OECD Observer

No. 223 – October 2000 – www.oecdobserver.org

Development: Facing the future

OECD

9 770029 705002

FF60 US$15 DM20 £7 ¥1200

French health • New literacy • Knowledge divide

No. 223 – OCTOBER 2000

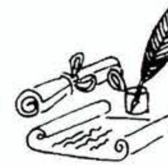
There is an urgent need to invest in education, particularly girls' education where the returns are higher. In fact, educating girls saves lives.

© P.Pittet/FAO

oecd Observer

www.oecdobserver.org
Published in English and French by the OECD
ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT

OECD OCDE



Observer oecd

© OECD 2000

2000 subscription rate:
FF280 – US$50 – DM90 – £30 – ¥5,900
ISSN 0029-7054

Tel.: +33 (0) 1 45 24 82 00
Fax: +33 (0) 1 45 24 18 15
sales@oecd.org

Founded in 1962
Published in English and French
by the Organisation
for Economic Co-operation
and Development

OECD Publications
2 rue André-Pascal
75775 Paris cedex 16, France
observer@oecd.org
www.oecd.org

EDITOR-IN-CHIEF:
Rory Clarke
SENIOR EDITOR:
Sue Kendall-Bilicki
STATISTICAL EDITOR:
Eileen Capponi
PRODUCTION CO-ORDINATORS:
Nadine N'diaye-Robinson,
Prepresse Service
WEB EDITION:
Nadine N'diaye-Robinson
EDITORIAL ASSISTANT:
Rosemary Chas
PHOTO EDITOR:
Silvia Thompson
MARKETING:
Toby Green, Jill Colonna
LOGO AND DESIGN:
Café Crème, Peggy King
PRINTING:
OECD Boulogne

Applications for permission to reproduce or translate all or parts of articles from the OECD *Observer*, should be addressed to:
The Editor,
OECD *Observer*
2 rue André-Pascal,
75775 Paris, cedex 16, France.

Reprinted and translated articles should carry the credit line 'Reprinted from the OECD *Observer*' plus date of issue.
Signed articles reprinted must bear the author's name.
Two voucher copies should be sent to the Editor.
Signed articles express the opinions of the authors and do not necessarily represent the opinion of the OECD.
All correspondance should be addressed to the Editor. The Organisation cannot be responsible for returning unsolicited manuscripts.

Employment wisdom

I have read with interest several articles about labour, skills and knowledge in the OECD *Observer*. How times have moved on. When I was young (in the 1930s), the capitalists were criticised for "exploiting the sweat of the people", though they hired many sons of their existing workforces. Until 1950 some 97% of the sons of workers in the mine where I worked as an engineer were taken on in their turn. But gradually mechanisation led to a need for greater knowledge in order to be hired, and with the years this trend accelerated until it became necessary to be able to handle a keyboard controlling ever more sophisticated, powerful and costly equipment.

This meant that the illiterate were basically excluded from the job market – almost 10% of potential candidates in our case. Almost as many again were only able to find marginal jobs, despite government efforts to provide training for adults, and unemployment levels fell, but only barely, as employers could not find qualified workers.

Lengthening the period of obligatory schooling postponed the arrival of young people on to the job market, but this only helped to hide the problem, as did the decision to encourage early retirement for the "baby boom" generation. But the massive increase in women's working, and the increasing pace of automation and computerisation has more than offset this short labour supply, so that in the end there have always been more job seekers than jobs created that they can fill.

Unemployment may be easing in France, but as you say, there is no silver bullet. For instance, it is far from sure that the 35-hour week in France will create as many jobs as the government hopes, not least because the reorganisation undertaken to cope with it is opening up still new possibilities for automation. Again more workers will be marginalised. For those without jobs, concern becomes despair. The economic winners always appear to develop a special language for the rich, which is incomprehensible to the poor. What has to happen for this gap to close and to get things back into a proper order?

Étienne Perrin
Lyon, France

New business women

Your article on Getting Germany back to work (*http://www.oecdobserver.org/news/sectionfront.php/locale/6*) makes some key points about German employment difficulties, and indeed labour market measures getting unemployed people in to work have a role to play. But you do not say much about people setting up in business as a possible way forward. This is not an easy route, but we have found that it can work. Perhaps our story will enlighten some of your readers. We are a young company specialised in helping other international companies to set up their businesses in Germany. We founded the company in June 1999 to help business people to deal with the enormous hurdles which have to be crossed when setting up business in a country where you do not speak the language or are unaccustomed to the culture, practices, etc.

We are both women. I am also a single mother of two children. Everyone here said it would be impossible to start up a company in our situation. We had no capital to start with, though we plucked up the courage to approach large companies in the hope that they would work together with us to provide more service for such customers. Luckily a large German bank, several large accountancy firms and a number of large companies liked our concept enough to help us to get started. We are now turning over a good business by assisting a number of international companies in their start-up phases in Germany and work out of office space in the direct vicinity of Munich airport.

Women are the lifeblood of the firm; in fact, we only have women working for us at the moment. The mothers among us are as motivated as anyone else and work flexible hours to meet deadlines with little difficulty. This is not that usual in the German labour market, let alone for German women, but in a country where the female participation rate is not that high, being a mother does not have to be an obstacle to having a career.

We are a rather novel firm and to get on we have had to do some novel things on the way. We have had to think on our feet to get discounts for our customers from local business partners. Normally, large volumes of orders are required before discounts can be given, but we managed to obtain them because the sum of our customers together has that necessary volume. We have even had a band compose a song for us, which we now use in our marketing material.

People who are trying to get back into employment in Germany should perhaps think more about the business route. Of course, more could be done to reduce the obstacles. But even so, with a little creativity and courage, doing business in Germany is possible. Women in particular should take note.

Anne Koark and Ursula Plötz
Trust in Business
(Trustib.com)
Munich, Germany

A better world for all*

Poverty in all its forms is the greatest challenge to the international community. Of special concern are the 1.2 billion people living on less than $1 a day and the additional 1.6 billion living on less than $2 a day.

Setting goals to reduce poverty is an essential part of the way forward. Building on the global United Nations conferences and summits of the 1990s, the development goals described in this report are broad goals for the entire world. They address some of the many dimensions of poverty and its effects on people's lives. In accepting these goals, the international community makes a commitment to the world's poorest and most vulnerable – and to itself.

