for our future work.

39. We also supported the collaboration of the G8 and the G5 countries during the first two-year mandate of the Heiligendamm Dialogue Process. The OECD served as the platform for the dialogue, which achieved important results in the four targeted areas of energy, investment, innovation and development. As the HDP is now expected to move to a next phase, the OECD is ready to continue providing the necessary technical and analytical support for the process and serve as its secretariat. One area in which this format could be particularly valuable is the discussion on the Legal Standard and the Global Charter.

5.3 Contributions to other regional configurations and working with developing countries

40. We have strengthened our co-operation with regional organisations. Our work with the European Commission has expanded substantially. We were granted observer status in the Iberoamerican Summit, and have participated in meetings in APEC and ASEAN, among others. Our “enhanced engagement” with South East Asia is intensifying and our work on governance and investment in the MENA region successfully continues after the renewal of its initial mandate for another three years. In this same spirit, in close co-operation with the European Commission, we have launched initiatives in the Black Sea, the Caucasus and in South East Europe.

41. As could be expected, OECD work with developing countries has recently focused on the effects of the crisis, the lack of financing and the impact on growth and poverty. Through our work with donor countries, and our reviews on Africa, Latin America and Asia, we aim to provide sound policy advice on how to reduce the impact of the crisis on developing countries.

5.4 Global Governance Challenge

42. Overall, there are good reasons to feel excited about the contributions the OECD is making and will continue to make towards a stronger, cleaner, and fairer world economy. There is a growing awareness and appreciation of the leadership we have on many issues. Our credibility is high, reflecting the quality of analysis, policy recommendations and monitoring of policy implementation.

43. But I would like to go beyond that, and share with you my thoughts on the question of our future relevance and our place in the global architecture. The ultimate test of our contributions is that they be valuable and useful to countries when, individually or collectively, they are defining policies to address specific challenges. To increase its relevance, the OECD requires your high-level political support.

44. The G20 summit provides a useful example of the challenges we are facing. As I mentioned above, our analytical inputs at the working group level were welcomed in this setting. However, at the Ministers and leaders' level, it became difficult for the OECD to be tasked with follow-up work on specific issues, given the reticence by some non-OECD Members of the G20. This reticence was explained by the fact that the OECD has developed a wealth of guidelines and principles that our Members and participating countries may hold dear, but that were built without the involvement of many developing or emerging economies.

45. These arguments fail to recognise the OECD's more open and plural nature, increasingly involving developing countries; that our membership is diverse in itself and that, through the Accession and Enhanced Engagement programmes, we increase our links and co-operation with major emerging economies.

46. I want to make a call first to OECD Ministers to strengthen your commitment and increase your support for the OECD to actively participate in any present or future architecture to deal with the world's global issues. I also want to make a call to non-Members gathered around this table so that they feel reassured that the OECD is looking for the best solutions for both developed and developing economies alike. After all, there are 12 OECD Members in the G20. Also, all "observer countries" are OECD members. Russia is not yet a Member but is now negotiating Accession to the OECD. Our 5 Enhanced Engagement countries are all G20 Members, Argentina is asking to re-join the Development Centre of the OECD and Saudi Arabia is part of our MENA Initiative.. We are looking forward to strengthening our participation in the Major Economies Forum. This is yet another example where our members are in a clear position to promote both our work and our presence. Our work is ongoing in any case, but full participation in the MEF will to put our very considerable and substantial work of many decades on the economics of climate change at the service of this important endeavour.

47. Thus, the challenge for us is, as Prime Minister Brown put it in his letter to me on April 17th: "The G20 showed how rapidly some of the assumptions that have guided international co-operation are changing, in particular the role of major developing economies. I know that the OECD has been making a concerted effort to reach out to these economies, through the Enhanced Engagement initiative. In the future, we need to ensure that all G20 countries are comfortable with the OECD taking a role on the issues identified in this letter. I have asked my officials to work closely with you to achieve this".

