



# A N N U A L R E P O R T 2 0 0 2



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# OECD ANNUAL REPORT

THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) ANNUAL REPORT is prepared by the Public Affairs Division, Public Affairs and Communications Directorate. It is published under the responsibility of the Secretary-General of the OECD.

Pictures: all pictures are © OECD except: p. 14 top right: Greg Teckless/Health Canada/OECD; bottom left: John Harrington Photography/HKETO/OECD; p. 44 Dubai Press Club/OECD; p. 46 UK Embassy Bangkok.

Publications: Book titles in italics are available for sale via the OECD online bookshop: [www.oecd.org/bookshop](http://www.oecd.org/bookshop).

---

<a href="#">PREFACE</a>	5	<a href="#">UNTYING AID</a>	49
<a href="#">ABOUT THE OECD</a>	7	<a href="#">DEVELOPMENT CENTRE</a>	51
<a href="#">THE CHANGING FACE OF THE OECD</a>	9	<a href="#">SAHEL AND WEST AFRICA CLUB</a>	52
<a href="#">FINANCIAL REFORM</a>	9	<a href="#">CO-OPERATIVE RELATIONS WITH NON-MEMBERS</a>	53
<a href="#">NEW ANNEX AT LA DÉFENSE</a>	10	<a href="#">CHINA</a>	54
<a href="#">OECD IN 2001: SELECTED EVENTS</a>	11	<a href="#">THE BALTIC REGION</a>	55
<a href="#">ECONOMIC GROWTH AND STABILITY</a>	15	<a href="#">STATISTICS</a>	57
<a href="#">THE OECD GROWTH PROJECT</a>	16	<a href="#">STATISTICS – NEW PUBLICATIONS</a>	58
<a href="#">OECD ECONOMIC SURVEYS</a>	17	<a href="#">PUBLIC AFFAIRS AND COMMUNICATIONS</a>	60
<a href="#">BRAZIL</a>	18	<a href="#">FORUM 2001</a>	61
<a href="#">PRIVATE PENSIONS</a>	19	<a href="#">NEW WEBSITE</a>	62
<a href="#">TERRITORIAL REVIEWS</a>	21	<a href="#">POLICY BRIEFS</a>	63
<a href="#">EMPLOYMENT AND SOCIAL COHESION</a>	22	<a href="#">BUSINESS AND INDUSTRY ADVISORY COMMITTEE TO THE OECD (BIAC)</a>	64
<a href="#">HUMAN CAPITAL</a>	23	<a href="#">TRADE UNION ADVISORY COMMITTEE TO THE OECD (TUAC)</a>	64
<a href="#">THE OECD HEALTH PROJECT</a>	24	<a href="#">EXECUTIVE DIRECTORATE</a>	68
<a href="#">TRADE AND INTERNATIONAL INVESTMENT</a>	27	<a href="#">HOW THE OECD WORKS</a>	70
<a href="#">TRADE IN SERVICES</a>	28	<a href="#">THE INTERNATIONAL FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING: THE FATF</a>	75
<a href="#">AGRICULTURAL TRADE</a>	30	<a href="#">NUCLEAR ENERGY AGENCY</a>	76
<a href="#">REGIONAL TRADE AGREEMENTS</a>	31	<a href="#">INTERNATIONAL ENERGY AGENCY</a>	78
<a href="#">SUSTAINABLE DEVELOPMENT</a>	32	<a href="#">EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT</a>	80
<a href="#">SUSTAINABLE DEVELOPMENT INDICATORS</a>	33	<a href="#">OECD ORGANISATION CHART</a>	82
<a href="#">THE OECD ENVIRONMENTAL STRATEGY</a>	34	<a href="#">OECD DIRECTORY</a>	84
<a href="#">SUSTAINABLE DEVELOPMENT ROUNDTABLE</a>	36	<a href="#">OECD COUNCIL MEETING AT MINISTERIAL LEVEL COMMUNIQUÉ: TOWARDS A SUSTAINABLE FUTURE</a>	85
<a href="#">GOVERNANCE</a>	38	<a href="#">THE OECD SECRETARIAT</a>	94
<a href="#">REGULATORY REFORM</a>	39	<a href="#">AMBASSADORS, PERMANENT REPRESENTATIVES TO THE OECD</a>	95
<a href="#">HARMFUL TAX PRACTICES</a>	41	<a href="#">OECD MEMBER COUNTRIES</a>	97
<a href="#">BEST USE OF NEW TECHNOLOGIES</a>	44		
<a href="#">E-GOVERNMENT</a>	45		
<a href="#">BIOTECHNOLOGY</a>	46		
<a href="#">DEVELOPMENT</a>	48		

---

## PREFACE

**Donald J. Johnston**  
OECD Secretary-General

We may look back on the year 2001 as a turning point in modern economic and political history. The hype of the “new economy” came back down to earth. Major international meetings were marred by violent anti-globalisation protests. The tragic terrorist attacks of 11 September inflicted a severe shock to the world. But then, a broad-based alliance was formed to fight terrorism and its root causes. And the world’s major trading nations put aside differences to launch a new round of trade negotiations.

In this new context, the OECD was called upon once again to help tackle the economic, social and governance challenges of a globalised world economy. This Annual Report documents our activities in 2001, a few of which I would like to highlight here.

### New economy – a reality check

The long expansion in many countries during the 1990s generated a lot of hype about the “new economy”. The present economic slowdown has served as a timely reality check when it comes to some of the more exuberant behaviour and policy statements that were made.

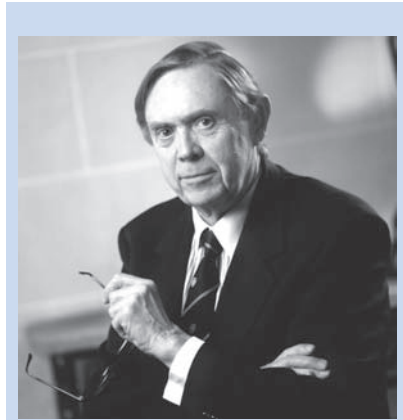
If we look beyond the hype to the fundamentals – as the OECD did in its two-year study on the sources of economic growth presented to ministers in May 2001 – the evidence does suggest that something new is taking place. Investments in information and communications technologies (ICT), connectivity and the

growth of electronic commerce have been the key elements of the expansion of e-business and the digital economy. The use of ICT can boost productivity right across the spectrum of industries. However, one of our key findings is that these improvements depend on combining new uses of ICT with organisational change, effective utilisation of human capital, and strong policies for innovation and entrepreneurship.

One challenge of the “new economy” is how to make sure that all countries – developed and less developed alike – use these new technologies and benefit from them. ICT does have the potential to contribute to the challenge of development for the 1.2 billion people who survive on less than US\$1 per day and the further 1.6 billion on less than US\$2. The OECD is exploring ways to ensure that ICT can be used to help achieve the development objectives for all countries that we have been pursuing for over half a century, and not lead to a “digital divide”.

### Sustainable development

The OECD’s report on sustainable development, submitted to ministers in 2001, proposes a comprehensive strategy for achieving sustainable development, which combines economic, social and environmental development. The report lays out four broad areas for action: making markets work for sustainable development; harnessing science and technology; strengthening decision-



**Donald J. Johnston**  
OECD Secretary-General

making; and reaping the full benefits of international trade and investment.

While many of the required policy options are well known, their actual implementation in OECD member countries has fallen short. The challenge before us now is to develop a real constituency for our shared future and close the gap between lofty rhetoric and actions.

OECD countries bear a special responsibility for leadership on sustainable development worldwide, historically and because of the weight they have in the global economy and environment. That is why ministers of all 30 member countries pledged in May 2001 to have sustainable development strategies in place by the time of the World Summit on Sustainable Development in Johannesburg in September 2002.

The Environmental Strategy adopted by OECD environment ministers in May committed them to specific national actions over the next decade to tackle problems such as climate change and to ensure that continued economic growth is not accompanied by continued damage to the environment.

Human capital is another key element in achieving sustainable development in an era of knowledge-based economies and societies. This means literacy in the broad sense – problem-solving, team-building and creativity. The results of the OECD's "PISA study" provided a snapshot of comparative educational achievements in OECD countries and how they measure up to the needs of a knowledge economy. Good health is also important, but funding health care faces new challenges in coming years as the population in OECD countries ages, placing new demands on our systems. That is why we have launched an OECD health project to look at how governments can meet these new demands. A major conference in Ottawa in November 2001 tackled the crucial issue of how we measure the results.

### Building partnerships for global development

Open trade and investment are a proven pathway out of poverty and despair, and the new global round of multilateral trade negotiations can

and should provide a major driving force for development based on a partnership between the developing and developed world. But open trade is not enough. We need to be sure that development efforts are efficient and effective. OECD members reached a landmark agreement in 2001 on untying aid to the least developed countries that will help increase value for money and improve developing country ownership of the development process. OECD countries also reaffirmed support for the international development goals (Millennium Development Goals), setting clear targets for progress in areas such as education, clean water and health care.

I like to think of the OECD as a group of democratic reformers with a global responsibility. But in this era of globalisation, with a vast array of stakeholders and interest groups, the OECD cannot and does not work alone. We share our expertise and exchange views with more than 70 states from all corners of the globe – a highlight of 2001 was when trade ministers from several non-member countries joined the OECD ministerial meeting in May. And business, labour, non-governmental organisations and other civil society groups now participate in a wide range of OECD activities, most notably the OECD Forum. These groups make an important contribution to the substantive work of the OECD and help strengthen public support for policy reform.

The tragic terrorist attacks of 11 September renewed our conviction in the importance of international cooperation among governments and peoples. In this regard, the OECD is contributing to the fight against terrorism both in terms of managing the aftermath of the 11 September events and in reducing the risk of future attacks. We must also not forget that desperate poverty and lack of opportunities are a breeding ground for social instability and can lead to support for terrorist activities.

Placing the world on a path of sustainable development – economically, socially and environmentally – is probably one of our best guarantees of safe and secure societies. But it will not happen by itself. Franklin D. Roosevelt once said, "We must lay hold of the fact that economic laws are not made by nature. They are made by human beings" and this is equally true of policies for sustainable development, and safe and secure societies. The OECD is committed to working towards these objectives.



## ABOUT THE OECD

[www.oecd.org/about/](http://www.oecd.org/about/)

The Organisation for Economic Co-operation and Development (OECD) groups 30 member countries in a unique forum to discuss, develop and fine-tune economic and social policies. It helps member governments identify good practice in managing their own economies, as well as aiding members and non-members to draw up ground rules for the 21st century globalised economy.

Perhaps best known for its regular reports on the economies of its member countries, the OECD is also at the forefront of efforts to understand, and

to enable governments to respond to, new developments and concerns. These include misuse of the international financial system by terrorists and other criminals, the “new economy”, electronic commerce, biotechnology and food safety and sustainable development.

The OECD's work includes efforts to foster prosperity and fight poverty through economic growth, financial stability, trade and investment, technology, innovation, entrepreneurship and development co-operation. It is helping to foster sustainable

development, ensuring that economic and social development are not achieved at the expense of rampant environmental degradation. Other aims include creating jobs for everyone, social equity and achieving clean and effective governance.

The OECD provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. It is a forum where peer pressure can act as a powerful incentive to improve



*First meeting of the OECD Ministerial Council, 17 November 1961.*

policy and implement “soft law” – non-binding instruments such as the OECD Guidelines for Multinational Enterprises – and can on occasion lead to formal agreements or treaties.

For 40 years, the organisation has been one of the world’s largest and most reliable sources of comparable statistical, economic and social data. OECD databases span areas as diverse as national accounts, economic indicators, the labour force, trade, employment, migration, education, energy, health, industry, taxation, tourism and the environment.

OECD countries produce almost 60% of the world’s goods and services, but the organisation is by no means an exclusive club. A vital aspect of its work is to share its expertise and the lessons it has learnt, good and bad, with the public and with non-member countries. The OECD now involves in its work some 70 non-member countries, notably Brazil, China and Russia, as well as least developed countries from Africa and elsewhere, and non-members are invited to subscribe to OECD agreements and treaties such as the anti-bribery convention. Business, labour and civil society representatives also

take part in work on issues from trade and environment to biotechnology and food safety.

The OECD was created in its present form in 1961, but its origins date back to 1947 when, as the Organisation for European Economic Co-operation (OEEC), it oversaw the launch of the Marshall Plan for the reconstruction of war-torn Europe. The core of original members has expanded from Europe and North America to include Japan, Finland, Australia, New Zealand, Mexico, the Czech Republic, Hungary, Poland, Korea and the Slovak Republic.

## OECD in the world



OECD share of world GDP (PPP): 59%  
 OECD share of world trade: 76%  
 OECD share of world population: 18.5%  
 OECD GDP growth 2001: 0.7%

OECD share of world official development assistance: 95%  
 OECD contribution to world CO2 emissions: 54.6%  
 OECD share of world energy production: 38.8%  
 OECD share of world energy consumption: 53.9%



## THE CHANGING FACE OF THE OECD

The OECD is responding to the changing needs of a rapidly-evolving globalised economy by continuing reform of its internal organisation and working methods. In 2001 this included pioneering reform of the organisation's accounting procedures in line with new international standards (*see box below*). The OECD was keen to be the first to implement these standards as part of the organisation's long-standing programme of reform. Between 1996 and 1999 the OECD budget was cut by around 18%

in real terms, administrative costs reduced by up to 23% and staff numbers cut by 15%. There was a return to budget stability in 2000. At the same time the organisation launched a major financial management reform programme and decided to create a pension reserve fund.

Other major developments in 2001 included the decision to pursue work on key overarching themes such as sustainable development following

the completion of the organisation's first project on this theme and on the theme of the "new economy". The OECD also created a new website organised around the main themes of its work, from ageing and agriculture to taxation and transport (*see box p. 62*). This way of working meets the needs of member governments having to cope with a host of rapidly emerging new issues, whether the economic and social implications of events such as the 11 September terrorist attacks in the United States or

## FINANCIAL REFORM

The OECD is the first organisation in the world to prepare and publish its financial statements in accordance with International Public Sector Accounting Standards (IPSAS), certified by independent auditors. The full set of statements, based on the accrual method, is available in a separate report from the OECD budget and finance service. The accounts are presented in euros and include statements of financial position, financial performance, changes in net assets/equity and cash flows.

The International Federation of Accountants (IFAC) released the world's first authoritative set of financial reporting standards for public sector entities in May 2000. These IPSAS standards are derived from the International Accounting Standards (IAS) developed for the private sector, but adapted for use at all levels of government worldwide. This move to global convergence recognises that public and private sector accounting disclosure and governance share the same fundamental goals of accuracy, transparency, timeliness and relevance. The OECD is in the public sector and must have the accounting language and reporting most appropriate to its needs. The IPSAS standards provide a common accounting language for countries each with different national accounting standards.

The IPSAS standards for international organisations took effect for annual financial statements covering periods beginning on or after 1 July 2001. But the OECD chose to implement them early, starting with the year ended 31 December 2000, because it believes that these standards are the best available anywhere for its type of activity. The certification by independent auditors PriceWaterhouseCoopers also contributes to good governance and credibility with the international community.

The OECD budget is divided into two sections. Part I covers the bulk of OECD activities and accounts for 80% of the total budget. It is funded by contributions from all 30 member countries, based essentially on the relative size of their economies, and ranging from 0.1% to just under 25% of the total. Part II covers specific programmes with more limited participation and whose funding is agreed between the participating countries.

Budget and financial management reform continued in 2001, including a decision to implement a biennial budget process from January 2003. A review of the budget cycle was carried out. The programme of work is now presented on the basis of themes of activity and a priority-setting mechanism was implemented.

growing concerns over biotechnology and food safety. A key event for staff in 2001 was the finalisation of plans to relocate many of those working at the Paris headquarters site to allow essential refurbishing and renovation of the main headquarters building (*see box below*).

The organisation has also transformed its relationship with non-members, recognising that in a globalised economy developments in key areas from climate change to information technology are truly global and cannot be dealt with by one group of countries. During 2001 the OECD revamped its Sahel Club to reflect the fact that it now also encompasses work with countries from West Africa (*see box p. 52*). The

OECD has a co-operative relationship with some 70 countries and non-members are increasingly invited to subscribe to OECD agreements. In areas such as eliminating harmful tax practices and combating terrorist and other illicit use of global financial systems, the OECD is working with non-member economies to find solutions acceptable to all. The Centre for Co-operation with Non-Members (CCNM), established in 1998, is the focal point for these relationships. It manages multi-country programmes linked to core themes of OECD work such as trade and the environment, as well as individual country programmes with major non-member economies such as Brazil, China and Russia.

A highlight of the organisation's cooperation with civil society in 2001 was the second OECD Forum, which enabled the views of academics, business, labour and civil society participants on sustainable development and the new economy to feed into the discussions at the annual ministerial meeting immediately afterwards.

The guiding principles of all these reforms are greater responsiveness to member country needs, ensuring efficiency and cost effectiveness and a commitment on the part of the secretariat to professional and managerial excellence. Continued reform efforts will seek to further improve priority setting to make best use of available resources.

## NEW ANNEX AT LA DÉFENSE

The OECD has signed a lease on office space in the Tour Europe at La Défense in northwest Paris, which will allow more than 700 OECD staff to be transferred from the organisation's La Muette headquarters site, once essential installation work has been completed.

This major move will empty some 20 000 m<sup>2</sup> of office space and marks the launch of a multi-year programme to redevelop the office and conference facilities at the OECD headquarters. Renovation is required primarily for the main office building which contains asbestos, is poorly adapted to modern fire safety regulations and no longer corresponds to the OECD's functional needs.

Overall planning for work at the headquarters site, including renovation of the main building and the Chateau de La Muette, and construction of new permanent conference facilities, is already well advanced. Once the Council has approved details of the redevelopment programme and its budget, the next step in 2002 will be an international architectural and engineering design competition.



*A view of the Tour Europe.*

Preparations for the move will take place in 2002 and then many OECD directorates will be transferred from the main building to Tour Europe. Completion of renovation, and the final return of all staff from Tour Europe to La Muette, is envisaged in 2008.

## OECD IN 2001: SELECTED EVENTS



*John Martin, OECD Director for Education, Employment, Labour and Social Affairs, with Edelgard Bulmahn, German Minister for Education and Research, who chaired the ministerial session.*



*Ricardo Lagos Escobar, President of Chile, receives OECD Secretary-General Donald Johnston, at the Chilean Embassy in Paris.*



*(left to right) Anita Bay Bundegaard, Danish Minister for Development Co-operation, Baroness Amos, Minister, Spokesperson on International Development, House of Lords, UK, and Heidemarie Wiczorek-Zeul, German Minister for Economic Co-operation and Development.*

**Meeting of the OECD Education Committee at Ministerial level, 2-4 April**

**Visit by Chilean president, 19 April**

**High-level meeting of the Development Assistance Committee, 25-26 April**



*(left to right) Long Yongtu, Vice Minister, Chinese Chief Trade Negotiator, Seiichi Kondo, OECD Deputy Secretary-General, Donald Johnston, OECD Secretary-General, and Donald Evans, United States Secretary of Commerce, at the session with non-member countries during the OECD ministerial meeting.*



*(left to right) Nino Chkobodze, Georgian Minister of Environment and Natural Resources Protection, Boris Yatskevich, Russian Minister of Natural Resources, and Wang Xinfang, Chinese Vice-Minister, State Environmental Protection Agency, at the working lunch with non-members during the OECD ministerial meeting.*



*Robert Priddle, IEA Executive Director, with Christian Pierret, Secretary of State for Industry, French Ministry for Economy, Finance and Industry.*

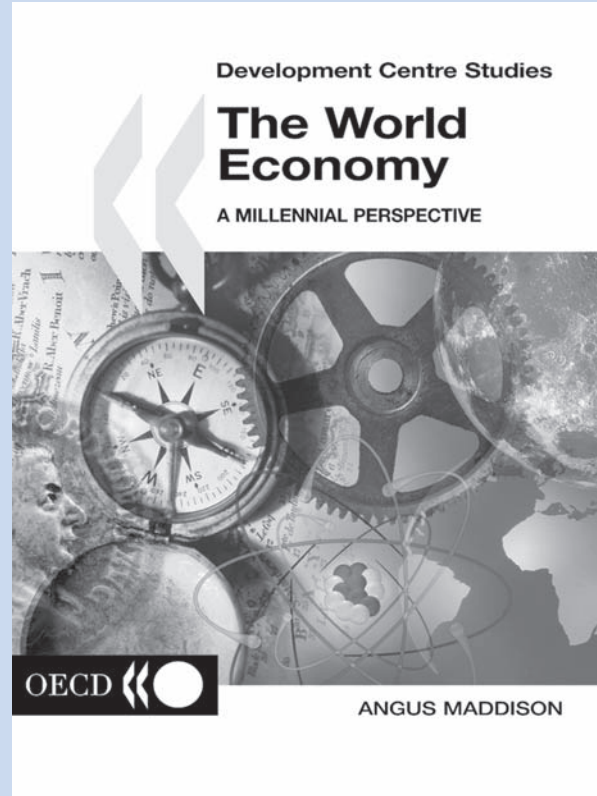
**OECD Council at Ministerial level 16-17 May**

**Meeting of the Environment Policy Committee at Ministerial level, 16 May**

**International Energy Agency Governing Board at Ministerial level, 16 May**



**Poul Nyrup Rasmussen, Danish Prime Minister, with OECD Secretary-General Donald Johnston, at the OECD Forum session on sustainable development during the OECD ministerial meeting.**



**The World Economy, A Millennial Perspective**

*This pioneering effort to quantify the economic performance of nations over the very long term provides a comprehensive view of the growth and levels of world population since the year 1000. In this period, world population rose 22-fold, per capita GDP 13-fold and world GDP nearly 300-fold. In the year 1000, the rich countries of today were poorer than Asia and Africa. The book identifies the forces which explain the success of the rich countries, and explores the obstacles which hindered advance in regions which lagged behind.*



**General view of the members of the OECD Forum panel: "The transition to sustainable development: Are we making progress in decoupling economic growth from environmental degradation?"**

**OECD Council at Ministerial level chaired by Denmark, 16-17 May**

**OECD Forum 2001 on Sustainable Development and the New Economy, 14-16 May**



**Hugo Chavez-Frias, Venezuelan President, pays a visit to OECD Secretary-General Donald Johnston.**



**(left to right), standing, Bernard Kouchner, French Minister of Health, John Hutton, UK Minister of State for Health, Edward J. Sondyk, spokesman for the US Secretary of Health and Human Services, Julio Frenk Mora, Mexican Minister of Health; seated, Allan Rock, Canadian Minister of Health, and OECD Secretary-General Donald Johnston, at the Ottawa health conference.**



**Clarie Lo, Commissioner for Narcotics of Hong Kong, China, Chairperson of the FATF, with Paul H. O'Neill, US Secretary of the Treasury.**

**Visit by Venezuelan president, 9 October**

**Conference on Measuring and Improving Health Systems Performance in OECD Countries, hosted by the Canadian government in Ottawa, 5-7 November**

**Financial Action Task Force on Money Laundering, Extraordinary plenary meeting on Financing of Terrorism, Washington DC, 29-30 October**

## ECONOMIC GROWTH AND STABILITY

[www.oecd.org/eco](http://www.oecd.org/eco)  
[eco.contact@oecd.org](mailto:eco.contact@oecd.org)

The OECD conducts comprehensive analysis and monitoring of economic growth and stability, with the aim of contributing to better economic policy-making. This process includes broad-based evaluation of macroeconomic policies and trends, as well as key structural policies, in OECD member countries and selected non-member economies. Structural analysis across several countries is also conducted on key topics. The results of this work are presented in several publication series: OECD *Economic Surveys* cover individual countries and the euro area, the six-monthly *Economic Outlook* reviews all OECD members and selected non-members, OECD *Economic Studies* and economics department working papers cover general issues and there are occasional special publications.

### Calculating risks for the economic outlook

In 2001, the OECD analysed and evaluated risks for the short-term growth outlook, notably the sharp weakening of the global economy exacerbated in the wake of the 11 September terrorist attacks in the United States. OECD experts studied the synchronised nature of the current cycle and uncertainties over prospects for business and consumer confidence as well as the volatility in equity markets and the sustainability of private savings and investment balances. They also looked at the potentially destabilising over-borrowing of the private sector observed in selected large and small overheating economies. Policy rec-

ommendations from this analysis included a call to governments to sustain their commitment to an open global trading system, free competition and strict limits on state intervention in the case of market failure, as well as pursuing efforts to increase the effectiveness of anti-poverty policies. The OECD also started to look at area-wide aspects of transmissions of economic fluctuations, including possible new international linkages, a higher degree of synchronisation, as well as potentially higher business costs that may arise in an environment of heightened insecurity.

### Structural issues

Three structural issues featured prominently in reviews of individual countries in 2001: taxation, environmentally sustainable growth and efficient public expenditure. The OECD also published a synthesis of country assessments on tax reforms and on environmental sustainability and

is working on a synthesis of the policy implications of ageing. Country-related special studies are also occasionally carried out, such as one in 2001 on the economic aspects of the integration of the new German Länder. Previous OECD-wide analytical work on environmental sustainability is being used as the basis of discussion for indicators to be used in peer reviews of country policies (*see box p. 33*). The work on the growth project (*see box p. 16*) is also being followed up, notably the micro-economic evidence of firm dynamics and productivity, the changing nature of the business cycle, and the role played by barriers to trade and investment.

### Role of financial markets

[www.oecd.org/finance](http://www.oecd.org/finance)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

Financial markets have a key role to play in economic growth and stability. The OECD covers the whole range of financial issues related to banking,



*At a meeting in Paris with Japanese Prime Minister Junichiro Koizumi (left), OECD Secretary-General Donald J. Johnston (right) expressed support for a Japanese economic reform programme announced in June 2001.*

## THE OECD GROWTH PROJECT

[www.oecd.org/growth](http://www.oecd.org/growth)

[eco.contact@oecd.org](mailto:eco.contact@oecd.org)

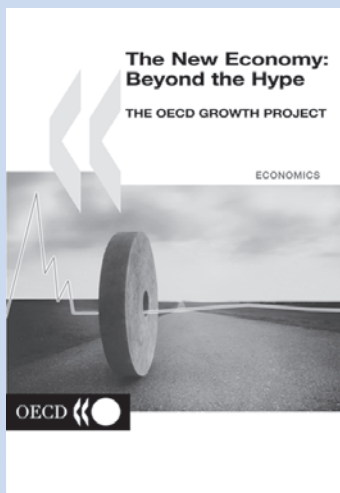
The OECD Growth Project was launched at the request of OECD ministers in 1999 to study the causes of growth disparities between countries and identify factors and policies that could strengthen long-term growth performance. At that time, growth was high virtually everywhere and in some countries was seen to be clearly driven by information and communication technology (ICT). But when the final report was delivered to ministers in 2001 the international economy was in a marked slowdown, driven in large part by weakening in the ICT sector. The report entitled *The New Economy: Beyond the Hype*, attempts

to see beyond these short-term developments and to identify appropriate policy lessons to boost economic growth.

The report, based on a very large body of analytical work, concludes that:

- Growth patterns diverge across OECD countries, reflecting differences in the way they use the labour pool, the dynamism of capital formation and the effectiveness with which they combine capital and labour.
- Notwithstanding the cyclical slowdown, ICT investment and use are important drivers of growth, which can be facilitated by healthy competition in telecommunications and technology, by improving skills and by a sound regulatory framework for ICT use.
- Stronger innovation and technology diffusion can be achieved by giving greater priority to fundamental research, improving the effectiveness of public research and development funding, and promoting the flow of knowledge between science and industry.
- Human capital is a fundamental engine of growth and education and training policies are crucial. Reaping the full benefit of investment in human capital calls for labour market institutions and regulations to adapt to the changing nature of work.
- Entrepreneurship has always been an important determinant of growth but becomes even more crucial at times of rapid technological change. Open, competitive financial markets that facilitate access to capital for innovators and the avoidance of burdensome administrative regulations help to stimulate entrepreneurship.

But such policies will only be fully effective when combined with sound economic fundamentals, including healthy public finances, low and stable inflation, effective financial systems, well-functioning labour and product markets, and open trade and investment policies.



*In 2000 commentators everywhere were hailing the boom in some western economies as the dawn of a new economy. In 2001, with a slowdown biting in the US economy, dot.coms folding and information and communications technology firms feeling the pinch globally, the headline writers swung the other way, saying that it was all a myth. This book looks past the elation and gloom to help policy-makers think and act with the facts. It explores the causes of the discrepancy in economic performance in the OECD area and shows that, while technology has had a pervasive and profound effect on economies and societies, it was not the only reason for fast growth.*



securities and institutional investors (insurance companies, pension funds and investment companies) and exercises surveillance over developments, reform measures and changes in structural and regulatory conditions in financial markets and institutions. Its key aims are to promote liberalisation in financial services and the development of international financial best practices (including statistics). The OECD also works to foster the integration of non-member countries into the global financial system.

Monitoring of financial markets was particularly active in 2001, notably with special meetings of the Committee on Financial Markets and the Insurance Committee to discuss the impact of the events of 11 September on financial and insurance markets. Activities also included in-depth discussions with the financial

community through special meetings and the participation of private representatives. The core analytical work on financial markets focused on the theory and practice of consolidated financial supervision, trends and prospects in electronic finance, and trends and recent structural changes in OECD public debt markets. Policy analysis in the insurance sector focused on investment regulation of the two main groups of institutional investors in the OECD area (insurance companies and pension funds), e-insurance, policy holders' protection funds and issues related to risk management. Major achievements included an agreement on new obligations for the insurance items of the OECD Code on trade in invisibles, endorsement at a worldwide level of the OECD 15 principles for the regulation of private pensions (*see box p. 19*) and an agreement on a draft decision on exchange of information in reinsurance. The Insurance

Committee is contributing substantially to the OECD project on health, through its private health insurance component.

The OECD also developed a world taxonomy of pensions systems in 2001 and analysed the governance, supervision and investment regulation of pension funds. It discussed new guidelines for governance of pension funds. It discussed in depth the International Accounting Standards Board (IASB) draft standards for insurance accounting. The Working Party on Government Debt Management dealt with risk management practices, investor relations and electronic trading systems. Work on financial statistics was expanded to cover international direct investment, funded pension schemes and privatisation. Co-operation with international organisations was enlarged with concrete joint projects

## OECD ECONOMIC SURVEYS

[www.oecd.org/macroeconomics/about/Country\\_Surveys/Members](http://www.oecd.org/macroeconomics/about/Country_Surveys/Members)  
[eco.contact@oecd.org](mailto:eco.contact@oecd.org)

Member countries regularly review each other's economic situation and policies as part of the OECD's multilateral surveillance. "Peer pressure" is a key ingredient of the process, with country representatives analysing and questioning the economic policies of the country being "examined" and indicating where it might do better in the light of their own and other international experience. The Economic and Development Review Committee (EDRC) reviews each OECD country every 12 to 18 months and the final report is agreed by all 30 members.

The surveys cover both macroeconomic and structural issues, such as how labour, product and financial markets operate as well as the role and functions of the public sector. Each survey usually includes a special, in-depth structural topic. In order to get the greatest synergy from this work, countries are asked to choose the special topic from a limited list of three or four where the OECD has already presented an analytical framework based on cross-country evidence. Once enough

countries – usually 10 or so – have been covered under a particular topic, it is possible to synthesise their experience and draw general lessons for future policy.

The special topics evolve over time. The first set covered ageing, taxation and environmentally sustainable growth, for which synthesis reports are now available. Most recently, public expenditure has been added, and frameworks for migration and for product market competition and economic performance are being developed. Work is also underway on indicators for sustainable development (*see box p. 33*).

The OECD carries out occasional reviews of non-member economies in the context of co-operation programmes. The first *Economic Survey of Brazil* was published in 2001 (*see box p. 18*) and the fourth *Economic Survey of Russia* is being published in 2002. A major OECD study, *China in the World Economy: the Domestic Policy Challenges* was published in 2002, including a Chinese-language version.

such as a new foreign direct investment (FDI) survey with the International Monetary Fund (IMF), work on privatisation statistics with the World Bank and on private pension statistics with Eurostat. The insurance statistics database was expanded to cover statistics on private health insurance, which should complement the organisation's health database.

Outreach activities on financial markets were particularly intensive and included meetings on a broad range of topics such as capital markets reform, housing finance, government securities markets, institutional investors, insurance regulation and supervision, private pension reform and financial statistics. The regions and countries covered included Asia, Latin America, transition economies in Europe and the Baltic States (see *chapter on relations with non-members*, p. 53). There were also special meetings in China and Brazil.

Financial publications in 2001 included the flagship thrice-yearly publication *Financial Market Trends* and statistical yearbooks – for instance, on institutional investors, international direct investment, bank profitability, or insurance statistics. There were also two issues of a new series on private pensions, the third in a series on insurance policy issues (Insurance Regulation, Liberalisation, and Financial Convergence) and a study on insurance regulation in Latin America and Asia. Last but not least, a 2 500-page insurance and private pensions compendium for emerging economies was circulated to world insurance and pensions supervisors.

### Industry and growth

[www.oecd.org/enterprise](http://www.oecd.org/enterprise)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

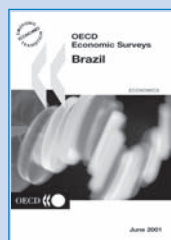
Work on industry examines how economic developments affect particular sectors, ranging from steel to

electronics to business services. The OECD helps governments formulate policies to foster the development of industries and enterprises, whether large or small firms and at local, national and international levels.

Entrepreneurship is particularly important in times of innovative change (see *box p. 16*). In recent years, new firms have contributed to productivity growth in emerging industries and to innovation in areas such as information and communications technology (ICT) and biotechnology. A wide range of factors that may limit entrepreneurship can be addressed by government policy, such as regulations and fiscal provisions that inhibit the development of high-risk capital markets. In some countries, bankruptcy and insolvency provisions are overly stringent and eliminate the possibility for entrepreneurs to have a second chance.