The goals are set in precise terms – measured in numbers to ensure accountability. The openness and transparency of such numbers can help us chart a course to achieve the goals and track progress. But people are not numbers – happiness is not a statistic. These goals are worthwhile because they will improve the quality of human life. The world will be better, and safer, for its 6 billion people and for the projected 7 billion people in 2015.

Goals cannot be imposed – they must be embraced. Each country must identify its own particular goals, its own path to development, and make its own commitment through dialogue with its citizens. In this, the support of the international community is vital. And the high-income countries, because of their greater resources, have much to contribute.

It is essential for all the partners in this development effort to pursue faster, sustainable growth strategies that favour the poor. To spend efficiently – avoiding waste and ensuring that the mechanisms for accountability are always in place. To spend effectively – on activities aimed at human, social and economic development, not on excessive military capacity or on environmentally disastrous projects. And to spend wisely – not committing public resources to activities that can be best undertaken by the private sector.

What are the obstacles? Weak governance. Bad policies. Human rights abuses. Conflicts, natural disasters and other external shocks. The spread of HIV/AIDS. The failure to address inequities in income, education and access to health care, and the inequalities between men and women.

But there is more. Limits on developing countries' access to global markets, the burden of debt, the decline in development aid and, sometimes, inconsistencies in donor policies also hinder faster progress.

What will it take to overcome these obstacles? True partnership – and a continuing commitment to eliminate poverty in its many dimensions. Our institutions are actively using these development goals as a common framework to guide our policies and programmes and to assess our effectiveness. We cannot afford to lose the fight against poverty. And we must be unshakeable in our unified desire to win that fight – for everyone. ■

DONALD J. JOHNSTON, SECRETARY-GENERAL OF THE OECD

H. Köhler

HORST KÖHLER, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND

KOFI A. ANNAN, SECRETARY-GENERAL OF THE UNITED NATIONS

JAMES D. WOLFENSOHN, PRESIDENT OF THE WORLD BANK GROUP

* First published in *A Better World for All*, 2000.

• News brief •

Slovakia joins OECD

© Peter Jasek/Reuters/MAXPP

Slovak President Rudolf Schuster

The Slovak Republic signed an agreement on terms for becoming the OECD's 30th member on September 28, after the OECD Council agreed in July to invite it to join. This completes the "Partners in Transition" programme launched by the OECD in 1991 to help Hungary, Poland, the Czech Republic and Slovakia move to market-based systems as a step towards joining the OECD.

Despite a slowdown in the reform process during the 1990s, Slovakia recently adopted a more forceful approach to economic reform. In addition, the government has embarked on a plan to restructure and privatise the country's largest banks.

Slovakia will benefit from the economic monitoring and peer reviews of the OECD, helping the government develop its long-term economic strategy. Membership of the OECD will also generate information flow to interested communities, particularly to potential investors who can help complete the economic transformation.

With its own experiences of transition still fresh, the Slovak Republic can play an important role in ongoing discussions with prospective OECD members currently making the transition to market economies.

The Slovak parliament will have to ratify the accession agreement before the Republic formally becomes an OECD member. ■

Strong growth continues

Economic growth has remained buoyant across the OECD area, but there are signs that the pace is slowing in many countries. The United States is a notable exception, with real growth rising to 1.4% in the three months to September from the previous quarter, giving year on year growth of 6.1%. Germany too saw its second quarter growth rate rise to 1.1% from 0.8%, giving year on year growth of 3.6%. But Japan's Q2 growth slowed to 1% from 2.5%, while France's Q2 growth was unchanged from the Q1 level at 0.7%. Korea saw its annual growth slow to 9.3% in the second quarter from 12.5% in the first quarter and a heady 14% in the final quarter of 1999. Norway (-0.2%) and New Zealand (-0.9%) both saw their economies shrink in the second quarter from Q1.

Poland's jobless rate rose to 16.6% in Q2 from 15.5% in the first quarter, but Finland and France saw their jobless levels drop below 10% to 9.8% each. ■

• Keep up with OECD data at *www.oecd.org/statistics.htm.*

Mexican president meets with OECD head

Mexican President-elect Vicente Fox discussed economic reform in his country during a meeting with OECD Secretary-General Donald Johnston in Paris on October 1. The OECD has pointed out that Mexico needs a more equitable, broad-based tax system and Mr Fox pledged to introduce fiscal reform within months of taking office in December. Mr Johnston and Mr Fox also discussed how to create a better climate for attracting foreign direct investment to Mexico, and how to boost trade with the European Union. ■

Boosting private sector work in southeast Europe

The OECD is boosting its private sector work with a five-year programme of development activities for southeast Europe, the Caucasus, Black Sea region, central Asia and the Middle East/Mediterranean. Turkey and the OECD signed a memorandum of understanding on the extended programme at the inauguration of a new site for the six-year-old OECD centre in Istanbul on September 8.

The centre is unique within the OECD as it is exclusively devoted to private sector development in transition economies.

The Istanbul centre was established in 1994 and organises some 20 workshops each year for businessmen and policy makers. These cover a wide range of topics, from entrepreneurship and enterprise development to rule of law and anti-corruption programmes. ■

• News brief •

"Name and shame" can work for money laundering

A June decision to name 15 territories as failing to cooperate with international efforts to combat money laundering, and a warning that they faced possible counter-measures if they did not improve, may already be showing results.

Seven of the 15 jurisdictions deemed to have "serious systemic problems" in their anti-money laundering regime have since enacted legislation aimed at addressing problems identified by the Financial Action Task Force on money laundering (FATF). Five more are either already working on legislation or have pledged to do so.

The FATF welcomed this "significant, rapid progress" but said it would be "premature" to take anyone off the non-cooperative list immediately.

Legislation will have to come into effect and the FATF will ensure that it is being implemented before removal from the list can be considered. Any decision to remove jurisdictions from the list would have to be made by a plenary session of the FATF.

The seven jurisdictions that have already enacted legislation are: the Bahamas, the Cayman Islands, the Cook Islands, Israel, Liechtenstein, Panama and St. Vincent & the Grenadines.

Dominica, the Marshall Islands, the Philippines, Russia and St. Kitts & Nevis have made a high-level political commitment or have begun processes to change laws and regulations.

The other three jurisdictions named as non-cooperative in the June report were Lebanon, Nauru and Niue.

In reporting on progress to date on October 5, the FATF urged those jurisdictions which had not yet made any response to revise their laws and create an anti-money laundering regime that complies with international standards.