5.5 *The way forward*

48. The discharge of the duties you have given the OECD in recent years involves our constant institutional transformation. But circumstances dictate that we accelerate the process of becoming a more plural and open organisation, one that assembles countries with different levels of development, and that is also open to different approaches and development models.

49. This could be done in two ways. Either by deciding that we want to engage the EEs in an accelerated path to membership (which assumes they are interested); or by establishing a kind of "OECD Plus". That would assemble EE countries as "full participants", on the same footing as OECD Members, to address issues related to the crisis and other global challenges, without immediate implications for membership. Both options would be further recognition, as was the launching of the Enhanced Engagement initiative two years ago, that the global problems we face cannot be solved if we do not have the major emerging economies at the same table. Only then would we be in a position to continue to expand our role as the house of best practices.

50. This proposal also underlines the need to create, as Prime Minister Brown suggested, an area of “comfort” for the major emerging economies that are not OECD Members. And it suggests a certain path along which we can increase our co-operation with them.

51. There is also the question of the different shapes that international co-operation is taking, and the fact that some of the bodies that are relevant for policy decisions at the global level do not include some of our Member countries. This raises a concern that has been expressed by some of them. My view is that, by making the work of the OECD available to other configurations, you are in fact contributing to shaping the options to address global policy areas. More importantly, the OECD should become a source of policy proposals that Member countries would like to see addressed in other settings. I also want to stress that when dealing with different international governance architectures, I will see to it that Member countries are informed in advance, particularly about developments that concern them.

5.6 Global Co-ordination Challenge – The Contribution of International Organisations

52. Another reflection is related to our interaction with other international organisations. We regularly face demands from our Member countries not to duplicate the work among different international institutions. There is almost a temptation to define “exclusive issue areas” for each organisation, an approach that has increased the risk of failure in surveillance and undermines the benefits of multi-disciplinarity and “whole-of-government” solutions, both hallmarks of the OECD. While we take due care not to overlap, there are different angles by which one issue area can be analysed and different contributions that each organisation can make. And there remains little or no way to build balancing views, which are much needed to enrich our understanding and to develop a support system by which Member countries can manage globalisation best. In this sense, how can we best use installed capacity that took so many years to create and which is at your service?

53. Therefore, a better way to look at this issue is to define the strengths of each international institution, and the specific contributions it can make to the analysis of certain policy areas, while at the same time benefiting from interactions and synergies with and exploiting different vantage points from other institutions.

54. We, therefore, need to establish a more coherent international infrastructure in which all international organisations in charge of the relevant agendas cooperate better. Since 2007, when German Chancellor Angela Merkel brought together five heads of international economic institutions (ILO, IMF, OECD, WB, and WTO), I proposed to establish an informal mechanism of co-operation among ourselves, that could assure our Member countries that in our efforts to address their concerns, we increase the synergies and coherence of our work. This call for improved co-operation among international organisations was echoed in the Leaders Communiqué at the 2008 G8 Summit in Toyako, Japan, and, earlier this year, we met again under the leadership of Chancellor Merkel to continue discussing this important issue. We are talking about “networks” or network if organised by subject areas of international organisations linked by the most advanced information technologies, addressing some issues collectively and united in the common purpose of serving you better.

55. As we define new avenues to bring this co-operation forward – and this is where I need your guidance - I would like to suggest strengthening these informal networks among international institutions, focusing on a limited number of areas where we can discuss, compare and join to propose solutions to different problems. Climate change was mentioned as a suitable one to start. This concept was positively tested by the UN when they invited us to participate in the International Task Force on Food Prices, or in the Steering Committee to monitor the progress of the Millennium Development Goals. We also had very positive experiences by organising a WB - OECD Seminar on Innovation Policies, in 2008, and another one on the crisis, in 2009 which also included the World Bank and the IMF. With both the WTO and the

ILO we have a long tradition of close co-operation as we do with many other international agencies (FAO, UNESCO, WHO, etc.) as well as with regional development banks.

56. This network concept is proving particularly useful to advance the work related to the “Global Standard” and the Global Charter. Our joint work to define the inventory of existing instruments and its possible upgrading and updating is being used as a basis for a renewed global economic governance framework. Guided by these principles, we have managed to organise and co-ordinate our work better, and to allow the convergence of the two complementary projects, that of the G8 Italian Presidency and that of the German Government at the G20 level.