## BRAZIL

[www.oecd.org/ccnm/brazil](http://www.oecd.org/ccnm/brazil)  
[eco.contact@oecd.org](mailto:eco.contact@oecd.org)



The first OECD *Economic Survey* of non-member Brazil was published in June 2001. It provided a comprehensive review of the Brazilian economy and the key challenges to stabilisation and sustainable growth. The survey also identified possible areas for future co-operation between the OECD and Brazil (see *chapter on relations with non-members*, p. 53).

Since the early 1990s an ambitious structural reform programme, including privatisation, deregulation and phasing out restrictions to foreign trade and investment, has transformed the Brazilian economy. The introduction of a new currency in 1995 enabled it to achieve a significant break with a legacy of high inflation. The macroeconomic policy framework was further strengthened in 1999/2000 through measures such as a floating exchange rate, inflation target-

ing and a new fiscal responsibility law affecting all levels of government.

The core issue for Brazil is whether it has indeed crossed a threshold to sustained growth. The *Economic Survey's* answer is a cautious and conditional "yes". It is cautious because of Brazil's vulnerability to external shocks, deriving from its heavy reliance on inflows of foreign capital, high external debt and large current account deficit. It is conditional because macroeconomic stability depends on further progress in structural reform, including the fiscal relationship between the federal government and the states, the civil servants' pension system and regulatory reform in the financial sector and in product markets. The *Survey* discusses the links between growth and structural change in agriculture, energy and social policies and stresses that the reform process must be socially acceptable, especially in a democratic society with such high levels of income inequality.

## PRIVATE PENSIONS

[www.oecd.org/daf](http://www.oecd.org/daf)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

Population ageing has raised the profile of private pension arrangements all over the world. Given the important social and economic role of such pension plans, appropriate governance and administration is crucial to ensure that they deliver on their promises. Governments play a key role by ensuring that an appropriate regulatory and supervisory oversight of pension plans and pension funds is in place.

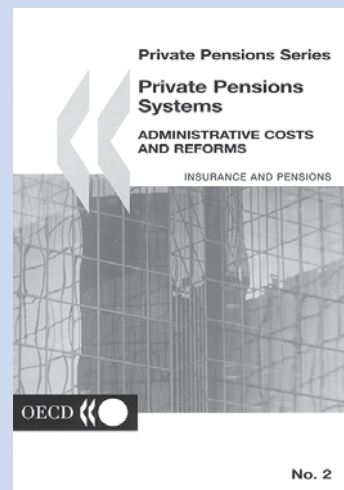
In April 2001, the International Network of Pensions Regulators and Supervisors (INPRS, [www.inprs.org](http://www.inprs.org)), grouping more than 140 regulatory and supervisory institutions from over 65 countries, endorsed the OECD Fifteen Principles for the Regulation of Private Occupational Pension Plans. The principles are designed to safeguard the interests of beneficiaries and ensure the efficient running of such plans. They cover areas ranging from supervision to investment policy and set out the basic objectives that the regulatory and supervisory framework of any private pension system must contain. These objectives come under two broad categories:

- The protection of beneficiaries' rights, including protection against discrimination in access to pension plans, protection against inflation, protection of vested rights to pension contributions, and the portability of pension rights.
- The financial security of pension promises and of the pension funds themselves – which includes regulations to protect pension plans against fraud and mismanagement by pension fund managers and administrators, as well as regulations to protect pension promises against the sponsor's insolvency.

The principles are oriented towards occupational pension plans but are applicable to any form of private pension plan, whether defined benefit, defined contribution, or some hybrid of the two. The principles need to be applied in a regulatory and supervisory framework that is transparent, dynamic, consistent, and effectively enforced.

The endorsement by the INPRS was the first time that an international body of this sort has agreed on best prac-

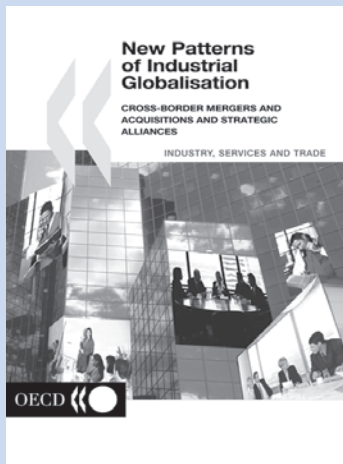
tices in the area of private pension systems. The OECD has also begun to develop a template for World Bank and International Monetary Fund (IMF) teams to assess implementation of the private pension principles.



*This book covers administrative issues related to private pension systems. It looks at these questions in general as well as examining in detail experience and practices in a number of countries in Europe, the Asia-Pacific region and America.*

In addition to national regulatory and supervisory bodies, INPRS members include international organisations such as the OECD (which services the Network), the World Bank, the IMF, the European Commission, the Latin American Association of Pension Fund Supervisors (AIOS) and the International Social Security Association, as well as regional INPRS networks for the Asia/Pacific area and Central and Eastern Europe.

OECD ministers at their annual meeting in May 2001 expressed support for the OECD's work to develop principles and best practices for the regulation of private pensions. This work will be conducted in close cooperation with the INPRS.



*Globalisation is accelerating the internationalisation of industry and reshaping industrial structure, especially through cross-border mergers and acquisitions (M&As) and strategic alliances which have become common paths to internationalising business operations, research and markets. An overwhelming share of foreign direct investment (FDI) is now in the form of M&As rather than investment in setting up new businesses. Strategic alliances are also a powerful mechanism for industrial restructuring on a global basis. This book presents the latest trends and drivers of globalisation in major OECD countries and their implications for industrial performance and government policies. It analyses regional as well as sectoral trends, including telecommunications, automobiles, steel, pharmaceuticals, airlines and financial services. It also assesses the increasing number of alliances for business-to-business (B2B) and business-to-consumer (B2C) electronic commerce, and globalisation of small and medium-sized enterprises (SMEs).*

The performance and policy implications of industrial globalisation, trends in cross-border mergers and acquisitions and other types of internationalisation were studied in 2001, as well as the challenges facing small and medium-sized enterprises.

## Steel

[www.oecd.org/enterprise/steel](http://www.oecd.org/enterprise/steel)  
[udo.pretschker@oecd.org](mailto:udo.pretschker@oecd.org)

Steel prices remained low in 2001, with over-capacity concerns heightened by weakening demand and increasing trade tensions. Members of the OECD's Steel Committee – representing 81% of world steel production and 86% of world steel trade – agreed on the need to tackle excess and inefficient steel capacity, with a goal of promoting free and open trade in steel. A high-level meeting of government representatives in September agreed to consult with steel producers in individual countries on restructuring efforts and a second meeting in December reviewed the results and agreed that all governments must encourage a market-based reduction of inefficient excess capacity in the near term. Governments also agreed to look further at possible solutions for financing the closure of steel facilities, which had emerged as a principal factor deterring many firms from full restructuring. Meetings in 2002 will look at ways to further reduce excess capacity through market forces, identify best practice in restructuring and look at ways to help meet the social and environmental costs of closures.

## Shipbuilding

[www.oecd.org/enterprise/shipbuilding](http://www.oecd.org/enterprise/shipbuilding)  
[danny.scorpecci@oecd.org](mailto:danny.scorpecci@oecd.org)

The outlook for the shipbuilding industry is not encouraging, with order

levels expected to fall as a result of the events of 11 September and the likelihood that this trend will continue in the longer term. This raises concern that government support may grow and trade disputes will proliferate. OECD members and non-members between them accounting for 95% of the world's shipbuilding industry met to discuss these issues in December and to consider ways to bring about a more level playing field in shipbuilding. Recognising that the views of the shipbuilding industry will be crucial in any agreement to bring about more competitive market conditions, the OECD decided to hold a consultation with the industry in March 2002. The OECD also regularly produces statistics covering 95% of world shipbuilding activities. They cover production facilities and labour force in both member countries and economies such as Brazil, China, Chinese Taipei, Croatia and Romania.

## Tourism

[www.oecd.org/sti/tourism](http://www.oecd.org/sti/tourism)  
[alain.dupeyras@oecd.org](mailto:alain.dupeyras@oecd.org)

The 11 September terrorist attacks and their aftermath hit the tourist industry hard, compounding an economic downturn that was already underway. A meeting of travel and tourism policy experts the following month recommended that governments undertake detailed national assessments of the impact on their national tourist industries. But the experts said that long-term prospects for the industry in OECD countries, which between them account for about two-thirds of the global industry, remained positive. Work on tourism more generally aims to enhance the capacity of OECD governments to adjust their policies and actions to support sustainable growth in tourism, and to better integrate tourism policy issues with other policy areas.

## TERRITORIAL REVIEWS

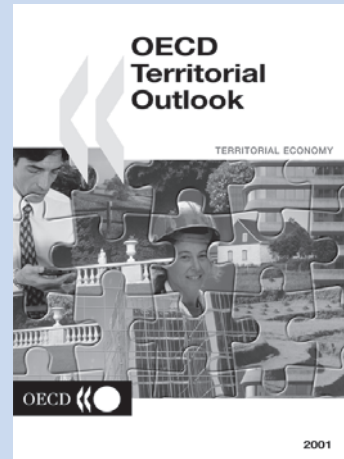
[www.oecd.org/territorial](http://www.oecd.org/territorial)  
[territory.contact@oecd.org](mailto:territory.contact@oecd.org)

How and why does economic performance differ within a country? What are the prospects for a certain territory? Governments attach increasing importance to such questions and in response the OECD is reviewing how member countries implement territorial policy at national level through territorial policy reviews launched three years ago. These reviews contribute to the OECD's task of multilateral evaluation of member country policies aimed at achieving sound economic expansion while enhancing social cohesion and promoting environmentally sustainable development.

Territorial reviews focus on policies to support economic and social development and to reduce territorial disparities by promoting local competitive advantages and unused potential for growth. They also look at ways to improve the efficiency of governance with special reference to fiscal federalism and to partnerships between different areas of government such as central and regional authorities, or between sub-national authorities.

The OECD has developed a framework and methodology for the reviews, which set out first to identify the nature and scale of territorial challenges and assess territorial policies and governance, then develop specific recommendations and seek to disseminate best practices through a peer review process exercised by the Territorial Development Policy Committee. (TDPC).

Italy, Hungary and Korea, then Canada, Switzerland and Mexico were the first countries to entrust the Committee with an examination of their policies. Regional reviews have been completed for Teruel in Spain, Tzoumerka in Greece, Comarca Centrales Valencianas in Spain, Bergamo in Italy, Champagne-Ardennes in France, Sienna in Italy and Morevska-Trebova in the Czech Republic. Reviews are underway for Helsinki in Finland, Vienna in



***Territorial development is the newest policy field in the OECD. It responds to the two most important trends of the 1990s, globalisation and sustainability, by helping all the territories within countries – their cities and regions – to enhance and exploit their assets and endowments. Working within an increasingly decentralised governance, the public and private sectors as well as civil society are concerned to prepare territories for the future.***

Austria and Melbourne in Australia, and are due to be completed in 2002. The first cross-border regional review, of Oresund in Denmark/Sweden, is also due to be completed in 2002 and others are expected to follow.

The reviews have helped member countries and regions to better address territorial development issues, to enhance co-operation between the various administrative levels involved and to improve the efficiency of their development policies and institutional framework.

## EMPLOYMENT AND SOCIAL COHESION

[www.oecd.org/els](http://www.oecd.org/els)  
[els.contact@oecd.org](mailto:els.contact@oecd.org)

The 2001 ministerial communiqué (see p. 85) stressed that “social cohesion is a central objective of sustainable development”. This is why OECD countries are increasingly committed to fighting social exclusion by enhancing employment and ensuring adequate opportunities to learn. OECD education ministers also stressed when they met in April 2001 that “sustainable development and social cohesion depend critically on the competencies of all of our population”. In this respect, equitable access to learning opportunities is a major policy concern. A wide range of OECD work addresses these issues, with the objective of finding a balance between efficiency and equity.

### Enhancing employment opportunities

[www.oecd.org/employment](http://www.oecd.org/employment)  
[employment.contact@oecd.org](mailto:employment.contact@oecd.org)

Despite recent reductions in structural unemployment in the OECD area, creating greater employment opportunities remains a major policy priority. The “activation” of labour market policies is one way to achieve this and a Policy Brief published in 2001 on “Labour Market Policies that Work” provides a range of good practices in this respect. Some countries are strengthening the complementarities between private and public employment services as part of efforts to help the unemployed find jobs. The Australian experience of subcontracting employment services to private and community organisations provides an interesting innovation in this area, examined in 2001 in

*Innovations in Labour Market Policies: the Australian Way*. The 2002 edition of the OECD *Employment Outlook* will examine a key element of the employment strategy: the impact on employment of the interaction between product market competition and labour market policies. It will also address whether temporary jobs, interim work and other “atypical” employment contracts—a major source of job creation in some countries—are a stepping stone to better jobs or whether there is a risk that people get

trapped in these contracts. Looking further ahead, the OECD is carrying out a major review of policies to improve employment prospects of older workers to help meet concerns about the socio-economic impact of population ageing.

But emphasis on employment policies is not enough. They need to be better integrated with social policies to reduce social exclusion, as the latest edition of the *Employment Outlook* recommends. This encompasses reforms of taxes and social benefits to make work pay, efforts to upgrade skills and effective ways of helping people keep their jobs. Countries are increasingly aware that employment and welfare policies need to be “activated” by making benefits more employment-oriented.



**Dr. Seymour Papert, USA, 2001 Nobel Economics Prize winner, with Han Wan-Sang, Deputy Prime Minister, Minister of Education and Human Resources Development, Korea, at a forum on Information and Communication Technology and Education, held before the meeting of OECD Education Ministers in April 2001.**

To shed further light on how to make social policies more employment-oriented, the OECD is reviewing policies to reconcile work with family responsibilities and examining policies to help bring disabled people of working age into the labour force.

## HUMAN CAPITAL

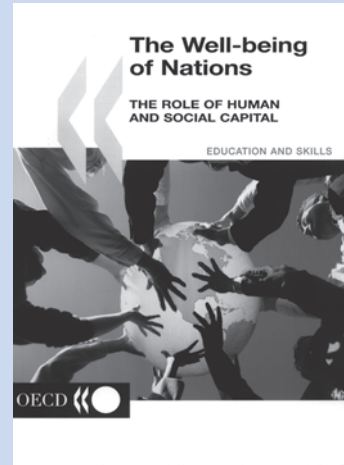
[www.oecd.org/els/education](http://www.oecd.org/els/education)

[barry.mcgaw@oecd.org](mailto:barry.mcgaw@oecd.org)

Education, training and informal learning all contribute to the development of “human capital” – the skills and attributes necessary to human achievement both inside and outside the workplace. The OECD growth project (*see box p. 16*) helped to clarify the contribution of human capital to economic growth in OECD countries, showing that for each additional year of education among those in the labour force, GDP rises by about 6%. An OECD report published in 2001, *The Well-being of Nations: The Role of Human and Social Capital*, found that better-educated people tend to be healthier, happier and more effective at educating their own children. Human capital also helps to support “social” capital, in the sense that civic and political participation tend to increase with education.

Childhood and compulsory schooling clearly represent a critical phase in human capital formation. The OECD-led Programme of International Student Assessment (PISA) survey provides the first direct test-based assessment of the mathematical, scientific and reading literacy skills of 15-year-olds. The 2000 survey covered 32 countries including most OECD countries and some non-OECD countries such as Brazil and Russia. A first report, *Knowledge and Skills for Life: First Results from PISA 2000*, was published at the end of 2001. The report shows considerable differences in levels of knowledge and skills between students, schools and countries. It also found that the socio-economic background of students and schools affects student performance to differing degrees. Further reports will use these data to explore school and social background factors in depth, particularly the capacity of schooling to enhance knowledge and skills and overcome disadvantages of social background. Further rounds of the survey will concentrate on specific areas, focusing on mathematical skills in 2003 and scientific skills in 2006. The survey will also be extended to at least 15 other non-OECD countries, including China and Indonesia.

Education and training after compulsory schooling are also extremely important – roughly half of public expenditure on education and training in OECD countries is devoted to the post-compulsory phase. A special chapter in the December 2001 issue of the OECD *Economic Outlook* on “Investment in human capital through post-compulsory education and training” found that the economic returns on investment in upper secondary and tertiary education were strikingly high in many OECD countries, and explored the potential reasons. It noted that subsidies for post-compulsory education tend to benefit those from more privileged backgrounds and whose income and employment prospects are good. Carefully handled subsidy reductions,



***In a rapidly changing world, the success of nations, communities and individuals may be linked, more than ever before, to how they adapt to change, how they learn and how they share knowledge. The evidence suggests that human and social capital can be of key importance in contributing to positive outcomes, including higher income, life satisfaction and social cohesion. This report helps clarify the concepts of human and social capital and evaluates their impact on economic growth and well-being.***

it suggested, have improved equity without significant evidence of large adverse effects. Some further work building on this exercise is envisaged for 2002.

Rigorous measurement of the outcomes of human capital investment among adults remains a challenge, particularly in respect of the “softer” skills such as problem-solving and teamworking which may be critical to performance in the workplace. The OECD collaborated in the International Adult Literacy Survey (IALS) in the mid- and late 1990s, and is now playing an active role in the new Adult Literacy and Lifeskills survey (ALL). The ALL survey, currently in the pilot phase, has developed and built on the competency measures used in IALS – particularly through its development of a measure of problem-solving skill. The OECD will continue to undertake development work on the measurement of adult skills.

Much human capital is developed, maintained and exploited in the workplace. Employment policy – including enterprise training policies and programmes to assist unemployed workers back into work – therefore also plays a large role in the development of human capital.

## THE OECD HEALTH PROJECT

[www.oecd.org/health](http://www.oecd.org/health)  
[health.contact@oecd.org](mailto:health.contact@oecd.org)

The OECD embarked on a three-year Health Project in 2001 to help member governments deal with the growing challenges that face health policy and health care systems. Health systems are an important element in social cohesion and represent the largest service sector in many OECD countries. Their efficiency and equitable distribution, their impact on public finances, and their ability to meet the challenges of medical advances, ageing populations and rising expectations require creative policy approaches. The Health Project will provide policy guidance on these matters. The project focuses on measuring and analysing the performance of health care systems in member countries as well as the factors affecting performance. It will ultimately address the public policy dilemma of deciding what level of resources should be devoted to health care as well as how these resources should be financed and allocated.

One of the early contributions of the Health Project was a major conference in Ottawa in November 2001, sponsored by the Canadian government, on Measuring and Improving Health Systems Performance in OECD Countries. The conference was designed to allow countries to share their different experiences of how the key actors in health systems can best work together in this area. Ministers from several OECD countries agreed that international comparisons can help identify best practices and that measuring performance is a key element in improving health care systems. A volume of proceedings is in preparation, including a report of the discussion that took place at the Ministerial Roundtable during the meeting. Preliminary synthesis results from the Ageing-Related Diseases project were presented at the conference as an illustration of the way that international comparison and analysis can assist national policy-making. The Ageing-Related Diseases project is analysing treatments, costs and outcomes in relation to health policy and economic incentives for major conditions affecting older populations across a sample of OECD countries. A final report is expected in 2002.

Other components of the Health Project will include projects on the measurement of performance including equity, the micro-efficiency of resource use, including methods of paying physicians, nurses and hospitals; a

project on excessive waiting times for surgery; reviews of emerging technologies; work on private health insurance; a project on care of frail elderly people, including the social implications of dementia; and a series of overall assessments of health systems.

A synthesis report, to be presented to the 2004 ministerial meeting, will provide concrete information to national policy-makers, helping them to improve their systems' performance and make difficult resource allocation decisions.

OECD publications on health during 2001 included the best-selling OECD *Health Data*, which included over 1 200 data series and graphic illustrations of how health care systems work, all on a CD-ROM, and *Health at a Glance* which presents in a book charts of the variations and trends in key indicators from OECD *Health Data*, with a commentary on each.



*Science and technology improve human health but the pressure for faster and larger improvements is building with the ageing of the population of many OECD countries and increased demands for health care. A fundamental starting point for better understanding of the impact of innovation on health is the measurement of R&D. This book looks in detail at measurement practices across 10 OECD member countries internationally.*



## Investing in human and social capital

[www.oecd.org/els/education](http://www.oecd.org/els/education)

[barry.mcgaw@oecd.org](mailto:barry.mcgaw@oecd.org)

Ensuring adequate investment in workers' skills and competencies is an important plank of lifelong learning strategy. Unfortunately, as the 2001 *Education Policy Analysis* shows, the unskilled and other vulnerable groups do not receive enough training. To shed light on how to improve the situation, a review of adult learning policies due to be published in 2002, will examine good practices in this area. The final report on the OECD Growth Project, *The New Economy: Beyond the Hype*, also emphasised the growth-enhancing role of the skills and competencies em-

bodied in workers (see box p. 23). This will be followed up with research on policies to improve incentives to invest in human capital, as well as the role of labour-management institutions vis-à-vis these investments. The main results of this work will be presented at a meeting of the Employment, Labour and Social Affairs Committee in 2002 and subsequently published.

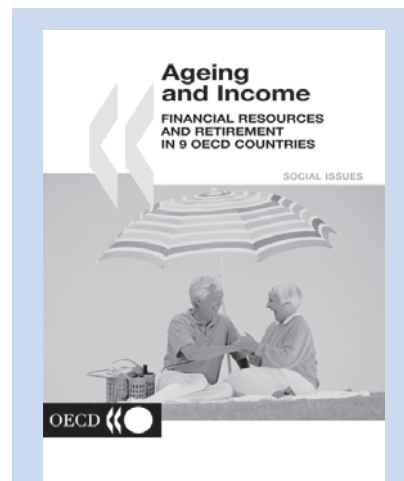
Recent research has highlighted the importance of "social capital" – primarily social networks and mutual trust – in many kinds of social and economic endeavour. In 2001 the OECD published a major report, *The Well-being of Nations: The Role of Human and Social Capital*, describing evidence of the many benefits of social capital, as well as those of human capital. The OECD intends to work with member countries to improve the measurement of social capital, enhance international comparability, and share and learn from policy experience.

## Migration

[www.oecd.org/migration](http://www.oecd.org/migration)

[els.migration@oecd.org](mailto:els.migration@oecd.org)

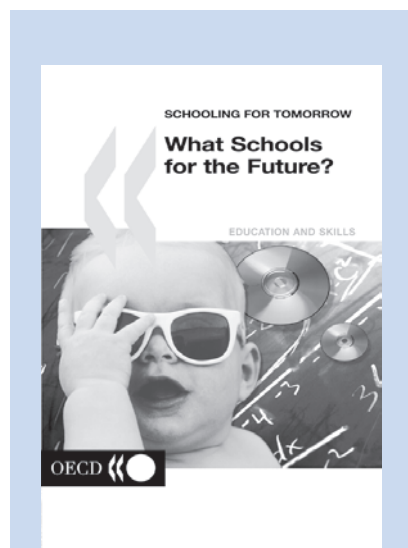
International migration is an integral part of the globalisation of the world economy. Migration flows help boost economic exchanges and movement of human capital between OECD members and with non-member countries. The 2001 edition of the annual *Trends in International Migration* confirmed the global upward trend in migration flows, showing an increase in the number of source countries of migrants as well as an increase in the number of destinations and a growing trend of female migration. The latest issue of the report also found a significant increase in the share of immigrants in the population of a number of OECD countries.



*This study of the material well-being of older people in nine OECD countries uses a wealth of new data to shed light on the challenges that face policy-makers as they anticipate the coming retirement of the baby-boom generation. In all the countries surveyed, policies have been fundamentally successful: older people at all income levels tend to maintain or even increase their material standards of living once they stop working, but demography and changing labour market patterns make reforms to these systems imperative.*

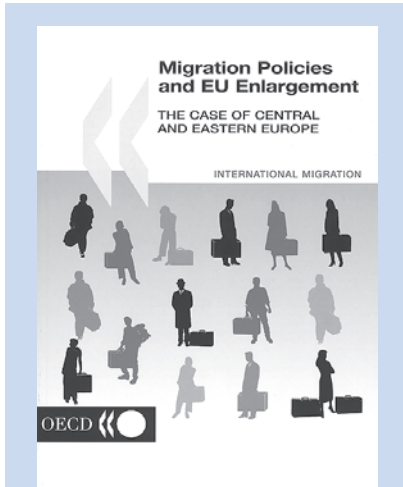
Economic migration by people seeking jobs may be at the heart of the immigration debate at the start of the new millennium but the persistence of illegal immigration and a sharp rise in the number of asylum seekers make it a priority to boost cooperation between the destination countries and the migrants' countries of origin if the flow is to be better managed. Integration of migrants into the host societies and their labour markets also remains a key objective of migration policies.

The report also includes a special chapter on student mobility, which is increasing alongside requirements for higher levels of education, for more specialised knowledge and for



*The book analyses the social, economic, and educational trends of the 21st century, drawing on an extensive international body of statistical and research evidence. It also presents six possible scenarios for school systems over the next 10-20 years.*

command of foreign languages. Internationalisation of education offers host countries the possibility of qualified workers from abroad to



*This book shows that the migration flows within and from the Central and Eastern European countries (CEECs) are much more complex than a straightforward flow towards the European Union and North America. It analyses the important role the CEECs may play as "buffer zone" between the current EU member states and the other countries of Southern and Eastern Europe and reveals what the prospective enlargement of the EU implies in terms of CEECs' migration policies on such subjects as border control, the control of flows, labour migration, family-linked migrations, refugees and asylum seekers.*

ease skilled labour shortages at home. Several OECD member countries have eased regulations for entry to their labour markets of foreign students at the end of their training. At the same time, greater co-operation is needed between the host countries and the students' countries of origin to limit the risk of a "brain drain" and ensure a more equitable sharing of the advantages of international mobility. An OECD seminar on international labour mobility in June 2001 offered a chance to measure the scale and characteristics of these flows and to analyse their impact on the economies of several host countries and countries of origin. The meeting also examined various ways of adapting migration policies to make it easier for qualified workers to move around to the equal benefit of both host countries and countries of origin. The OECD plans to look at this issue in more depth in 2002-2003 and to look closely at the relationship between human capital movements and sustainable development in non-member countries.

Studies of the economic impact of migration and its links with domestic developments and policies in individual member countries will form part of a number of OECD *Economic Surveys* in 2002-2004 and a synthesis of the results will be prepared.

## Social issues

[www.oecd.org/social/spd.contact@oecd.org](http://www.oecd.org/social/spd.contact@oecd.org)

The focus of much OECD work on social issues is ensuring coherence between labour market and social policies. Two major projects in 2002 will address this area: one on reconciling work and family responsibilities and one on policies for the disabled.

The reviews of work and family policies will look at how countries have addressed the goals of allowing parents to pursue their careers, while supporting their role in fostering the development of their children. Reviews of the Netherlands, Denmark and Australia will be finalised in 2002 and new reviews will begin for Switzerland, Spain, Japan and Ireland.

A review of policies for disabled people of working age in 20 member countries will also be finalised in 2002. This project explores how countries have addressed the twin but potentially contradictory goals of ensuring that disabled citizens are not excluded from employment and social life but that they have income security if their earnings potential is restricted. This project will try to deduce best practices in addressing these issues.

## TRADE AND INTERNATIONAL INVESTMENT

[www.oecd.org/trade](http://www.oecd.org/trade)

[ech.contact@oecd.org](mailto:ech.contact@oecd.org)

Trade and investment liberalisation has been a powerful stimulus to economic growth and a significant factor in integrating an expanding number of countries into the world economy. OECD work on trade helps forestall the trade tensions and conflicts that can emerge under the pressure of ever-intensifying competition. A key objective is to support member countries' moves to strengthen the multilateral trading system and facilitate broad-based multilateral trade negotiations under the auspices of the World Trade Organization (WTO). The OECD provides analysis that underpins these efforts, measuring the impact of multilateral trade agreements and assessing the likely outcomes of further liberalisation.

Work in the run-up to the WTO ministerial meeting in Qatar in

November 2001 covered three fronts: strengthening support for free trade, building bridges and helping to develop modalities for negotiations.

### Strengthening support for free trade

The OECD recognises the need to strengthen support for trade liberalisation and to address the concerns of citizens and developing countries about a more liberal trading regime. Work in 2001 covered areas such as services (*see box p. 28*), agriculture (*see box p. 30*), regional trade agreements (*see box p. 31*) and the relationship between trade and development. *The Development Dimensions of Trade* seeks to foster a better understanding of the positive links between trade, growth and development and to establish why developing country interests are best served

in the framework of the multilateral trading system. The study acknowledges the crucial importance of development co-operation and capacity building to support developing countries in reaping the benefits of trade and investment liberalisation. The OECD has also developed a series of guidelines to address these challenges and to help member countries implement assistance programmes effectively. This trade and development work was the subject of a brainstorming session at the OECD in April 2001, attended by WTO Director-General Mike Moore, and of a roundtable in Santiago in June 2001.

### Building bridges

The OECD also helps bridge the gap between countries' positions on particularly sensitive trade-related subjects. OECD work in 2001 helped clarify the debate over international trade and core labour standards, notably through presentations to the International Labour Organization (ILO) and to the WTO Secretariat and a workshop of the OECD Global Forum on Trade on the study *International Trade and Core Labour Standards*. This found that countries with low core standards do not enjoy better export performance than high-standard countries. In the area of trade and environment, considerable attention was devoted to the OECD's work on sustainable development (*see chapter p. 32*). Analytical work is also proceeding on issues related to the environmental effects of trade liberalisation. In the area of trade and investment, analytical work con-



(Left to right) Luis de la Calle, Mexican Deputy Minister of Economy, Shigeo Uetake, Japanese Senior Vice-Minister for Foreign Affairs, Takeo Hiranuma, Japanese Minister of Economy, Trade and Industry, and Mauro Fabris, Italian Secretary of State, Industry, External Trade and Tourism, at the trade ministers' working lunch during the OECD Ministerial Council.

## TRADE IN SERVICES

[www.oecd.org/ech](http://www.oecd.org/ech)

[ech.contact@oecd.org](mailto:ech.contact@oecd.org)



The General Agreement on Trade in Services (GATS) was one of the major achievements of the Uruguay Round of multilateral trade negotiations, establishing a structure and framework of rules for global trade in services and for commitments to liberalise that trade. While little actual liberalisation was achieved in those negotiations, the GATS established a framework for future rounds. Negotiations under this “built-in-agenda” began on 1 January 2000 and were given renewed momentum at the World Trade Organization ministerial meeting in Qatar in November 2001 when ministers undertook to start the market access phase. They agreed dates of 30 June 2002 for initial liberalisation requests and 30 March 2003 for liberalisation offers.

Against this backdrop, OECD work on trade in services is currently addressing four core questions.

- Making the case for continued services trade liberalisation:** The OECD in 2001 completed a study, *Open Services Markets Matter*, as a resource for governments in consultations with domestic stakeholders. The study focuses on three main areas, starting with the economy-wide benefits of trade and investment liberalisation in services in both developed and developing countries, identifying practical examples and drawing on available empirical research. It also deals with criticism of the GATS, including charges that the GATS threatens the provision of essential public services and governments’ legitimate right to regulate service activities, and key negotiating challenges, especially for developing countries. A Policy Brief summarising the study’s main findings was made available at the WTO ministerial meeting in Qatar. The full study will be published in 2002.
- Labour mobility:** The GATS also covers the temporary movement of people across borders to deliver services such as technical training. This issue is increasingly important to globally active firms and is a key area of export interest for many developing countries. Ongoing work is focused on approaches to the movement of
- service suppliers in selected regional trade agreements and available statistics (both trade in services and labour market/immigration). It also covers the economic effects of temporary foreign workers on host and origin countries as well as the issues surrounding and barriers to such trade, and how these might be addressed in negotiations.
- Domestic regulation:** This project, undertaken with the World Bank, concerns the relationship between a country’s right to regulate in pursuit of a range of social and economic objectives and good regulatory practice in relation to the liberalisation of trade in services. The project is examining how improved domestic regulation is necessary for successful trade liberalisation and how GATS rules can promote regulatory reform and efficiency without unduly limiting regulatory freedom. It is also looking at how to promote greater regulatory transparency and whether possible new disciplines should apply to all sectors, or be developed on a sectoral basis, as well as how the GATS can best promote the adoption of international standards to facilitate services trade. The project aims to produce cutting-edge policy analysis on what is widely seen as the most complex aspect of ongoing GATS negotiations. The results will be presented in a joint publication with the World Bank towards the end of 2002.
- Request-Offer Template:** This project aims to enable WTO members, in particular developing countries, to make a success of the market access stage of the GATS negotiations. It outlines best practice and lessons learnt in consultation with domestic stakeholders and necessary intragovernmental co-ordination as well as providing a practical checklist for negotiators of the measures and policies that may affect the value of a liberalisation offer.

*Trade in Services: Negotiating Issues and Approaches*, published in 2001, brought together a number of studies completed under the services project during 1999-2000. Ongoing work on services is discussed each year in a meeting of services experts which includes senior services negotiators from selected non-OECD members.

tinues on the effects of trade agreements on governments' ability to use investment incentives. OECD bridge-building activities in all these areas have benefited from extensive dialogue with non-member countries.

## Negotiating methods

The OECD is also helping to develop broader consensus on the modalities for multilateral trade negotiations. A CD-ROM, *Tariffs and Trade*, was developed to help trade negotiators formulate their objectives and strategies on customs tariffs and the OECD also produced a study, *Trade in Services: Negotiating Issues and Approaches*. OECD work on labour mobility and the General Agreement on Trade in Services (GATS) was presented to the WTO in December.

## Export credits

[www.oecd.org/trade/xcred](http://www.oecd.org/trade/xcred)  
[Xcred.Secretariat@oecd.org](mailto:Xcred.Secretariat@oecd.org)

Governments provide official export credits to help national exporters competing for overseas sales. OECD work on export credits seeks to build international consensus on rules and guidelines that will eliminate trade distortions and reduce the potential for subsidies. In 2001, this work focused on the environment, unproductive expenditure in the Heavily Indebted Poor Countries (HIPCs), agriculture and developments in the WTO.

