OECD Observer

The OECD: New wings or still the same old club?

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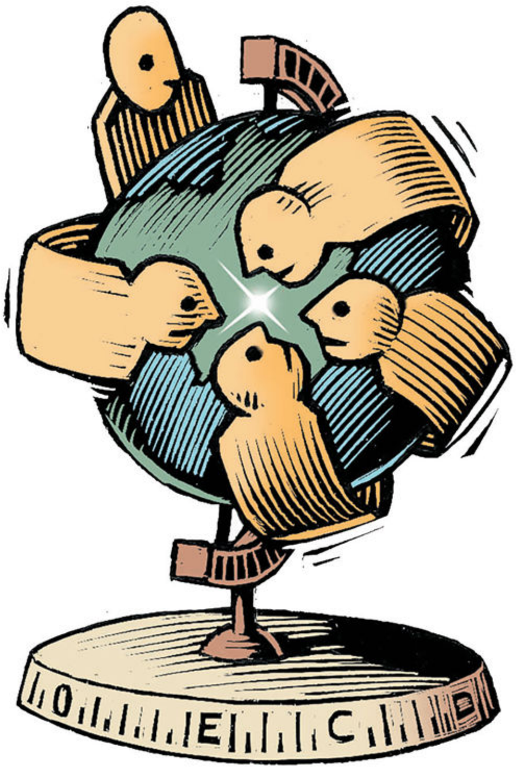

The political landscape of global governance is changing profoundly. This is posing great challenges to policy makers and organisations such as the OECD.

The world is changing fundamentally and so is the architecture of global governance. Rising inequalities, a lingering crisis, disruptive digitalisation, and an array of cross-border geopolitical challenges, to give but a few examples, have put into question not only globalisation but the trustworthiness of international organisations and the reliability of their traditional policy prescriptions. Luckily, those organisations are listening. For instance, to judge by a recent article by three

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of its top researchers ("Neoliberalism: Oversold?", see references), even the mighty, though much derided, IMF seems to be making a historical shift in discourse by casting doubt on what is generally seen as its core doctrine of economic neoliberalism.

This is not an isolated case. Another body which had long been associated with the same "market fundamentalism" is the Paris-based Organisation for Economic Co-operation and Development (OECD), and it too has been undergoing change. Founded in 1961, to replace a European entity that oversaw the implementation of the Marshall Plan, the OECD's role is sometimes seen as one of churning out data and evidence-based policy advice for its member and partner countries around the world. But at the same time, it is a platform where policy makers come together to exchange best practices and set common standards for each other to meet. This history, the path of its recent development and the present state of the world economy call for an analysis of exactly why it is we should pay attention to the OECD.

The change in profile of the OECD comes at a critical juncture concerning its legitimacy. While global affairs have become increasingly influenced by emerging economies, the organisation is still often seen as a well-off group of developed countries (the London-based weekly *The Economist* frequently refers to it as a "club of mostly rich countries"). However, over the last decade, the organisation has changed course and is trying to shed this rather haughty image. Its membership has shifted in profile by taking on countries such as Chile, Estonia and Israel. Colombia, Costa Rica and Lithuania are in the process of accession, following Latvia's joining in 2016. In June Argentina signalled its desire to apply for membership–which many consider as a game-changer for both sides.

Beyond its membership, the organisation has reached out to form partnerships with key global players among developing countries, notably Brazil, China, India, Indonesia, and South Africa. The organisation is an active contributor to international fora like the G20, where it provides policy analysis and broadens the reach of its standards. Its work in South-East Asia has become a priority, and co-operation has been strengthened with South-East Europe, Central Asia, the MENA region and sub-Saharan Africa. In 2016 a regional programme for Latin America and the Caribbean was launched. Other countries (Kazakhstan, Morocco, Peru) benefit from individually-tailored co-operation programmes. True, the OECD has always been a hub for aid donor countries–its members account for 90% of bilateral official development assistance–and has driven thinking in development co-operation through its OECD Development Centre and Sahel and West Africa Club. Nevertheless, this new global reorientation gives the organisation new wings. It not only confirms the OECD's "convening power" by bringing together experts, policy makers and stakeholders from across the globe to develop shared standards and policy tools, but should no doubt enhance its legitimacy in our rapidly evolving world. No wonder this new global reach has the support of OECD countries, as the 2016 Ministerial Council Meeting showed.