5.7 OECD’s internal reforms and Communication Challenge – Reaching the Global Audience

57. In shaping an effective organisation, we have undertaken a number of important reforms in the financial, human resources and communication area that will increase our effectiveness. We have also delivered our Site Project, on time and on budget, and are already enjoying the benefits of the most functional conference centre in Paris. The agreement reached among Member countries for a financing reform is a big step forward, although we may need to revise the reading that put ZRG as a ceiling and not as a basis (as was the intent when those options were first discussed), and which leaves any future OECD growth subject to voluntary contributions from Members and others. Nevertheless, we have a sounder basis on which to continue advancing our work for the benefit of our Member countries.

58. A medium to long-term financial issue for the Organisation is arising from the impact of the ageing of the OECD staff on our liabilities for health care provisions. As in other international organisations, ageing of staff and growth of medical expenditure beyond the rate of inflation lead to increasing budget pressures over time. I suggest that we assess the situation now and identify pathways to adequate solutions over the medium and longterm. I will be presenting proposals on this matter in due course.

59. Communicating the OECD outputs and activities better, i.e. in an effective, timely and targeted manner, remains a central and ongoing challenge. It lies at the heart of our quest for relevance and impact on national and global policies debates. It is a basic tribute we should pay to the good work produced in the OECD. It is essential for leveraging our influence with an increasingly global audience and for supporting the policy options of our Member countries.

60. The OECD’s invaluable contributions and unique work method are recognised by policymakers the world over. But, with the onset of the biggest economic crisis in 70 years, communicating effectively has taken on an even greater urgency. Interest in the OECD, its role and work is inevitably heightened. This raises the potential for greater visibility and increased recognition of our role. But we should not take for granted that what we value so highly internally is necessarily known to external stakeholders, or even to our own Members.

61. A new, clearer and simpler communications framework should ensure that the breadth of our work enjoys the universal profile and public recognition that it deserves. It should also allow us to better communicate our response to the crisis. It is most certainly not business as usual. The OECD is re-thinking the institutional and policy elements needed to allow the global economy to emerge from the crisis as stronger, cleaner and fairer. So we have to “do it right”, but also to “say it right”.

62. There is much to be done to better communicate our work to our Member countries, to key external audiences and stakeholders, to parliamentarians, to trade unions, to the business community, to NGOs, to the media and to the public opinion at large. We must seize the opportunity to project our contribution in an accessible, intelligible and timely manner that takes account of Main Street’s concerns.

Rising to this challenge involves asking tough questions of ourselves. How does the crisis impact on our thinking, our policy recommendations and our instruments? Do these pass the crisis stress-test?

63. This increased visibility is, of course, not a goal in itself. The increased visibility and relevance has to do with the impact our work can achieve, and the influence it can have when our Member countries define policy options in different areas. I am very proud when leaders make reference to the important contribution the OECD has made to advance the reform agenda in their countries. This is the kind of impact that we should aim for, and the kind of “market test” that our work should face. But to do it right, we need a renewed effort to communicate better, including in some capitals of our Member countries.

64. Naturally, the focus of 2009 has been and will continue to be the crisis, 2010-2011 provide a golden opportunity to communicate and showcase the achievements, ongoing efforts and future challenges for the Organisation as it celebrates its 50th Anniversary. We must use this unique milestone to strengthen the essential role we will continue to play in the coming 50 years. There are many ideas regarding the celebration of this anniversary. One of those is to call a “Summit of OECD Leaders” in 2011. I look forward to working with you to make the most of this opportunity and to develop the substantive backing that such an important occasion requires.

ANNEX: HIGHLIGHTS OF OECD'S WORK OVER THE LAST YEAR

Secretary-General's leadership and representation of the Organisation

65. The Secretary-General made 47 official visits to Member and non-Member countries. He had discussions with 52 Presidents or Prime Ministers, and with 108 Ministers. He also met with numerous high-level visitors and was very responsive to media requests. He participated in the launch of 8 key flagship publications and gave 113 speeches.