Discussions on export credits and the environment progressed and by the end of 2001 most OECD members decided to implement unilaterally a set of common approaches to screen and review the potential environmental impact of projects benefiting from official support. This represents the first common "greening" of officially supported export credits; it is an important first step and improve-

ments are foreseen through ongoing discussion and review. The OECD Working Party on Export Credits and Credit Guarantees also adopted a statement of principles designed to ensure that officially supported export credits are not provided for unproductive expenditure. This means non-essential capital goods and projects that do not contribute to the social and/or economic development of HIPCs but increase their external debt burdens.

The participants to the Arrangement on Guidelines for Officially Supported Export Credits also negotiated an Understanding on export credits for agricultural products which most could agree and considered the impact on the Arrangement of recent developments in the WTO. Finally, much progress was made in negotiations to revise the 1981 Understanding on Export Credits for Ships,

resulting in a Sector Understanding that is under consideration by members for adoption and implementation in 2002.

## Agriculture

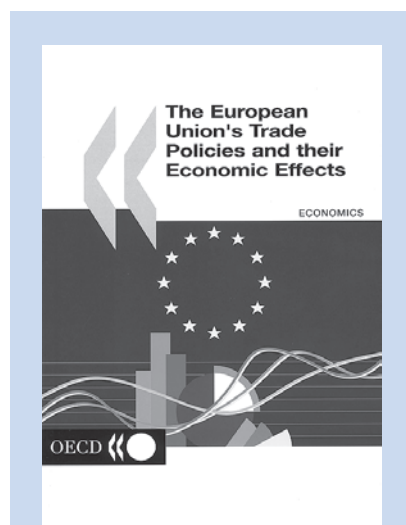
[www.oecd.org/agr](http://www.oecd.org/agr)  
[agr.contact@oecd.org](mailto:agr.contact@oecd.org)

The OECD carries out a wide-ranging programme of analytical work on the impact of domestic agricultural policy reform and agricultural trade liberalisation on OECD and non-OECD countries (*see box p. 30*). A high-level meeting in September 2001 on Effective Policies for Agriculture and Food: Domestic and International Dimensions included dialogue with civil society organisations and recognised the need for greater civil society involvement as well as the need to integrate non-member country interests into the OECD policy debate.

## Trade and competition

[www.oecd.org/regreform/competition](http://www.oecd.org/regreform/competition)  
[ech.contact@oecd.org](mailto:ech.contact@oecd.org)

The OECD carries out analytical work on trade and competition issues in co-operation with international organisations, particularly the WTO and the United Nations Conference on Trade and Development (UNCTAD) and suggests various options to resolve them. Since the renewal in 2000 of its two-year mandate, the OECD Joint Group on Trade and Competition has worked on the relationship between intellectual property rights and trade and competition policies, as well as on the development dimension of trade and competition policies. Key topics for study included the effect of parallel trade in goods protected by intellectual property rights, the trade and competition aspects of electronic commerce, with a roundtable held in

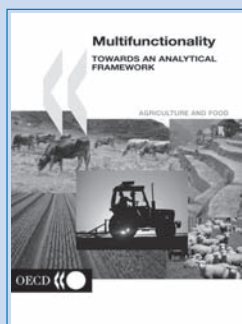


*This book retraces the Community's external liberalisation efforts, discusses the repercussions of internal liberalisation on foreign competitors and aims to clarify and to quantify the economic effects of the EU's trade policies.*

## AGRICULTURAL TRADE

[www.oecd.org/agriculture/trade](http://www.oecd.org/agriculture/trade)

[agr.contact@oecd.org](mailto:agr.contact@oecd.org)



The OECD is carrying out an extensive programme of work on the impact of domestic agricultural policy reform and trade liberalisation, which supports ongoing multilateral negotiations on trade in agriculture that were given new momentum at the WTO ministerial meeting in Qatar in November 2001. A key element of the OECD work

involves monitoring and evaluating trade and trade policy developments under the Uruguay Round agriculture agreement and estimating the likely impact of further liberalisation. OECD experts are also analysing issues arising at the interface of domestic and trade policies, in particular the environment and the multifunctionality of agriculture, with a view to helping governments design policies that do not have unintended consequences for trade.

The trade-related work is underpinned by two annual publications, *Agricultural Policies in OECD Countries: Monitoring and Evaluation* which contains comprehensive estimates of support and protection in agriculture and the *Agricultural Outlook* which analyses topical trade issues against the background of the medium-term outlook for markets and trade. The OECD published an in-depth evaluation of the implementation of the Uruguay Round agreement on agriculture in the run-up to the Qatar WTO meeting, *The Uruguay Round Agreement on Agriculture: An Evaluation of its Implementation in OECD Countries*, and will continue to monitor the agreement and its impact. An analysis of the likely impact on domestic and international markets of further improvements in market access will be published in 2002. This report complements two studies produced in 2001 – “A Forward-looking Analysis of Export Subsidies in Agriculture” and “An Analysis of Officially Supported Export Credits in Agriculture.” A report on the rationale and implications of future domestic and agricultural trade policy reform is due for release in 2002. It will synthesise results from

recently published studies as well as ongoing work on agricultural trade issues.

The Agricultural Market Access Database or AMAD ([www.amad.org](http://www.amad.org)) is also an important resource for agricultural trade policy research. This co-operative effort between the OECD and a number of other international organisations and national agencies was updated in 2001.

Much of the work on agricultural trade deals with the concerns of non-OECD economies. Two reports in 2001 looked at the concerns of emerging and transition economies. “Uruguay Round Agreement on Agriculture: the Policy Concerns of Emerging and Transition Economies” examined how they would be affected by reforms in market access, export competition and domestic support, while *Agricultural Policies in Emerging and Transition Economies 2001* investigated the implications of increases in the use of non-tariff measures. The OECD is now analysing the links between agricultural trade reform worldwide and absolute poverty in emerging and developing economies. *State Trading Enterprises in Agriculture* was issued in 2001 and work is continuing to determine the impact of state trading enterprises on domestic and international markets. The OECD is also working on the likely effects on food security in non-member economies of further trade liberalisation in OECD countries over the medium term, with a report on due for release in 2002.

The OECD has also started work to quantify the effects on agricultural production and trade of domestic policy measures whose primary aim is to decouple economic growth from environmental degradation, following a conceptual framework defined in 2000 in “Decoupling: A Conceptual Overview”. Non-trade concerns have also become a major issue in ongoing multilateral negotiations. *Multifunctionality: Towards an Analytical Framework* sets out to evaluate the multifunctionality of agriculture – its contribution beyond food production in areas such as preserving rural lifestyles and environment – including the domestic and trade policy implications.

May 2001, and the potential relevance of “special and differential treatment” for developing countries in reference to trade and competition.

### International investment

[www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

The OECD promotes co-operation among governments concerning capital movements, international investment and trade in services (*see box p. 28*). It aims to improve the foreign investment climate and encourage the positive contribution of multinational enterprises to economic and social progress while helping to minimise and resolve difficulties that may arise from their operations. It does this by carrying out analysis and developing and

monitoring rules to promote international co-operation as well as through consultations with representatives of non-member economies, business, labour and other groups.

A key area of current work is an in-depth survey of the benefits and costs of foreign direct investment (FDI) for development and a broad analysis of incentives- and rules-based competition to attract FDI. Results of the survey are due to be published in 2002.

The first annual report on implementation of the revised OECD Guidelines for Multinational Enterprises was also published in 2001 and national contact points in participating countries held their first annual meeting. The Guidelines, recom-

mendations by the 35 signatory governments to multinational enterprises on their conduct in such areas as labour, environment, consumer protection and the fight against corruption, are not binding on enterprises, but governments are committed to promoting their observance. The report gave an account of what governments have been doing to implement the guidelines and provided a comparative analysis of the guidelines and other global instruments for corporate responsibility. Other work in 2001 looked at the challenges posed by local conflicts and widespread human rights abuses. Future work will include analysis of corporate responsibility in the supply chain and exchanges of experiences on measures to promote the MNE Guidelines.

## REGIONAL TRADE AGREEMENTS

[www.oecd.org/ech](http://www.oecd.org/ech)  
[agr.contact@oecd.org](mailto:agr.contact@oecd.org)

Regional trade agreements (RTAs) have increased sharply in recent years, sparking lively debate as to whether they push countries further down the road of trade liberalisation or act as a brake on multilateral trade efforts. An OECD study in 2001, “Regional Integration: Observed Trade and Other Economic Effects” found that results from empirical evidence so far have not proved more conclusive than theory, which sees RTAs as entailing both benefits and disadvantages. The study found that while some RTAs significantly boosted trade within the regional trading bloc, others did not. There was also some evidence that trade with countries outside the RTA is smaller than it otherwise might have been in at least some of the agreements considered, but the picture is mixed and it is not possible to conclude whether this is a major problem. The study also found that RTAs have been welfare-improving for parti-

cipating countries and trading arrangements as a whole, but the variation in simulated economic gains is wide depending on the model used.

Given the large and increasing number of studies in this area, the OECD is developing a database to facilitate a more comprehensive analysis of the effects of RTAs.

Analytical work was initiated in 2002 with a view to deepening understanding of the symbiotic relationship between RTAs and the multilateral trading system. This work aims to answer the question of whether, and to what extent, RTAs take trade liberalisation beyond the levels agreed in the WTO. It will also look at whether, and how far, rules and provisions in RTAs go beyond what has been achieved in the WTO or what might be possible and desirable multilaterally.

## SUSTAINABLE DEVELOPMENT

[www.oecd.org/sustainabledevelopment/](http://www.oecd.org/sustainabledevelopment/)

[Marco.Mira@oecd.org](mailto:Marco.Mira@oecd.org)

For development to be sustainable, societies must invest in physical, human, social and environmental capital. Preserving adequate stocks of such capital is essential to ensure that the capacity of future generations to meet their own needs is not diminished, whether by exhausting resources, destroying the environment or creating untenable social and economic conditions. OECD countries committed themselves to achieving sustainable development almost a decade ago at the 1992 UN Conference on Environment and Development (UNCED) in Rio. Yet as leaders prepare themselves for a World Summit on Sustainable Development (WSSD) in Johannesburg in September 2002, progress in protecting the environment and reducing poverty worldwide falls short of what is needed.

This was the conclusion of a three-year project on sustainable development launched by ministers in 1998. The final report entitled *Sustainable Development – Critical Issues* was presented to OECD ministers in May 2001. It spelled out the organisation's approach to sustainable development and identified some of the conceptual and practical barriers to progress. A companion volume, *Policies to Enhance Sustainable Development*, offered concrete policy recommendations to make markets work for sustainable development, for strengthening decision-making, for harnessing science and technology and for managing links to the global economy. The reports drew on multidisciplinary work involving experts across the OECD as well as

affiliate organisations such as the International Energy Agency (IEA), the OECD Nuclear Energy Agency (NEA), the European Conference of Ministers of Transport (ECMT), and the OECD Development Centre.

OECD ministers for economics, finance and environment endorsed the key recommendations at a joint meeting in Paris in May 2001 and firmly established sustainable development as a priority. They asked the organisation to intensify its work on indicators to be used in future peer reviews (*see box p. 33*) and to undertake further work on overcoming obstacles to reform, on the social dimension of sustainable development, and on ways to improve policy integration and coherence. At a semi-

nar on Improving Governance for Sustainable Development in November, international experts discussed the challenges of policy coherence drawing on a number of concrete experiences (*Governance for Sustainable Development. Five OECD Case Studies – Canada, Germany, Japan, Netherlands and United Kingdom*).

### Environment

[www.oecd.org/environment/](http://www.oecd.org/environment/)

[env.contact@oecd.org](mailto:env.contact@oecd.org)

OECD environment ministers met in Paris in May to discuss how to ensure that economic growth is not accompanied by increased environmental degradation. They considered why such decoupling is necessary, how to achieve it and how to measure progress. The ministers adopted an



**Laurent Fabius, French Minister of the Economy, Finance and Industry, and Dominique Voynet, French Environment Minister, at the session on sustainable development during the OECD Ministerial Council.**



## SUSTAINABLE DEVELOPMENT INDICATORS

[www.oecd.org/sustainabledevelopment/](http://www.oecd.org/sustainabledevelopment/)  
marco.mira@oecd.org

The desire for sustainable development implies a need to be able to measure progress towards achieving it. Realising this, OECD ministers at their annual meeting in May 2001 asked the organisation to develop indicators of sustainable development and to use these in its regular peer reviews of government policies.

Member countries' policies are already reviewed by their peers in separate processes covering each of the three dimensions of sustainable development: economic, social and environmental. But progress on sustainable development is not always easy to identify. For example, is it progress if a change in regulations brings environmental improvement at the price of lower material standards of living? This is clearly a value judgement where different people and different governments may have differing but equally legitimate answers. To avoid pure value judgements, sustainable development measurement in peer reviews will focus on identifying policies which can ensure progress in one dimension with minimal deterioration in the other two.

All of this has implications for the choice of indicators. The purpose of the indicators is not to compare countries' performance, except insofar as this tells something about which policies work best. But clearly the peer reviews are aimed at providing policy recommendations. Therefore the indicators should provide information to judge which policy settings could improve performance in terms of sustainable development.

Because country reviews in the economic field are more frequent than environmental or social reviews, sustainable development will be included in economic reports for all OECD countries before such full coverage in environment or social reports. By 2004, economic surveys of all OECD countries should have covered sustainable development issues.

OECD peer reviews focus on policies. Country representatives discuss and criticise each other's policies and in the process acquire useful input for the domestic policy debate. The basic question to be answered about sustainable development in such reviews will be whether different policy settings could help a country to achieve



*How to meet the needs of today without diminishing the capacity of future generations to meet theirs is the central question posed by this book. OECD countries committed themselves to sustainable development at the 1992 UN Conference on Environment and Development in Rio. Yet almost 10 years later, progress remains partial and uneven. This report stresses the urgency of some of the most pressing challenges and analyses policies designed to address them.*

progress in this area. This question cannot be answered in the abstract. It will depend on the specific policy settings in the country concerned and can only be tackled for a limited number of policy issues where enough concrete evidence is available to identify better policies.

This means that comparable indicators of sufficient quality will only be available for a limited number of issues. The choice will also be influenced by the need to be able to compare discussions and policy recommendations across countries, as indicators suitable for just one country are not really viable. So a menu of important policy issues will be drawn up from which a few areas will be selected for each country peer review, based on their relevance to that country. The first step in this work will be to establish the menu and the indicators that go with each policy issue. The second step will consist of the actual peer reviews, with the process taking about two years, at least for the full coverage of OECD countries in regular economic surveys. A synthesis of the main lessons learnt will be prepared for the OECD annual ministerial meeting in 2004.

## THE OECD ENVIRONMENTAL STRATEGY

[www.oecd.org/environment/](http://www.oecd.org/environment/)  
[env.contact@oecd.org](mailto:env.contact@oecd.org)

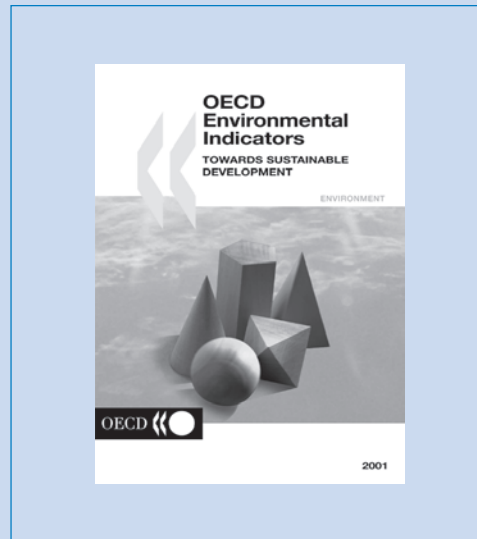
OECD environment ministers agreed an ambitious Environmental Strategy for the first decade of the 21st century in May 2001 and the annual OECD ministerial council meeting approved it the following day. The development of the strategy had been a key element of the environment work of the organisation over the previous two years, along with the production in April 2001 of the first OECD *Environmental Outlook*, which provided the analytical underpinning for the strategy.

The strategy outlines five key objectives for realising environmentally sustainable development in OECD member countries:

1. Maintaining the integrity of ecosystems through the efficient management of natural resources, particularly with respect to climate, fresh water and biodiversity.
2. Decoupling environmental pressures from economic growth, particularly in the agriculture, transport and energy sectors.
3. Improving information for decision-making: measuring progress through indicators.
4. Enhancing the quality of life: the social and environmental interface.
5. Improving governance and co-operation: global environmental interdependence.

The strategy identifies 17 specific challenges and 71 national actions to be taken by OECD countries to achieve the objectives in areas such as greenhouse gas emissions, over-fishing, tropical deforestation, urban air pollution, emissions from motor vehicles and planes, groundwater pollution, municipal waste generation and toxic chemicals in the environment. It also calls for indicators to measure progress and makes 55 requests for further work in the OECD.

Several over-arching criteria are necessary for achieving environmentally sustainable development, the report said. For a start, renewable resources such as trees, plants, animals, water and soil should be used efficiently, and at a level that is compatible with their regenerative capacity over the long term. Use of non-renewable resources such as minerals and fossil fuels should be limited to levels where they could be replaced by renewable resources or other forms of capital. The release of hazardous or polluting substances into the environment must not exceed its capacity to assimilate them, and concentrations must be kept below established critical levels for protecting human health and



the environment. Finally, irreversible adverse effects of human activities on ecosystems such as species extinction should be avoided, and the natural processes capable of maintaining or restoring the integrity of ecosystems such as the carbon, nitrogen and water cycles should be safeguarded.

The Environmental Strategy emphasises that when designing policies for environmental sustainability, countries should apply precaution as appropriate in situations where there is a lack of scientific certainty.

Following the adoption of the Environmental Strategy, the OECD is moving to support its implementation by member countries. This will include expanding existing work or developing new activities examining the lowest cost adaptation to climate change, monitoring the extent to which the risks of genetically modified organisms (GMOs) are assessed in OECD countries and developing regional implementation plans for environmentally sustainable transport. Work is also planned on the social aspects of water pricing and assessing the environmental costs and benefits of trade liberalisation. In addition to undertaking specific analytical work of this type as requested in the Strategy, the OECD is looking at changes that might be required to its work on environmental data and indicators and at how environmental performance reviews can be used. A new project has been launched on the use and development of indicators to measure the decoupling of environmental pressures from economic growth, with a report due in 2002.

Environmental Strategy for the First Decade of the 21st Century (see box p. 34) and endorsed OECD Guidelines for Environmentally Sustainable Transport, as well as the use of key indicators to measure progress towards environmental sustainability. Ministers are to meet again in early 2004 to review their countries' performance in implementing the Strategy.

The OECD also produced its first *Environmental Outlook* in 2001, identifying the drivers of environmental change (the economy, population, globalisation, etc.), the sectors that put the greatest pressure on the environment, and the likely resulting impact. The most critical concerns for OECD countries are the unsustainable use of renewable natural resources, the degradation of ecosystems and the disruption of the environmental systems that support human life. The *Outlook* suggests policy options to address the most pressing problems and analyses their potential environmental and economic effects.

A key policy study published in 2001, *Environmentally Related Taxes in OECD Countries: Issues and Strategies*, brings together the main findings of two years of work and draws on data from the OECD/EC online database of environmentally related taxes. *Domestic Transferable Permits for Environmental Management: Design and Implementation* examined the practical issues connected with such schemes. Two practical handbooks on biodiversity, one on valuation methods and one on market creation, were released in late 2001. Work is also underway on policies and actions to tackle climate change, notably work related to implementation of the Kyoto Protocol. OECD analysis covers reporting and compliance procedures, greenhouse gas emissions trading and the

calculation of "standard baselines" for the clean development mechanism, which allows developed and developing countries to work together to reduce emissions through project-specific investments.

A prominent message of the *Environmental Outlook* and the Environmental Strategy is the need for sustainable consumption and production patterns if decoupling is to be achieved. The main results of three years of work on sustainable consumption will be published in 2002. They include studies of household consumption patterns and their

resources and reductions in environmental pollution. "Green" products and the right infrastructure for sustainable consumption are also needed. On the consumption side, consumers need to receive consistent and clear policy signals to make better choices for the environment. The OECD Control System for waste destined for recovery, created in 1992, was partially harmonised with the Basel Convention of the United Nations Environment Programme in June 2001, a major step towards a global control system for waste movement.



**(left to right): Fidele Hien, Minister of Environment and Water, Burkina Faso, Siv Fridleifsdottir, Minister of Environment, Iceland, and Maciej Rudnicki, Secretary of State for the Environment, Poland, at a working lunch with non-members during the OECD environmental ministers' meeting.**

effects on food, tourism, energy, water and waste; case studies of policies such as information-based instruments and eco-labelling schemes; and sustainable consumption indicators. The results show the need to address both production and consumption patterns. On the production side, policies are needed to promote efficient use of

Another key element of the Strategy is the interface between social and environmental policy issues. In addition to ongoing work on environment and health issues – such as food safety and safe use of chemicals – future work is likely to include links between environment and employment, the effects of environmental policies on specific groups in society,

## SUSTAINABLE DEVELOPMENT ROUNDTABLE

[www.oecd.org/sustainabledevelopment](http://www.oecd.org/sustainabledevelopment)

[vangelis.vitalis@oecd.org](mailto:vangelis.vitalis@oecd.org)

The OECD roundtable on sustainable development was established in 1998 to address the economic, environmental and social issues commonly grouped under the heading of sustainable development. Its membership was broadened in 2001 and now all OECD ministers can take part according to the subjects under discussion. As a result, ministers dealing with a broad range of subjects have taken part, including finance, economy, labour and development assistance as well as environment. In view of the importance of sustainability to developing countries it was also decided in 2001 to invite the main developing country players on to the roundtable. Other intergovernmental organisations also participated in the roundtable's work in 2001 including the UN Environment Programme (UNEP), the UN Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the World Bank as well as NGOs and business groups.

Work in 2001 was tailored to help members prepare for the OECD annual ministerial meeting in May, where sustainable development was a major theme ahead of the World Summit on Sustainable Development to be held in Johannesburg in 2002. The roundtable held a ministerial-level meeting in January 2001 to discuss the OECD's draft policy report on sustainable development.

After the May ministerial meeting, the roundtable focused on supporting work related to key ministerial requests, such as developing agreed indicators of sustainable development and filling gaps in the statistical and scientific data. The roundtable in June chaired technical discussions for OECD members on statistical and



**Simon Upton, Chairman, OECD  
Roundtable on Sustainable Development**

modelling problems inherent in measuring sustainability and in September held a meeting on the scientific difficulties. This was followed in December by a ministerial meeting on measuring sustainability which discussed reports from the OECD, the World Bank and the World-wide Fund for Nature on work in progress.

The roundtable also scheduled a ministerial meeting in late February 2002 to consider ways to improve synergies between official development assistance and foreign direct investment in developing countries, ahead of a UN conference in Mexico in March on financing for development. Other subjects for discussion in 2002 will include the relationship between eco-labelling and sustainable development and preparations for the Johannesburg summit.

access to environmental services, and environmental awareness and communication strategies.

### Sustainable agriculture

[www.oecd.org/agriculture](http://www.oecd.org/agriculture)  
[agr.contact@oecd.org](mailto:agr.contact@oecd.org)

Analysing the impact of agricultural reform on the environment is an integral part of OECD work. A key concern is to identify and analyse environmentally damaging subsidies, which OECD countries have agreed to phase out by 2010. *Environmental Indicators for Agriculture – Volume 3: Methods and Results* published in 2001 takes stock of the impact of agriculture on the environment across OECD countries.

Work is also underway on an inventory of the subsidies and taxes, regulations and co-operative approaches used by OECD countries to address environmental issues in agriculture. The inventory, to be completed in 2002, will help evaluate policies and recommendations on the best mixes of policies and market approaches to ensure the least trade-distorting sustainable agriculture.

Links between agriculture, trade and the environment were the subject of two studies released in 2001. *Improving the Environmental Performance of Agriculture: Policy Options and Market Approaches* showed that trade liberalisation will, in general, benefit the environment, but the effects will depend on the state of the environment, the impact on production and the regulations in place. "Production Effects of Agri-Environmental Policies: Reconciling Trade and Environmental Objectives" indicated that environmental standards and agri-environmental programmes do not in general have a significant effect on farm competitiveness or international

agricultural trade. Further work is underway to analyse these issues in more detail. A workshop on organic farming in 2002 will examine the conditions under which organic agricultural systems are sustainable.

Fisheries policies have to address the relationship between sustainable management of resources and trade liberalisation, the causes of unsustainable fishing, and the need to avoid harmful subsidies. OECD monitoring of member countries' fisheries policies included the publication in 2001 of a new edition of the *Review of Fisheries in OECD Countries: Policies and Summary Statistics* along with its companion volume *Review of Fisheries in OECD Countries: Country Statistics*. Special studies are also being carried out on the costs of fisheries management, the effects of market liberalisation on fisheries trade and production and fisheries sustainability indicators, with reports due to be completed in 2002.

### Energy

[www.iea.org](http://www.iea.org)  
[www.nea.fr](http://www.nea.fr)  
[info@iea.org](mailto:info@iea.org)  
[nea@nea.fr](mailto:nea@nea.fr)

The International Energy Agency (IEA) (*see box p. 78*) during 2001 continued work on action to curb energy-related greenhouse gas emissions. It submitted its members' interpretation of their role in ensuring sustainable development at a meeting in April of the UN Commission on Sustainable Development.

The Nuclear Energy Agency (NEA) (*see box p. 76*) presented its report, *Nuclear Energy in a Sustainable Development Perspective* at the OECD Forum 2001 (*see box p. 61*). The report assesses nuclear energy in the



**Corporate Social Responsibility (CSR) is business's contribution to sustainable development. Corporate behaviour must not only ensure returns to shareholders, wages to employees, and products and services to customers, it must also respond to societal and environmental concerns. The struggle between the forces of global commerce and the interests of local cultures brings with it new politics. This book provides a comprehensive overview of corporate social responsibility experiences and practices at the local level.**

context of economic, environmental and social issues and identifies relevant indicators for measuring how the sector might contribute to sustainable development.

## GOVERNANCE

[www.oecd.org/puma](http://www.oecd.org/puma)

[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

[www.oecd.org/corporate](http://www.oecd.org/corporate)

[corporate.affairs@oecd.org](mailto:corporate.affairs@oecd.org)

Governments need to rethink their role to meet the challenges of globalisation, decentralisation, new technologies, and the changing needs and expectations of citizens. The OECD carried out significant work in 2001 on the efficient functioning of government and the promotion of good governance in both the public and corporate sectors. This included areas such as transparency, accountability and fairness in dealing with citizens. Work also focused on fighting corruption, citizen participation in policy-making, promoting good practices and encouraging high standards of ethical behaviour.

Corporate governance is also an issue for governments and policy-makers as they play a central role in shaping the legal, institutional and regulatory framework within which corporate governance systems are developed. If the framework conditions are not in order, the governance regime is unlikely to be either.

### Bribery and corruption

[www.oecd.org/corruption](http://www.oecd.org/corruption)

[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

Fighting corruption is a major policy challenge for developed and developing countries. By October 2001, 33 of the original 34 signatories (including four non-member countries) had ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (as of 15 January 2002, Ireland had not yet deposited its instrument of ratification) and the practice of allowing tax deductions

for bribe payments to foreign public officials has been all but eliminated in OECD countries. The OECD is now determined to ensure that countries enforce laws adopted in line with the convention and use them to prosecute bribery cases. Evaluations of legislation in Argentina, Italy, Luxembourg, the Netherlands, New Zealand, Poland and Portugal were carried out in 2001, bringing the total number of country examinations to 29. The OECD will review revised UK legislation in 2002. Enforcement of legislation in Finland was looked at in 2001 and three countries are due for examination in 2002, with plans to increase this to 5-7 countries per year thereafter. The private sector, trade union associations and civil society are indispensable partners in the anti-bribery campaign. The OECD is also working with non-member economies to combat bribery and corruption.

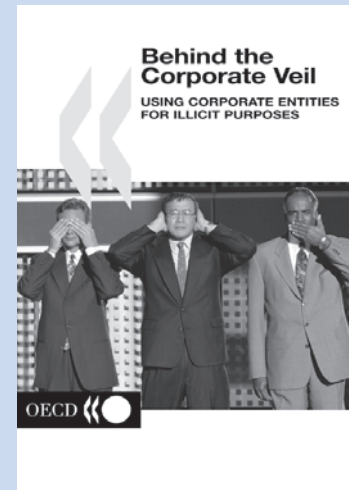
### Corporate governance

[www.oecd.org/corporate](http://www.oecd.org/corporate)

[corporate.affairs@oecd.org](mailto:corporate.affairs@oecd.org)

The OECD works with governments and the private sector to improve corporate governance by designing effective regulatory and institutional frameworks for public policy in the corporate sector as well as encouraging private sector practices that facilitate sustainable corporate development and finance (see *trade and international investment chapter*, p. 27).

Corporate entities (corporations, trusts, foundations and partnerships) have contributed immensely to growing prosperity worldwide, but are



*Corporate entities underpin most commercial and entrepreneurial activities in market-based economies and have contributed immensely to growing prosperity worldwide over recent decades. Increasingly, however, governments and regulatory bodies have realised that they are often misused for money laundering, bribery and corruption, tax evasion, market fraud, and other illicit activities. This report suggests ways to prevent and combat the misuse of corporate entities and shows that the corporate entities misused most frequently are those that provide the greatest degree of anonymity to their beneficial owners.*

## REGULATORY REFORM

[www.oecd.org/regreform/regref](http://www.oecd.org/regreform/regref)

[pum.contact@oecd.org](mailto:pum.contact@oecd.org)



Regulatory reform is increasingly a global policy theme. Globalisation, greater structural interdependence of economies and business cycles, security concerns and a general trend towards modernising government mean that policy-makers and parliaments need to revisit and upgrade the framework of regulations as well as the instruments and institutions

used to implement them. Experience in OECD and non-OECD countries demonstrates that clarifying the roles of the state and the markets can generate substantial benefits for consumers, the private sector, the environment and social welfare more generally. Mistakes in the design or implementation of regulatory systems, which have contributed to some recent failures in public infrastructure network industries such as transport and energy, are powerful incentives to scrutinise and evaluate past policies to provide better guidance in the future.

OECD work on regulatory reform is adjusting to these changing needs and has widened its focus beyond reviews of regulatory performance in OECD countries to pay more attention to emerging themes of the regulatory reform agenda and to develop stronger links with non-member countries.

### Country reviews

Regulatory reform reviews in individual member countries consider the regulations that govern competition policies, trade and investment, the government machinery and selected industries, and produce a set of detailed policy recommendations for improvement. The analysis is carried out using regulatory reform recommendations drawn up in 1995 and 1997. The reviews follow a

multidisciplinary approach with OECD experts and committees working with the countries under review. The OECD is finalising reviews of regulatory reform in Canada, the UK, Poland and Turkey in 2002 and will launch new reviews for Germany and Finland. By 2003 nearly two thirds of all OECD countries will have been examined, providing a unique source of statistical information, knowledge and analytical capacity.

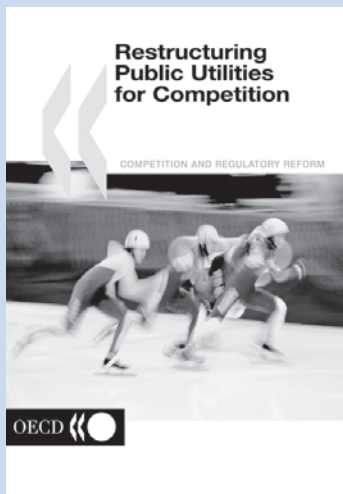
### Thematic approach

From 2002 the OECD will provide the opportunity for member countries to exchange experiences, compare approaches and discuss the reasons for regulatory reform failures in particular areas. Themes for discussion include the development of objective and efficient instruments to assess a country's regulatory performance and the governance of independent regulators and their relationship to competition authorities. These debates will also look at the challenges of ensuring compliance with new regulations, the refinement of statistical indicators to measure regulatory quality, and the impact of regulatory reform on economic and social welfare.

### Dialogue with non-members

The move towards regulatory reform as a permanent feature of policy is not limited to the OECD. Under the umbrella of the OECD Global Forum on Governance, cooperation with the Asia-Pacific Economic Co-operation forum (APEC) is moving into its second year in 2002, with workshops scheduled in Mexico in the spring and in Korea in the latter part of the year. A regulatory reform programme with Russia was launched at a conference in Moscow in November 2001. And in the framework of the Stability Pact for South-East Europe, a regional initiative on regulatory reform was launched at a seminar in Greece in October 2001. Results of these regional efforts will be considered when the Global Forum meets in late 2002 to discuss regulatory governance and open markets.

often misused for illicit activities from tax evasion and market fraud to terrorism and money laundering. In 2001, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, looked at the various ways of misusing corporate entities and proposed



*Public utility industries, once regarded as monolithic monopolies, are made up of many separate activities, many of which can sustain effective competition. Experience shows that introducing competition into these industries leads to enhanced efficiency and greater innovation as well as benefits for consumers such as lower prices, better service and greater variety. But there is a growing realisation that fundamental structural changes are often necessary if the full benefits of competition are to be achieved for users and consumers.*

policy options to combat such practices. A number of roundtables are developing regional White Papers for policy reform, using the OECD Principles of Corporate Governance as a basis for dialogue but tailored to particular local needs and issues. A new roundtable for South-East Europe held its first meeting in Bucharest in September 2001 and plans to issue a white paper with detailed reform proposals in 2003. The third meeting of the Asian roundtable in Singapore in April 2001 focused on expanding the role of company boards while the second meeting of the Latin American roundtable in Buenos Aires in March concentrated on the importance of shareholder rights. A white paper for Russia is due to be published in 2002.