And it reiterated the June warning that if they failed to do so, "FATF members would consider the adoption of countermeasures." These were outlined in February by the FATF and included measures such as obligatory reporting of transactions with financial institutions in non-cooperative territories or even banning transactions with such territories.

The FATF is continuing to monitor weaknesses in the global fight against money laundering and will be reviewing other jurisdictions in the coming year.

The 31-member FATF is an independent international body whose secretariat is housed at the OECD. ■

- For more information on the FATF's work, or to consult the February and June reports, visit the web site at *http://www.oecd.org/fatf*.

Cracking down on corruption

Following the Observer's Spotlight on corruption (April 2000), the OECD has released two new publications on the topic. *No Longer Business as Usual: Fighting Bribery and Corruption* offers an update on progress made since the signing of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in February 1999.

The results of an OECD survey on ethics in government service are now available in *Trust in Governments: Ethics Measures in OECD Countries*. The report finds that decentralisation of decision-making in many countries has created a need for new mechanisms of accountability. In response, public sector organisations are increasingly looking to the private sector for guidance on the topic.

- Both publications are available on Source OECD, our online publication service, at *http://www.oecd.org/sourceoecd*.

New corruption web site

Full information on the OECD's work on combating bribery

and corruption, including money laundering, corporate governance and ethics in government service, is also available on a new OECD website. The site offers access to details on the OECD's work in all these fields, including the full text of the bribery convention and the latest reports from the Financial Action Task Force on Money Laundering.

The site also gives access to the OECD's Anti-Corruption Ring Online (AnCorR Web), one of the world's largest online information centres on corruption and bribery, and offers links to other international and private sector organisations engaged in the fight against corruption. ■

- The website is at *oecd.org/subject/bribery*.

You can send comments and suggestions on the site to *gunther.pauls@oecd.org*.

FATF lifts warning

On October 11 the FATF welcomed the repeal of the Economic Development Act (EDA) 1995 of Seychelles. The EDA contained immunity provisions which could clearly attract international criminal enterprises to shelter both themselves and their illicitly-gained wealth from pursuit by legal authorities. ■

• News brief •

E-commerce brings OECD to Dubai

The OECD breaks new ground in the Middle East in January, co-hosting with the Dubai government an emerging market forum on electronic commerce. Though not a member of OECD, Dubai is a logical venue for the Forum, according to Michael Oborne, deputy director of the OECD's directorate for science, technology and industry: "It is broadly recognised to be the Middle East's centre for information technology."

The conference on January 16-17 will be held in Dubai Internet City, a technology, e-commerce and multimedia free zone set up by the Dubai government to promote the emirate as a regional hub for information technology. The conference is expected to attract some 450 delegates from government, international institutions and the private sector, while civil society organisations will be offered a platform to express their views at a special one-day meeting on January 15.

E-commerce remains high on the OECD agenda in the run-up to the Dubai meeting, notably with a two-day conference on dispute resolution mechanisms in e-commerce, co-hosted with the Dutch government in The Hague on November 9-10. ■

- To find out more about the OECD's work on e-commerce, visit the website at *http://www.oecd.org/subject/e_commerce/*.

Do-it-yourself privacy statement

If you've ever hesitated to provide personal or financial information over the Internet, you will know why online privacy is such a hot topic today. Companies and organisations currently grappling with how to provide a secure online environment can assess their privacy policy – or build one – with the new OECD "do-it-yourself" privacy statement.

The online programme guides users through a series of questions about their current privacy practices. The system will post a warning if an answer is inconsistent with the OECD Privacy Guidelines or other recognised regional or national privacy rights. For example, the system would red flag areas collecting "sensitive" information, such as religion, health, sex life and political affiliation.

All OECD governments have endorsed the Privacy Generator, which was developed in conjunction with industry, privacy experts and consumer organisations. The programme is currently available in English, and will soon come out in French. Other OECD countries are translating the programme into their native languages and can customise elements to conform to their national policies.

The privacy statement generator is available free of charge on the OECD Internet site: *http://cs3-hq.oecd.org/scripts/pwv3/pwhome.htm*. ■

- Guidelines on Protection of Privacy and Trans-border Flows of Personal Data, adopted in 1980 by OECD countries.

OECD Forum 2001: sustainability takes centre stage

Forum 2001, the annual global meeting of government, business, labour and civil society, will take place in parallel with the Ministerial Council of 14-16 May 2001. The theme will be sustainable development in the new economy. The aim, according to the principle event manager, John West, is to build on the momentum of Forum 2000 and to provide participants with a platform of open and inclusive dialogue. Two major OECD reports will be delivered to ministers on this occasion, the first on the new economy, and the second on sustainable development, forming the analytical background to the debate. Forum participants will have the opportunity to discuss OECD findings with ministers, experts, business leaders and civil society organisations. Parallel sessions, briefings and keynote addresses will be constructed around topics such as climate change, conservation of bio-diversity, sustainable development of natural resources, "Is a New Economy Taking Shape?", skills in the new economy, e-government: the transformation of government-citizen connections, managing risks in the electronic age, dot.com entrepreneurs, and much more.

More information can be obtained by contacting:
john.west@oecd.org
paul.paradis@oecd.org. ■

- OECD Forum 2001:
  Sustainable Development
  in the New Economy
  14-16 May 2001
  La Cité des sciences
  et de l'industrie
  75930 Paris, Cedex 19
  www.oecd.org/forum2001

• News brief •

Reforming China's enterprises

China has reached a critical point in reform of its enterprises and needs to make rapid progress in the next few years if it is to preserve the gains made so far, the OECD says in a new publication, *Reforming China's Enterprises*.

"Substantial progress is being made ... but much more needs to be done and success in the overall reform effort is not yet assured," the book warns. Reform has become all the more urgent given the increased competitive challenges likely to emerge with China's prospective admission to the World Trade Organisation.

Reforming China's Enterprises offers a series of recommendations covering state-owned and private enterprises, including market liberalisation, tax reform and faster financial reform.