66. From June 2008 to June 2009, 37 high-level representatives visited the Secretary-General at the OECD Headquarters in Paris:

- Anthony Albanese, Minister of Infrastructure, Transport, Regional Development and Local Governance, Australia
- Simon Crean, Minister of Trade, Australia
- Lindsay Tanner, Minister for Finance and Deregulation, Australia
- Annemie Turtelboom, Minister for Migration and Asylum Policy, Belgium
- Cheng Siwei, President, Chinese Academy of Management & President Centre of Fictitious Eco. And Data Sci, China
- Michelle Bachelet, President, Chile
- Jose-Antonio Viera-Gallo, Minister of the Presidency, Chile
- Jaime Bermudez, Minister of Foreign Affairs, Columbia
- Luis Guillermo Plata, Minister of Trade, Industry and Tourism, Columbia
- Zoheir Garranah, Minister of Tourism, Egypt
- Matti Vanhanen, Prime Minister, Finland
- Paula Risikko, Minister of Health and Social Services, Finland
- Nikola Gruevski, Prime Minister, Former Yugoslavian Republic of Macedonia
- Jozsef Palinkas, President of the Academy of Sciences, Hungary
- Stefania Prestigiacomo, Minister of the Environment, Land and Sea, Italy

- Akira Amari, Minister of State in charge of Administrative Reform, Japan
- Shintaro Ito, Secretary of State for Foreign Affairs, Japan
- Luc Frieden, Minister of Justice, Minister for the Treasury and Budget, Luxembourg
- Mohammed Abbou, Minister-Delegate to the Prime Minister in Charge of Modernising Public Sectors, Morocco
- Prince William-Alexander, Royal Prince & Heir, Netherlands
- Maciej Nowicki, Minister of Environment, Poland
- Traian Basescu, President, Romania
- Alexei L. Kudrin, Deputy Prime Minister and Finance Minister, Russia
- Borut Pahor, Prime Minister, Slovenia
- Mitja Gaspari, Minister for Development and European Affairs, Slovenia
- Franc Krizanic, Minister of Finance, Slovenia
- Matej Lahovnik, Minister of Economics, Slovenia
- Corinna Casanova, Federal Chancellor, Switzerland
- Hryhoriy Nemyria, Deputy Prime Minister, Ukraine
- George W. Bush, President, USA
- Condoleezza Rice, Secretary of State, USA
- Siim Kallas, Vice-President, EC
- Laszlo Kovacs, Commissioner responsible for Taxation and Customs Union, EC
- Mohamed El Baredai, Director-General, IAEA
- Juan Somavia, Director-General, ILO
- Achim Steiner, Executive Director, UNEP and UN Under Secretary-General
- Antonio Maria Costa, Executive Director, UNOCD

Current Work in key policy areas

67. In the area of investment, the project on ‘Freedom of Investment, National Security and ‘Strategic Industries’’ (FOI project thereafter) aims at helping governments reconcile the need to preserve and expand an open international investment environment with their duty to safeguard the essential security interests of their people and to respond effectively to the current crisis. With new policy standards

and the peer monitoring mechanism attached to it, the FOI project contributes to contain protectionist pressures and exercises vigilance to ensure that the exceptional steps taken to respond to the crisis do not unduly discriminate against foreign investors. The FOI project involves the 30 OECD Members, Brazil and the 10 other non-Member adherents to the OECD investment instruments, plus the Russian Federation, China, India, Indonesia and South Africa. The Investment Committee is proposing to the Council that non-Members could join this project as “full participants” with the same rights and responsibilities as OECD Members, as foreseen in our Charter in exceptional cases.

68. The review of the OECD Guidelines for Multinational Enterprises could also be considered (with the participation of non-Member economies), in order to increase their global relevance, clarify private sector responsibilities and promote responsible business conduct worldwide.