### Competition

[www.oecd.org/regreform/competition](http://www.oecd.org/regreform/competition)  
[dafclp.contact@oecd.org](mailto:dafclp.contact@oecd.org)

Domestic competition laws are increasingly recognised by countries at all levels of development as a key component of growth. At the same time globalisation increases the importance of international co-operation and convergence in enforcing competition laws, particularly in the case of international mergers.

A number of bilateral law enforcement co-operation agreements were signed in 2001 and work on hard core cartels intensified in a new phase of the anti-cartel programme endorsed by OECD ministers in 2000. The business community participated actively in the work on competition, focusing particularly on the burden imposed on international mergers by the need to submit them for review in several jurisdictions.

Roundtable discussions led to the identification of best practices in a

number of areas including price transparency, portfolio effects in conglomerate mergers, competition policy, subsidies and state aid. Subjects for best practice debate in 2002 include merger assessment in emerging markets and competition in the electricity sector. The results of such best practice discussions are available via the Internet ([www.oecd.org/daf/clp](http://www.oecd.org/daf/clp)). Reviews of national competition policies and sector-specific regulation were carried out for Poland, Canada and the UK in 2001. Turkey is being reviewed in early 2002. The OECD also adopted a set of recommendations on the restructuring of public utility industries in April 2001.

### Taxation

[www.oecd.org/taxation/](http://www.oecd.org/taxation/)  
[daffa.contact@oecd.org](mailto:daffa.contact@oecd.org)

Tax systems, particularly international taxation arrangements, have not always kept pace with globalisation. Most of today's tax arrangements were developed in an era when authorities could rely on exchange controls and regulated capital markets for information on cross-border transactions and when technological constraints limited the development of truly global activities. These barriers isolated tax authorities from the full implications of the interaction between national tax systems. Corporations have been able to globalise, but tax authorities remain constrained by national borders.

Governments need to demonstrate that national tax systems can respond to challenges such as whether it is possible to devise a fair system of taxing capital and highly-skilled professionals in a world of liberalised markets. Other questions include how to tax enterprises or cross-border savings and to enable



## HARMFUL TAX PRACTICES

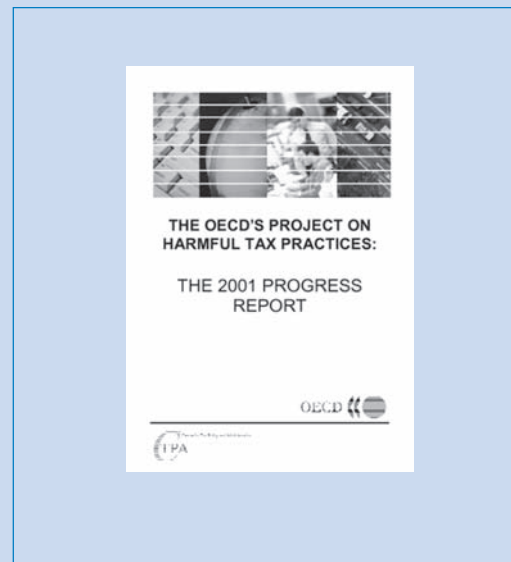
[www.oecd.org/taxation/ctpa/htp](http://www.oecd.org/taxation/ctpa/htp)  
[daffa.contact@oecd.org](mailto:daffa.contact@oecd.org)

The more open and competitive environment of recent decades has had many positive effects on tax systems, including the reduction of tax rates and broadening of tax bases that have characterised tax reforms over the past 15 years. However, some tax and related practices are anti-competitive and can undercut the gains generated by tax competition. This can occur when governments introduce practices designed to encourage non-compliance with the tax laws of other countries. Ultimately, taxpayer confidence in the integrity and fairness of the tax system, and in government in general, declines as honest taxpayers feel that they shoulder a greater share of the tax burden and that government cannot effectively enforce its own tax laws.

Since 1998, the OECD has provided co-ordinated action so that countries – large and small, rich and poor, OECD and non-OECD – can work together to eliminate harmful tax practices. This is a key element in the OECD's efforts towards greater international co-operation and trust in the area of taxation. It is not just about government's ability to collect taxes that are legally due, but is an integral part of the global effort to promote and preserve integrity and stability in the international financial system and to widen the community of nations that subscribe to international standards.

The work focuses on geographically mobile activities, such as financial and other service activities. The OECD has provided guidelines for dealing with harmful preferential tax regimes in member countries, sought commitments from tax havens that they will abide by the principles of transparency and the effective exchange of information in tax matters and broadened its dialogue to seek the co-operation of other non-member economies.

In 2001, the OECD received commitments from Aruba, Bahrain, Isle of Man, Netherlands Antilles and the Seychelles to co-operate in the effort to eliminate harmful tax practices. Added to previous commitments from Bermuda, Cayman Islands, Cyprus, Malta, Mauritius and San Marino, this gives a total of 11 jurisdictions that have pledged to eliminate by 2006 those aspects of their tax



systems which result in a lack of transparency or lack of effective exchange of information. The OECD is confident that similar commitments will be made by other jurisdictions.

The OECD has also intensified its work to help member countries identify and eliminate harmful aspects of their own preferential tax regimes. Work is underway to identify which of 47 potentially harmful regimes identified in 2000 are actually harmful. Member countries are to eliminate harmful aspects of preferential regimes by April 2003, although there is a provision that extends that date to December 2005 in certain limited cases.

The OECD has had discussions with a very large number of non-OECD economies in Asia, Latin America and elsewhere and has held multilateral regional meetings in Africa, Asia and South America. The work with non-OECD economies will continue so that the problem of harmful tax practices is effectively addressed. In addition, the OECD continued during the past year to seek the views of the business and labour communities through discussions with the Business and Industry Advisory Committee and the Trade Union Advisory Committee to the OECD.

fair tax competition to flourish while eliminating unfair competition (*see box p. 41*). And how do taxes fit into the “new economy”?

The OECD helps in setting international tax standards through instruments such as its Model Tax Conven-

tion, the basis for a global network of tax treaties, and its Transfer Pricing Guidelines, used when drawing up legislation in OECD countries and in an increasing number of non-OECD economies.

### Electronic commerce

[www.oecd.org/ecommerce/](http://www.oecd.org/ecommerce/)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

The global nature of electronic commerce is such that no one group of countries can act unilaterally without increasing the dangers of double taxation. Work is being carried out under the Ottawa Taxation Framework Conditions agreed by 30 OECD and non-OECD countries in 1998. The most urgent issue is that of consumption taxes, where enterprises need to make immediate decisions. The OECD published agreed principles on consumption taxes and e-commerce in 2001 and expects to publish model guidelines for their implementation in 2002. Progress is also being made in the application of existing tax treaties to e-commerce transactions and an update to the OECD's Model Tax Convention in 2002 will include the outcome of this work. A conference on Tax Administration in an Electronic World in Montreal in June 2001 enabled representatives from 100 revenue authorities worldwide to share knowledge and experiences in areas such as electronic tax returns and improving taxpayer service.

### Public governance

[www.oecd.org/puma](http://www.oecd.org/puma)  
[andrea.uhrhammer@oecd.org](mailto:andrea.uhrhammer@oecd.org)

Public governance underlies government efforts to produce and implement policy, provide efficient services and respond to new challenges. Focus on governance not only serves to make policies work but ultimately to strengthen trust in

government. Strengthening effective and coherent public governance is a priority on the policy agenda. Governments need to create a quality public service that can innovate in response to changing situations and is firmly focused on serving the public interest. Governance is also an issue in territorial development (*see box p. 21*) and in conflict prevention and resolution (*see chapter on development, p. 48*).

Strong leadership is essential to an effective public service, and *Public Sector Leadership for the 21st Century* published in 2001 discusses the strategies and practices governments are adopting in this area. The OECD is also examining how to make public administrations more competitive employers so that they can attract and retain high-quality personnel. It launched a survey of knowledge management practices in ministries in late 2001.

Work on public sector budgeting and management included an examination of how countries can improve the quality of their public expenditure by systematically providing decision-makers with credible information on the efficiency and impact of policies. The OECD also looked at how national budget systems can help politicians take more account of the future consequences of the present situation, such as ageing populations and environmental clean-up costs. A searchable database of budgeting systems and practices in OECD countries will be available on the Internet in 2002.

While governments adapt to a changing world, they must avoid losing public trust. Work in 2001 focused on how to create a public service environment where transparency and accountability reinforce each other. Building on its work on promoting



*In an era of globalisation, decentralisation, and knowledge-based economies, governments are having to reshape public sector leadership to cope with new challenges. This requires new roles for public sector leaders and many governments of OECD member countries are developing new public sector leadership models. This is the first report to examine key leadership issues across OECD member countries, including the strategies and practices governments are adopting, and the lessons from country experiences so far.*

ethics and fighting corruption in the public sector, the OECD is developing best practices for preventing conflicts of interest and resolving them when they do arise.

Making government more accountable requires better disclosure of how government resources are used. The *OECD Journal on Budgeting* was launched in early 2001 and included the OECD Best Practices for Budget Transparency. The Journal will appear four times a year.

Greater transparency and policy coherence mean strengthening relations between government and civil society, but also enhancing the role of the legislature in holding the executive branch of government accountable. In January 2001, an OECD symposium at the French Senate brought together heads of parliamentary budget committees to discuss the role of the legislature in the budget process, the first event of its kind. This is to be an annual event. A report on "Parliamentary Relations and Procedures" published in May 2001 provides a review of relations between the executive branch, the legislature and civil society.

Work is also underway on improving governance of the more autonomous public bodies created during devolution of power from the traditional ministry-based vertical structure.

*Citizens as Partners: Information, Consultation and Public Participation in Policy-Making* offers a comparative review of OECD country policies and practices for strengthening government-citizen relations, including the use of information and communications technologies (ICTs). An accompanying handbook provides practical guidelines for putting these policy lessons into practice in both member and



**Owen Arthur, Barbados Prime Minister & Minister of Finance and Economic Planning, and Tony Hinton, Australian Permanent Representative to OECD, co-chairs of the OECD-Commonwealth Working Group on Tax Co-operation.**

non-member countries. The OECD also looked at how governments are using new technologies to provide better services to citizens (*see box p. 45*).

Governments are also looking for ways to reduce the burden of government formalities on businesses. *Businesses' Views of Red Tape* presented the results of the first comprehensive survey of its effect on small and medium-sized enterprises. Some 8 000 businesses in 11 OECD countries answered questions on the impact of taxes, environment and employment regulations.

All governments must anticipate and manage a wide variety of risks, whether security threats, natural disasters or risks to public health. A meeting of senior officials from OECD governments in Reykjavik in October 2001, focused on how governments can anticipate, limit and react to risk, and how to strike a balance between an immediate response and the long-term outlook. It also looked at how,

when and what governments should communicate to the public in a crisis situation. Further work on this subject in 2002 will contribute to building expertise in government policy coherence. Senior officials will meet in 2002 to discuss the public-private sector interface, in particular the changing role of the state.

Work to improve the quality of regulatory systems and policies in 2001 looked at designing regulations that are "compliance-friendly" – tailored to achieve their stated intentions – and on how to improve the institutional basis for regulators of various specific sectors such as the telecommunications or energy industry. Also in 2001 work was finalised on a review of regulatory policies in OECD countries ahead of the planned publication in 2002 of a report on regulatory management and reform drawing on 10 years' experience and analysis. The report draws heavily on 16 country reviews under the regulatory reform programme since 1998 (*see box p. 39*).

## BEST USE OF NEW TECHNOLOGIES

[www.oecd.org/science/](http://www.oecd.org/science/)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

Rapid technological advances present new opportunities and challenges to government and society in all countries and regions. Fast-changing information and communications technologies (ICTs) are transforming markets and require new methods of organising work, business and trade to harness the benefit of globalisation. The “dot-com crash” in 2001 was accompanied by almost as much hype as the “dot-com mania” which preceded it and has caused a much-needed reality check. But while economic slowdown may have put an end to some over-exuberant behaviour of markets it has scarcely dented the continued expansion of the Internet. Nor has it changed the need to address the concerns felt by many at the economic and technological changes that are transforming the global economy.

The OECD provides policy advice on coping with the challenges arising from developments in new science-based industries, notably biotechnology (see box p. 46) and leads in the development of indicators to benchmark member countries’ innovation performance.

### Harnessing ICT

[www.oecd.org/ict/](http://www.oecd.org/ict/)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

OECD work in this area covers ICT use in areas such as e-commerce, where it is preparing guidance for small and medium-sized enterprises, e-government (see box p. 45) and corporate governance, as well as how to protect against cyber-crime. Throughout 2001 the OECD worked intensively on building consumer trust through effective authentication and privacy protection, combating hacking and

viruses. It is also studying cyber-terrorism and the vulnerability of our economies and societies because of a growing dependence on ICTs. This is part of a wider review of the OECD Guidelines on the Security of Information Systems. Also in 2001 the OECD reported on the impact of ICT on company law and corporate governance. Work on ICT for the OECD Growth Project (see box p. 16) found that policies to increase competition in the telecommunications industry are key, as they help lower costs and enhance the uptake of ICT. It also found that the long-term impact of ICT on a particular economy depends on its use, not whether it is produced in that country.

### Measuring progress

The leading OECD publications in the technological field highlighted the organisation’s strength in innovative quantitative data and analysis. The two-yearly OECD *Communications Outlook 2001*, released in March, provided definitive comparable data on the performance of the communications sector and mapped the first two years of competition for many OECD countries that fully opened their market in 1998. The accompanying OECD Telecommunications Database provides over 100 time series of data of indicators such as network infrastructure, revenues, expenses and investment of operators, trade in telecommunications equipment from 1980. The OECD *Science, Technology and Industry Scoreboard: Towards a Knowledge-based Economy 2001*, released in September, features more than 160 internationally



His Highness General Sheikh Mohammed Bin Rashid Al Maktoum, Crown Prince of Dubai and Minister of Defence of the United Arab Emirates, with Donald Johnston, OECD Secretary-General, at the OECD Emerging Market Economy Forum on Electronic Commerce jointly organised with Dubai in January 2001.

## E-GOVERNMENT

[www.oecd.org/puma](http://www.oecd.org/puma)  
[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

E-government, in particular the networking potential offered by the Internet and related technologies, has the potential to transform the structures and operation of government, from electronic tax returns to online voting. Ministers from OECD countries endorsed the importance of e-government at their annual meeting in May 2001 and welcomed work to date, particularly the third Global Forum on E-Government, held in Naples in March 2001 which looked at ways of fostering democracy and development through e-government. The ministers asked OECD experts to further explore the “challenges and opportunities” it offers (*see full text of ministerial communiqué, p. 85*).

As a result, the OECD has launched an e-government project that will look at the longer-term impact of e-government on the structure, operations and capacity of public administrations in a number of areas. Starting from the premise that e-government could be a major factor in the adoption of good governance practices, the project will consider questions such as:

- **How can governments meet future challenges?** What are the evolving characteristics, needs and expectations of society, and how can the greater integration of information and communications technology (ICT) within government increase administrations’ capacity to respond?
- **What can we learn from experience so far?** What progress has been made with e-government to date; what are the challenges and dangers in the provision of e-government; and what good practice strategies and solutions are emerging?

- **What are the prospects for the longer term?** What groundwork needs to be laid; what does planning need to take into account now to achieve the desired longer-term outcomes?

The key factors that will differentiate this project from other work on e-government are the focus on the longer-term picture and the grounding of the work in the broader debate on good governance and modernisation of public administration.

The project is receiving close guidance and review from a working group of member state representatives. An associates group comprising government and other experts, private sector firms, academic institutions and civil society organisations will also advise on the project.

The OECD’s overarching perspective on governance activities across all member countries means it is uniquely placed to address e-government in the context of modernising government and developing citizen-centred reforms. The public governance focus will enable it to address key aspects of e-government such as safeguarding citizens’ interests, reconciling the search for better knowledge management with the demand for data privacy and responding to pressures for greater transparency and disclosure at reasonable cost.

The project will produce research papers, policy briefs, and specific reports, with a flagship report to be finalised by the end of 2002. A major conference to consider the findings of the e-government project is planned for May 2003.

## BIOTECHNOLOGY

[www.oecd.org/biotechnology/](http://www.oecd.org/biotechnology/)  
[iain.gillespie@oecd.org](mailto:iain.gillespie@oecd.org)

Biotechnology is of growing importance to our societies because of its far-reaching consequences for human health, health care, agro-food production, and sustainable development. Used responsibly, it can contribute to economic and human development in many spheres of modern life.

The completion of decoding the human genome created a worldwide sensation in 2001 and prompted the realisation that the practical applications of biotechnology for human health will be far-reaching both in OECD countries and beyond.

Biotechnology offers a new generation of sustainable industrial technologies that promise to help ensure that industrial development does not go hand in hand with environmental degradation. It can provide improved food quality and production levels with the potential to contribute significantly to food supply and security challenges, perhaps particularly in developing countries. And in health care, new diagnostics and treatments for human diseases, including some of the major scourges of mankind, are being developed.

Advances in the understanding of genetics, genomics (the branch of genetics that studies organisms in terms of their full DNA sequences or genomes) and informatics (information science) are underpinning the development of second-generation biotechnologies.

The OECD has provided a focal point for international discussion on the various aspects of biotechnology for two decades, initially focused on the safety aspects which are paramount in harnessing the considerable potential of this technology. But the OECD is also devoting significant effort to developing international infrastructure, to measuring performance and to addressing barriers to technology diffusion. In its work on regulatory issues the OECD is extending debate and consensus to include a growing number of non-member countries.

Future advances will depend increasingly on reliable access to high-quality information and materials. Advances in genomics and informatics are generating vast amounts of new information on living processes. To better harness this information and resources OECD members and non-members are working together under French and Japanese leadership to develop a global system of Biological Resource Centres based on common principles and practices of access.



*(Left to right) John Prescott, UK Deputy Prime Minister, Suwit Khunkitti, Thai Deputy Prime Minister, and Kim Hak-su, Executive Secretary of the UN Economic and Social Commission for Asia and the Pacific (ESCAP), at the Conference on New Biotech Food and Crops, held in Bangkok in July 2001.*

This work has been brought into sharp focus by the recent use of biological materials as weapons of terror. Access to materials and information for such purposes clearly needs to be controlled, yet this must be balanced against the need to ensure continued access for legitimate research, much of which is targeted on combating infectious diseases.

Major events in 2001 included a conference on new biotech food and crops, and food safety in Bangkok in July. It recommended that all stakeholders commit to greater transparency on genetically modified organisms and that governments increase their support for independent, publicly-funded scientific research into the risks and benefits of genetically modified food and crops. The conference, organised with the UK government and other international organisations, brought together more than 300 participants from 50 countries including scientists, government officials and representatives of industry, agriculture, civil society and the media.

A conference in North Carolina in November, organised with the US government, discussed the underlying science for assessing transgenic organisms in the environment.

OECD work addresses a range of other policy issues raised by developments in biotechnology, including ethical questions, the potential impact on agricultural markets and of course food and feed safety. The OECD provides a forum for countries to take a comprehensive look at the scientific, regulatory and other policy issues raised by the increasing pace of discovery and innovation in biotechnology. This rounded approach will continue to be essential if the considerable potential of this technology is to be harnessed and contribute fully to the knowledge economy in the 21st century.

comparable indicators focused on benchmarking all aspects of the knowledge-based economy. Some 60% of the indicators in 2001 covered new areas such as mobility of human capital, skills in the information economy, diffusion of the Internet and electronic commerce. It also measured the resources devoted to innovation in emerging areas such as biotechnology, environment, health and ICT for the first time.

### Bridging the digital divide

The digital divide and electronic commerce are high priorities for OECD activities with non-member economies. A major focus in 2001 was work on bridging the “digital divide” to ensure that developing countries, and the disadvantaged in the industrial world, have access to the new technologies. The OECD worked with the Digital Opportunities Task Force (DOT Force) set up by the G8 that reported to the G8 annual summit in Genoa in July. The main showcase for the OECD’s work in this area was a conference in Dubai in January on e-commerce and emerging markets, the first event of its type held in a non-OECD country. Participants from North and South included government representatives, business organisations and civil society as well as other international organisations. A conference on Exploiting Digital Opportunities for Poverty Reduction was held in Paris in March.

### Fostering innovation

Research and development (R&D) is important for productivity growth. The experience of OECD countries suggests that policy can foster an environment conducive to innovation. OECD work in this area has found that innovation increasingly draws on scientific research, but in many countries, barriers continue to

impede the flow of knowledge between science and industry. A special edition of the OECD *Science, Technology and Industry Outlook: Drivers of Growth: Information Technology, Innovation and Entrepreneurship* published in 2001 looked at the impact of information technology, innovation and entrepreneurship on economic performance. It looked at policies to increase returns from ICT investment, software, telecom reform, raising returns from R&D, industry-science relations, and policies to facilitate the entry of new firms. The report highlights a number of issues, which require international solutions that can only be implemented through improved international co-operation.

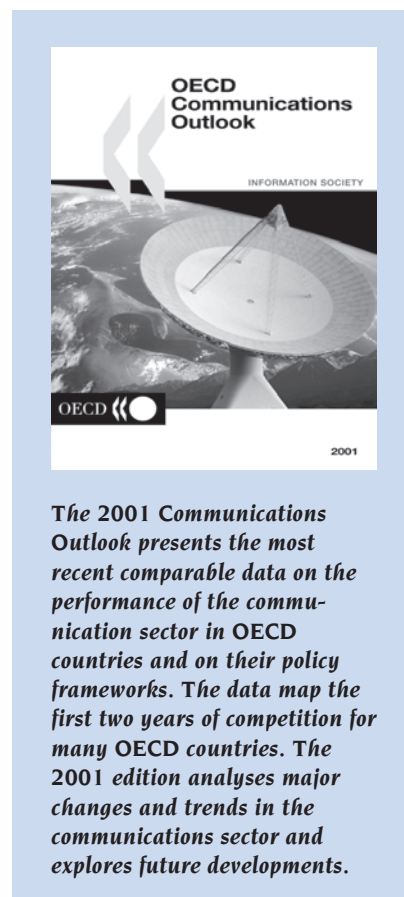
### Future studies

[www.oecd.org/futurestudies](http://www.oecd.org/futurestudies)  
[riel.miller@oecd.org](mailto:riel.miller@oecd.org)

The OECD’s International Futures Programme seeks to assess the trends shaping the long-term future by providing early warning of emerging issues, pinpointing major developments and possible trend breaks; offering analytical appreciation of key long-term issues; and promoting better dialogue and information-sharing to help set policy agendas and map strategy.

Key activities in 2001 included a conference in Luxembourg in July on the future of money that discussed how soon, if ever, hard cash would disappear in favour of “virtual payment” whether by cheque, credit card or some new method. And would this put central banks out of business? The possible answers and major themes for discussion will be published in 2002.

The Futures Trends series of CD-ROMs, updated annually, provides information on key trends and driving forces that will shape tomor-



*The 2001 Communications Outlook presents the most recent comparable data on the performance of the communication sector in OECD countries and on their policy frameworks. The data map the first two years of competition for many OECD countries. The 2001 edition analyses major changes and trends in the communications sector and explores future developments.*

row’s business and policy environment. It covers a broad range of topics from demographic developments and the world economy to the environment, employment and long-term prospects for particular countries and regions.

But forecasting the future is never easy, and a brochure “Looking Back at Looking Forward: Foresight through the centuries” offers a salutary lesson in the pitfalls of predictions. From pioneering film-maker D. W. Griffith’s confident assertion three years before the release of the first “talkie” that “speaking movies are impossible” to the IMF’s somewhat premature declaration in 1959 that “in all likelihood, world inflation is over,” this collection shows that history abounds in apparently logical conclusions that never came to pass.

## DEVELOPMENT

[www.oecd.org/dac](http://www.oecd.org/dac); [www.oecd.org/dev](http://www.oecd.org/dev)  
[dac.contact@oecd.org](mailto:dac.contact@oecd.org)  
[cendev.contact@oecd.org](mailto:cendev.contact@oecd.org)

OECD member countries are major aid donors, accounting for more than 95% of total official development assistance (ODA) which amounted to \$53.7 billion dollars worldwide in 2000. Much of the organisation's development work is focused on how to spend and invest this aid in the most effective manner, so as to reduce poverty and ensure sustainable development in developing countries.

Major new developments in 2001 included a milestone agreement on untying aid and the adoption of new guidelines on poverty reduction, conflict prevention, sustainable development and capacity building for trade.

### New guidelines

Development co-operation ministers and heads of aid agencies met in April 2001 and adopted four new sets of guidelines for development issues, as well as endorsing recommendations on untying ODA to the world's poorest countries (see box p. 49).

**Poverty Reduction** ([www.oecd.org/dac/poverty](http://www.oecd.org/dac/poverty)): The new Development Assistance Committee (DAC) guidelines on *Poverty Reduction* reaffirm the commitment to international development goals such as halving the proportion of people in extreme poverty and hunger by 2015. They aim to clarify concepts and definitions of poverty and its effects, suggest priorities for action and describe best practice in policies, programmes, instruments and channels for reducing poverty. They set

out new directions in a number of areas, including policy coherence among aid donors, partnerships that strengthen local ownership of poverty reduction programmes and the institutional change in development agencies that this new relationship implies.

**Conflict prevention** ([www.oecd.org/development/governance/conflict](http://www.oecd.org/development/governance/conflict)): The April meeting also adopted guidelines on *Helping Prevent Violent Conflict: Orientations for External Partners*. These suggest how donors can make conflict prevention part of the main-

stream of development policies as well as how firms working with local actors can make positive economic and social contributions to preventing violence. The guidelines also look at ways of involving donors in work to build legitimate and accountable security systems in developing countries.

**Sustainable development** ([www.oecd.org/dev/growth](http://www.oecd.org/dev/growth)): *Strategies for Sustainable Development: Practical Guidance for Development Co-operation*, also adopted in April, seeks to clarify the purposes and principles underlying effective



(left to right) Charles Goerens, Luxembourg Minister for Development Co-operation and Humanitarian Action, Eveline Herfkens, Netherlands Minister for Development Co-operation, and Guido Van Hecken, Director, Private Office of the Belgian Secretary of State for Development Co-operation, at the DAC high-level meeting in April 2001.



## UNTYING AID

[www.oecd.org/dac/partnerships](http://www.oecd.org/dac/partnerships)

[dac.contact@oecd.org](mailto:dac.contact@oecd.org)

Members of the Development Assistance Committee (DAC) spent US\$53.7 billion in 2000 on Official Development Assistance (ODA) to developing countries. About two-thirds of it was given bilaterally and the rest through multilateral development banks such as the World Bank. Total bilateral aid to the least developed countries stands at around US\$8 billion a year (some 17% of total bilateral aid); about half of this is “tied”, meaning it must be spent on procurement of goods and services in the donor countries.

Proponents of untied aid emphasise that it is a more efficient way to deliver development assistance (a Development Centre study found that tied aid raises the cost of many goods and services by an estimated 15-30%). Tied aid also increases the administrative burden on both recipients and donors and tends to favour projects that require capital intensive imports or donor-based technical expertise rather than smaller, more poverty-focused programmes.

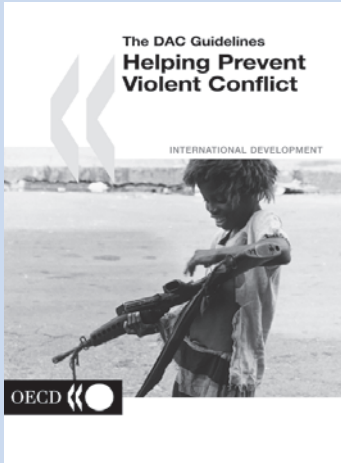
After intensive discussions, the DAC reached agreement at a high-level meeting in April 2001 on a Recommendation to untie ODA to the least developed countries (for a list of these countries see [www.oecd.org/dac/stats/dac](http://www.oecd.org/dac/stats/dac)), with effect from 1 January 2002. The recommendation aims to promote and ensure adequate ODA flows and achieve balanced efforts among DAC members in untying aid.

**Coverage:** As of 1 January 2002, ODA to the least developed countries was untied in the following areas: balance-of-payments and structural adjustment support; debt

forgiveness; sector and multi-sector programmes assistance; investment project aid; import and commodity support; commercial services contracts; and ODA to NGOs for procurement-related activities.

**Effort-Sharing:** Promoting a reasonable balance among DAC members in implementing the untying aid initiative is an integral part of the Recommendation. The issue of balanced effort-sharing arises because the Recommendation applies indiscriminately to all members’ aid programmes, regardless of the variations in the volume, structure and geographical orientation of assistance from different countries. Members have agreed to identify and implement additional actions to promote effort-sharing and to regularly review their progress. They have also said they do not intend their aid to the least developed countries to decline over time as a result of the Recommendation.

**Transparency and Monitoring:** The Recommendation sets out strong transparency, implementation and review procedures to ensure a level playing field, monitor compliance with the Recommendation and assess its effectiveness. Notifications of untied aid offers will be made publicly available so that companies in donor and recipient countries will be aware of the possibility of bidding for the contract. Bidding will take place according to the 1986 DAC Good Procurement Practices for ODA. Donors will also inform the OECD Secretariat which company has been awarded the contract. An electronic information exchange system will allow members to ask each other for additional information or to clarify ambiguities.



*These Guidelines provide ways for donor governments to honour their commitment to conflict prevention as an integral part of the quest to reduce poverty. They cover key issues such as: security, development and dealing with small arms; regional co-operation; peace processes, justice and reconciliation; engaging in partnerships for peace; working with business; and grappling with the political economy of war.*

national and local strategies for sustainable development and describes the various forms they can take in developing countries. It also offers guidance on how development co-operation agencies can support them. The guidelines are based on international experience and multi-stakeholder reviews in developing countries.

**Trade capacity** ([www.oecd.org/development/trade](http://www.oecd.org/development/trade)): The fourth new set of guidelines, *Strengthening Trade Capacity for Development*, offers a common reference point for the trade, aid and finance communities, as they develop more coherent strategies to help developing countries integrate with the global economy. They also show how donors can help developing countries build their capacity for trade.

In 2002, work will focus on implementing and disseminating DAC decisions and on promoting coherence between development co-operation and other policy areas such as trade, environment and financial governance, as well as on the Millennium Development Goals.

### Millennium Development Goals

[www.oecd.org/dac/goals](http://www.oecd.org/dac/goals)  
[dac.contact@oecd.org](mailto:dac.contact@oecd.org)

The OECD welcomed the Millennium Development Goals included in the "road map" for the Millennium Summit laid out by UN Secretary General Kofi Annan in September 2001 and will work with other international organisations to achieve them. Adopted by the international community in 2000, the goals build on international development goals published by the DAC in 1996 in its report *Shaping the 21st Century: The Role of Development Co-operation*. The goals include eradicating extreme poverty

and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development. The OECD will be working with the United Nations, the International Monetary Fund and the World Bank in regular reporting on, and monitoring progress towards, them.

The OECD is also deepening its work on policy coherence and development in order to create opportunities for better growth in developing countries.

### Regional issues

[www.oecd.org/development](http://www.oecd.org/development)

Regional development was high on the agenda in 2001, with annual forums organised jointly with the regional development banks. Technology was the hot topic for Asia and Latin America. The seventh Annual Forum on Asian Perspectives, organised with the Asian Development Bank, focused on technology and poverty reduction while the twelfth International Forum on Latin American Perspectives, organised with the Inter-American Development Bank, looked at Competitiveness and New Technologies. The second Annual Forum on African Perspectives, organised with the African Development Bank, focused on regional integration. The OECD also organised a policy dialogue on corporate governance in emerging economies and developing countries in co-operation with the European Bank for Reconstruction and Development (EBRD). Expert workshops covered issues such as how e-commerce can contribute to development, and the impact of foreign direct investment on education in developing countries.

## DEVELOPMENT CENTRE

[www.oecd.org/dev](http://www.oecd.org/dev)  
[cendev.contact@oecd.org](mailto:cendev.contact@oecd.org)

The Development Centre carries out comparative research and policy dialogue with developing countries. Its mission is to help promote a better understanding in the OECD of the economic and social problems of developing countries and to transfer to them the knowledge, information and experience gained in the development process. It serves as a meeting place and a forum where individuals from developing as well as OECD countries, be they researchers, representatives of the private sector or NGOs, civil servants or high-level government officials, can freely express their views.

The Development Centre draws on the OECD's multidisciplinary expertise and experience of member country policy analysis to enrich its own work on developing countries. For example, the Centre is publishing in early 2002 in collaboration with the African Development Bank the first African Economic Outlook. The African Economic Outlook, modelled on the OECD *Economic Outlook*, comprises country notes on 22 African states plus a comparative statistical annex.

The Development Centre's 26 member countries include several developing economies (Argentina, Brazil, Chile and India, which joined in March 2001).

A highlight of work on globalisation, development and governance in 2001 was the publication of *The World Economy, A Millennial Perspective*. This pioneering effort to quantify the economic performance of nations since the year 1000 offered a reminder that different countries and regions have taken the lead in the performance stakes over the centuries. *Don't Fix, Don't Float* looked at questions pertaining to changes in the international financial architecture from the perspective of developing countries. And research in Argentina, Brazil, Chile, China, India, Malaysia and South Africa concluded that appropriate attention to corporate governance during the develop-

ment process helps a country earn policy credibility abroad while signalling a commitment to transparency at home.



Work on poverty reduction and skills building looked at ways to develop better indicators to measure human capital in developing countries and to explore how foreign investors can contribute to education and training policies to help build the skills of local residents. Case studies of Indonesia, Madagascar, Peru and Tanzania demonstrated how institutional and policy reform can enhance the effectiveness of education and health spending in reducing poverty.