All about people

This new departure is reflected in the OECD's work programme, too, for the organisation has also been implementing a remarkable transition in terms of substance. It has successively broadened its agenda to pressing new issues, such as climate change, and has turned to address a variety of emerging challenges of global scope, such as combating tax evasion, with its Base Erosion and Profit Shifting (BEPS) project, and stepping up its work on migration and corruption. In a departure from orthodoxy, it now promotes economic growth as a means rather than an end, and was ahead of the IMF in "putting people's well-being at the centre of the analysis". Indeed, rising inequalities has been a policy concern at the OECD for several years already. The need to strengthen economic and social data by moving "beyond GDP" has become more than a battle cry, as witness the launch in 2011 of its Better Life Index, which is a first attempt by any major organisation to complement the old growth paradigm with a new, multi-dimensional indicator of living standards and well-being.

On the face of it, this people-oriented shift in the OECD's work makes perfect sense in light of today's complex challenges and new public demands, but it brings with it other tricky institutional challenges. For a start, the organisation is a member-driven body, and it is perhaps inevitable that its 35 member countries, which together set the agenda and programme for the organisation's 250 technical committees and working bodies, do not always agree on the priorities or the push led by OECD Secretary-General Angel Gurría, now on his third term, to keep the organisation at the cutting edge. Some are concerned that a wider portfolio and reach could increase rivalry and competition for resources with respect to other international organisations in which OECD countries are also members, such as the IMF and World Bank.

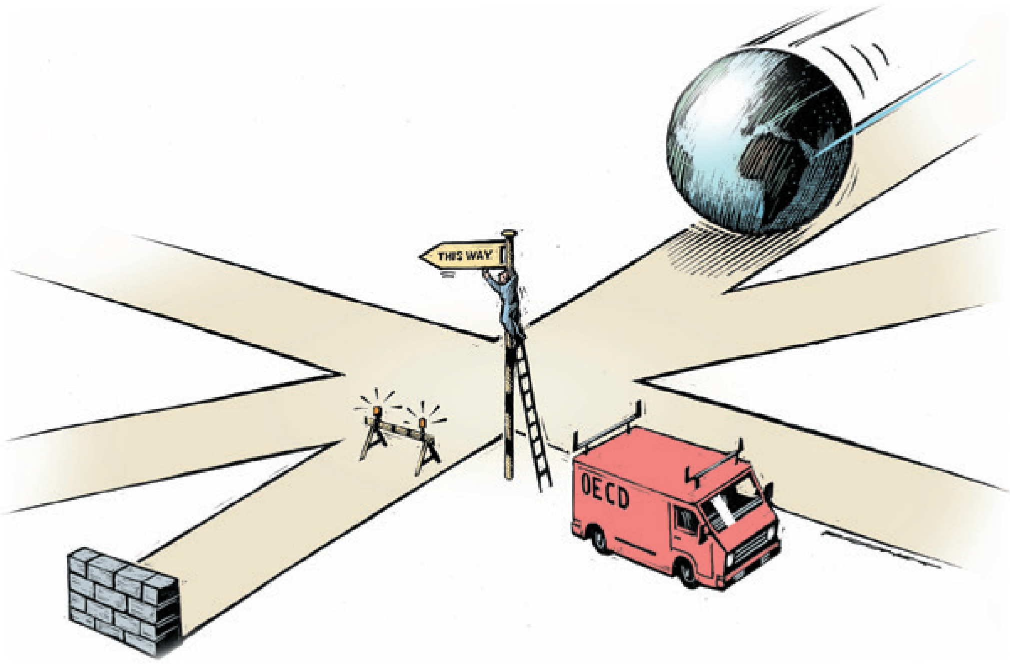
Value-added

In response to these concerns, three general reasons tend to be cited to support a prominent role for the OECD within the international architecture.