69. A cross-sector analysis of stimulus packages has been undertaken. The OECD analysis offers an important input to understanding the measures introduced in response to the crisis, based on comparative data. This work feeds into the international debate on how to maximise the benefits of stimulus packages and minimise their downside risks.

70. The development of an Innovation Strategy has acquired greater relevance with the crisis. Mandated by Ministers in 2007, it will result in a set of principles that can help underpin the development and implementation of effective, whole-of-government policies for innovation. The 2009 Interim Report examines the contribution of innovation to growth, and to addressing key global challenges such as climate change, health, food security and development. Specific attention is given to the foundations needed to enable innovation: human capital, research institutions and universities, knowledge markets and infrastructure. The final report will be delivered to you next year.

71. In response to the G20 London Summit’s request, the OECD, UNCTAD, WTO and IMF have agreed to work together on a joint report on G20 countries’ investment measures. A preliminary report by the OECD Secretariat on measures by OECD and non-OECD countries participating in this year’s meeting of the OECD Council at Ministerial Level will be made available to Ministers when they meet in Paris.

72. The expertise the OECD has acquired in the area of SME and entrepreneurship financing has also allowed it to provide a very timely cross-country analysis on the impact of the current financial and economic crisis on SMEs and entrepreneurs’ access to finance. This includes a thorough review of policy responses, which resulted in a valuable policy dialogue on good practices and further actions to be taken in the short and long term. The OECD will continue to analyse the necessary framework conditions for SMEs and entrepreneurs’ recovery and innovation-led growth, in the context of a more responsible and inclusive globalisation.

73. As far as unemployment and social issues are concerned, the OECD has contributed actively to the on-going international debate on this topic, including at the G20 London Summit and the G8/G14 Social Summit in Rome. The meeting of OECD Employment and Labour Ministers to be held in Paris at the end of September will consider the relevance of the *Reassessed OECD Jobs Strategy* to the current crisis.

74. The OECD Environment Policy Committee is taking stock of the “green” components of stimulus packages and has thus provided opportunities for countries to compare experiences and lessons learned and to define criteria and guidance on the measures and policies that can best result in low-carbon economic growth. Some preliminary results from this work are reflected in the Issues Paper on “Green Recovery” for the MCM [C/MIN(2009)3]. Building on its work on economy-environment policy links since the 1970s, the OECD is particularly well placed to be the “hub for green growth” going forward.

75. Finally, the impact of the crisis on pensions is highlighted as a special feature in the 2009 issue of *OECD's Pensions at a Glance* which will be released at the OECD Forum. It complements the work on private pensions that was released some weeks ago.

76. Beyond OECD work on the crisis, the Organisation continued to deliver its policy analysis and recommendations in many areas. These are only some examples of the excellent work carried out in the course of last year.

77. The 2009 issue of *Going for Growth 2009* put forward a revised structural reform agenda to help OECD countries raise their long-term living standards. Structural reforms are more needed than ever, in a context where the ongoing financial and economic crisis might otherwise permanently damage our economies. In crisis times, emphasis should primarily be put on reforms that strengthen long-term economic performance while also boosting demand in the short run. *Going for Growth 2009* identifies four main broad reform areas where such a “double-dividend” could be reaped, namely infrastructure, taxation, product market regulation and labour market training programmes.

78. Through its recent work on high-growth SMEs and innovation, as well as in its current work on SME internationalisation and the impact of globalisation on entrepreneurial activity, the OECD continues to advance the analysis of entrepreneurship and innovative SMEs as drivers of growth in a globalised, knowledge-based economy. Other key issues examined include training and skill development in SMEs, the evaluation of entrepreneurship education, and the financing conditions for new and small firms, especially innovative and fast-growing ones. This latter activity has involved efforts to develop a harmonised terminology for business finance and to promote the regular collection of internationally comparable data on the demand for and supply of financing for entrepreneurs and SMEs.

79. Following the publication in 2008 of the major report “*Growing Unequal?*” we are deepening into the causes of growing inequalities, including in four of the Enhanced Engagement countries. If developments in the labour market are among the most important drivers of this trend, we still need more in-depth knowledge on the extent to which globalisation, skill-biased technological change, or the design of tax and transfer policies have contributed to this trend.