*Emerging Africa*, an analysis of the possibilities for sustained economic take-off for six African countries, was completed in 2001

and the Centre also produced or prepared 12 other publications on Africa including *Policies to Promote Competitiveness in Manufacturing in Sub-Saharan Africa* (co-published with the IMF and the African Economic Research Consortium), *Towards Arab and Euro-Med Regional Integration* and work on reforming the financial sector in Africa and on corruption in Mozambique. A series of papers on regional integration in Africa explored the idea that regionalism can create a springboard for progressive insertion into the global economy.

Case studies on the costs and benefits of measures to reduce greenhouse gas emissions in China and India showed that implementing policies to prevent climate change are less costly at national level than often anticipated by governments of developing countries.

The successful *Directory of NGOs Active in Sustainable Development* and *Public Attitudes and International Development Cooperation* are being updated. The latter update is based in part on the results of an experts meeting held in Dublin, supported by the Swedish International Development Agency (SIDA) and Ireland Aid.

The OECD also participated in and contributed to preparations for the UN conference on Financing for Development held in Mexico in March 2002.

### Statistical capacity building

[www.paris21.org/](http://www.paris21.org/)

PARIS21 (Partners in Statistics for Development in the 21st Century) is an international initiative by a global

consortium of policy-makers, statisticians, and users of statistical information that aims to build statistical capacity as the foundation for effective development policies by helping develop well-managed, appropriately resourced statistical systems. Activities in 2001 included two sub-regional workshops covering 20 African countries and a follow-up workshop in Zambia; a one-day workshop at the UN Economic Commission for Africa covering some 40 countries; and a

number of task team meetings on advocacy, indicators of statistical capacity, statistical strategic planning, and population censuses. The future work of the consortium will concentrate on broadening coverage of the initiative beyond anglophone Africa; encouraging bilateral donors and trust funds to help countries implement the action plans developed at the sub-regional workshops; and completing and disseminating the materials resulting from the task team work.



## SAHEL AND WEST AFRICA CLUB

[www.oecd.org/sah](http://www.oecd.org/sah)  
[sahel.contact@oecd.org](mailto:sahel.contact@oecd.org)

The Sahel and West Africa Club is an informal forum for reflection and exchanging views with and about African countries and working to improve development aid. It creates and facilitates links between OECD member countries and West Africa and between the public and private sectors. The Club's programmes are approved by a policy orientation group comprising donor agencies as well as leading West African networks and partner institutions.

The Sahel Club was created in 1977 to facilitate cooperation among aid donors following massive drought in the African region. It has changed over the years in response to changing regional needs and in 2001 it extended its mission to the whole of West Africa and was renamed the Sahel and West Africa Club. It also decided to increase the involvement in its work of civil society from both OECD and West African countries and to encourage greater participation in its structure by the southern partners.

The Club's work programme for 2001-2003 is focused on three main areas: local development and decentralisa-

tion in West Africa; regional dimensions of development; and future studies.

Highlights of the work in 2001 included distribution of an ECOLOC (programme to revive local economies) Manual on local economies and training for African experts in municipal development. Experimental work on local participatory development is underway in Ségou and Sikasso in Mali.

In the area of regional dimensions of development, studies are being finalised of the financial mechanisms of integration and on regional trade. Work is also underway on the S.K.Bo area (Sikasso in Mali, Korhogo in Ivory Coast and Bobo Dioulasso in Burkina Faso).

Work on future studies included an assessment of existing future studies for West Africa and the establishment of research themes for the Club's future studies, such as economic competitiveness, the regional dimension of development and socio-political risks.

## CO-OPERATIVE RELATIONS WITH NON-MEMBERS

[www.oecd.org/ccnm](http://www.oecd.org/ccnm)

[ccnmcont@oecd.org](mailto:ccnmcont@oecd.org)

The OECD maintains co-operative relations with a wide range of transition and emerging market economies covering topics of mutual interest. OECD member country officials and experts engage their non-member counterparts in policy dialogue and conduct peer assessments while sharing each other's rich and varied policy experiences.

The year 2001 saw a major restructuring of the activities of the Centre for Co-operation with Non-Members, grouping its work around Global Forums in eight policy areas where the OECD has particular expertise and where global dialogue can have an important impact on policy-making. The programmes for regions and countries were also reorganised. This strengthened the focus on key areas of institutional and policy reform to ensure that the benefits of globalisation are fully shared worldwide.

### Global forums

[www.oecd.org/ccnm](http://www.oecd.org/ccnm)

The Global Forums aim to achieve sustained results and to develop stable active networks of policy-makers in OECD member and non-member economies in eight key areas: sustainable development, the knowledge economy, governance, trade, agriculture, taxation, international investment and competition.

The Global Forum on Sustainable Development focused on associating non-members with the OECD sustainable development project and providing contributions to the World

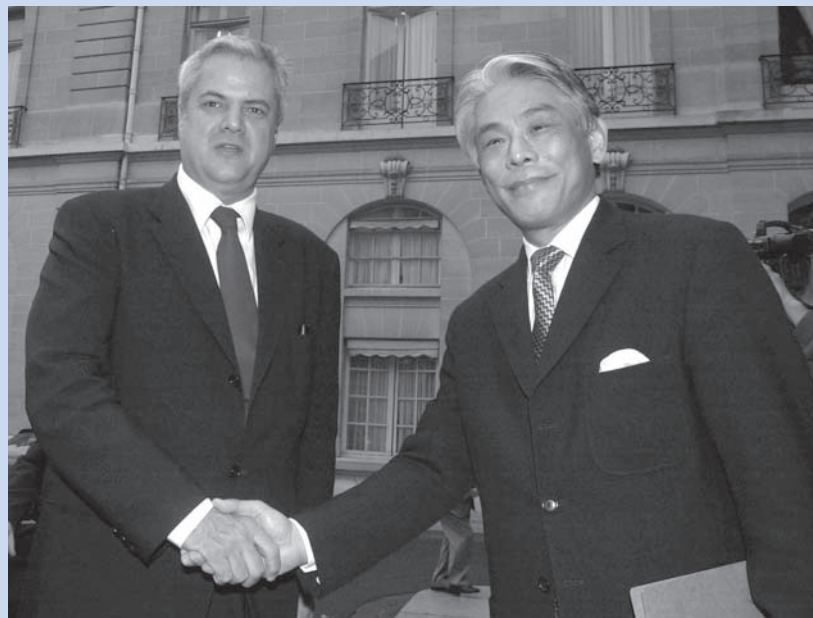
Conference on Sustainable Development scheduled for September 2002 in Johannesburg.

The Global Forum on the Knowledge Economy concentrated in 2001 on indicators of the knowledge economy, innovation policy, skills and education, e-commerce and biotechnology. The Global Forum on Governance held meetings in Paris, Italy, Brazil, South Africa and the Slovak Republic to discuss ways to enhance efficiency, openness, transparency and accountability of member and non-member governments.

Trade and development in non-OECD countries, as well as the labour, environmental and competi-

tion dimensions of trade policy were the subjects of meetings in Chile and Paris of the Global Forum on Trade.

The Global Forum on Competition, which held its first meeting in Paris in October 2001, offers a venue for non-OECD members to contribute to the formulation of an OECD anti-cartel programme. It also offers a chance for members and non-members to discuss international merger control. The inaugural meeting of the Global Forum on International Investment in Mexico City in November discussed ways for governments to attract foreign investment in order to promote sustainable development and reduce poverty.



*Adrian Nastase, Romanian Prime Minister, and Seiichi Kondo, OECD Deputy Secretary-General.*

## CHINA

[www.oecd.org/ccnm/china](http://www.oecd.org/ccnm/china)

[chuen.wu@oecd.org](mailto:chuen.wu@oecd.org)

The year 2001 marked a milestone in the building of a closer relationship between the OECD and China. China's chief trade negotiator and chief co-ordinator for co-operation with the OECD, Vice-Minister of Foreign Trade and Economic Co-operation Long Yongtu, played a major role in this development. He came to the OECD Paris headquarters three times in 2001 for ministerial and other high-level meetings and opened the first informal consultation between China and OECD member countries at the Beijing headquarters of China's Ministry of Foreign Trade and Economic Co-operation (MOFTEC) in September.

China's accession to the World Trade Organization (WTO) is likely to provide further impetus to ongoing domestic reforms that will encourage further deepening of OECD-China co-operation. WTO membership will expand the opportunities for foreign direct investment (FDI) and allow China to better realise its comparative advantage in the world economy. As part of work to encourage investment in less favoured regions, the OECD and China held a conference in Xian in October on challenges and prospects for FDI in the central and western regions which have received very little FDI to date. Future OECD-China work on investment will cover such areas as mergers and acquisitions, FDI statistics and an FDI Policy Study of China.

The economy will have to undergo some major adjustments before the full benefits of WTO membership can be realised. *China's Agriculture in the International Trading System*, published in 2001, examines the numerous challenges facing Chinese agriculture as the country prepares for increased integration into the international trading system, from employment for redundant farm labour to environmental protection. A substantial reallocation of resources among the various sectors of the economy and a major restructuring of the business sector will be needed to correct widespread inefficiencies that now exist. These adjustments are being impeded by weaknesses in the financial system, overly intrusive government intervention in operations of state-owned enterprises, excessive segmentation among China's regions, and other structural problems.



*After more than two decades of progress in market reforms and trade and investment liberalisation, the entry of China into the WTO marks a new era for its integration into the world economy. Drawing on the experiences of OECD members over the past 50 years, and the organisation's extensive work with non-member economies, this landmark study provides readers with a comprehensive view of the domestic policy issues at stake and with specific recommendations for action.*

China has been engaged in an extensive economic reform process over the past two decades, with impressive results. To continue this progress, China will need to improve the efficiency of its domestic economy in the face of enhanced international competition. These reforms will entail strengthening the Chinese government's ability to support economic development in a more complex and competitive environment, improving the flexibility of macroeconomic policies and developing a comprehensive regulatory policy framework to support the efficient functioning of markets.

Most of these issues are reviewed in a landmark study, *China in the World Economy: the Domestic Policy Challenges*, published in early 2002 on the domestic economic policy challenges that China faces in its efforts to realise the full benefits of liberalisation of its international trade and investment policies.

The Global Forum on Agriculture fosters dialogue with non-members on agricultural policies including trade and market policies to evaluate and strengthen the process of policy reform and trade liberalisation. A meeting in April in Paris gathered representatives of more than 40 economies. As a regular agenda item of these meetings, Brazil, China, and Russia presented their latest policy developments.

The Global Forum on Taxation held two meetings in Paris in September 2001 focused on the application of tax treaties and counteracting harmful tax practices (*see box p. 41*). More than 80 economies were represented as well as major international organisations. The aim is to assist in eliminating tax measures that distort trade and investment flows, preventing double taxation, counteracting tax evasion and avoidance and promo-

ting best practices in tax policy and administration.

### Regional and country programmes

[www.oecd.org/ccnm/regional](http://www.oecd.org/ccnm/regional)  
[ccnmcontact@oecd.org](mailto:ccnmcontact@oecd.org)

The regional and country programmes provide for more targeted co-operation with non-members in three areas: Europe and Central

## THE BALTIC REGION

[www.oecd.org/ccnm/baltics](http://www.oecd.org/ccnm/baltics)  
[ccnmcont@oecd.org](mailto:ccnmcont@oecd.org)

The Baltic Regional Programme, established in 1998, is the OECD's main vehicle for co-operation with Lithuania, Latvia and Estonia. Several northwestern regions of the Russian Federation also participate in some of the activities.

The overall aims of the programme are to support the Baltic countries in completing their transition to market economies, to promote their stable integration into the global economy and to encourage them to use best practices developed by the OECD in various areas. The programme also seeks to associate the Baltic countries more closely with OECD instruments in areas including foreign investment, competition, bribery, taxation, insurance and entrepreneurship. The detailed work programme is developed in close consultation with the Baltic countries.

Much of the work consists of policy reviews and policy dialogue. Work on foreign direct investment, education, insurance and pensions reform, taxation and statistics as well as social and labour markets has been completed or is ongoing. New work on trade and on combating bribery was launched in 2001.

Since the establishment of the programme, the Baltic countries have made significant progress in aligning their



*(left to right) Gita Kalmet, chargée d'affaires, Estonia, Donald Johnston, OECD Secretary-General, and Asta Skaisgirytė Liauskiene, Ambassador of Lithuania to France, on the occasion of an exchange of letters by which Estonia and Lithuania adhere to the OECD Declaration on international investment and multinational enterprises.*

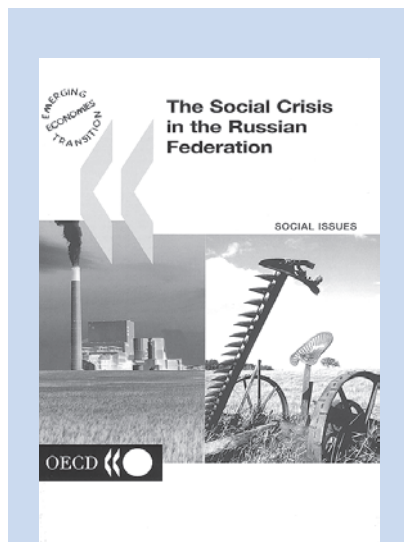
policies with OECD instruments and standards. Estonia and Lithuania signed the OECD Declaration on International Investment and Multinational Enterprises in September 2001. Lithuania became an observer in the Committee on Competition Law and Policy in 2001. The Baltic countries have been actively involved in the development of the Baltic Anti-Corruption Initiative (BACI) which was launched in 2001.

All activities in this programme depend on voluntary contributions from OECD member governments as well as the Baltic countries for their implementation.

Asia; Asia; and South America. There is a general programme for each region, as well as a specific programme for a particular country – Russia, China (see box p. 54) and Brazil (see box p. 18). There are also sub-regional programmes for South Eastern Europe and the Baltic region (see box p. 55).

The third annual meeting of the Anti-Corruption Network for Transition Economies in Istanbul in March 2001 agreed on the need for future work on the role that the rule of law and the use of legal instruments, good governance, civil society and regional networking can play in combating corruption. The OECD also completed a review of Ukraine's foreign direct investment policies that led to the establishment of a Ukraine Forum on Investment and Enterprise Development. *The Investment Environment in the Russian Federation: Laws, Policies and Institutions* was one of several publications dealing with Russian issues.

The OECD/World Bank Roundtables on Corporate Governance confirmed their role in 2001 as the leading fora for promoting good corporate governance in Russia, Asia, Latin America and Eurasia. Several publications during the year contributed to this work, including *Corporate Governance in Asia*. The OECD also launched a Forum for Asian Insolvency Reform (FAIR) in co-operation with the Asian Development Bank (ADB) and the Asia-Pacific Economic Council (APEC). Given the relevance of the OECD's work on public governance to non-members, the public governance outreach programme was extended in 2001. It included a number of global and regional events, such as a meeting in Johannesburg in November to help promote institution building and policy reform.



***The Russian Federation faces important economic and social challenges. By 1998 national income was little more than half its level in 1990. Life expectancy for men is now about 61 years, compared to 65 years a decade ago. More than a quarter of the Russian population is poverty-stricken according to official criteria. This book provides a detailed analysis of the social problems facing the Russian Federation, and develops proposals for continuing reform to improve the economic fundamentals, including productivity, while at the same time ensuring that social and labour market policies become more effective in helping the poorest Russians.***

SIGMA, a joint initiative of the OECD and the European Union principally financed by the European Commission continued to support public management reform in 15 countries.

Exploratory work for possible future co-operation in regions outside the

current programmes focused primarily on South Africa.

In addition to specific regional and country programmes, non-member economies may also participate by invitation in OECD bodies and legal instruments. For example non-members Argentina, Brazil, Bulgaria and Chile have adhered to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and more than 20 non-members participate in over 30 committees and other subsidiary bodies of the organisation.

In 2001, the OECD invited Brazil and Chile to participate in the Public Management Committee, China in the Committee for Scientific and Technological Policy, Chinese Taipei in the Committee on Competition Law and Policy, and Argentina in the Committee on Fiscal Affairs. Estonia and Lithuania adhered to the OECD Declaration on International Investment and Multinational Enterprises. Slovenia became a full participant in the work on bribery in international business transactions of the Committee on International Investment and Multinational Enterprises as well as an observer in the Education Committee, the Working Party of Senior Budget Officials and standing committees of the Nuclear Energy Agency.

## Partnerships with other international organisations

The OECD further expanded and focused its relationship with other international organisations in 2001 notably with the World Bank. Possible partnerships with other international and regional organisations, as well as regional development banks are being explored.



## STATISTICS

[www.oecd.org/statistics](http://www.oecd.org/statistics)

[katherine.scrivens@oecd.org](mailto:katherine.scrivens@oecd.org)

Statistics are a key element of the OECD's work and the organisation has a high reputation for the quality of its statistical output. The OECD secretariat and committees require a wide range of reliable statistics to monitor developments in member countries and in key non-member countries. The OECD also produces an extensive range of specialist statistical publications and databases for government agencies and the public. These range from annual and historical data to a "hot file" of key economic indicators for the 30 member countries updated weekly on the OECD website.

To ensure comparability and reliability of these statistics the OECD also promotes the adoption of international statistical standards and best methodological practice. One of the main responsibilities of the Statistics Directorate is to co-ordinate these statistical activities with other directorates of the organisation. The OECD launched a project for the reform of its statistical system in 2001 in order to improve this co-ordination and the statistics operations at the OECD. This, along with an improved presentation of statistical activities on the Internet via a new Statistics Portal and increased transparency of OECD statistics in SourceOECD, the organisation's online library, will provide a clearer picture of the quality and breadth of OECD statistics.

In 2002, the OECD will work towards the full implementation of the statistical system from a technical point of view; the definition of the main

guidelines for the development of statistical activities; and an agreement on specific rules for the management of the system. It is expected that the statistical programme will be fully implemented by 2003.

### Short-term indicators

The OECD publishes an extensive range of short-term economic indicators on a weekly, monthly and quarterly basis, including national accounts, production, composite leading indicators, retail prices, financial, international trade and balance of payments. The indicators are disseminated online, on CD-ROM and on paper. The OECD's principal short-term indicator database, the monthly *Main Economic Indicators* (MEI), was significantly enhanced in 2001 with the inclusion of detailed balance-of-payments series for member countries and a range of indicators for non-members Brazil and Indonesia. A monthly press release for the OECD composite leading indicator began in November. At the end of 2001, the first of a series of methodological analysis publications was released, comparing compilation practices of member countries for industrial production indices, retail trade and construction indicators. Similar analyses will be published in 2002 for other key short-term indicators.

### National accounts

The OECD plays an important role in providing timely, reliable national accounts data for OECD member countries ensuring methodological

soundness and comparability. New methodological work in 2002 will focus on issues related to information and communication technology (software measurement) and on selected service activities. The database on capital stocks and capital services will be updated and expanded, using work completed in 2001. A new data set on productivity measures and unit labour costs will be developed in 2002.

### New departures

The OECD also develops new indicators in response to changing economic patterns and concerns and is aiming to provide a comprehensive report on OECD agri-environmental indicators by 2004. The report will provide information to policy-makers on the evolution, state and possible future changes in key environmental areas in agriculture, to help them understand the links with policies and contribute to the monitoring and evaluation of policies in achieving sustainable agriculture. In the scientific field, a revised Frascati Manual of guidelines for measuring research and development (R&D) is scheduled for publication in 2003. Topics being studied include service sector R&D, the improvement of comparability with national accounting systems and methodologies for the better derivation of R&D data on hospitals and clinical trials.

Other new developments in 2001 included a draft statistical definition of biotechnology to help countries interested in indicators to measure biotechnology. A decision was taken

# STATISTICS – NEW PUBLICATIONS

[www.oecd.org/statistics/newsletters](http://www.oecd.org/statistics/newsletters)

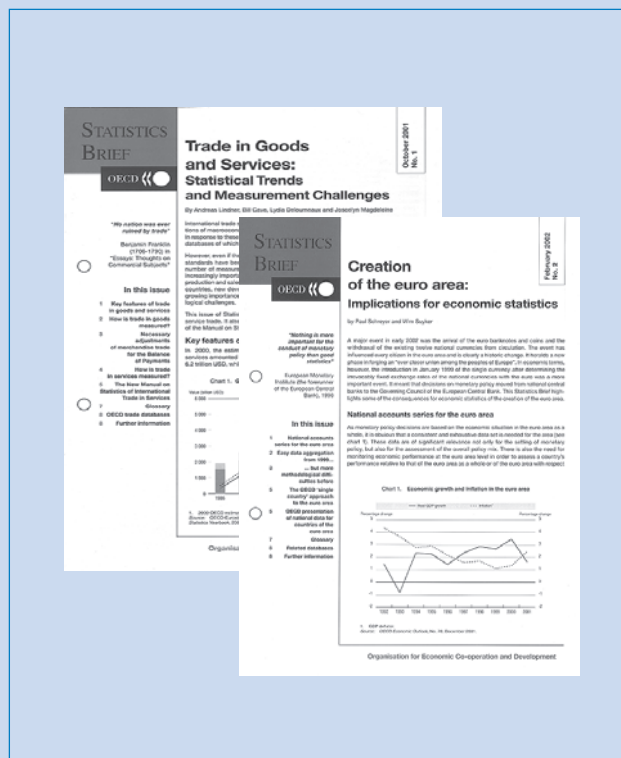
Two new publications, the Statistics Newsletter and the Statistics Brief, were launched in 2001 to help raise awareness of the wide range of statistical work being carried out at the OECD and help users to understand it better.

The Statistics Newsletter (<http://www.oecd.org/statistics/newsletters>), a monthly publication launched in May 2001, is already reaching more than 2 000 readers in national statistical agencies, government ministries, international organisations, the private sector and academia. Its mission is to raise awareness in member countries of the wide range of important statistical work being conducted throughout the organisation and to strengthen the extended OECD statistical network.

The Statistics Brief (<http://www.oecd.org/statistics/newsletters>), launched in October 2001, is intended to help government statisticians, economists, policy-makers and researchers understand important statistical questions. The first issue dealt with measurement challenges in trade in goods and in services. It will be produced several times a year.

Other new statistical publications in 2001 include the OECD Manual on Measuring Productivity, the first comprehensive guide to the various productivity measures involved in constructing industry-level productivity indicators. This manual presents the theoretical foundations to productivity measurement, and discusses implementation and measurement issues. The OECD Manual on Measuring Capital serves to clarify the conceptual issues concerning stocks and flows of fixed capital, and provides practical guidelines for estimation. The Manual also deals with the definition and measurement of “capital services” which measure the contribution of capital assets to the production process.

There have also been two new CD-ROM products this year: OECD Agricultural Databases, a unique, reliable and up-to-date source of international statistics on agriculture, and Tariffs and Trade, providing a unique and comprehensive data set on market access issues. The three agri-



culture databases cover commodities outlook, agricultural policies in emerging and transition economies and agricultural support estimates. The Tariffs and Trade CD-ROM provides access to pre-Uruguay Round MFN tariffs, bound tariff levels negotiated during the Round, and corresponding data on the value of imports and exports by partner country. The database covers all OECD countries. Several databases previously published on diskette were also made available on CD-ROM in 2001. They include Indicators of Industry and Services, providing an overall view of short-term economic developments in a number of industrial and services branches for OECD countries and main economic groupings and Structural Statistics for Industry and Services. The Institutional Investors database of statistics on institutional saving and investment in the OECD area since 1980 was also made available on CD-ROM.

to develop “model” surveys, one for R&D surveys and one for special biotechnology surveys, to help member countries undertaking work in this area and to ensure a high level of international comparability. And the Working Party on Indicators for the Information Society (WPIIS) approved a model questionnaire on ICT use in the business enterprise sector, intended to provide guidance to OECD countries for the measurement of indicators of ICT, Internet use and electronic commerce.

The OECD is also working to improve international harmonisation of environmental data and indicators, and to strengthen the capacity of member and selected non-member countries in the field of information and reporting concerning the environment and sustainable development. The 2001 Compendium of OECD environmental data, a report on environmental decoupling indicators, as well as updated key environmental indicators and information on environmentally related taxes are due for publication in 2002. The OECD is also reviewing with Eurostat the OECD questionnaires on the state of the environment and on environmental expenditure and revenues.

Most internationally comparable labour force statistics come from labour force surveys and consist largely of information on outcomes (unemployment and participation rates, employment-to-population ratios, etc.). What is not generally compiled and published is information on the institutional and regulatory framework that affects the functioning of the labour market. In 2002, the OECD will be preparing a publication which will include such information alongside the usual labour force statistics. It will also include data on minimum wages, unionisa-

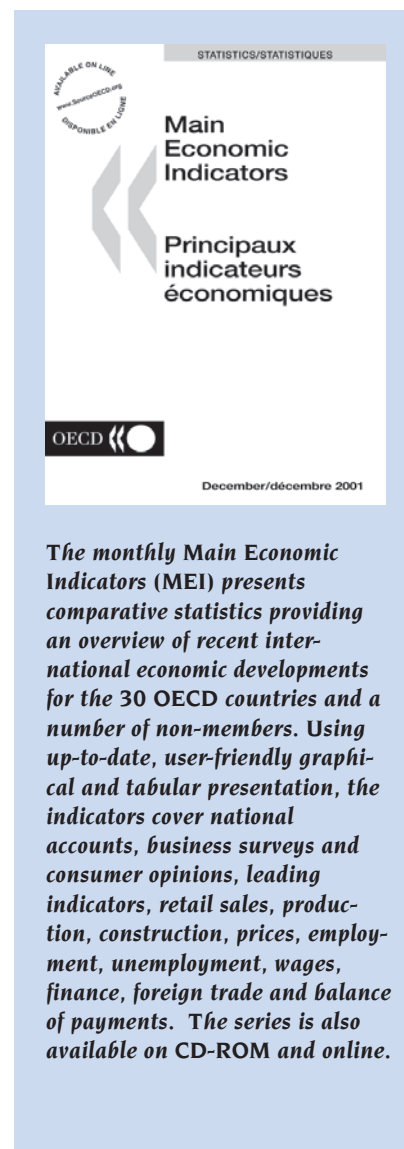
tion, taxation of wages, unemployment insurance wage replacement rates and employment protection indicators. This will be the first time that such information will be compiled and published systematically for OECD countries. It should be an asset to analysts interested in assessing the impact of different policy and regulatory environments on labour market outcomes.

### Non-observed economy

The OECD is developing international standards for measuring the “non-observed economy” (NOE) to ensure that national accounts provide a comprehensive picture of economic activity. The non-observed economy includes underground and informal activities, as well as activities that are missing from GDP because of inadequacies in data collection procedures. The OECD is promoting best practice in the measurement of the NOE through workshops, training and publications. A team of experts drawn from the OECD, international agencies including the International Labour Organization, IMF and Eurostat, and the Dutch and Italian statistics offices is developing “A Handbook for Measurement of the Non-Observed Economy” to be published in early 2002.

### Development indicators [www.developmentgoals.org](http://www.developmentgoals.org)

The OECD works jointly with the United Nations, the World Bank and the International Monetary Fund on indicators for the Millennium Development Goals (MDGs) set out in the Millennium Declaration signed in 2000 by 189 countries. The 48 indicators monitor progress by developing countries towards goals for poverty reduction, education, health and the environment, along with actions, mainly by OECD countries,



*The monthly Main Economic Indicators (MEI) presents comparative statistics providing an overview of recent international economic developments for the 30 OECD countries and a number of non-members. Using up-to-date, user-friendly graphical and tabular presentation, the indicators cover national accounts, business surveys and consumer opinions, leading indicators, retail sales, production, construction, prices, employment, unemployment, wages, finance, foreign trade and balance of payments. The series is also available on CD-ROM and online.*

in providing aid, debt relief and market access. Updates to *A Better World for All: Progress towards the International Development Goals*, a joint publication of the four organisations in 2000, on progress towards the MDGs will be published annually from 2002. A partial update is included in the *Development Co-operation Report 2001* ([www.oecd.org/dac](http://www.oecd.org/dac)). The OECD will continue to work with the World Bank and the UN to establish a set of qualitative indicators to measure governance in developing and transition countries.

## PUBLIC AFFAIRS AND COMMUNICATIONS

[www.oecd.org/about](http://www.oecd.org/about)

The OECD has an active policy of communication, dialogue and information dissemination with a broad range of stakeholders, whether policy-makers, academics, business, labour, civil society organisations or the media. Activities with these stakeholders make an important substantive contribution to the OECD's work. Transparency and openness are also important for building trust in public institutions and for promoting greater public understanding of the benefits and challenges of global economic and social change.

A second-generation website was launched in 2001, improving access to the results of the organisation's work. The OECD continues to pioneer in electronic publishing, building on its important role as a print publisher.

### Publishing

[www.sourceoecd.org](http://www.sourceoecd.org)  
[publisher@oecd.org](mailto:publisher@oecd.org)

The OECD publishes about 250 titles a year in English and French. The highlight of 2001 was the publication of *The World Economy: A Millennial Perspective* by Angus Maddison. This analysis of the world economy over the past 1 000 years attracted a great deal of attention and strong demand. A great number of titles are translated into other languages, often through co-editions or license agreements. In 2001, 180 partial and full translations were published in 28 languages.

More than 1 500 institutions subscribed to at least one of the 75 parts



**Amadou Cheikh Kanouté, Regional Director for Africa, Consumers International, Senegal at the session on digital opportunities and the digital divide at Forum 2001.**

of the online library, *SourceOECD* ([www.sourceoecd.org](http://www.sourceoecd.org)) in 2001, its first full year of operation, and nearly 100 took the entire service. By the end of 2001, monthly usage exceeded 50 000 visitor sessions, and some institutions were using the service more than 1 000 times a month. The online statistics databases have been the biggest draw, accounting for half of all usage.

In October the OECD launched its first experimental, web-book, *The OECD Science, Technology and Industry Scoreboard*, a long-time best-seller in print. The key feature is the ability to select a single graph or table, and then offer users the ability to download the underlying data. In its first month more than 5 000 readers tried out this web-book, made avail-

able free of charge via *SourceOECD*. Feedback has been positive and more web-books are likely to be introduced during 2002.

The innovative *Browse\_it* service launched in 2000, which allows readers to browse the full text of monographs online, free of charge via the online bookshop ([www.oecd.org/bookshop](http://www.oecd.org/bookshop)), has been a great success with more than 8 000 browsing sessions registered every month. Sales via the online bookshop have meanwhile risen to an average 1 100 a month from 900 in 2000.

### Media relations

[www.oecd.org/media](http://www.oecd.org/media)  
[news.contact@oecd.org](mailto:news.contact@oecd.org)

Media relations activities support and reflect the priorities of the organisation. All through the year, the Media Relations Division is required to field journalists' questions on a range of sometimes thorny issues from the new economy to the OECD's crack-down on tax havens. But it also plays a prominent role in actively disseminating news about the OECD's work from environment policy, economic analysis and education to regulatory reform, biotechnology and health.

One of the objectives over the year was to deepen relations with directorates, to ensure that news material provides full and correct information that is of use to journalists. The division organised interviews with and placed articles by the Secretary-General and other senior Secretariat officials, in newspapers and magazines ranging from *Libération* (France)

## FORUM 2001

[www.oecd.org/forum/2001](http://www.oecd.org/forum/2001)

In 2001, the OECD Forum firmly consolidated its position as an international public conference offering leaders from civil society, business and labour an opportunity to discuss key issues of the 21st century with government ministers and leaders of international organisations. What is unique about the OECD Forum is that it allows participants to shape the outcome of the OECD annual ministerial meeting. Indeed, OECD ministers officially “welcomed OECD Forum 2001 as an effective multi-stakeholder dialogue providing a valuable input into our work”.

OECD Forum 2001, which tackled the theme of “Sustainable Development and the New Economy”, brought together some 1 500 participants from 80 countries. They discussed issues ranging from the role of new technologies to corporate responsibility, agriculture, environment, multilateral trade talks and transport.

Harvard professor E.O. Wilson warned the Forum of the need to protect biodiversity. Ministers who took part in the debates included US Commerce Secretary Donald Evans, French Health Minister Bernard Kouchner and Brazil’s Foreign Minister Celso Lafer. Other key speakers included Friends of the Earth Chairman Ricardo Navarro, Secretary-General of the Malaysian Trades Union Congress Govindasamy Rajasekaran, France Telecom Chairman Michel Bon, Merck Chief Executive Officer Raymond Gilmartin and WTO Director General Mike Moore.

Svend Auken, Danish Minister for the Environment and Energy, captured the spirit of the Forum when he said that “High hopes of reducing environmental degradation raised at the Rio summit of 1992 have not been borne out ... It is now time to go beyond fine words and into action.” He reported back on the conclusions of the Forum



**Raymond Gilmartin, Chairman, President & Chief Executive Officer, Merck & Co. Inc, United States at the health session at Forum 2001.**

debate to OECD ministers during their session on sustainable development.

At the closure of Forum 2001, Secretary-General Donald Johnston remarked to participants that the “Forum has become a landmark in the life of the OECD”. Forum 2002, also to be held in Paris, will again take place alongside the annual ministerial meetings and will be on the theme “Taking Care of the Fundamentals: Security, Equity, Education and Growth.”

## NEW WEBSITE

[www.oecd.org](http://www.oecd.org)  
[webmaster@oecd.org](mailto:webmaster@oecd.org)

The OECD made further strides towards its aims of transparency, timeliness of information and customised service with the launch in September 2001 of a second-generation website that puts OECD data and analysis within easy reach of anyone with access to the Internet. With more than 9 million visitors in 2001 and 6 million pages viewed each month, the website has become a reference for international policy-making and analysis. Thanks to the new portal, the organisation's public knowledge base is now fully accessible to better serve the international community.

Key features of the new website:

**Timeliness** of information with daily updates.

**Statistics portal:** a one-stop-shop for statistics and indicators, providing governments, institutions and the public with a unique facility for analysing key policy issues using reliable data.

**Country-focused documentation:** a feature allowing visitors to search online for OECD expertise on individual countries.

**User-friendliness:** users can navigate the site by theme or by directorate.

**My OECD:** visitors can tailor the site to their specific needs and sign up for e-mail alerts on topics of interest to them.