The study is part of the OECD-China programme of dialogue and co-operation begun in 1996 and aimed at encouraging China's sustainable integration into the global economy. A study on China's national accounts will be released soon. ■

Reforming China's Enterprises is available from the online bookshop at *http://electrade.gfi.fr/cgi-bin/OECDBookShop.storefront/*

Jobless rate remains steady

The OECD-area unemployment rate held steady at 6.5% in August, unchanged from June and July and 0.3 percentage points lower than a year earlier. The jobless rate rose to 7.1% in Canada from 6.8% in July, 4.1% in the United States (4.0%), 8.6% in Belgium (8.5%), 14.5% in Spain (14.2%) and 5.9% in Sweden (5.6%). But this was offset by a fall in the unemployment rate to 4.6% in Japan from 4.7% in July, 4.8% in Denmark (4.9%), 9.4% in Finland (9.5%), 4.4% in Ireland (4.5%) and 3.8% in Portugal (3.9%). The unemployment rate remained stable at 3.2% in Austria, 9.6% in France and 8.3% in Germany. ■

Global vision

The OECD will have to find new ways of involving civil society and non-member governments in its work if it is to remain relevant and important in the 21st century, Secretary-General Donald Johnston told the Council of Europe's Parliamentary Assembly in Strasbourg on September 27.

"In essence, the OECD must exploit and expand its unique consensus-building qualities to include more stakeholders and more countries," Mr Johnston said.

This process has already begun, Mr Johnston said. He was heartened to learn, for example, that the Chinese government had translated the OECD's "Core Principles of Corporate Governance" into Chinese and declared that Chinese corporations should meet this standard. This showed China had recognised that to participate effectively in the global economy, it must aspire to the standards of other global players.

© Council of Europe

Secretary-general Donald Johnston

The OECD already involves some 70 economies outside its 29-country membership in its work, but eventually it should aim for "the whole international community of nations," Mr Johnston said.

The OECD secretary-general also outlined the results of the ministerial meeting in Paris in June and the OECD's work programme for the coming year (see *OECD.org*). The speech is an annual event under a 1962 co-operation agreement between the OECD and the Council of Europe. ■

Oil market still on edge

Vigilance is still the order of the day when it comes to oil despite a recent drop in prices, the International Energy Agency (IEA) says in its latest report on the world oil market. "The market needs time to adjust," the IEA said in its October monthly oil report. "If everything runs smoothly then we will get through the winter without major disruptions ... But for the moment the market remains on edge and prices are responding accordingly."

The IEA is forecasting world oil demand to average 75.7 million barrels a day this year, up from 74.7 in 1999, but fourth quarter demand is seen growing nearly three million barrels a day to 78.4 million as the northern winter begins to bite.

The agency warned on October 4 that low stocks in some areas, particularly of heating oil, had led to volatility in the market, and said continuing high prices could jeopardize global economic growth.

Figures released in the monthly report showed that domestic heating oil prices, excluding tax, rose between 72% and 96% in European G7 countries in the 12 months to September. ■

See the IEA web site at http://*www.iea.org*
- Oil Information 2000, IEA 2000.
- Oil, Gas, Coal and Electricity quarterly statistics, IEA/OECD

The Price of Water

TRENDS IN OECD COUNTRIES

ENVIRONMENT

A key determinant for economic efficiency and environmental effectiveness of water services

- ***Reviews current practices and recent trends in water pricing***
- ***Outlines recent developments in institutional arrangements related to water pricing***
- ***Considers questions concerning the affordability of water services***

OECD

www.oecd.org/bookshop
sales@oecd.org

ISBN 92-64-17079-0
FF170 US$29

Santé to the French health system

PATRICK LENAIN, ECONOMICS DEPARTMENT, ECO.CONTACT@OECD.ORG

© Richard Damoret/REA

First class treatment

Emphasising that "big isn't always better", editor-in-chief of the report, Dr Philip Musgrove, said that "it isn't just how much you invest in total, or where you put facilities geographically. It's the balance among inputs that counts – for example, you have to have the right number of nurses per doctor".

French citizens have believed for some time that their health care system, while perhaps costly, is among the best in the world. But when the World Health Organisation (WHO) released its official rankings in June, the French found out just how privileged they are.

WHO ranked the French health care system number one among the 191 member countries surveyed, stating that it provides "the best overall health care". Judging took into consideration five criteria: overall level of health within a population; health inequalities within a population (how much economic status affects health); health system responsiveness (patient satisfaction); responsiveness within the population (how well people in various economic groups are served); and distribution of costs (who foots the bill).

One of the key takeaways is that wealth does not always ensure success. The U.S. health system, for example, spends a higher portion of its gross domestic product than any other country, but ranks only 37th out of 191. The United Kingdom, which spends just 6% of GDP on health services, ranks 18th. And several small countries – San Marino, Andorra, Malta and Singapore – are rated close behind second-placed Italy.

How healthy really

Has the French system struck that delicate balance? Health coverage for virtually the entire resident population is a main feature of this relatively complex system. In its recent Economic Survey of France, OECD reports that roughly 75% of total health spending is publicly funded, 10% is paid for by supplementary insurance (mostly mutual insurers), and the remaining portion is paid for directly by patients. Supplementary insurance has expanded greatly over the past decades to eliminate co-payments and now covers about 80% of the population.

To bridge the coverage gap even further, the state introduced universal health insurance in January 2000. The plan provides basic coverage to all legal residents, regardless of their employment status. In addition, it offers free supplementary coverage to people who earn less than

FF3,500 per month per person. The plan therefore provides health care to those that were previously deprived or badly insured, including persons in unstable employment situations, or foreigners waiting for official residency papers.

The performance of the system is also judged by the health of its population. France ranks high in terms of overall health and mortality figures. In 1997, female life expectancy at birth (82.3 years) was second only to Japan. Old-age disability is on a marked downward trend, particularly for men, in line with trends in the U.S. and Japan. The same is true for infant mortality, which is just above the very low levels in Scandinavian countries.

Clearly the French system is good, but it is also expensive. Health spending in France as a percentage of GDP far outstrips the average for OECD countries. Facing an ageing population with growing health care needs and pressure to bring spending under control, the French system has already begun exploring ways to reform itself. But there is risk in tampering with a system that people like. According to *Health Economics*, roughly 66% of the population reports being fairly satisfied with the system, compared with 40% in the United Kingdom and just 20% in Italy. The question is, if costs must be brought under control, can the aspects that make the French system so popular – quality of care, freedom of choice, and equality of access – be safeguarded ?