Firstly, even if other international organisations do work on similar issues, such as economic analysis and corruption, the OECD has a number of unique and valuable tools at its disposal. Its peer reviews in particular are a prime example, whereby policy makers from one member country submit their country's performance to an uncompromising examination by experts from fellow member countries, with the expectation that this peer pressure will encourage progress. There may even be a dose of "naming and shaming" if implementation of key agreed standards is found to be lagging, as has happened in respect of the OECD Anti-Bribery Convention, for instance.

Secondly, even if there is some duplication of work among major organisations, this does not necessarily mean producing the same results and, therefore, the outcome can be used for validation.

Thirdly, unlike other organisations with a far broader membership, the OECD is in a position to undertake its analysis in a more focused manner. As such, in the ideal case, it can serve as a laboratory where solutions to common problems are tested among like-minded countries before being shared with others outside the club. And as the OECD does not disburse finance, its analysis comes without strings attached.



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New ground

Despite all this, one should not gloss over criticisms of the OECD. For example, a fundamental lesson of evidence-based analysis is that it should produce useful policy recommendations, and for this, the right questions and assumptions matter. In other words, if you are wrong on what the problem is to begin with, even the best analysis will lead you astray.

Could this help explain why the OECD, as well as the IMF and others, failed to foresee the 2008 financial crisis, and if so, can lessons be drawn to prevent another crisis from happening again?

It was to probe these questions that the OECD set up the New Approaches to Economic Challenges (NAEC) initiative in 2012, just a year after its 50th anniversary. The aim is to break down intellectual silos within its own organisational structures so that, for example, environment experts, social policy specialists and economists work together to produce more useful, and more reliable, cross-cutting analysis. NAEC has become a platform where a broad range of scholars, including many from outside of mainstream market economics, are invited. In conjunction with this, the organisation increasingly tries to take on board insights from other disciplines such as psychology, history, geography and sociology– all this ultimately with the goal of establishing a spirit of constant self-challenging. Together with the new people-centred march beyond GDP, this is an impressive change.

Interesting times

In a time of political polarisation and populism, it is refreshing to have an organisation that is trying to learn from its past, be critical of itself and take brave steps to improve the future. It is particularly in such times that a levelheaded, evidence-based approach has appeal. For example, the OECD's renowned analysis of the real costs and benefits of integrating migrants can provide useful guidance for policy-makers trying to cope with what will remain a major task for years to come.

But at the same time, this very model of evidence-based policy-making is under fire. As recent elections across a range of OECD countries have shown, "experts" have an image problem, as their efforts to debunk myths and misinformation with plain facts and sober analysis do not reach citizens or are ignored.

In fact, public trust in "institutions" is alarmingly low in many countries and many citizens are disenchanted. Not only have some people had enough of experts,but politicians are now becoming wary of holding public consultations through referenda at all. Could the OECD, in the self-challenging spirit of NAEC, help counteract such detrimental trends by developing bold new policy approaches that our countries can use to win back confidence?

Putting people's well-being at the core of its analysis and addressing inequalities are a good start, but it seems that more audacity will be needed. This means not only challenging orthodoxy–after all, the classic view that a rising tide of growth would lift all boats now looks decidedly leaky–but building on the likes of OECD Forum to further strengthen its social dialogue and citizen consultation, as well as producing eye-catching narratives via this magazine, its blogs, and so on, as these are essential means for increasing legitimacy.

All this may not convince everyone, but probably nothing ever will. Such steps are important if the OECD is to succeed in finding a new paradigm that policy makers will subscribe to and help the organisation deliver on its motto of "better policies for better lives". In short, countries also have a role to play in this hunt for legitimacy, by giving the OECD the time and support it needs to develop a satisfactory and coherent framework for addressing economic challenges beyond GDP and acknowledging the major paradigm change this involves.

At the end of the day, policy makers will cling on to failed old approaches if no convincing alternatives are found, so we need our public organisations to perform. It is the spirit of projects such as the OECD's NAEC which gives us optimism that effective solutions will be found both for our countries and the architecture of global governance, too.

*The views expressed in this article are those of the authors only.

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