**Focused searching:** a contextual navigation and search engine that gives only the desired information.

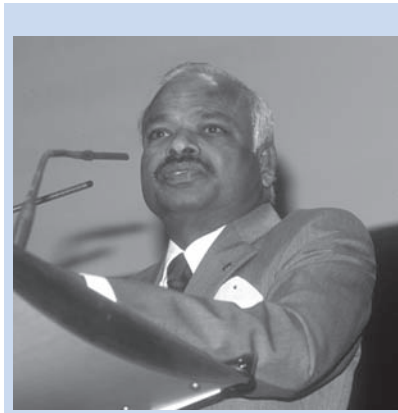
**Browsing:** a browsing facility for the documents and publications database.

and Espresso (Italy) to Nikkei (Japan) and the International Herald Tribune. It also provided TV and photo coverage of major OECD events for outside news organisations and stepped up the frequency of internally produced CNN World Report items that provide news on the organisation's work for a wide audience around the world. New techniques for internal communications include OECD-TV, providing televised news about OECD activities.

**OECD Observer**  
[www.oecdobserver.org](http://www.oecdobserver.org)  
[observer@oecd.org](mailto:observer@oecd.org)

The OECD *Observer* is the organisation's public magazine. Launched in November 1962, it offers concise and authoritative analysis of crucial world economic, social and scientific issues. The *Observer* is available in English, French and Japanese (limited edition).

The *Observer* is a window for the work of the OECD and a platform for communicating the ideas of the organisation's experts to the wider public. Recently, the magazine has positioned itself successfully as a



**Govindasamy Rajasekaran,**  
 Secretary-General of the Malaysian  
 Trades Union Congress (MTUC) at  
 the trade and development session at  
 Forum 2001.

forum of debate for a wide community of political personalities, experts and opinion leaders. In 2001 guest writers included Poul Rasmussen, the Danish Prime Minister, Werner Müller, Germany's Economics and Technology Minister, US Health Secretary Tommy Thompson and Mike Moore, Director General of the World Trade Organization. Contributions from civil society included businesses such as Microsoft and the Economist Group, and NGOs like

Global Reporting Initiative and Greenpeace as well as leading academics.

The online edition, [www.oecdobserver.org](http://www.oecdobserver.org), has become an important visibility tool for the organisation since its launch in August 1999. Traffic rose by over 100% from January to December 2001 and more than 1.3 million pages were accessed. Visitors come from all over the world and the site figures strongly on major Internet search engines.

**OECD in Figures**  
[www.oecd.org/publications/figures/](http://www.oecd.org/publications/figures/)

*OECD in Figures* is a pocket-sized databook for OECD member countries covering everything from economics to health, education and science. It is one of the organisation's most popular publications and is edited by Public Affairs in cooperation with the Statistics Directorate.

**OLISnet**

More than 8 000 authorised government officials and representatives of other concerned agencies in member

**POLICY BRIEFS**

Part of the task of communicating the OECD's message involves tailoring information in a form that can convey the organisation's analysis and policy conclusions to non-specialist audiences. OECD Policy Briefs are concise (8-12 pages) treatments of major aspects of the organisation's work. Written for a general audience, each Brief explores a different issue in a question and answer format. The series was initiated in 1997.

In addition to Briefs covering country economic surveys, themes in 2001 included sustainable development, hard core cartels, trade and development, and the OECD's relationship with civil society.



## BUSINESS AND INDUSTRY ADVISORY COMMITTEE TO THE OECD (BIAC)

### Executive Board

#### Chairman:

Dr. Bruno LAMBORGHINI, Chairman, Olivetti Tecnost, Member of the Olivetti Board of Directors, Chairman, EITO (European Information Technology) (Italy)

#### Vice-Chairmen:

Mr. Serge GRAVEL, Associé, Gravel, Otto & Associés (Canada)

Mr. Masaharu IKUTA, Chairman of BIAC Japan; Chairman of O.S.K. Lines, Ltd. (Japan)

Mr. Anders NARVINGER, Group Senior Vice President, ABB Financial Services Ltd. (Sweden)

Dr. Ungsuh K. PARK, Director and Member of the Board of Directors, Pohang Iron & Steel Co., Ltd. (POSCO) (Korea)

Mr. Jacques SAMPRÉ, Ancien Directeur Délégué, SANOFI (France)

Dr. Josef SIEGERS, Member of the Executive Board, BDA (Germany)

Mr. Edwin D. WILLIAMSON, Partner, Sullivan & Cromwell (United States)

#### Secretary General:

Mr. Douglas C. WORTH

13-15, chaussée de la Muette, 75016 Paris.

Tel: + 33 (0) 1 42 30 09 60

Fax: + 33 (0) 1 42 88 78 38

E-mail: [biac@biac.org](mailto:biac@biac.org)

Internet: [www.biac.org/](http://www.biac.org/)



**BIAC Secretary  
General Douglas Worth**

## TRADE UNION ADVISORY COMMITTEE TO THE OECD (TUAC)

### Administrative Committee

#### President:

Mr. John SWEENEY, President of the AFL-CIO (USA)

#### Vice-Presidents:

Mr. Luc CORTEBEECK, President of the Belgian Confederation of Christian Trade Unions (CSC-Belgium)

Mr. Etsuya WASHIO, President of RENGO (Japan)

Mrs. Evy BUVERUD-PEDERSEN, Secretary of the Norwegian Confederation of Trade Unions (LO-N-Norway)

#### General Secretary:

Mr. John EVANS

26, avenue de la Grande-Armée, 75017 Paris

Tel: + 33 (0) 1 55 37 37 37

Fax: + 33 (0) 1 47 54 98 28

E-mail: [tuac@tuac.org](mailto:tuac@tuac.org)

Internet: [www.tuac.org/](http://www.tuac.org/)



**TUAC General Secretary  
John Evans**



countries and non-member countries use the secure OECD online information network OLISnet to keep abreast of OECD work. The network offers one-stop access to OECD committee documents and statistics, publications and policy papers, and interactive facilities such as committee bulletin boards and discussion groups directly from the user's desktop PC. By using OLISnet regularly, committee delegates can keep themselves informed about and prepare for upcoming meetings. At the same time, OECD information is more easily circulated within governments. Government officials interested in signing up to the free service can complete an application form on the OECD website.

### The OECD Centres [www.oecd.org/about](http://www.oecd.org/about)

The OECD Centres in Germany, Japan, Mexico and the United States disseminate OECD information through the sale and distribution of books and electronic products. In addition, the centres provide information to the media and parliaments as well as to business, labour and other non-governmental organisations.

The **Washington Center** ([www.oecd.wash.org](http://www.oecd.wash.org); [washington.contact@oecd.org](mailto:washington.contact@oecd.org)) gave a new look to the release of the OECD *Economic Outlook* in May with a special event at the National Press Club organised as a panel discussion attended by more than 100 journalists, researchers and congressional staffers. The **Mexico Centre** ([www.rtn.net.mx/ocde/](http://www.rtn.net.mx/ocde/); [mexico.contact@oecd.org](mailto:mexico.contact@oecd.org)) increased its links with members of congress in Mexico and Latin America. A highlight for the **Berlin Centre** ([www.oecd.org/deutschland/](http://www.oecd.org/deutschland/); [berlin.contact@oecd.org](mailto:berlin.contact@oecd.org)) was a joint presentation of the annual DAC report on official development

assistance by German Federal Minister for Economic Co-operation and Development Heidemarie Wieczorek-Zeul and DAC chairman Jean-Claude Faure to more than 30 journalists and civil society representatives. The **Tokyo Centre** ([www.oecdtokyo.org/](http://www.oecdtokyo.org/); [center@oecdtokyo.org](mailto:center@oecdtokyo.org)) moved in December 2001 to the Japan Press Center Building, taking it closer to the Japanese government offices and the business centre.

### Business, labour, civil society and parliamentarians [www.biac.org/](http://www.biac.org/); [biac@biac.org](mailto:biac@biac.org) [www.tuac.org/](http://www.tuac.org/); [tuac@tuac.org](mailto:tuac@tuac.org)

The OECD has undertaken close consultation and dialogue with civil society since its creation in 1961. For many years this was primarily with the business and labour sectors, through the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC). But over the past decade the OECD has held increasingly extensive dialogue and consultations with other civil society organisations (CSOs) across most areas of the Organisation's work. Since 2000 it has also organised an annual OECD Forum (*see box p. 61*).

### BIAC and TUAC

During 2001, both BIAC and TUAC provided valuable input to the work of the OECD, especially for the reports to OECD ministers on the growth project (*see box p. 16*) and sustainable development. Consultative meetings were held during the year under the OECD's Labour/Management Programme (LMP) on a number of subjects including: firms, workers and the changing workplace: considerations for the old and the new economy; trade and environment;

climate change and employment; harmful tax practices and other tax issues. BIAC and TUAC also made important contributions to OECD Forum 2001 as Forum "knowledge partners".

### Civil society

A number of initiatives in 2001 improved the coherence of the organisation's co-operative relations with civil society, alongside its traditional partnerships such as with BIAC and TUAC. In March an informal meeting was organised with CSOs that have been participating actively and constructively in the OECD's work to discuss experiences to date, following a request from OECD ministers in 2000 to deepen dialogue and consultation with civil society.

A Policy Brief and a webpage on "Civil Society and the OECD" were created as external and internal communications tools. In addition, the OECD Visits Programme welcomed some 4 000 visitors from civil society, parliaments, academia, business, labour and government.

### Parliamentarians

The OECD also maintains relationships with parliamentarians in member countries. The Council of Europe (COE) Parliamentary Assembly, which provides a forum for parliamentarians to hold a yearly debate on OECD activities, focused on some of the policy issues arising from the 11 September terrorist attacks. The annual meeting between the Economics and Security Committee of the NATO Parliamentary Assembly and the OECD Secretariat was opened up to non-NATO OECD countries in 2001. Both Korea and Mexico took advantage of this opportunity to send parliamentarians to this meeting.

# OECD ONLINE SERVICES



[www.oecd.org/OECDdirect](http://www.oecd.org/OECDdirect)

[www.SourceOECD.org](http://www.SourceOECD.org)

[www.oecd.org/bookshop](http://www.oecd.org/bookshop)

## OUR FREE E-MAIL ALERTING SERVICE

Stay informed with our free e-mail alerting services, personalised to your interests.

Be the first to know the latest publications and news from the OECD.

Ideal for everyone

## THE SERVICE FOR INFORMATION HUNGRY INSTITUTIONS

A single institutional subscription provides unlimited access to OECD books, periodicals and statistics online 24 hours a day, 7 days a week.

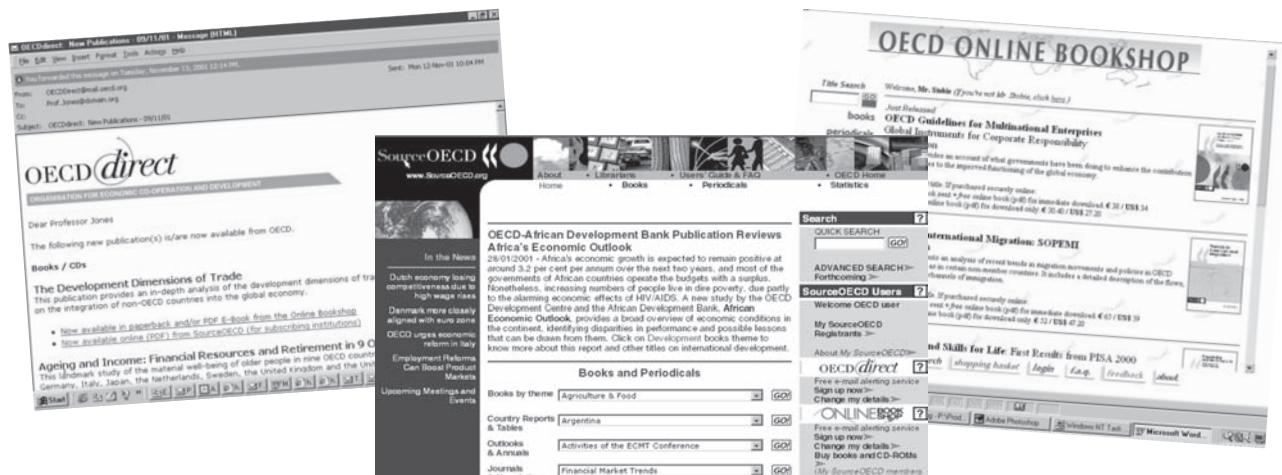
Ideal for universities, companies, government departments and other information hungry institutions

## THE SERVICE FOR INFORMATION HUNGRY INDIVIDUALS

Your gateway to our extensive catalogue of books, and statistics on CD-Rom – and now, pay-per-view.

Safe, easy and fast with our secure payment system.

Ideal for individuals



Accurate, continually updated, and backed by the reputation for which the OECD is known worldwide.

# OECD PUBLICATION THEMES

All OECD publications are available online under the relevant 20 themes:

- Agriculture and Food
- Development
- Education and Skills
- Emerging Economies
- Employment
- Energy
- Environment and Sustainable Development
- Finance and Investment / Insurance and Pensions
- General Economics and Future Studies
- Governance
- Industry, Services and Trade
- National Accounts and Historical Statistics
- Nuclear Energy
- Science and Information Technology
- Social Issues / Migration / Health
- Statistics: Sources and Methods
- Taxation
- Territorial Economy
- Transition Economies
- Transport



## EXECUTIVE DIRECTORATE

[www.oecd.org/about](http://www.oecd.org/about)

The Executive Directorate (EXD) oversees the management of the OECD's assets and resources – human, financial and information resources, communications, conference and office facilities. It is also responsible for the day-to-day management of the organisation's operational activities and infrastructure, including procurement, OECD meetings and conferences, security, interpretation and translation. This directorate also coordinates the OECD's reform programme and elaborates the organisation's programme of work and budget.

Internal reorganisation of the directorate continued in 2001, aiming to conform to best international and member country practice, as part of the OECD's ongoing reform programme (see chapter p. 9). A central structure was established to strengthen the organisation's procurement and contract management activities and to improve the services and guidance available to directorates in these areas. All activities relating to conference management (welcome, organisation of meetings, receptions and safety) were also regrouped into a single division to improve the preparation and coordination of OECD meetings and to modernise related technologies.

Organisation-wide reform initiatives focused on ways of improving programme performance and output management, better integrating work across the OECD, improving financial policies and procedures and establishing links between staff performance and remuneration. The guiding principles of reform are greater

responsiveness to member country needs, ensuring efficiency and cost effectiveness and a commitment on the part of the secretariat to professional and managerial excellence.

duced to both the programme of work and the budget process. The programme of work is now based around broad themes rather than directorates, and a priorities resource



*(left to right) Herwig Schlägl, OECD Deputy Secretary-General, Toure Alimata Traore, Malian Minister of Industry, Trade and Transport, Donald Johnston, OECD Secretary-General, and Mogens Lykketoft, Danish Minister for Foreign Affairs, at the press conference with non-members during the OECD Ministerial Council meeting in May 2001.*

In 2002 and following years, a large share of Executive Directorate resources will be devoted to the redevelopment of the OECD's headquarters site (see box p. 10).

### Programme of work

The programme of work and budget is the basic charter of the OECD's priorities, activities, staffing and financing. Traditionally, it has been approved at the end of each year by the governing body, the Council, for the subsequent calendar year. It was agreed in early 2001 that, from 2003/4, the budget process would become biennial.

Over the past few years, many improvements have been intro-

duced. These reforms are part of a major exercise aimed at improving the way the OECD takes decisions about resource allocation and how it presents information to member countries.

### Human resources management

[www.oecd.org/hrm/](http://www.oecd.org/hrm/)

Human resource management implements and consolidates human resource functions and policies, as well as providing staff and managers with high standard administrative, recruitment, training and counselling services. Main achievements in 2001 and priority activities for 2002 include:

- Refinement of the employment policy, including an improved contractual framework for temporary staff.
- Continued focus on management development, including management training.
- Complete revision of the OECD's remuneration policy.
- Review of staff rules to provide a more coherent and simplified framework.
- Improved international recruitment and gender balance.
- Improved health care, new contracts with management and insurance contractors, new strategies for cost containment policies and extended health care networks.
- Development of the human resources computer system, notably the implementation of a new payroll system.

## Financial resources management

In the financial area, EXD provides accounting, treasury, analysis and reporting services to the OECD and member countries. For 2002, it will continue to implement essential reforms aimed at improving efficiency and transparency, notably by developing quality reporting in accordance with international public sector accounting standards, and by further strengthening internal controls over financial transactions.

## Information resources management

The role of information technology and network services is twofold: to

deliver and support the information and communications technology (ICT) systems and services that underpin the daily work of the OECD, and to identify and implement innovative uses of ICT to help achieve the



*(left to right): Metin Bostancioglu, Turkish Minister of National Education and Ulrich Stockling, Swiss President of the Conference of Directors of Cantons of Public Education at the meeting of OECD education ministers in April 2001.*

medium-term strategic objectives of the organisation. This includes, in particular, systems, facilities and services for policy analysis, statistics, communications and committee interaction, management of corporate information, and administrative and management reform.

In 2001 the Executive Directorate, in co-operation with the Public Affairs and Communications Directorate, launched a new OECD website. It also consolidated specialised Extranet services for member countries and delegations (OLISnet); converted all systems to the Euro; and introduced an integrated online management system for OECD meetings and conferences.

## Infrastructure, space and event management

The Executive Directorate is responsible for managing the infrastructure of the headquarters and

annex sites and for providing a wide range of related services to support the daily functioning of the OECD. In 2001, efforts continued to improve working conditions for staff and to raise the quality of services

provided to the organisation, with emphasis on quality control. Particular steps were taken to contain the asbestos problem in the main office building, and to assess and improve fire safety in the various buildings and annexes owned or rented by the OECD.

This directorate also manages the OECD's operational resources in translation, interpretation and conference logistics. In 2001, conferences totalling 2 850 days took place at headquarters and elsewhere (including five meetings at ministerial level) and more than 80 000 standard pages were translated. The Executive Directorate also undertook a complete reorganisation of its conference services and, in liaison with the French police, significantly reinforced its security measures to address the risks associated with increased terrorist activity following the events of 11 September in the United States.

## HOW THE OECD WORKS

[www.oecd.org/about](http://www.oecd.org/about)

The secretariat in Paris carries out research and analysis at the request of the OECD's 30 member countries. The members meet and exchange information in committees devoted to key issues, with decision-making power vested in the OECD Council.

The Council is composed of one representative for each member country plus a representative of the European Commission, which takes part in the work of the OECD. Each member country has a permanent representative to the OECD and these representatives meet regularly in the Council. The OECD Council meets at ministerial level once a year when ministers from member countries raise important issues and set priorities for OECD work over the coming year. The specialised committees meet to discuss ideas and review progress in particular areas of policy.

There are about 200 committees, working groups and expert groups in all. Some 40 000 senior officials from national administrations come to OECD committee meetings each year to request, review and contribute to work that is undertaken by the OECD secretariat.

The sectoral committees are: Economic Policy Committee; Economic and Development Review Committee; Committee for Monetary and Foreign Exchange Matters; Environment Policy Committee; Chemicals Committee; Development Assistance Committee; Public Management Committee; Trade Committee;

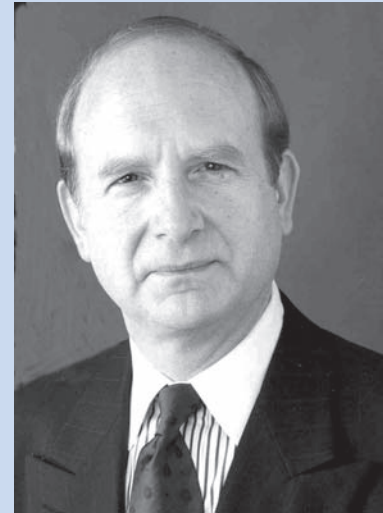
Committee on International Investment and Multinational Enterprises; Committee on Capital Movements and Invisible Transactions; Insurance Committee; Committee on Financial Markets; Committee on Fiscal Affairs; Committee on Competition Law and Policy; Committee for Scientific and Technological Policy; Committee for Information, Computer and Communications Policy; Committee on Consumer Policy; Committee on Industry and Business Environment; Maritime Transport Committee; Steel Committee; Tourism Committee; Employment, Labour and Social Affairs Committee; Education Committee; Committee for Agriculture; Fisheries Committee; Territorial Development Policy Committee.

The International Energy Agency (*see box page 78*) and the OECD Nuclear Energy Agency (*see box page 76*) deal with energy issues. Work mandated by the Council is shared out across the OECD secretariat's various directorates, which work closely together on the many issues that cut across several areas of expertise such as trade and environment or sustainable development.

### Economics Department (ECO)

[www.oecd.org/eco](http://www.oecd.org/eco)  
[ECO.contact@oecd.org](mailto:ECO.contact@oecd.org)

The Economics Department examines economic and financial developments in OECD countries and in selected non-member countries. This surveillance work is carried out under the auspices of the Economic



**Richard Hecklinger, who took up his post as OECD Deputy Secretary-General in January 2002.**

Policy Committee (EPC) and through the Economic and Development Review Committee (EDRC) which assesses policies in individual member (and some non-member) countries. Three subsidiary bodies of the EPC – the Working Group on Short-Term Economic Prospects, Working Party No. 1 on Macroeconomic and Structural Policy Analysis, and Working Party No. 3 on Policies for the Promotion of Better International Payments Equilibrium – also carry out multilateral and structural surveillance.

The Department provides an overall macroeconomic framework to identify priority issues needing multilateral attention. It assesses the implications of a broad range of struc-

tural issues in an economy-wide perspective, drawing on work by a number of OECD specialised committees. This currently includes work on the economic implications of ageing, labour market policies, environmentally sustainable growth, public expenditure and tax policies, education and health systems, and growth performance.

Twice a year, the Department publishes the OECD *Economic Outlook*, which presents analysis of recent macroeconomic developments and near-term prospects, highlighting key policy issues, and includes articles on various structural topics. About 20 OECD Country Surveys are published annually under the responsibility of the EDRC, working with the Economic Policy Committee on chapters dealing in-depth with a structural topic.

### Statistics Directorate (STD)

[www.oecd.org/statistics](http://www.oecd.org/statistics)  
[katherine.scrivens@oecd.org](mailto:katherine.scrivens@oecd.org)

The Statistics Directorate collects economic statistics from across the OECD. These are standardised to make them internationally comparable, and are published in both printed and electronic form. The monthly publication *Main Economic Indicators* is one of the principal publications of the directorate. Other specialised publications cover foreign trade, national accounts, employment and unemployment and there are also regular releases of updated figures, including monthly unemployment rates and changes in consumer prices. Other parts of the OECD publish indicators for specialised sectors. In collaboration with statisticians from member countries and other international organisations, the OECD has played a major role in developing new data

systems to respond to new policy concerns such as national accounts, energy supply and use, research and development, environment, and service industries.

### Environment Directorate (ENV)

[www.oecd.org/environment](http://www.oecd.org/environment)  
[env.contact@oecd.org](mailto:env.contact@oecd.org)

The Environment Directorate examines issues such as how to manage natural resources in a sustainable way, the interplay between the environment and trade policy, energy and agriculture, as well as analysing the economic aspects of climate change. It works with other directorates on some issues, such as trade, and is a key contributor to the OECD-wide work on sustainable development. The Environment Directorate keeps a permanent watch on environmental performance and compiles environmental data, publishing its first *Environmental Outlook* in 2001. It produces environmental assessments of member countries, which are published. The Environment Directorate is also responsible for looking at issues of pollution prevention and control through sensible waste management, less polluting transportation and clean technology. Its work on environmental safety and health includes work on chemical products: standardising chemical testing and hazard assessment procedures, coordinating data and laboratory practice standards.

### Development Co-operation Directorate (DCD)

[www.oecd.org/dac](http://www.oecd.org/dac)  
[dac.contact@oecd.org](mailto:dac.contact@oecd.org)

The Development Co-operation Directorate (DCD) helps OECD member countries with policy formu-

lation, policy co-ordination and information systems for development. It supports the work both of the Development Assistance Committee (DAC) and of the OECD as a whole, but its relationship with the DAC is so close that the DCD is generally identified with the DAC itself. The DAC meets at least 15 times a year and the chair is based at OECD headquarters. It differs from other committees in that it has the power to make recommendations directly to countries on the committee, as well as to the OECD Council, and produces an annual report on the efforts and policies of DAC members. Combined Official Development Assistance (ODA) of these major aid donors was some US\$53 billion in 2000, more than 95% of the world total. DAC/DCD work is about how to spend and invest this aid in the most effective manner so as to reduce poverty and ensure sustainable development in developing countries. It does so through guidelines, recommendations and “peer reviews” of the development cooperation policies of individual DAC members. DCD also works closely with other OECD directorates on issues of common interest such as trade, the environment, corruption in international transactions, and child labour.

### Public Management Service (PUMA)

[www.oecd.org/puma](http://www.oecd.org/puma)  
[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

The Public Management Service helps member countries to achieve high standards of effective and good governance in a quickly changing economic and social environment. Under the auspices of the Public Management Committee, PUMA analyses how governments manage the public sector, improve service delivery and make policy implemen-

tation more coherent. It develops recommendations on best practices and identifies emerging challenges such as e-government and risk management.

One of PUMA's primary functions is to create a forum for the exchange of experiences and new approaches among government representatives. Top officials responsible for the central management systems of government meet in specialized working groups on budgeting and management, policy-making, regulatory reform, strengthening government-citizen connections, human resources management, and public sector ethics.

PUMA is also responsible in the OECD for the SIGMA (Support for Improvement in Governance and Management) programme. This is a joint venture with and principally financed by the European Community to help the newly democratised countries of central and south eastern Europe reform their public administration systems, drawing on PUMA's experience and networks.

### Trade Directorate (ECH)

[www.oecd.org/ech](http://www.oecd.org/ech)  
[ech.contact@oecd.org](mailto:ech.contact@oecd.org)

The work of the Trade Directorate supports a strong, rules-based multi-lateral trading system that will maintain momentum for further trade liberalisation while contributing to rising standards of living and sustainable development in both OECD member and non-member countries. Its objective is to ensure that the liberalisation flowing from multi-lateral trade negotiations moves ahead smoothly and that the multi-lateral trading system, centred on the World Trade Organization (WTO), functions effectively and is equipped

to address major trade policy issues. Analytical work undertaken by the Trade Directorate under the auspices of the OECD Trade Committee seeks to support continued trade liberalisation and foster an understanding of the links between trade liberalisation and a range of issues of public concern. This work advances an informed debate, helping build consensus on a range of pertinent issues. The Trade Directorate is involved in analysis and preparations for future trade negotiations that will cover whole new categories of trade rules, such as the environment, competition policy, industrial policy and technology. At the same time, its analysis of trade patterns and policies can help forestall problems that emerge under the pressure of ever-intensifying competition. And its unique work in export credits steers countries away from distortive trade.

### Directorate for Financial, Fiscal and Enterprise Affairs (DAF)

[www.oecd.org/daf](http://www.oecd.org/daf)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

The prime objective of the Directorate for Financial, Fiscal and Enterprise Affairs (DAF) is to identify policies and best practices designed to keep markets open, competitive and sustainable while combating market abuses and economic crime through international co-operation. DAF supports eight main committees and working groups: the Committee on Competition Law and Policy; the Committee on Fiscal Affairs; the Committee on Financial Markets; the Insurance Committee; the Committee on Capital Movements and Invisible Transactions; the Committee on International Investment and Multinational Enterprises; the Working Group on Bribery in International Business Transactions; and the

Steering Group on Corporate Governance.

DAF works with government officials through these specialised committees and groups to analyse emerging trends and prepare recommendations favouring policy convergence and best practices for national action and international co-operation. Its work covers many fields including finance, insurance and private pensions; competition law and policy; taxation; corporate governance; anti-corruption; and foreign direct investment. These activities are often conducted in consultation with representatives of business, financial, labour and other non-governmental organisations, and non-member governments are increasingly involved. DAF activities often result in recommendations, standards, principles and sometimes legally binding obligations, which are then subject to follow-up monitoring or peer review to promote effective implementation.

### Directorate for Science, Technology and Industry (STI)

[www.oecd.org/sti](http://www.oecd.org/sti)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

The Directorate for Science, Technology and Industry and its committees seek to help OECD member countries adapt to the challenges of the "knowledge-based" economy. The Directorate provides analysis to underpin government policies on emerging scientific, technological and industrial issues, and offers a forum for policy dialogue. The Committee on Industry and Business Environment examines framework conditions for industrial competitiveness in the context of globalisation and the shift towards knowledge-based economies; it addresses poli-



cies that affect the performances of economies at sectoral and firm levels. The Committee for Scientific and Technological Policy examines how to stimulate innovation and effectively fund and manage science systems; biotechnology, and especially its application to human health and sustainable development, is part of the agenda for intense discussion. The Committee for Information, Computer and Communications Policy addresses the many issues involved in promoting the effective and socially beneficial application of information and communications technologies, including electronic commerce, in particular in areas such as telecommunications policy, Internet governance, information security and privacy. The Committee on Consumer Policy focuses on consumer protection in the online marketplace. In areas such as shipbuilding, steel and tourism, the STI works with member countries to monitor developments and encourage the adoption of OECD-wide standards or “rules of the game”.

### Directorate for Education, Employment, Labour and Social Affairs (ELS)

[www.oecd.org/els](http://www.oecd.org/els)  
[els.contact@oecd.org](mailto:els.contact@oecd.org)

This directorate oversees work on the many interrelated policy areas that can prevent social exclusion. Its activities are focused on five main areas: education and skills, employment, health, international migration and social issues. Lifelong learning, from early childhood to adulthood, is considered a key to social integration and a tool in the battle against exclusion, both from society and the labour market. The issue of health, given the impact it can have on society's well-being as well as its cost to governments, is also a priority for ELS.

Education and training systems are analysed and the picture of progress in education is presented in an annual compendium of facts and figures, *Education at a Glance*. The directorate watches employment and earnings patterns, and the annual *Employment Outlook* offers analysis of key labour market trends and policies. The flows and effects of how and why people move between countries are studied and summarised in *Trends in International Migration*. The directorate also looks at the effectiveness of health care and social welfare programmes, the role of women in the labour force and how technology affects workers.

Through the Centre for Educational Research and Innovation, the directorate focuses on work in new teaching and learning approaches.

### Directorate for Food, Agriculture and Fisheries (AGR)

[www.oecd.org/agr](http://www.oecd.org/agr)  
[agr.contact@oecd.org](mailto:agr.contact@oecd.org)

The Directorate for Food, Agriculture and Fisheries helps member countries in achieving the shared goals and in adopting the policy principles and operational criteria for agricultural policy reform identified by OECD agriculture ministers in 1987 and again in 1998. It also aims to help member countries implement economically efficient, sustainable fisheries. Its work covers six broad areas: monitoring and evaluating agricultural policies; assessing future developments in agricultural markets and trade; evaluating and strengthening the process of trade liberalisation; assessing the challenges to further trade liberalisation; enhancing the environmental sustainability of agriculture; analysing the interface between domestic

and international policies; and fisheries sustainability and market liberalisation.

The directorate carries out its work programme under the guidance of the Committee for Agriculture and its subsidiary bodies (Working Party on Agricultural Policies, Working Party on Markets and Commodity Groups) and the Committee for Fisheries. Two joint working parties, on Agriculture and Trade and on Agriculture and Environment, direct the co-operative work involving other committees and directorates. The mandates of these joint bodies were updated in 2000. The directorate reports on agricultural policy reform and market trends in its annual *Monitoring and Outlook of Agricultural Policies* and on policy developments in fisheries in its *Annual Review of Fisheries in OECD Countries*. It also establishes and manages codes for international quality of fruits and vegetables, seeds, forest products and tractors in order to promote trade as well as a co-operative research programme between research institutions to contribute to the scientific basis for managing biological resources for sustainable agricultural systems.

### Territorial Development Service (TDS)

[www.oecd.org/tds](http://www.oecd.org/tds)  
[territory.contact@oecd.org](mailto:territory.contact@oecd.org)

The Territorial Development Service considers how urban, regional and rural policies and local initiatives can generate employment, raise living standards and the quality of life, assist structural change and protect the environment. Its work is overseen by the Territorial Development Policy Committee (TDPC), which was established in 1999 to integrate the work on territorial issues. The committee is served by three working

parties addressing the specific issues of urban and rural questions as well as territorial indicators. One of the major contributions of the TDPC is to demonstrate how economic competitiveness and sustainable development go hand in hand. The Territorial Development Service aims to give practical assistance to governments, encouraging the creation and development of locally driven initiatives for economic development, and combining the best elements from a variety of complementary territorial development strategies.

### Public Affairs and Communications Directorate (PAC)

[www.oecd.org/about](http://www.oecd.org/about)

The Public Affairs and Communications Directorate contributes to transparency and openness by making information about the OECD's work and its results available to the public in a timely manner. PAC also presents "work in progress" on the Internet to elicit public comment. It is responsible for media relations and handles the publication and marketing of some 250 books a year, as well as managing a fast-growing online bookshop and offering access to OECD publications and information via the Internet. PAC also produces the Policy Briefs series of brochures on key policy issues, the OECD *Observer* magazine and the annual OECD *in Figures* compilation of key data for all member countries. The directorate manages the OECD's relations with the Business and Industry Advisory Committee (BIAC), the Trade Union Advisory Committee (TUAC), the Council of Europe, and the Economics and Security Committee of the NATO Parliamentary Assembly, and is increasingly involved in policy dialogue with civil society. It organises the annual OECD

Forum, which brings together representatives of OECD countries with business, labour, academics and other civil society organisations to debate significant policy issues for the globalised knowledge economy. PAC is also responsible for OECD centres in Berlin/Bonn, Mexico City, Tokyo and Washington, and serves as a point of contact with other international bodies, parliamentarians, non-governmental organisations and the general public.