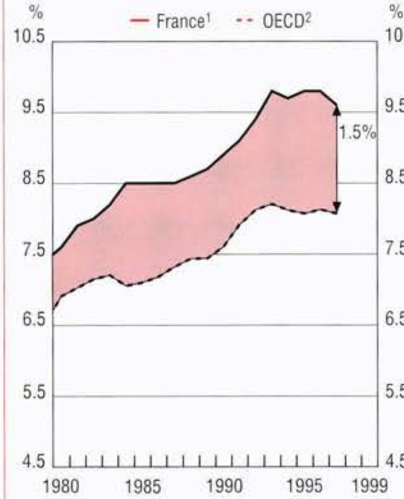
Check-up time

The gap between spending and resources available prompted the government to launch a series of stabilisation plans in the early to mid 1990s. Initial reforms tended to be short-term and tried to cover deficits within health insurance funds by increasing revenue while raising patients' contributions through higher co-payments. These measures had only a modest effect. Health professionals, who are paid on a fee-for-service basis, responded to price controls by increasing volume, and patients felt little pressure to become more accountable because they were covered anyway by supplementary insurance.

While health expenditures slowed gradually in the late 1990s, the trend may just be temporary. France's ageing population is a critical concern. With life expectancy increasing, the number of people aged 75 and over – those who tend to be large consumers of dependency-related health care services – is expected to rise from 4.2 million in 1990 to 6 million in 2020. Another factor pushing up expenditures is the availability of sophisticated medical equipment, which creates a demand for additional and improved diagnostics. However, it brings additional costs; expenditure on imaging equipment has followed an upward trend in recent years, for instance. These factors, combined with the generosity of the French system, add up to make health care reform a significant priority.

Health spending

% of GDP



1. For 1998 and 1999, data have been updated by the OECD;
2. Simple average for all OECD countries, excluding Greece, Hungary, Mexico, Poland and the Czech Republic.

Source: OECD, Health Data 99.

Clearly the French system is good, but health spending far outstrips the OECD average.

Reforms need to take place on three fronts: hospitals, independent medical practices, and public health. One solution to control costs in hospitals is to move toward diagnosis-related payment, a system that sets an average cost for treating specific diseases or conditions, and pays accordingly. This new method of remuneration will only work, however, if regional hospitalisation agencies (ARHs) gain more autonomy. In addition, some have suggested designating public hospitals, which are effectively civil service outfits, as autonomous public corporations. This would be a status similar to that of some other public service organisations, such as the postal system, where a more commercial approach has brought good results, including better financial performance and staff satisfaction.

Several reforms are needed in order to curtail demand for independent medical practices and clinics. First, basic and supplementary insurers need to design plans that do not encourage overuse. Demand can for instance be reduced by screening access to certain specialists and monitoring for flagrant over-use. Second, the existing *medecin référent* system should be further

A better economy

The French economy is more robust than at any time in the previous 10 years. After performing poorly during 1990-96, the French economy shows growing activity, low inflation and job growth. These trends can be attributed in part to a favourable international economy, including a strong recovery in world trade. Strong domestic demand, spurred on by job creation and an increase in household confidence, is also factoring into the general upswing.

While growth should remain strong through the end of the year and well into 2001, there are concerns that the economy may overheat. For the first time since the 1980s, company managers are reporting difficulties in increasing production and problems finding workers. These constraints are for the time being limited to a few sectors (such as construction and the car industry), but they will probably expand further . The critical areas facing the French economy over the near term are threefold:

The first is income tax, which is paid by only half of the total number of families, putting an extraordinary burden on those who do pay taxes. The key will be to create a system that neither encourages inactivity nor the departure of bright and mobile people.

The second issue is pensions and health care. Health care (see main article) will also be affected by an ageing population. Pension schemes are expected to be balanced through 2005, but will be in heavy deficit between 2020 and 2040. What may be needed now is to discourage early retirement.

The third challenge facing France is how to boost entrepreneurship and innovation. Growth in start-ups has fallen off since 1998 and new business creation continues to slow. The main cause appears to be a difficult, inflexible regulatory environment. Authorities have already begun the process of simplifying administrative hurdles. If more were done, there is no reason why *les start-ups* and other small businesses could not flourish.

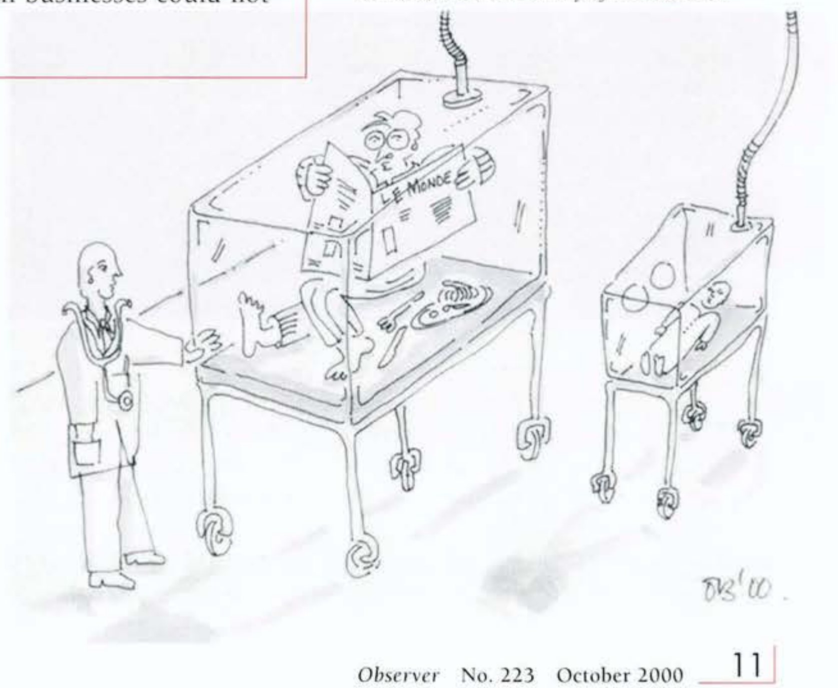
expanded to improve monitoring of patients and ensure continuity of care. Patients should continue to have choice of their referring physician (rather than be allocated a short-list of family doctors as in other countries), but systems should be put in place to discourage frequent changes.

Finally, public health policy that places greater emphasis on preventive care versus curative care is needed. For example, insufficient resources are allocated to areas such as advertising campaigns to communicate the dangers of smoking and drinking, and to promoting cancer screenings and frequent medical check-ups. This could be accomplished by offering more reimbursements for preventive rather than curative care. That means providing incentives for patients to quit smoking, follow proper diets and exercise programmes, and get regular check-ups and tests.