80. In education, we continue to assist countries in developing their long-term strategies. *Shaping Education* shows how current economic, demographic and social trends impact schools and examines how schools in a 20 year horizon can respond to new external challenges. Through our world-known PISA report, which is now implemented in more than 60 countries around the world, we are also active in defining educational standards and measuring educational progress. The latest example has been a call by U.S. Secretary Duncan as well as by the National Governor’s Association to establish internationally benchmarked educational standards in the United States. In addition, based on reviews in 24 countries, we recently developed a range of policy options for improving tertiary education, thus better serving a knowledge-based economy (*Tertiary Education for the Knowledge Society*). The reviews of *Higher Education in Regional and City Development*, involving 29 regions in 22 countries, have helped mobilise higher education institutions for economic and social development. The economic and social crisis also urges us to innovate in intergovernmental cooperation. An excellent example is the OECD Education Lighthouse: a new initiative for interaction and discussion on the impact of the crisis, the lessons learnt, and the challenges faced by countries and their policy responses. This highly interactive website allows governments and stakeholders to exchange valuable information and to interact with each other and thus serve as guidance on developing education policies that help to create the post-crisis economy.

81. We also looked at the regional dimensions of public policies and how regional policies could be best used to fight the crisis. The OECD Territorial Development and Policy Committee, convened at ministerial level in March 2009, showed that this could be done mainly by supporting sustainable

productivity growth. This entails investing in public goods and services conducive to strengthening competitiveness. But it will have a stronger impact if supported by investment in “soft” infrastructures such as human capital and networks of knowledge. In doing so, it is also important to avoid subsidies creating distortions and trade frictions, and to foster a “green recovery”.

82. In the area of environment and climate change, the OECD Member and non-Member countries are working together to negotiate by December 2009 an ambitious agenda for a post-2012 international climate agreement. The OECD is continuing to provide timely, evidence-based analysis and a forum for governments to discuss key issues on the climate agenda outside of the formal negotiations [C/MIN(2009)10]. After the broad lines of an international framework are agreed, the OECD value-added will be to provide recommendations for more efficient and effective policies to face the challenge of implementing nationally what they have agreed. Meanwhile, the OECD work of particular relevance for a successful conclusion of these negotiations includes:

- The analysis of the economics and financing of climate change action;
- The policy instruments and mixes that can achieve emissions reductions at least-cost, including through building a global carbon market;
- Mainstreaming adaptation to climate change across sectoral activities, including new OECD Policy Guidance on integrating adaptation into development co-operation; and
- The data and frameworks that can support Measurement, Reporting, and Verification of mitigation actions and support for such actions.

83. In this regard, our co-operation with the IEA is critical, because energy, environment and climate change are closely linked. The IEA has also undertaken important work in this field, including a study on *"Ensuring Green Growth in a Time of Economic Crisis: the Role of Energy Technology"*, a study on *"The Impact of the Financial and Economic Crisis on Global Energy Investment"* and a paper on *"Climate Policy for Energy Ministers at their G8 Meeting in Rome"*. A special excerpt of the *2009 World Energy Outlook's* climate change analysis will be released late September, as a basis for negotiations leading up to the Copenhagen COP-15.

84. In the field of international migration, we provide countries with top evidence-based and advice on how to better integrate immigrants through the *Jobs for Immigrants* series. Our flagship annual publication *International Migration Outlook* (IMO) included in its 2008 edition, special analyses on two topical issues, the management of low-skilled labour migration and the highly sensitive issue of return migration. The *2009 IMO* will review the impact of the crisis on international migration. We are also organising next week in Paris (29-30 June 2009) our first-ever High-Level Policy Forum on International Migration which will focus on three topical issues: the current economic crisis and its likely impact on international migration; the management of labour migration (high and lesser skilled); and the labour market integration of immigrants and their children.