### Executive Directorate (EXD)

[www.oecd.org/about](http://www.oecd.org/about)

The Executive Directorate manages the OECD's human, financial and information resources and oversees all administrative, financial and operational functions that are required for the functioning of the organisation. EXD groups all support services, including budget and finance, human resources management, operations, information technology and network services, procurement and contract management, conference and security, interpretation and translation. The directorate also co-ordinates the OECD reform programme and is responsible for the elaboration of the programme of work and budget.

### Centre for Co-operation with Non-Members (CCNM)

[www.oecdworld.org](http://www.oecdworld.org)  
[ccnmcont@oecd.org](mailto:ccnmcont@oecd.org)

The Centre for Co-operation with Non-Members serves as the focal point for the development of policy dialogue between the OECD and non-member economies. It manages a number of programmes linked to the key themes of OECD work such as the OECD Global Forums which



cover sustainable development; knowledge-based economy including biotechnology and e-commerce; governance; trade; international investment; agriculture; competition; and taxation. The Centre also manages regional and country programmes with major non-member economies such as China and Russia.

### Development Centre

[www.oecd.org/dev](http://www.oecd.org/dev)  
[cendev.contact@oecd.org](mailto:cendev.contact@oecd.org)

The Development Centre is a semi-autonomous body that promotes a better understanding of the economic and social problems of developing countries through comparative development analysis and policy dialogue. The Centre acts as a "bridge" between the advanced industrialised countries of the OECD and the emerging and developing economies of Africa, Asia and Latin America. Its activities enable experts and policy-makers from the developed and developing worlds to exchange ideas and experiences, with the aim of informing the development communities in member countries and benefiting developing countries.



## THE INTERNATIONAL FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING: THE FATF

[www.fatf-gafi.org](http://www.fatf-gafi.org)  
[Contact@fatf-gafi.org](mailto:Contact@fatf-gafi.org)

The Financial Action Task Force (FATF) is an independent intergovernmental body whose Secretariat is housed at the OECD. It expanded its mission in October 2001 to focus its energy and expertise on the worldwide effort to combat terrorist financing, in the wake of the 11 September attacks in the United States. As a body with considerable expertise, authority and credibility in addressing money-laundering issues, the FATF is well placed to take on a significant role in the effort to prevent terrorists freely using the financial system. Terrorists use financial networks in the same way that other criminal groups do, so that the FATF's expertise in tracking illicit funds will be key in combating terrorist financing. FATF members agreed a set of Special Recommendations on terrorist financing. These included making the financing of terrorism, terrorist acts and terrorist organisations a criminal offence, freezing or confiscating terrorist assets and reporting suspicious transactions linked to terrorism. FATF members agreed to comply with these recommendations by June 2002 and invited all countries around the world to join them in their effort. After June 2002, the FATF will start work to identify non-cooperative jurisdictions and discuss possible counter-measures.

During the year, the FATF also reported significant progress in its work on non-cooperative countries and territories (NCCT) in the international fight against money laundering. It took four jurisdictions off the list of NCCTs – the Bahamas, the Cayman Islands, Liechtenstein and Panama. It also added eight jurisdictions to the list (Egypt, Guatemala, Hungary, Indonesia, Myanmar, Nigeria, Ukraine and Grenada) following a review of more

territories. It decided to apply counter-measures to Nauru in December because of failure to make adequate progress.

The FATF annual report for 2000-2001 examined current and threatened vehicles for money laundering, including online banking and Internet casinos, the use of trusts and other non-corporate vehicles to launder money, the use of lawyers, notaries, accountants and other professionals, and terrorist-related money laundering.

The FATF was established by a G7 summit in Paris in 1989. In April 1990, the FATF issued Forty Recommendations, a comprehensive blueprint of the action needed to fight against money laundering. Since then the FATF has continued to examine the methods used to launder criminal proceeds and has completed two rounds of mutual evaluations of the anti-money laundering systems of its members. It has updated the Forty Recommendations and has sought to encourage other countries around the world to adopt anti-money laundering measures. The FATF's mission is reviewed every five years, so, when its current mission expires in 2004, members will have to decide whether it should continue.

The Task Force's 31 members are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Cooperation Council, Hong Kong China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.



## NUCLEAR ENERGY AGENCY

[www.nea.fr/](http://www.nea.fr/)  
[nea@nea.fr](mailto:nea@nea.fr)

More than 350 nuclear reactors provide almost a quarter of the electricity in the OECD area. For many OECD countries, nuclear power is an important component in meeting future electricity requirements. The Nuclear Energy Agency (NEA) helps its 27 member countries to maintain and develop, through international co-operation, the scientific, technological and legal bases required for the safe, environmentally friendly and economical use of nuclear energy for peaceful purposes.

The NEA pursues a balanced programme of work in nuclear safety and regulation, radioactive waste management, nuclear law and liability, nuclear development and economics, radiation protection and nuclear science. Several key areas were emphasised in 2001 and will maintain high priority over the next two years. They include the role of nuclear power in the context of sustainable development; attention to societal concerns in nuclear energy decision-making; modernisation of the system of radiation protection; and maintenance of infrastructure associated with nuclear power.

### **Nuclear energy and sustainable development**

[peter.wilmer@oecd.org](mailto:peter.wilmer@oecd.org)

The NEA presented its report, *Nuclear Energy in a Sustainable Development Perspective*, at the OECD Forum 2001 in May. The report assesses nuclear energy in the context of economic, environmental and social issues and identifies indicators for measuring how the sector might contribute to sustainable development. A workshop jointly organised with the IEA considered the relevance of external costs in assessing the economic competitiveness of elec-

tricity technologies and alternative fuels for the transport sector.

### **Civil society**

[jacques.delaferte@oecd.org](mailto:jacques.delaferte@oecd.org)

The NEA has several activities to identify ways of involving the public more closely in nuclear energy decision-making to imbue a spirit of greater trust, confidence and accountability. A Forum on Stakeholder Confidence has been established for radioactive waste management to analyse lessons learnt regarding stakeholder interaction and public participation. A stakeholder workshop analysed the interaction of different institutions, including civil society, in the decision to select a repository site for disposal of used nuclear fuel in Finland. The NEA also sponsored a meeting in Switzerland on The Better Integration of Radiation Protection in Modern Society. The NEA will be considering additional activities to support public authorities in their efforts to take account of societal needs in nuclear energy decision-making processes.

### **Nuclear infrastructure and development**

[thierry.dujardin@oecd.org](mailto:thierry.dujardin@oecd.org)

A major problem facing the international community is ageing of nuclear energy personnel. The NEA is working with member countries on mechanisms to attract young professionals. The NEA, together with the University of Montpellier, has established an International School of Nuclear Law whose primary objective is to provide high-quality education to law students at doctoral or masters level and to young legal professionals. Students

from 34 countries attended the first session. The NEA report *Trends in the Nuclear Fuel Cycle: Economic, Social and Environmental Aspects*, published in 2001, offers a fresh look at nuclear fuel cycle options and related technological choices.

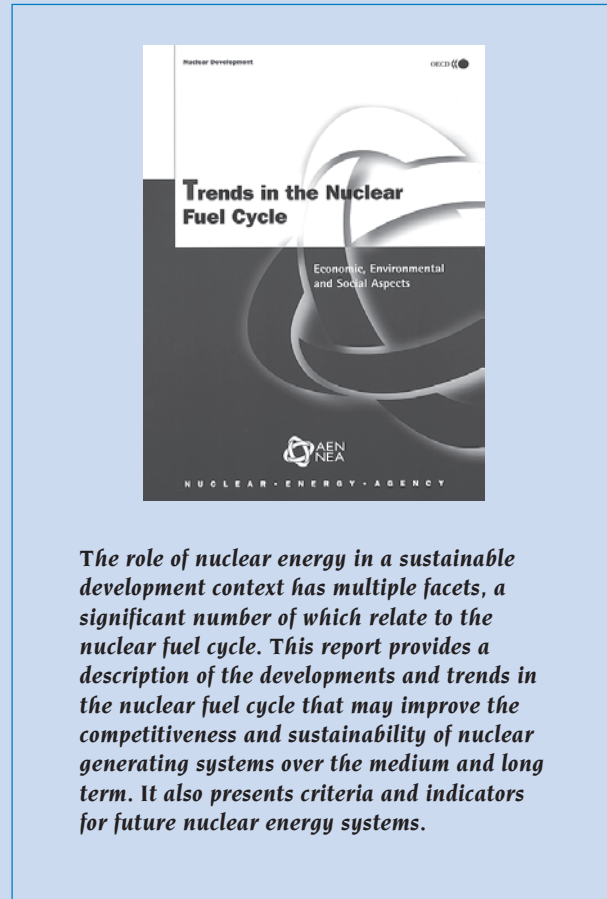
## Nuclear safety, radiation protection and nuclear waste management

[kazuo.shimomura@oecd.org](mailto:kazuo.shimomura@oecd.org)

NEA work continues in traditional technical areas including nuclear safety, operating experience, risk assessment, and analysis and management of accidents. Heads of regulatory agencies, researchers and industry agreed at a Workshop on the Role of Nuclear Safety Research that such research is critical to effective regulation. Two new international safety research projects are expected to become operational at the beginning of 2002, investigating severe accidents and nuclear piping reliability. The NEA actively contributes to the review of the principles and philosophy of the international system of radiation protection by preparing specific proposals for its improvement. In nuclear waste management, the NEA organised, at the request of the US government, an international peer review of the Yucca Mountain Project, the proposed site for US spent nuclear fuel disposal.

## Nuclear energy data

Nuclear Energy Data (the “Brown Book”) provides an annual update of statistical information and projections, country-by-country, on nuclear electricity generation and related fuel cycle capacities and requirements. All supporting stages of the nuclear fuel cycle are included: uranium production, conversion, enrichment, fuel fabrication, spent fuel capacities and reprocessing. The forecasts



*The role of nuclear energy in a sustainable development context has multiple facets, a significant number of which relate to the nuclear fuel cycle. This report provides a description of the developments and trends in the nuclear fuel cycle that may improve the competitiveness and sustainability of nuclear generating systems over the medium and long term. It also presents criteria and indicators for future nuclear energy systems.*

currently extend to 2015 at 5-year intervals. The 2002 version will extend to 2020, be more reader friendly and provide more complete information about each country's nuclear programme, latest developments and trends in the nuclear energy field.

---

*“... I think that this year, the debates at the OECD Forum have shown that member countries are now more explicit about the importance of nuclear energy as an element of the OECD programme of work.”*

Luis Echávarri, Director-General of the Nuclear Energy Agency

---



## INTERNATIONAL ENERGY AGENCY

[www.iea.org](http://www.iea.org)

[info@iea.org](mailto:info@iea.org)

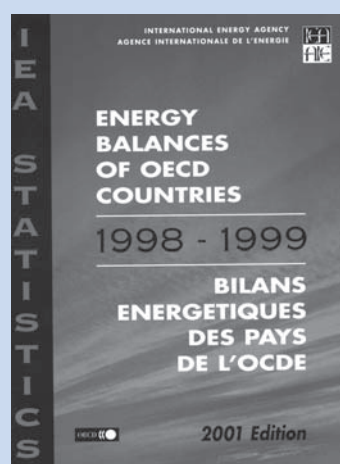
The International Energy Agency (IEA) is the forum for energy co-operation among 26 OECD member countries. It maintains a system of co-ordinated responses to oil-supply disruptions. The IEA promotes rational, market-oriented energy policies, the development and deployment of clean energies and enhanced energy efficiency. To this end, the agency conducts regular peer reviews of the energy policies of member countries. IEA work also focuses on the link between energy and the environment, especially in relation to climate change.

The Czech Republic joined the IEA in 2001 and the Republic of Korea is in the final stages of finalising its membership. Poland and the Slovak Republic are candidates for membership.

The Governing Board at Ministerial level met in May to discuss energy security, market reform and the role of energy in achieving sustainable growth. Ministers committed themselves "to strengthen energy security across the full range of primary energies, to continue energy market and regulatory reform; to expand access to energy services; to improve energy efficiency; to support the development and transfer of energy technologies; and to foster a sustainable energy future".

### Oil markets and security

Energy security is, and remains, the IEA's core mission. The IEA is equipped to act quickly to meet any supply problems and renewed its readiness to face any poten-



*This volume contains data on the supply and consumption of coal, oil, gas, electricity, heat, combustible renewables and waste in energy balances. The figures are expressed in million tonnes of oil equivalent. Historical tables summarise key energy and economic indicators as well as production, trade and final consumption data. This book includes definitions of products and flows. There are explanatory notes on the individual country data and conversion factors from original units to tonnes of oil equivalent. Key indicators have been provided since 1960. More detailed data in original units are published in Energy Statistics of OECD Countries, the sister volume of this publication.*

tial disruptions after the 11 September attacks in the United States. Members' emergency oil stocks are, collectively, well above 90 days of net oil imports.

In 2001, lower global economic growth brought shrinking oil demand which producers sought to match with production cuts. Non-OPEC production is expected to continue to grow through 2002. In response to concerns about increasing volatility in the market, the IEA launched an initiative to improve oil data transparency. The effort involves key international organisations and 70 countries. The initial results have been extremely promising.

### Energy and climate change

The IEA continued work on domestic and other action to curb energy-related greenhouse gas emissions, attending the COP6 meeting in Bonn and the COP7 meeting in Marrakesh. *International Emission Trading: From Concept to Reality* moves the debate from "whether" to trade to "how" it can be done. At the meeting of the UN Commission on Sustainable Development in April 2001, the IEA tabled its members' collective interpretation of their role in ensuring sustainable development.

### Energy diversification

Analytical work continues on market reform in the gas and electricity industries, including electricity transmission, distributed power and flexibility in gas supply and demand. The IEA also completed a comprehensive study of future world energy supply, *World Energy Outlook – 2001*

*Insights: Assessing Today's Supplies to Fuel Tomorrow's Growth.* Reserves of oil, gas, coal and uranium are more than adequate to meet projected demand growth until 2020 and beyond, but massive investment in energy production and transportation infrastructure will be needed.

### Energy technology

Some 40 IEA international collaborative programmes, involving member and non-member countries, encourage the development and use of clean, efficient energy technology. The IEA is host to the secretariat of the Climate Technology Initiative (CTI) which fosters use of climate-friendly technologies in developing and transition countries.

The IEA is increasingly active in providing analysis and international collaboration for renewable energy issues. All member governments have commitments to expand the renewable element of their energy supply.

The IEA gave high importance to increasing energy efficiency and worked to accelerate the broader commercial application of clean-fuel technologies. It spearheaded international co-operation on labels and standards for electrical appliances and equipment.

### Relations with non-members

The IEA strengthened its relationships with China, India and Russia through implementing agreements and other collaborative efforts and prepared an in-depth review of Russian energy policies.



## EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

[www.oecd.org/cem/](http://www.oecd.org/cem/)  
[jack.short@oecd.org](mailto:jack.short@oecd.org)

The European Conference of Ministers of Transport (ECMT) is an intergovernmental organisation where ministers responsible for inland transport co-operate on policy development. There are 41 full member countries, six associate member countries and two observer countries. The ECMT is administratively part of the OECD and contributes to many activities within the organisation.

The annual ministerial meeting in May 2001 in Lisbon endorsed a series of recommendations on transport for people with reduced mobility as well as discussing a wide range of other transport issues including sustainable transport and combating crime in transport.

### Accessible transport

The annual ministerial meeting adopted a resolution on accessible transport for people with reduced mobility, which also takes account of the needs of the elderly. The resolution brings together in a single document all the ECMT's earlier resolutions regarding access to buses, trains and coaches; transport for wheelchair users; and parking facilities for people with reduced mobility.

With the ageing of populations, transport systems will become less safe unless additional measures are taken, not because old people are more dangerous, but because they are more fragile. Such measures include design of infrastructure and vehicles, the management of traffic and the infrastructure provided to users.

### Sustainable urban transport

The current project on implementing sustainable urban travel policies began in 1998. The project focused on

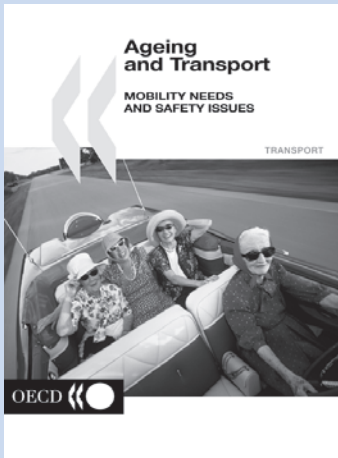
the implementation of sustainable policies for travel in cities. Ministers in 2001 approved the project's recommendations, which included establishing a supportive national policy framework and improving institutional co-ordination and co-operation. They endorsed recommendations to decentralise responsibilities when possible and centralise when necessary, as well as to encourage effective public participation, partnerships and communication. The ministers also called for a supportive legal and regulatory framework, comprehensive pricing and fiscal structure, rationalised financing and investment and improved data collection, monitoring and research.

Follow-up work will focus on monitoring implementation of these recommendations, in particular by examining the implications for specific groups of countries (e.g. central and eastern Europe), and exploring ways to improve consistency in urban data collection and monitoring. A guide to good practice will be developed to help governments establish a supportive policy and institutional framework and establish positive incentives for sustainable travel in urban areas.

### Pan-European integration of transport

While transport problems are increasingly similar across ECMT countries, countries in central and eastern Europe, as well as the former Soviet economies, face many particular difficulties in terms of infrastructure and the split between different modes of transport. An ECMT Policy Forum in February 2001 identified several key issues including the problem of priorities in infrastructure planning, financing sources and the need for a clear policy framework.





*Do older road users pose a safety risk to others? Is mandatory testing effective in determining the driving competence of older drivers? Are OECD Member countries prepared to meet the safety and mobility needs of the baby boom generation in the 21st century? This report dispels many of the myths and misperceptions commonly held regarding elderly road users, and offers policy and research recommendations to provide for their safe, lifelong mobility.*

## Combating crime in transport

Two reports were presented to ministers on “Theft of Goods and Goods Vehicles in Europe” and on “Improving Security for Road Freight Vehicles”. Further work will address issues including illegal immigration, the impli-

cations of electronic tracking of goods and security in passenger transport.

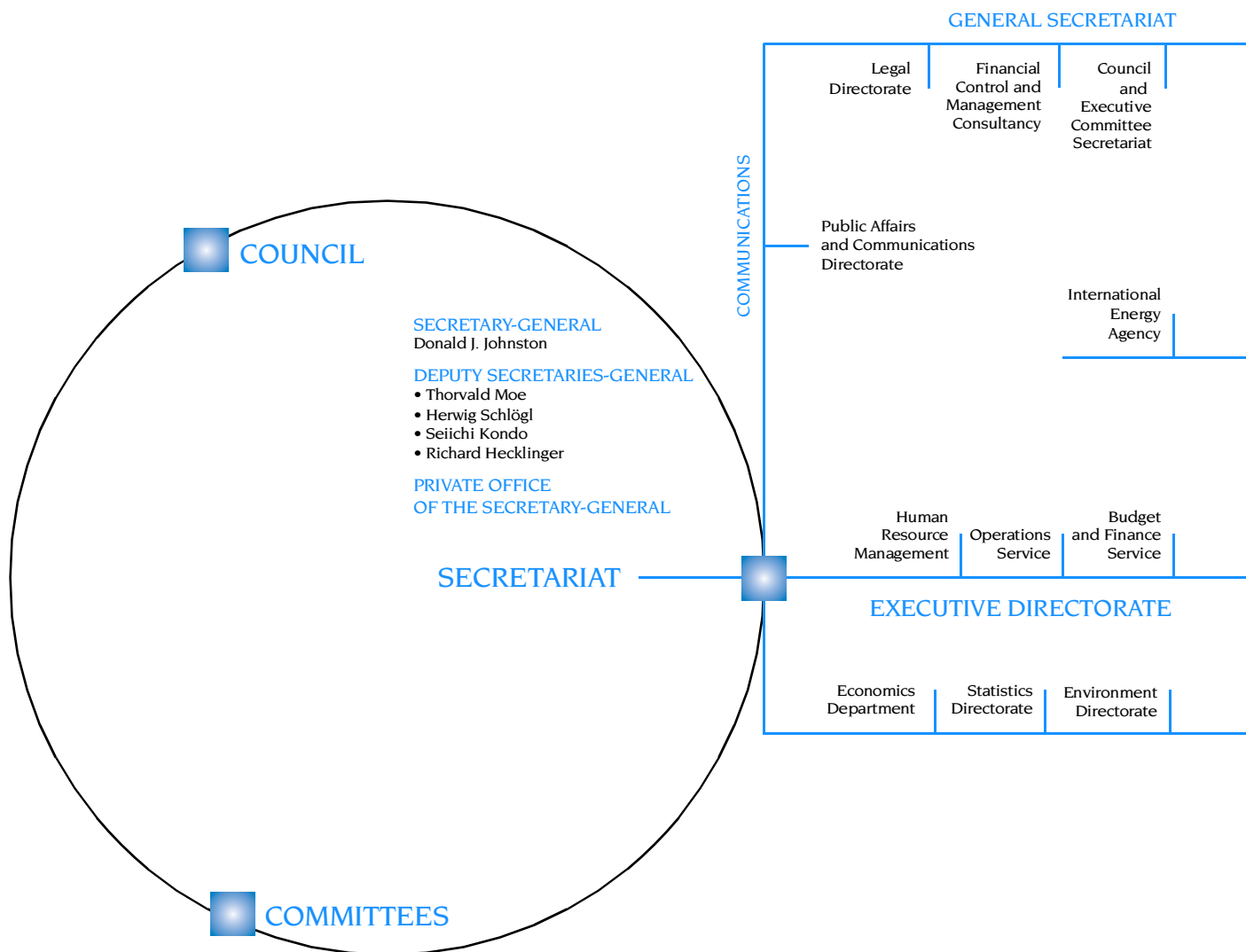
## Road transport

Road transport across Europe continued to grow in 2000, up by 3.93% over 1999 and a threefold increase since 1970. Road accident fatalities continue to decline, with the number of people killed on the roads in 2000 in western Europe down by more than 2.6% and in central and eastern Europe down by 4.9%, the best results since 1996. Despite this marked improvement, the number of deaths on the European continent at over 100 000 per year is an appalling and unacceptable consequence of our mobility.

## Research

The ECMT holds regular roundtables, seminars and symposia on transport economic issues to support and complete its policy work. Their conclusions serve as a basis for formulating proposals for policy decisions to be submitted to ministers. The introductory reports are then published. Recently published titles are: “Round Table 116: Transport of Waste Products” and “Round Table 117: Economic Evaluation of Road Traffic Safety Measures”. “What Role for the Railways in the East?” the result of a roundtable held in September 2001, was published in February 2002. A joint OECD/ECMT seminar on the impact of e-commerce on transport was held in June 2001 with a view to analysing the interaction between e-commerce and transport and assessing the implications for transport of the growth in e-commerce. The conclusions are available on [www.oecd.org/cem/online/ecom01/index.htm](http://www.oecd.org/cem/online/ecom01/index.htm).

# OECD ORGANISATION CHART



Advisory Unit on Multidisciplinary Issues	Centre for Co-operation with Non-members
--	---

Nuclear Energy Agency	European Conference of Ministers of Transport	Development Centre	Centre for Educational Research and Innovation	Club du Sahel
-----------------------------	--	-----------------------	---	------------------

SEMI-AUTONOMOUS BODIES

Information Technology and Network Services	Interpretation	Translation
--	----------------	-------------

Development Co-operation Directorate	Public Management Service	Trade Directorate	Directorate for Financial, Fiscal and Enterprise Affairs	Directorate for Science, Technology and Industry	Directorate for Education, Employment, Labour and Social Affairs	Directorate for Food, Agriculture and Fisheries	Territorial Development Service
--	---------------------------------	----------------------	---	---	--	--	---------------------------------------

OECD ORGANISATION CHART - MARCH 2002

## OECD DIRECTORY

### ECONOMIC GROWTH AND STABILITY

[www.oecd.org/growth](http://www.oecd.org/growth)  
[eco.contact@oecd.org](mailto:eco.contact@oecd.org)

#### Economic surveys

[www.oecd.org/macroeconomics/about/Country\\_Surveys/Members](http://www.oecd.org/macroeconomics/about/Country_Surveys/Members)  
[eco.contact@oecd.org](mailto:eco.contact@oecd.org)

#### Industry and growth

[www.oecd.org/enterprise](http://www.oecd.org/enterprise)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

#### Tourism

[www.oecd.org/sti/tourism](http://www.oecd.org/sti/tourism)  
[alain.dupeyras@oecd.org](mailto:alain.dupeyras@oecd.org)

#### Territorial reviews

[www.oecd.org/territorial](http://www.oecd.org/territorial)  
[territory.contact@oecd.org](mailto:territory.contact@oecd.org)

### EMPLOYMENT AND SOCIAL COHESION

[www.oecd.org/els](http://www.oecd.org/els)  
[els.contact@oecd.org](mailto:els.contact@oecd.org)

#### Education/Human capital

[www.oecd.org/education](http://www.oecd.org/education)  
[barry.mcgowan@oecd.org](mailto:barry.mcgowan@oecd.org)

#### Employment

[www.oecd.org/employment](http://www.oecd.org/employment)  
[employment.contact@oecd.org](mailto:employment.contact@oecd.org)

#### OECD health project

[www.oecd.org/health](http://www.oecd.org/health)  
[health.contact@oecd.org](mailto:health.contact@oecd.org)

#### Migration

[www.oecd.org/migration](http://www.oecd.org/migration)  
[els.migration@oecd.org](mailto:els.migration@oecd.org)

#### Social issues

[www.oecd.org/social](http://www.oecd.org/social)  
[spd.contact@oecd.org](mailto:spd.contact@oecd.org)

### TRADE AND INTERNATIONAL INVESTMENT

[www.oecd.org/trade](http://www.oecd.org/trade)  
[ech.contact@oecd.org](mailto:ech.contact@oecd.org)

#### Export credits

[www.oecd.org/trade/xcred](http://www.oecd.org/trade/xcred)  
[Xcred.Secretariat@oecd.org](mailto:Xcred.Secretariat@oecd.org)

#### Trade and competition

[www.oecd.org/regreform/competition](http://www.oecd.org/regreform/competition)  
[ech.contact@oecd.org](mailto:ech.contact@oecd.org)

#### Agricultural trade

[www.oecd.org/agriculture/trade](http://www.oecd.org/agriculture/trade)  
[agr.contact@oecd.org](mailto:agr.contact@oecd.org)

#### Finance and investment

[www.oecd.org/finance/](http://www.oecd.org/finance/)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

### SUSTAINABLE DEVELOPMENT

[www.oecd.org/sustainabledevelopment/](http://www.oecd.org/sustainabledevelopment/)  
[Marco.Mira@oecd.org](mailto:Marco.Mira@oecd.org)

#### Environment

[www.oecd.org/environment](http://www.oecd.org/environment)  
[env.contact@oecd.org](mailto:env.contact@oecd.org)

#### Energy

[www.iea.org](http://www.iea.org); [www.nea.fr](http://www.nea.fr)  
[info@iea.org](mailto:info@iea.org); [nea@nea.org](mailto:nea@nea.org)

### GOVERNANCE

[www.oecd.org/governance](http://www.oecd.org/governance)  
[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

#### Bribery and corruption

[www.oecd.org/corruption](http://www.oecd.org/corruption)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

#### Corporate governance

[www.oecd.org/corporate/](http://www.oecd.org/corporate/)  
[corporate.affairs@oecd.org](mailto:corporate.affairs@oecd.org)

#### Regulatory reform

[www.oecd.org/regreform/regref](http://www.oecd.org/regreform/regref)  
[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

#### Taxation

[www.oecd.org/taxation/](http://www.oecd.org/taxation/)  
[daffa.contact@oecd.org](mailto:daffa.contact@oecd.org)

#### Harmful tax practices

[www.oecd.org/taxation/ctpa/http](http://www.oecd.org/taxation/ctpa/http)  
[daffa.contact@oecd.org](mailto:daffa.contact@oecd.org)

#### Electronic commerce

[www.oecd.org/ecommerce/](http://www.oecd.org/ecommerce/)  
[daf.contact@oecd.org](mailto:daf.contact@oecd.org)

#### Public governance

[www.oecd.org/puma](http://www.oecd.org/puma)  
[pum.contact@oecd.org](mailto:pum.contact@oecd.org)

### BEST USE OF NEW TECHNOLOGIES

[www.oecd.org/science](http://www.oecd.org/science)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

#### ICT

[www.oecd.org/ict/](http://www.oecd.org/ict/)  
[dsti.contact@oecd.org](mailto:dsti.contact@oecd.org)

#### Biotechnology

[www.oecd.org/biotechnology/](http://www.oecd.org/biotechnology/)  
[ian.gillespie@oecd.org](mailto:ian.gillespie@oecd.org)

#### Food safety

[www.oecd.org/foodsafety/](http://www.oecd.org/foodsafety/)  
[icgb@oecd.org](mailto:icgb@oecd.org)

#### Future studies

[www.oecd.org/futurestudies](http://www.oecd.org/futurestudies)  
[riel.miller@oecd.org](mailto:riel.miller@oecd.org)

### DEVELOPMENT

[www.oecd.org/development](http://www.oecd.org/development)  
[dac.contact@oecd.org](mailto:dac.contact@oecd.org)

#### Development Centre

[www.oecd.org/dev](http://www.oecd.org/dev)  
[cendev.contact@oecd.org](mailto:cendev.contact@oecd.org)

#### Sahel and West Africa Club

[www.oecd.org/sah](http://www.oecd.org/sah)  
[sahel.contact@oecd.org](mailto:sahel.contact@oecd.org)

### CO-OPERATIVE RELATIONS WITH NON-MEMBERS

[www.oecd.org/ccnm](http://www.oecd.org/ccnm)  
[ccnmcont@oecd.org](mailto:ccnmcont@oecd.org)

#### China

[www.oecd.org/ccnm/china](http://www.oecd.org/ccnm/china)

#### Regional and country programmes

[www.oecd.org/ccnm/regional](http://www.oecd.org/ccnm/regional)

### STATISTICS

[www.oecd.org/statistics](http://www.oecd.org/statistics)  
[stat.contact@oecd.org](mailto:stat.contact@oecd.org)

#### Development indicators

[www.developmentgoals.org](http://www.developmentgoals.org)

### PUBLIC AFFAIRS AND COMMUNICATIONS

[www.oecd.org/about](http://www.oecd.org/about)

#### Publishing

[www.sourceoecd.org/](http://www.sourceoecd.org/)  
[publisher@oecd.org](mailto:publisher@oecd.org)

#### Media relations

[www.oecd.org/media](http://www.oecd.org/media)  
[news.contact@oecd.org](mailto:news.contact@oecd.org)

#### Forum 2001

[www.oecd.org/forum/2001](http://www.oecd.org/forum/2001)

#### OECD Observer

[www.oecdobserver.org](http://www.oecdobserver.org)  
[observer@oecd.org](mailto:observer@oecd.org)

#### Business, labour

[www.biac.org/](http://www.biac.org/); [biac@biac.org](mailto:biac@biac.org)  
[www.tuac.org](http://www.tuac.org); [tuac@tuac.org](mailto:tuac@tuac.org)

#### OECD website

[www.oecd.org](http://www.oecd.org)  
[webmaster@oecd.org](mailto:webmaster@oecd.org)

## OECD COUNCIL MEETING AT MINISTERIAL LEVEL COMMUNIQUÉ: TOWARDS A SUSTAINABLE FUTURE

[www.oecd.org/about](http://www.oecd.org/about)

The OECD Council at Ministerial level met on 16-17 May 2001, under the chairmanship of Prime Minister Poul Nyrup Rasmussen, Mr. Mogens Lykketoft, Minister of Foreign Affairs, and Ms Marianne Jelved, Minister for Economic Affairs and for Nordic Co-operation of Denmark, assisted by the vice-chairs from Japan, Mr. Takeo Hiranuma, Minister of Economy, Trade and Industry, Mr. Heizo Takenaka, Minister of Economic and Fiscal Policy, Mr. Shigeo Uetake, Senior Vice-Minister for Foreign Affairs, Mr. Hisashi Kazama, Senior Vice-Minister of the Environment and from the Slovak Republic, Mrs Brigita Schmögnerová, Minister of Finance, Prof. László Miklós, Minister of Environment, and Mr. Peter Brno, State Secretary, Ministry of Economy. Consultations were held with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD.

We welcome the accession of the Slovak Republic to the OECD. Slovakia's accession completes more than a decade of progress on reform that accelerated with the launching in 1991 of OECD's Partners in Transition Programme with the Czech and Slovak Republics, Hungary and Poland.

Our societies, as well as those of all other countries, face major transitions. We look to OECD to continue its pathfinder role of identifying and evaluating emerging policy issues and developing new policy concepts and approaches in areas where the Organisation has comparative advantage. OECD contributes to deeper international understanding, a more stable international economic system and enhanced prosperity worldwide, through its unique and indispensable intergovernmental process of analysis, dialogue and policy development.

We are committed to shaping globalisation to the benefit of all, and ensuring that the poorest are not left behind. We recognise the need, nationally and internationally, to bring greater coherence across the range of policies that impact on the achievement of this goal. Trade, investment and development policies, in particular, have a vital contribution to make to sustainable development and poverty reduction: strengthening the coherence among these policy areas deserves special attention. We look to OECD to assist us in this task.

### OECD and the wider world

OECD's co-operation and dialogue with countries in all regions of the world is a powerful instrument for advancing economic, environmental and social progress towards a



*Marianne Jelved, Danish Minister for Economic Affairs and Vice Prime Minister, with Donald Johnston, OECD Secretary-General, at the final press conference after the ministerial meeting.*

more peaceful world. This process is open to the range of partners outside the Organisation's membership who share our commitment to the development of a rules- and values-based open world economy. We endorse the Organisation's programmes of co-operation with countries outside OECD and welcome the growing interest among Non Members in participating in OECD's work. OECD remains open, on the basis of mutual interest, to membership by countries sharing the same values while being selective and pursuing the Organisation's tradition of high standards for membership as well as efficiency and relevance to its Members. We value the bridges OECD can build with non-Member countries in common pursuit of reform and their successful integration into the international economic system.