This is a lot to do for the world's best health system. It might be wondered why fix a system that appears to be far from broken. After all, if the people want it and are willing to pay for it, that is their democratic choice. Yet public health policy makers cannot afford to take such a simplistic view. The realities of a rising financial burden and an ageing population loom large, and must factor in to decisions about the future of the health care system. So while excellence must be maintained, excess should be removed. ■

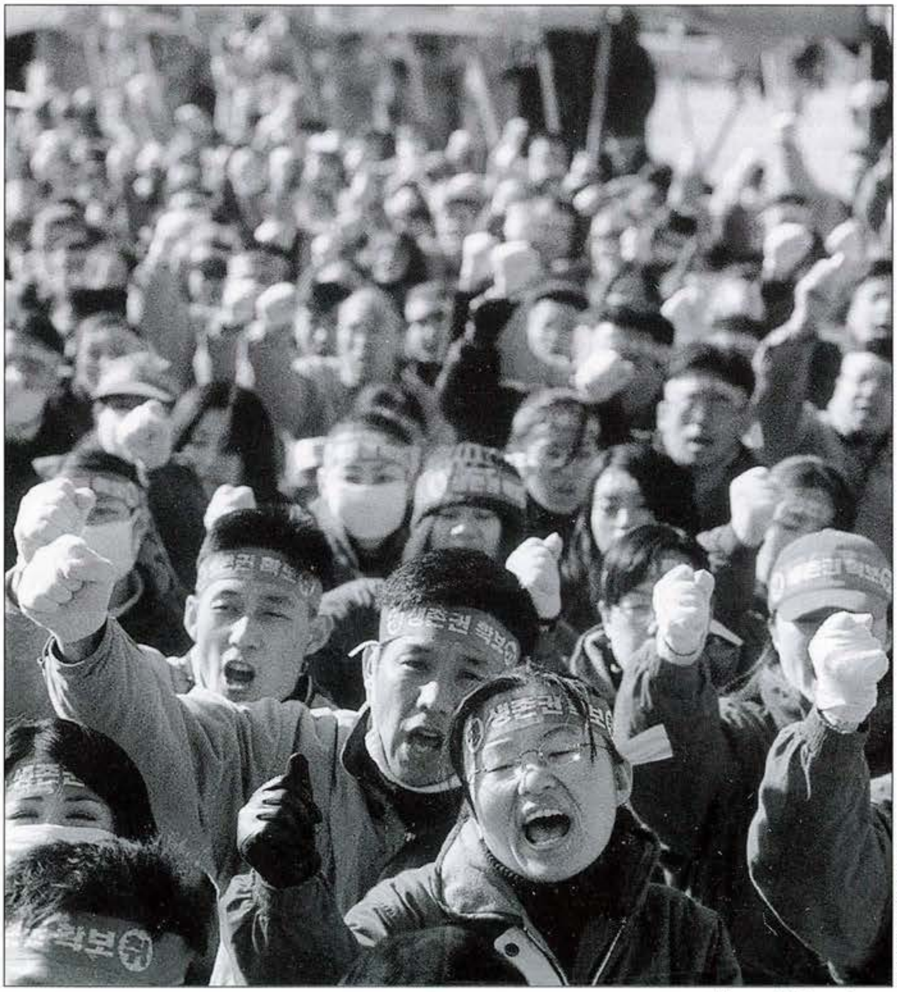
References

- Mossialos, E. (1997) "Citizens' view on health systems in the 15 Member states of the European Union", *Health Economics*, Vol. 6, 109-16.
- OECD, *Economic Survey of France*, 2000



Korea: better social policies for a stronger economy

Willem Adema, Peter Tergeist and Raymond Torres, Directorate for Education, Employment, Labour and Social Affairs, deelsa.contact@oecd.org*



© AP/Yun Jai-Hyoung

More rights, please

Crisis, what crisis, is a tempting way to describe Korea these days. With the economy expanding rapidly again and unemployment below 4%, which is low by most standards, the traumatic effects of the financial crisis of late 1997 are receding in many people's memories.

As a result, it may be easy to assume that the crisis was just an unpleasant blip in an otherwise strong growth path. But that would be a highly optimistic view. In truth, the social pillar on which Korean development leans is still fragile, and this carries serious economic risks. To paraphrase President Kim Dae-Jung, "it is not yet the time to open the bottle of champagne".

Take jobs for instance. Despite double-digit rates of growth, most jobs are extremely precarious. In 1999, less than 30% of workers had a permanent (*i.e* open-ended) contract. In fact, Korea has the lowest number of workers holding a permanent job in the OECD, followed by Turkey. On the other hand, because so many contracts are fixed-term or even daily, the majority of Korean workers face considerable job precariousness, while only a relatively small number of workers enjoy stable employment situations.

Despite recent reforms, such as the introduction of public works and the expansion of social assistance programmes, the social safety net still has too many holes, leaving large segments of the population unprotected. For example, only one in nine of the unemployed receives unemployment benefits. In addition, benefits are rather modest for the limited number of unemployed workers who receive them, amounting to 50% of the previous wage, while the maximum duration of benefit receipt ranges from three to eight months. Worrying for those reaching the end of their entitlement is that social assistance programmes are inadequate and pay out benefits that are below the poverty line. What's more, nearly half of those living in poverty receive no social assistance benefits at all, due to stringent eligibility criteria.

Another problem is the immaturity of the public pension system, which benefits only a quarter of people at retirement age. Moreover, the average pension currently amounts to two-thirds of the minimum wage, or a meagre US$3-4 a day, while recently introduced special allowances for poor elderly persons amount to less than a dollar a day.

Hardly helping matters is the fact that Korea's social partners don't trust each other. During the crisis, trade unions and employers agreed on an important economic and social reform programme, including measures to strengthen the social safety net, enhance labour market flexibility and moderate wage increases in a bid to stem the rise in unemployment. But with the return of rapid growth and falling unemployment, old confrontational attitudes have re-surfaced. Arresting and imprisoning workers for what might be considered legitimate trade union practices is back in vogue, a matter of considerable concern both at the OECD and the International Labour Organisation (ILO). The arrests are not only a threat to the exercise of fundamental workers' rights, they also hamper the development of trust that is so essential to successful industrial relations. This makes it extremely difficult for the social partners to agree on basic aims, like wage moderation, and improving employment conditions and workforce practices.

The poor social climate does not help to improve productivity either, which in Korea is something of an Achilles' heel. In fact, growth in the 1990s was largely driven by capital investment, but overall productivity practically stagnated. Many of the investment projects carried out in the 1990s were unproductive, a key factor behind the 1997 crisis. To remedy this chink in Korea's economic edifice requires, among other things, the provision of more and better training (which experience shows goes hand-in-hand with improving job tenure) and a more efficient social safety net. In other words, policymakers cannot afford to underestimate the link that exists between the social and the economic dimension, since to do so would increase the risk of another crisis taking place.