85. Through our Development Aid Committee (DAC), we help countries fight poverty and achieve the Millennium Development Goals (MDGs). In its Working Party on Aid Effectiveness (WP-EFF), donors and developing countries work together to improve the impact of aid. We work to improve development co-operation including in situations of conflict, fragility, weak governance and instability, through the International Network on Conflict and Fragility. We also help to further develop the interface between environment and development co-operation, particularly around climate change, with last month's DAC Joint High Level Meeting with the Environmental Policy Committee. Finally, with the joint *Aid for Trade at a Glance 2009*, which I will present at the 2nd Global Aid for Trade Review in Geneva on 6 July

2009, DAC, the Trade Committee and the World Trade Organization (WTO) closely co-operate to transform globalisation into a more inclusive process by helping poor countries build their trade capacities.

86. The Africa Partnership Forum works to strengthen partnership efforts between African leaders and policymakers and their OECD counterparts in favour of Africa's development. The Forum focuses on strategic, political and socio-economic issues related to African development and the implementation of NEPAD programmes given the overarching objective of the MDGs. Earlier this year, the OECD and UNECA published the *Mutual Review of Development Effectiveness*, a unique consultation mechanism that promotes dialogue, tracks commitment delivery, highlights good practice and suggests priorities going forward.

87. In our work on development as well as elsewhere, we do pay special attention to policy coherence. The global crisis has underscored the way in which accomplishing our development objectives hinges not just on the provision of development aid, but also on global collective action on an increasingly wide range of public policies. Ensuring coherent, whole-of-government perspectives on key challenges is increasingly important. Making use of policy dialogue and its multi-disciplinary approach, the OECD has continued to improve its understanding of the different policy interactions and produced principles to achieve greater policy coherence.

88. The OECD Development Centre has traced the channels of crisis contagion and documented the adverse effects of the crisis on Africa's budget balances and output in the 2009 edition of the *African Economic Outlook*. The *Global Development Outlook*, to be published in 2010, and the *regional economic outlooks* will explore the possibility that South-South linkages are strengthened in the wake of this crisis. The *Global Development Outlook* is also exploring the prospects for development finance and global governance, especially from the perspective of low-income countries. It will propose risk mitigation instruments to lower the exposure of low-income countries to external shocks.

89. Closely related to development concerns, our horizontal work on food prices fosters policies and actions aiming to improve management of food crises in the region and the long-term development effectiveness of investments in agriculture. In this year's GFA (June 29-30) called *Agricultural Outlook: Preparing for the Future*, we will describe and evaluate the short-term policy responses to high food prices that were undertaken nationally and internationally. We will also discuss appropriate longer term responses, nationally and internationally, to food security concerns. The *Food Crisis Prevention Network in the Sahel (FCPN)* is about to conclude the revision of the *Food Aid Charter (FAC)* to take account of the emergence of new donors, the evolution in the nature of food crises and response tools, and the need to take into account the responsibilities of regional economic organisations, as well as the Paris Declaration. The OECD's monitoring role on food security will continue.

90. The OECD has also been working over the last two years to address challenges related to water and sanitation services, focusing on areas where it can provide value-added. The results are summarised in *Managing Water for All: An OECD Perspective on Pricing and Financing-Key Messages for Policy Makers* which addresses: the economic and financial aspects of water management; the need for a cross-sectoral perspective to address this complex policy challenge and the importance of establishing a firm evidence-base to support policy development and implementation. A set of OECD reports from this work was presented at the 5th World Water Forum in Istanbul in March 2009.

91. Our Nuclear Energy Agency published its first ever *Nuclear Energy Outlook*, responding to the renewed interest in the use of nuclear power by many countries as a means to alleviate concerns with respect to energy security, climate change and fossil fuel prices and fuel price volatility. Nuclear energy is increasingly seen as having an important role to play in addressing these issues. This *Nuclear Energy Outlook* uses the most current data and statistics available and provides projections up to 2050 to consider

growth scenarios and potential implications on the future use of nuclear energy. It offers unique analyses and recommendations on the possible challenges that lie ahead. It collects in one place the key issues from the NEA's recent work and adds the outcome of new studies, so that energy policy makers reach for it first when they need to address questions on nuclear power.