Our discussions with Ministers from Brazil, China, Indonesia, Mali, Romania, Russia, Singapore and South Africa at our Council Meeting this year are a contribution to strengthened confidence in the multilateral trading system and a step toward the launch of new WTO negotiations in Doha in November this year.

OECD's enhanced co-operation with its long-standing partners BIAC and TUAC has been complemented over the last year by strengthened co-operative activities with NGOs and

other representatives of civil society. This continuing dialogue builds trust in public institutions and promotes public understanding of the benefits and challenges of global economic and social change. We welcome OECD Forum 2001 as an effective multi-stakeholder dialogue providing valuable input to our work.

## Economic perspectives

The world economy has slowed significantly since we last met in June 2000. Growth in the OECD area is now projected to decline to around 2% in 2001, half the rate achieved last year. In addition, some large current account imbalances persist. However, the foundations are in place for a return to stronger growth, and inflation is expected to remain low. Macroeconomic policies and structural reforms should aim to enhance productivity growth and increase employment over the long term.



*Laurent Fabius, French Minister for the Economy, Finance and Industry (left), and Poul Nyrup Rasmussen, Danish Prime Minister.*

The United States economy has experienced a significant slowdown. Long-term fundamentals remain strong. Monetary policy should continue to aim at sustained non-inflationary growth. Fiscal policy should focus in the medium term on economic efficiency and fiscal soundness, including encouragement of higher private savings.

In Japan, prospects for a self-sustained recovery in the short term are uncertain while prices continue to decline and government debt is increasing. Monetary policy needs to provide ample liquidity until consumer price inflation stays at or above zero. The fiscal policy in place has been geared to aid recovery, but a credible medium-term strategy for fiscal consolidation and structural reforms must be developed without delay. We welcome the Japanese authorities' strong intent to resolve balance sheet problems in the

financial and corporate sectors and to enhance structural reform in securities and real-estate markets. Vigorous implementation of this strong intent is essential and regulatory reform should be quickened.

Growth in Europe will slow this year, but prospects are favourable. Economic fundamentals remain good and unemployment will continue to decline. Further structural reforms that increase the efficient operation of labour, product and financial markets are needed to strengthen long-term growth and reduce unemployment on a durable basis. In the euro area, with upside risks to price stability diminishing, scope for an easing of monetary policy emerged. Fiscal tightening over some years has created room for the tax cuts being implemented in most European countries. These will support demand and improve incentives for work and investment and thus supply-side conditions. Tax cuts in these countries need to be accompanied by firm control over public expenditure: population ageing will impose a large burden on public finances and will require the strengthening of pensions systems and further reductions in public debt in most countries. The introduction of euro notes and coins on 1 January 2002 will give a further impetus to economic integration, with potentially important benefits for both the euro area and the global economy.

## Sustainable development: integrating economic, environmental and social objectives

Sustainable development is an overarching goal of OECD governments and the OECD. The three dimensions of sustainable development – enhancing economic growth, promoting human and social development, and protecting the environment – are interdependent objectives requiring concerted international action by OECD, transition and developing countries, based on their common and differentiated responsibilities, to deliver essential public goods of a global nature. We recognise that OECD countries bear a special responsibility for leadership on sustainable development worldwide, historically and because of the weight they continue to have in the global economy and environment. We recognise the urgency of the challenge and the gap between policy design and implementation. We are committed to closing this gap and will work energetically with countries outside the OECD's membership to achieve our joint sustainable development goals.

We agree that real progress must be made, nationally and internationally, in order to succeed at the World Summit on Sustainable Development in Johannesburg in September 2002. We will ensure that sustainable development strategies are put in place in all our countries by the time of the World Summit. OECD's Roundtable on Sustainable Development should strengthen its role as a forum for international dialogue among stakeholders. We endorse OECD's Environmental Strategy for the First Decade of the 21st

Century<sup>1</sup>, and look to OECD to support and monitor its implementation. We welcome IEA Ministers' Communiqué<sup>2</sup> on the place of energy in a sustainable future.

OECD's report *Policies to Enhance Sustainable Development* outlines a policy framework for better integrating economic, environmental and social objectives, and decoupling economic growth from a range of environmental pressures. The report emphasises the need for sound analysis based on strong science that considers the full range of policy instruments and associated costs and benefits. We endorse the policy recommendations derived from it:

- *Make markets work:* All OECD countries should make better use of market-based instruments and combine them effectively with regulation. Measures to encourage voluntary initiatives and programmes to raise awareness have a role to play. The implementation of instruments such as tradable permit systems, environment-related taxes, and the phasing out of support programmes that are environmentally damaging in agriculture, fisheries, transport, energy, manufacturing and elsewhere, should be pursued, and applied according to national circumstances. This will contribute to the development of sustainable consumption and production patterns.
- *Respond to climate change:* We recognise that climate change is the most urgent global environmental challenge, requiring strong leadership and action by OECD Members, in accordance with their common but differentiated responsibilities, and working closely with transition and developing countries under the United Nations Framework Convention on Climate Change (UNFCCC). OECD governments recognise the need to significantly reduce global greenhouse gas emissions, with developed countries taking the lead, and to protect and enhance greenhouse gas sinks and reservoirs in order to stabilise concentrations in the atmosphere over the long term at a level that would prevent dangerous anthropogenic interference with the climate system. We will fully implement our national commitments, such as emission limitation and reduction targets, including those established under the UNFCCC. While recognising our differences over the Kyoto Protocol, OECD governments are determined to work together to address climate change and will participate constructively in the resumed COP6 in Bonn. For a large majority of OECD countries this means seeking entry into force of the Kyoto Protocol by 2002, with timely ratification processes, and with the broadest possible support of the international community. We ask OECD to continue to contribute to the analysis and international dialogue on these issues.

1. PAC/COM/NEWS(2001)46.

2. IEA/PRESS(01)13.

- *Manage natural resources:* The market prices of natural resources must reflect the full environmental and social costs and benefits of economic activity, to take better account of non-market values and long-term impacts. Progress requires improving the knowledge base through research on environmental thresholds and non-market values, making markets better serve conservation goals, and reducing the net costs of waste flows.
- *Harness science and technology:* Scientific research and innovation can enhance the efficiency of resource inputs and the environmental quality of growth. The increased use of market signals to achieve environmental objectives will boost the contribution of science and technology to sustainable development. New information and communications technologies (ICT) offer possibilities for significant reductions in the use of materials, energy and transport, and potential new directions in environmental policy design, implementation and monitoring.
- *Strengthen decision-making and information:* Improved policy integration and coherence at all levels of government, closer involvement of parliaments, and better mechanisms for interacting with citizens and civil society organisations, including greater public access to information and participation in decision-making, are required. When designing policies for sustainable development, countries should apply precaution as appropriate in situations where there is lack of scientific certainty.
- *Linkages with the global economy:* Trade, investment, environmental and social policies should be coherent and mutually supportive. Ensuring that the benefits of globalisation and technological advance are widely shared requires open world markets. We must also encourage environmentally and socially sustainable



(left to right): **Didier Reynders, Belgian Minister of Finance, Geir H. Haarde, Icelandic Minister of Finance and Pascal Couchepin, Swiss Federal Councillor and Head of the Federal Department of the Economy.**

growth in developing countries through improved market access for developing countries to OECD markets, and support for capacity building, co-operation in the area of technology, good governance, and poverty reduction.

OECD will continue to assist governments by:

- developing agreed indicators that measure progress across all three dimensions of sustainable development, including decoupling of economic growth from environmental degradation, with a view to incorporating these into OECD's economic, social and environmental peer review processes, and filling gaps in the statistical and scientific data;
- identifying how obstacles to policy reforms, in particular to the better use of market-based instruments, and to the reduction of environmentally harmful subsidies, can be overcome; and deepening its analytical work on these instruments;
- analysing further the social aspects of sustainable development, including work on human and social capital, as well as their interaction with their economic and environmental dimensions;
- providing guidance for achieving improved economic, environmental and social policy coherence and integration.

OECD will report progress to us in 2002, in particular on the use of sustainable development indicators, with a view to contributing to the forthcoming Johannesburg Summit.

## The social dimension of sustainable development

### Social cohesion

Deepened social cohesion is a central objective for sustainable development. We are thus committed to fighting the causes of poverty and social exclusion: persistently low incomes, lack of opportunities to work and to learn, and lack of access to good quality public services affect particular groups and areas and prevent progress toward sustainable development. Extending opportunities for work and good careers, to all those who can work, is a key element in any strategy to combat poverty and social exclusion. OECD unemployment has declined significantly in recent years, but more needs to be done to reduce long-term unemployment and benefit dependency within the context of an adequate social safety net. We welcome OECD's work on employment-oriented social policies to help tackle social inequalities, facilitate adjustment to rapid economic restructuring, and improve growth prospects. The recent UK/OECD

Ministerial Conference Opportunity for All<sup>3</sup>, in London on 9-10 October 2000, demonstrated how concerted action across different parts of government can successfully tackle deprivation.

### Ageing

The consequences of population ageing remain a major concern for OECD economies. OECD's review of retirement income systems shows that countries are putting in place reforms, but more needs to be done to strengthen them and make "active ageing" a reality. Further reforms are needed to encourage continued labour force participation of older workers and to achieve a better balance, taking account of national context, among various forms of pensions, to support the fundamental goal of ensuring adequate incomes in old age. We welcome OECD's work on active ageing, including its contribution to the Turin Charter<sup>4</sup>. We must urgently address the barriers against hiring, retraining and retention of older workers, and we look forward to OECD's work on this topic.

### Health

Health is vital to sustainable development. Health systems are an important element in social cohesion and represent the largest service sector in many OECD countries. Their efficiency, effectiveness and equity consequences, their impact on public finances, and their ability to meet the challenges of medical advances, ageing populations and rising expectations require creative policy approaches. OECD's Health Project will provide policy guidance on these matters, and we look forward to the Ottawa Conference in November 2001 on improving the performance of health systems.

### Migration

Migration is an increasingly pressing issue, for immigrant and emigrant countries, their governments and the general public. It raises a host of social, economic, development and foreign policy challenges and opportunities. OECD is a key reference point for the monitoring of migration trends and policies. We look to OECD to deepen and extend its analysis of the economic and social impacts of migration in both host and origin countries, including the international mobility of workers at different skill levels.

### Growth, technology and human capital

At their May 1999 meeting, Ministers asked OECD to analyse the causes underlying differences in growth performance in OECD countries and identify factors, institutions and policies that could enhance longer-term growth prospects. We welcome the report *The New Economy: Beyond the Hype* and endorse its main conclusions. New technology, in particular ICT, is only one factor behind divergences in growth patterns over the past decade. Other factors include the use and quality of labour and greater efficiency in the combina-

3. PAC/COM/NEWS(2000)88.

4. *Towards Active Ageing*, 10-11 November 2000.



tion of labour and capital. Seizing new growth opportunities requires a set of mutually reinforcing policies:

- Get the fundamentals right. Stable macroeconomic policies are a prerequisite for a successful growth strategy, higher employment and price stability. Fiscal discipline and productivity-oriented wage developments contribute to low inflation, and reduce uncertainty, thus enhancing the efficiency of price mechanisms in allocating resources and strengthening consumer and investor confidence. More open, competitive and efficient product, financial and labour markets and institutions spur change and make economies more adaptable.



**Svend Auken, Danish Minister for the Environment and Energy, at a press conference on sustainable development at the ministerial meeting.**

Favourable macroeconomic conditions and structural and regulatory reforms reinforce each other, increasing opportunities for innovation and growth potential.

- New technology has heightened the role and importance of education and the development of human capital. A comprehensive life-long learning strategy is required, including: access to early childhood education and care; a solid foundation in basic education; a better school-to-work transition with closer links between education and the labour market; and effective training systems that provide lifelong educational opportunities. We recognise the need to enhance the capacity of human

resources to cope with new technology and to adapt labour market institutions to the changing nature of work. We welcome the ambitious framework Investing in Competencies for All<sup>5</sup> adopted by Education Ministers at their April 2001 meeting.

- Research, innovation and entrepreneurship are key to growth. We will sustain our commitment to adequate funding of basic research and seek to improve the efficiency and effectiveness of public money for research and development, to foster intellectual property regimes that promote innovation and ensure its diffusion, and to remove barriers to effective interaction between science and industry. We will work to ensure an environment favourable to business and risk-taking, and particularly for new firms and SMEs as set out in the Bologna Charter. We are committed to improving access to high-risk finance and reviewing burdensome administrative regulations and bankruptcy provisions.
- Specific policies for the successful use of ICT. We will work to facilitate the diffusion of ICT by increasing competition in the ICT sectors, especially telecommunications and fostering users' trust in those sectors. The public and private sectors should work together to ensure that ICT applications, such as e-commerce, become secure and reliable to use.

The work of the Growth Project is central to our concerns about improving growth performance. OECD will continue its analysis, to enhance understanding of the roles of ICT, human and social capital, and the factors that promote a successful, competitive business environment, including at local and regional levels, and will strengthen its benchmarking and peer review of structural reform. OECD will also deepen its work on the relationship between growth and sustainable development. OECD will report to us in 2003.

Good progress has been made in fulfilling the 1998 OECD Ministerial Declarations on Privacy, Authentication and Consumer Protection in relation to electronic commerce. Work will continue in these areas to deepen trust in e-commerce. An efficient, effective and transparent fiscal framework for e-commerce is also essential: implementation of the Ottawa Taxation Framework Conditions is advancing<sup>6</sup>, and will be the subject of a global conference, Tax Administration in an Electronic World, to be held in Montreal in June 2001.

A "digital divide" has arisen within and among OECD Member countries as well as between the developed and the developing world, and will widen if countries do not or cannot respond adequately to the new technological opportunities. OECD work shows pro-competitive policies and appropriate regulatory structures are essential elements for bridging this divide. We welcome the results of the Dubai Conference on these issues held in January 2001. We encourage OECD to continue to build co-operation with

5. PAC/COM/NEWS(2001)32.

6. See *Taxation and Electronic Commerce: Implementing the Ottawa Taxation Framework Conditions*, May 2001

transition and developing countries and with other international bodies, including through its important contribution to the G8 DOT Force initiative to implement the Okinawa Charter. We look forward to the OECD Global Forum on the digital economy in 2002.



**Brigita Schmögnerová, Slovak Minister of Finance, with Vítor Manuel Silva Santos, Portuguese Deputy Secretary of State for the Economy.**

Economic and social disparities between regions are increasing and prospects for prosperity are uneven. OECD's Territorial Reviews<sup>7</sup> will make an important contribution to the regional and local dimensions of our policies.

We welcome the success of the two conferences held in November 2000: Gender Mainstreaming: Competitiveness and Growth and Women Entrepreneurs in SMEs. We look to OECD to further integrate gender analysis into its work, and take steps to improve gender balance within the Organisation.

## Governance

Strengthening effective and coherent public governance remains a priority on the policy agenda. The effective performance of democratic institutions, including legislatures, and the fight against corruption, are central elements of good governance. Enhanced openness, transparency, and accountability must become guiding principles for governments within OECD's membership and beyond. OECD should continue to make a vital contribution through its dialogue on public governance with Non Members. We welcome the conclusions of the Third Global Forum on E-Government held in Naples in March 2001 and ask OECD to explore further the challenges and opportunities of e-government.

There is increasing public debate about the comparative benefits and costs of regulation and deregulation in Member countries. OECD's continuing analysis of regulatory reform shows that carefully designed policies enhance regulatory quality, strengthen consumer choice and reduce prices; the reviews of regulatory reform in Member countries<sup>8</sup> provide substantial multidisciplinary guidance on regulatory management. We welcome OECD's Recommendation on Structural Separation of Regulated Industries which, while recognising industry and country differences, provides guidance on competition-enhancing reform of public utilities. We support OECD's work to develop principles and best practices for the regulation of private pensions.

Fighting corruption remains a high priority. Further progress in the ratification of the Bribery Convention has been made: 32 countries have deposited instruments but implementing legislation is lacking or deficient in some. Monitoring implementation of the Convention and the related Recommendations, including the effective elimination of tax deductibility for bribes, must be rigorously pursued and reinforced. OECD will move ahead on related issues: bribery acts in relation with foreign political parties; advantages promised or given to any person in anticipation of that person becoming a foreign public official; bribery of foreign public officials as a predicate offence for money laundering legislation; and the role of foreign subsidiaries and of offshore centres in bribery transactions. We encourage efforts to engage a broad range of countries outside OECD in the fight against corruption, including regional initiatives, and support accession to the Convention by qualified states.

We note the work undertaken on harmful tax practices and look forward to the conclusions of the OECD project.

## The corporate world: governance and responsibility

We welcome the work of OECD in co-operation with the World Bank and in particular the successful corporate governance roundtables that have been held during the past year in Asia, Latin America, Russia, and Eurasia. These roundtables are playing an important role in strengthening corporate governance worldwide and will assist OECD in preparation of the first assessment of the OECD Corporate Governance Principles in 2005. We look forward to analytical work and the exchange of information among Member

7. Reviews completed so far: National – Hungary, Italy Korea. Regional – Teruel and CCV (Spain), Tzoumerka (Greece) and Bergamo (Italy). In 2001/2, Canada, Mexico, and Switzerland are expected to be reviewed at the national level, together with a number of regions in other Member countries.

8. Reviews completed so far: Czech Republic, Denmark, Greece, Hungary, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, Spain and the United States. In 2001/2002 Canada, Poland, Turkey and the United Kingdom are to be reviewed. There are several candidates interested in being reviewed in 2002/3, including Germany.

countries on their corporate governance experiences in the preparation for that assessment. We also welcome OECD's Report on the Misuse of Corporate Vehicles<sup>9</sup> for Illicit Purposes, which will contribute to efforts to combat corruption and money laundering.

Private initiatives for corporate responsibility are also increasing: we invite OECD to build on this positive development in support of effective implementation of the OECD Guidelines for Multinational Enterprises. We reaffirm our commitment to the Guidelines and the need for all stakeholders to pursue the ongoing constructive dialogue that underpinned the review of the Guidelines in 2000. We support further agreed analytical work in the field of corporate responsibility and expect the forthcoming Annual Meeting of National Contact Points to enhance further the implementation of the Guidelines.

International investment is an important engine for global sustainable growth and the integration of Non Members into the world economy. The OECD Global Forum on Investment in November 2001 and the UN High Level Conference on Financing for Development, to be held in Mexico in 2002, will benefit from OECD's analytical work on foreign direct investment. We welcome the intention of Estonia, Israel, Latvia, Lithuania, Singapore, Slovenia and Venezuela to adhere to the Declaration on International Investment and Multinational Enterprises, and encourage other countries to do the same.

## The multilateral trading system

We are committed to the launch of a new global round of multilateral trade negotiations at the WTO Ministerial Conference in Doha in November. We will engage constructively with all countries within the WTO to this end. Progress is being made in the "built-in agenda" negotiations on services and agriculture. We recognise that efforts to strengthen the multilateral trading system require both broad-based and balanced negotiations and the strengthening of the WTO as a rules-based institution. The broader framework of a new round will contribute to moving forward the "built-in agenda" and will offer the prospect of a wider distribution of the benefits sought by all participants. We renew our commitment to the strengthening of the multilateral trading system and our rejection of protectionist pressures.

All WTO members will have to find their concerns and interests reflected in the final result, and negotiations will need to be conducted in a transparent manner. We must aim for trade liberalisation and strengthened WTO rules responding to the needs of the 21st century and our shared

9. Corporate vehicles are legal entities, including corporations, trusts, foundations, and partnerships with limited liability features, through which a wide variety of commercial activities are conducted and assets are held.

goal of sustainable development. The links between trade liberalisation and environment, as well as the sustainable use of natural resources, will need to be carefully clarified. All WTO members will need to be creative and flexible in addressing areas and modalities of negotiation. Trade and labour as well as other social development issues raise concerns that must be addressed through dialogue that takes into account the expertise of all relevant international institutions, including the WTO.

A new round is essential for developing countries given the need to stimulate their economic growth, alleviate poverty and promote their integration into the multilateral trading system. We recognise that they have a particular interest in a number of areas, including agriculture and textiles and clothing. Some progress has been made to date on Uruguay Round implementation issues and we urge all WTO members to seek ways to address developing country requests and concerns, and to build confidence as preparations for Doha proceed. We welcome recent initiatives by OECD Members to liberalise preferential market access for the least developed countries, and the moves to incorporate trade into poverty reduction strategy programmes. Enhanced capacity building and technical assistance are also vital, if developing countries are to benefit from more open markets. We support the recently revised Integrated Framework Initiative.



*(left to right) Hwang Doo-Yun, Korean Minister for Trade, Pierre Pettigrew, Canadian Minister for International Trade, Lydie Polfer, Luxembourg Deputy Prime Minister and Minister for Foreign Affairs and External Trade, and Gerrit Ybema, Netherlands Minister for Foreign Trade, Ministry of Economic Affairs.*

Taking into account the strong interest of civil society regarding globalisation and the process of trade and investment liberalisation, we are committed to transparency and to increased and sustained communication with the public. We are convinced that progressive multilateral liberalisation and strengthening of the rules, in the context of an effective and predictable governance framework and greater coherence among international organisations, and when combined with mutually supportive environmental and

social policies, are fundamental for sustainable development and a major driving force for innovation, growth and enhanced human welfare worldwide. WTO-consistent preferential trade agreements can complement but cannot substitute for coherent multilateral rules and progressive multilateral liberalisation.

We consider that OECD has a major role to play in continuing efforts to strengthen the multilateral trading system, and build understanding of what is at stake for countries at all levels of development. OECD will continue to build bridges, through its analytical work and its non-negotiating policy dialogue, among its membership and beyond. We welcome ongoing efforts in OECD to promote greater coherence between trade and development co-operation policies. We look forward to a progress report in 2002.



**Hendrik Vygen, Deputy Director-General for External Economic Policy and European Policy at the German Ministry of Economics and Technology (left), with Caio Koch-Weser, German State Secretary for Finance.**

## Export credits

Export credit policy can contribute positively to sustainable development and should be coherent with its objectives. We welcome the substantial progress achieved in the Export Credit Working Party towards agreement on a Recommendation on Common Approaches on Environment and Export Credits and encourage the Working Party to finalise this work as soon as possible and before the end of 2001, as we requested last year. We also welcome the Working Party's Action Statement on Bribery and Export Credits and its work on unproductive expenditure in Heavily Indebted Poor Countries, together with the readiness of a number of Members to voluntarily extend the latter to other low-income countries. We urge the Working Party to finalise the Statement of Principles on Unproductive Expenditure and Export Credits and to continue to promote enhanced transparency in this field. We strongly regret that it has not been possible for all Participants to the Export Credit Arrangement to reach full consensus on the draft Export Credit

Understanding on Agriculture, and call for urgent conclusion of this Understanding. We encourage further work on the financing provisions of the Export Credit Arrangement in the light of, inter alia, recent developments in the WTO. We ask OECD to continue to work on the export credit provisions of the 1994 Understanding on Shipbuilding with a view to implementing these before the end of 2001.

## Shipbuilding

We ask OECD to redouble its efforts to explore solutions to bring about normal competitive conditions in shipbuilding, and encourage shipbuilding countries outside the OECD to participate in this work.

## Agriculture and fisheries

Agriculture and fisheries are key sectors for sustainable development and the multilateral trading system.

- While decreasing in 2000 following two years of increase, support to agriculture in the OECD area remains high at around US\$ 327 billion, as measured by the Producer Support Estimate<sup>10</sup>. Despite some shift away from market price support and output payments, these continue to be the dominant forms of support in most countries, with consequent adverse impacts on production and trade, in both developed and developing countries. The WTO negotiations within the "built-in" agenda<sup>11</sup> provide an important opportunity for further reform, which will bring economic, environmental and social benefits. OECD's analysis of multifunctionality, decoupling, the impacts of the Uruguay Round Agreement and various trade-related topics, including environmental linkages, is an essential contribution to the understanding of agricultural policies and their international impacts.
- Fisheries policies have to address the relation between sustainable management of resources and trade liberalisation, the causes of unsustainable fishing, and the need to avoid those subsidies that are harmful, to be further analysed by OECD based on its recent study, *Transition to Responsible Fisheries*. This study is a valuable contribution, and we look to OECD, in co-operation with the FAO and other international organisations, to deepen its analysis in these fields to inform policy development.

## Food safety

Food safety continues to be a high priority for consumers and governments. We agree that a science-based and rules-based approach must remain the basis for policy at both the national and international levels. In cases where the scientific evidence is insufficient and precaution is

10. *Agricultural Policies in OECD Countries: Monitoring and Evaluation* 2001.

11. Cf. Article 20 of the Uruguay Round Agreement on Agriculture.

applied to address risks to food safety, measures taken should be subject to review and on-going risk analysis, consistent with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. In co-operation with other international organisations, and in light of its recognised areas of expertise, OECD's programme of work will contribute to analysis and policy dialogue on wider issues of food safety.

## Life sciences and biotechnology

The life sciences and biotechnology are increasingly relevant for the improvement of the quality of life, human health and the quality of the environment. These advances also pose important ethical, social, economic and safety challenges for individuals and societies. We stress the importance of biological diversity – its study, preservation and sustainable use, and the equitable sharing of benefits from the use of genetic resources – and of making biodiversity data available to all. We welcome OECD's contributions in these areas, notably on Biological Resource Centers, and the establishment of the Global Biodiversity Information Facility (GBIF) endorsed by the OECD Science Ministers' meeting in June 1999. We also look forward to progress in OECD's work on issues arising from the mapping of the human genome.

We welcome the forthcoming conferences which will deepen international understanding of biotechnology issues: the joint UK/OECD Conference New Biotechnology, Food and Crops: Science, Safety and Society to be held in Bangkok in July 2001, and The Environmental Impacts of Living Modified Organisms to be hosted by the United States in November.

## Development co-operation

The International Development Goals<sup>12</sup> are at the heart of development policy and provide a key common reference point. OECD's new Guidelines on Poverty Reduction and its guidance on Sustainable Development Strategies, Conflict Prevention and Trade Capacity Development<sup>13</sup> are important contributions to the achievement of these goals. We are committed to providing effective ODA consistent with our support for the International Development Goals. We welcome the growing recognition of the importance of closer harmonisation of donor procedures and practices.

We welcome the Recommendation on Untying Aid to the Least Developed Countries which was adopted to contribute to aid effectiveness, increase value for money in aid procurement, improve developing country ownership of the

development process, and promote more equitable effort-sharing among aid donors. This agreement is especially welcome at the time of the Third United Nations Conference on the Least Developed Countries currently taking place in Brussels.



Development issues arise in a very broad range of governments' policies and actions, and therefore also within the work of the Organisation. The Illustrative Checklist on Policy Coherence for Poverty Reduction is a useful tool to help OECD governments in this area. We also encourage the Organisation to deepen its work on policy coherence and development and look forward to proposals in this regard.

We congratulate Donald Johnston on his reappointment as Secretary-General. We welcome the progress he has made in modernising the Organisation, and ask him to take forward the reform agenda – on financial and management reform, on further prioritisation of the Organisation's work, and on enhancing the Organisation's capacity to address the increasingly complex and interconnected issues of globalisation – to equip OECD to respond to the policy challenges of the next decade and beyond. We recognise the major challenge of renovating the Organisation's Headquarters in an efficient and cost-effective manner, and we are fully committed to the success of this project.

12. Formulated in DAC's *Shaping the 21<sup>st</sup> Century* (1996) and embedded in the UN *Millennium Declaration* (2000).

13. Development Assistance Committee High Level Meeting 25-26 April [PAC/COM/NEWS(2001)40].

# THE OECD SECRETARIAT

FEBRUARY 2002

## SECRETARY-GENERAL

Donald J. Johnston

## DEPUTY SECRETARIES-GENERAL

Herwig Schlögl  
Seiichi Kondo  
Richard Hecklinger

## PRIVATE OFFICE OF THE SECRETARY-GENERAL

Carolyn Ervin

## ROUND TABLE ON SUSTAINABLE DEVELOPMENT

Simon Upton

## COUNCIL AND EXECUTIVE COMMITTEE SECRETARIAT

Roger Harmel

## ADVISORY UNIT ON MULTIDISCIPLINARY ISSUES

Michael J. Osborne

## LEGAL DIRECTORATE

David Small

## AUDITOR-GENERAL

(Vacant)

## CENTRE FOR CO-OPERATION WITH NON-MEMBERS

Eric Burgeat

## EXECUTIVE DIRECTOR

Anthony Hutton

## PUBLIC AFFAIRS AND COMMUNICATIONS

Christopher W. Brooks

## ECONOMICS DEPARTMENT

Ignazio Visco

## STATISTICS

Enrico Giovannini

## ENVIRONMENT

Joke Waller-Hunter

## DEVELOPMENT CO-OPERATION

Michael G. Roeskau

## PUBLIC MANAGEMENT

Odile Sallard

## TRADE

Jean-Marie Metzger

## FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS

William Witherell

## SCIENCE, TECHNOLOGY AND INDUSTRY

Takayuki Kawabata-Matsuo

## EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

John Martin

## FOOD, AGRICULTURE AND FISHERIES

Stefan Tangermann

## TERRITORIAL DEVELOPMENT

Bernard Hugonnier

## HUMAN RESOURCE MANAGEMENT

Pierre Lebleu

## OPERATIONS

David Johnson

## BUDGET AND FINANCE

Normand Saucier

## INFORMATION TECHNOLOGY AND NETWORK SERVICES

Guido Maccari

## INTERPRETATION

Thomas Afton

## TRANSLATION

René Prioux

\*\*\*\*

## INTERNATIONAL ENERGY AGENCY

Robert Priddle

## NUCLEAR ENERGY AGENCY

Luis Echavarri

## DEVELOPMENT CENTRE

José Braga de Macedo

## SAHEL AND WEST AFRICA CLUB

Jacqueline Damon

## CENTRE FOR EDUCATIONAL RESEARCH AND INNOVATION

John Martin

## EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

Jack Short

## AMBASSADORS, PERMANENT REPRESENTATIVES TO THE OECD

FEBRUARY 2002



### AUSTRALIA

His Excellency Mr. Ian K. Forsyth



### FRANCE

Her Excellency Mrs. Joëlle Bourgois



### AUSTRIA

His Excellency Mr. Karl Schramek



### GERMANY

His Excellency Mr. Hans-Stefan Kruse



### BELGIUM

Her Excellency Ms. Régine De Clercq



### GREECE

His Excellency Mr. George E. Krimpas



### CANADA

Her Excellency Ms. Suzanne  
Hurtubise



### HUNGARY

His Excellency Mr. Béla Kádár



### CZECH REPUBLIC

His Excellency Mr. Jaromír Přívratský



### ICELAND

Her Excellency Ms. Sigrídur Asdis  
Snaevarr



### DENMARK

His Excellency Mr. Peter Brückner



### IRELAND

His Excellency Mr. Pádraic MacKernan



### FINLAND

His Excellency Mr. Jorma Julin



### ITALY

His Excellency Mr. Francesco Olivieri



**JAPAN**

His Excellency Mr. Mutsuyoshi Nishimura



**PORTUGAL**

Her Excellency Ms. Ana Martinho



**KOREA**

His Excellency Mr. Kyung-tae Lee



**SLOVAK REPUBLIC**

His Excellency Mr. Dusan Bella



**LUXEMBOURG**

His Excellency Mr. Jean-Marc Hoscheit



**SPAIN**

Her Excellency Ms. Elena Pisonero



**MEXICO**

His Excellency Mr. Javier Arrigunaga



**SWEDEN**

His Excellency Mr. Anders Ferm



**NETHERLANDS**

His Excellency Mr. Frans Engering



**SWITZERLAND**

His Excellency Mr. Wilhelm B. Jaggi



**NEW ZEALAND**

His Excellency Mr. Adrian Macey  
(to take up duties in March 2002)



**TURKEY**

His Excellency Mr. Uluç Özülker



**NORWAY**

Her Excellency Ms. Tanja H. Storm



**UNITED KINGDOM**

His Excellency Mr. Christopher Crabbie, CMG



**POLAND**

His Excellency Mr. Jan Bielawski



**UNITED STATES**

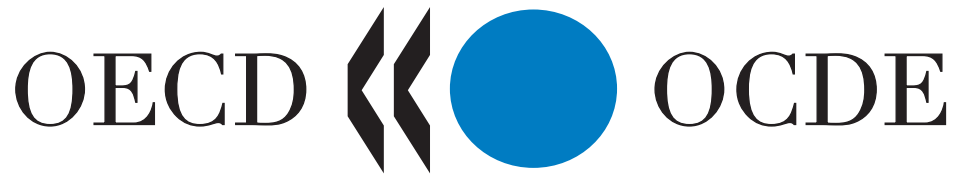
Her Excellency Mrs. Jeanne L. Phillips



**EUROPEAN COMMISSION**

His Excellency Mr. John Maddison





## OECD MEMBER COUNTRIES

AUSTRALIA	KOREA
AUSTRIA	LUXEMBOURG
BELGIUM	MEXICO
CANADA	NETHERLANDS
CZECH REPUBLIC	NEW ZEALAND
DENMARK	NORWAY
FINLAND	POLAND
FRANCE	PORTUGAL
GERMANY	SLOVAK REPUBLIC
GREECE	SPAIN
HUNGARY	SWEDEN
ICELAND	SWITZERLAND
IRELAND	TURKEY
ITALY	UNITED KINGDOM
JAPAN	UNITED STATES

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16  
PRINTED IN FRANCE (01 2002 06 1) No. 81647 2002

---

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16  
PRINTED IN FRANCE  
(58 2002 01 3 P) ISBN 92-64-09706-6 – No. 52316 2002