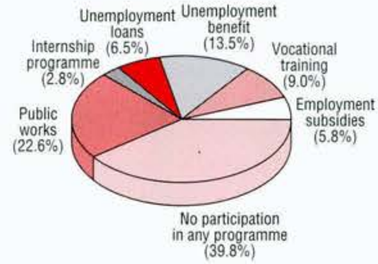
Better programmes

In the past two years, the government has considerably expanded the range of labour market programmes. Yet, some basic weaknesses have to be resolved. In particular, small firms often do not pay social contributions; this has to be corrected to ensure that their workers are entitled to unemployment and public pension benefits. Moreover, active labour market programmes should be designed to reach the really needy, which is not happening, despite the large number of programmes. Indeed, given the brisk recovery, there is a strong case for scaling back public works programmes, while enhancing training programmes to upgrade the skills of specific categories of workers.

Already, public employment services have been greatly expanded in order to help the unemployed move back into the labour market. The quality of counselling will prove important in this regard, and more staff training may be needed. The government should do what it can to maximise the reach of these services too. One way of doing this would be for their employment offices to take advantage of the extensive network of private employment agencies in Korea, including contracting out some services to them.

Participation of unemployed workers in different labour market programmes in 1999

Per cent of total unemployed workers



Source: Korea Labour Institute estimates.

Improving social protection would eventually open the way for some enterprise-based benefits, such as retirement and separation allowances, to be scaled back; these enterprise benefits mainly accrue to permanent workers and therefore make employers reluctant to convert fixed-term and daily contracts into permanent ones.

In October 2000 a newly reformed social assistance system comes into effect. The new system is based on the concept of "productive welfare" and a balancing of rights and responsibilities on the part of social assistance recipients. First, anyone who is eligible for social assistance should receive it as a right and the level of benefits will increase. Despite these efforts, reflecting complex eligibility rules, many individuals living in poverty will either receive very low benefits or, in certain cases, no benefits at all. Second, in exchange for assistance, beneficiaries who are able to work will be obliged to search for jobs and to accept training, public works jobs and any job placements provided by the local welfare office, with the objective to promote self-reliance. Moreover, the government has hired additional social welfare officers, but it is unclear whether these officers will have the means (or indeed expertise) to help recipients find a job. Overall, despite the problems, the new law is a step in the right direction.

Korea has taken steps to improve its labour laws, but must go further in bolstering union bargaining rights.

Handled well, the October measures hold some promise. The question is how to fund them. For a start, the government could consider raising taxes – at just over 20% of GDP, the tax burden is light by OECD standards. However, before going down that thorny political road, it could find some money by channelling funds away from other programmes, such as public works. And it could look for savings by ensuring that its programmes are properly evaluated with a view to leaning resources towards the most cost-effective ones.

Towards international standards

When Korea negotiated its accession to the OECD in 1995-96, its laws on labour and industrial relations reflected the legacy of authoritarian political regimes and were out of line with internationally-accepted standards. The Korean government at that point made a commitment to reform its labour laws, and ensure fundamental rights such as freedom of association and collective bargaining. Since 1996, legislative reforms have indeed brought Korean labour law closer to international norms. Nevertheless, further reform is needed in several areas.

Take trade union pluralism, for instance. Up until a few years ago, one national trade union organisation, the FKTU, enjoyed a virtual monopoly as the representative of employee interests. This did not conform to fundamental ILO Conventions on freedom of association and collective bargaining. In 1997, Korea modified its legislation to recognise the principle of trade union pluralism, thus allowing the formation and recognition of rival trade union centres, in particular the KCTU. By contrast, the law still prohibits (until 2002) the existence of multiple unions at company level.

Another problem is that unemployed or dismissed workers are not permitted to join trade unions. Clearly, behind this legislation is the fear of infiltration by outside radicals, although the concept of enterprise unionism, where bargaining is carried out mainly by the actors at company level, also plays a role. Still, in practically all other OECD countries the preconditions for union membership are determined by the trade unions themselves.

There are additional problems with labour regulations in the public sector. Only in 1999 were public (and private) school teachers awarded freedom-of-association and collective bargaining rights, and public officials were given the right to form consultative workplace associations. These were laudable steps, but Korea has to go further and allow trade unions with bargaining rights to be freely set up in the public service (even if, as in other countries, the legal status of wage agreements for public officials may differ from that of private sector employees).

As in some other OECD countries, strikes in central and local government are prohibited in Korea. However, by requiring compulsory arbitration, Korean law virtually prohibits all industrial action in "essential services", whose unusually broad definition includes the likes of banks, transportation and oil supply. Korea is under international pressure to narrow this definition – as it has already started to do – and should consider alternatives to an overall strike ban, such as the maintenance of "skeleton" services.

The OECD will conduct a follow-up study of labour market and social safety-net policies in Korea in 2002. This will be an opportunity to review whether the trend towards job precariousness has been reversed, holes in the social safety net have been filled and labour law reforms have continued. With the current signs of *rapprochement* between the two parts of the country, the need for the government in Seoul to get its economic and social policies right will become all the more pressing. ■

* This article summarises the findings of a larger study produced jointly with Jaehung Lee and Elena Stancanelli. See reference below.

References

- OECD, *Pushing Ahead with Reform in Korea: Labour Market and Social Safety-net Policies*, Paris, 2000.
- Visit the employment and social policy website at *http://www.oecd.org/els*


© P.Pittet/FAO

Setting the goals

Sanjeev Gupta, Fiscal Affairs Division, IMF; Brian Hammond, Development Co-operation Directorate, OECD; and Eric Swanson, Development Data Group, World Bank.

The goals for international development address that most compelling of human desires – a world free of poverty and free of the misery that poverty breeds. The goals have been set in quantitative terms, so part of the story is told in words and pictures, but the core of it is in numbers and charts.

The goals come from the agreements and resolutions of the world conferences organised by the United Nations in the first half of the 1990s. These conferences provided an opportunity for the international community to agree on steps needed to reduce poverty and achieve sustainable development.

Each of the seven goals addresses an aspect of poverty. They should be viewed together (not in steps) because they are mutually reinforcing. Higher school enrolments, especially for girls, reduce poverty and mortality. Better basic health care increases enrolment and reduces poverty. Many poor people earn their living from the environment. So progress is needed on each of the seven goals.

The goals in action

Since the OECD's Development Assistance Committee (DAC) published the international development goals in 1996 – in a report called *Shaping the 21st Century: the Contribution of Development Co-operation* – the commitment to halve world poverty has become the focus of the development policies of the majority of donor organisations. Indeed, many donors measure their performance – and some set their budgets – by the contribution that they make towards achieving this goal. This focus on poverty reduction – long central to UN programmes – is now key to future IMF and World Bank lending to low income countries, which is to be provided in support of locally-owned, participatory poverty reduction strategies, usually in connection with debt relief.

The United Kingdom's Department for International Development (DFID) has made the international development goals central to its policies and programmes. In its 1997 White Paper it pledged: "We shall work closely with other governments and organisations to eliminate poverty, and use our influence to encourage others to achieve the international development targets. We shall pursue these partnerships with poorer countries who are also committed to them. We shall measure how effective our efforts are against the internationally agreed targets." In order to secure additional development financing for 2001-2004, DFID has set intermediate targets, by which its results will be judged. These include:

- Improved education systems in the top ten recipients of DFID education support demonstrated by an average increase in primary school enrolment from a baseline established in 2000 of 75% to 81% on the basis of data available in 2004;
- Improvements in child, maternal and reproductive health in the top ten recipients of DFID health care assistance demonstrated by: a decrease in the average under-5 mortality rate from 132 per 1,000 live births in 1997 to 103 on the basis of data available in 2004; an increase in the proportion of births assisted by skilled attendants from a baseline established in 2000 of 43% to 50% on the basis of data available in 2004.

The World Bank adopted the goals in its Strategic Compact in 1997 and reports annually on progress toward the goals in the World Development Indicators. This year the Bank's annual report and the World Development Report: *Attacking Poverty* include a section, adapted from *A Better World for All*, showing an overview of progress as in this Spotlight. The poverty and social goals make up the first tier of the Bank's internal corporate scorecard. They appear in the Comprehensive Development Frameworks and Poverty Reduction Strategies (PRSs) prepared by member countries in a participatory manner. These strategies and frameworks are being produced in close collaboration with the IMF which, in 1999, published the goals on a small card called the "seven pledges of sustainable development". The PRSs are critical for ensuring that debt relief in heavily indebted poor countries is directed to poverty-reducing programmes.

The goals will not be easy to achieve, but progress in some countries and regions shows what can be done. China reduced the number of its people living in poverty from 360 million in 1990 to about 210 million in 1998. Mauritius cut its military budget and invested heavily in health and education. Today all Mauritians have access to sanitation, 98% to safe water, and 97% of births are attended by skilled health staff. And many Latin American countries moved much closer to gender equality in education.

Where there is growth, it needs to be spread more equally.

The message: if some countries can make great progress towards reducing poverty in its many forms, others can as well. But conflict is reversing gains in social development in many countries in Sub-Saharan Africa. The spread of HIV/AIDS is impoverishing individuals, families and communities on all continents. And sustained economic growth – that vital component for long-run reductions in poverty – still eludes half the world's countries. For more than 30 of them, real per capita incomes have fallen over the past 35 years. And where there is growth, it needs to be spread more equally.

So, the goals can be met. But it will take hard work. Success will require, above all, stronger voices for the poor, economic stability and growth that favours the poor, basic social services for all, open markets for trade and technology and enough resources for development, used well. ■

References

- A Better World for All, 2000 *http://www.paris21.org/betterworld/*
- DAC: Shaping the 21st Century: the Contribution of Development Co-operation, May 1996 *http://www.oecd.org/dac/pdf/stc.pdf*
- Aid targeting the Rio conventions, September 2000 *http://www.oecd.org/dac/pdf/rio_e.pdf*

Reduce the proportion of people living in extreme poverty by half between 1990 and 2015

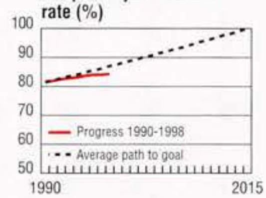
As growth increased globally in the mid-1990s, poverty rates fell rapidly in Asia, but little or not at all in Africa. Income inequality is a barrier to progress in Latin America.

People living on less than $1/day (%)

Enrol all children in primary school by 2015

Although enrolment rates continue to rise, they have not risen fast enough. On current trends, more than 100 million school-age children will not be in school in 2015.

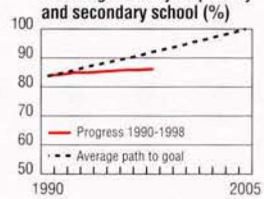
Net primary enrolment rate (%)



Make progress towards gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005

Getting more girls through school is essential but not enough. The gender gap may be narrowing, but girls' enrolments remain persistently behind those of boys.

Ratio of girls to boys in primary and secondary school (%)



Reduce infant and child mortality rates by two-thirds between 1990 and 2015

For every country that cut infant and under-5 child mortality rates fast enough to reach the goal, 10 lagged behind – and another one moved backwards, often because of HIV/AIDS.

Deaths of children under 5 per 1,000 live births

Reduce maternal mortality ratios by three-quarters between 1990 and 2015

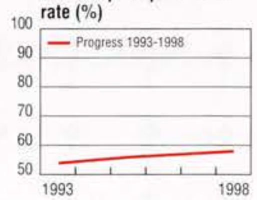
Skilled care during pregnancy and delivery can do much to avoid many of the half million maternal deaths each year. But the proportion of births attended by skilled personnel rose slowly in the 1990s.

Births attended by skilled health personnel (%)

Provide access for all who need reproductive health services by 2015

Contraceptive use is one indicator of access to reproductive health. With increasing access to reproductive health services, the rate of contraceptive use is rising in all regions.

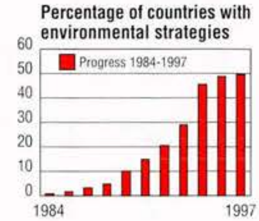
Contraceptive prevalence rate (%)



Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015

Despite their commitments at the Rio Earth Summit in 1992, fewer than half the world's countries have adopted strategies, and even fewer are implementing them.

Percentage of countries with environmental strategies



Cutting poverty

Stephen Browne, Senior Poverty Adviser, United Nations Development Programme and Giovanna Prennushi, Poverty Group, Poverty Reduction and Economic Network, World Bank

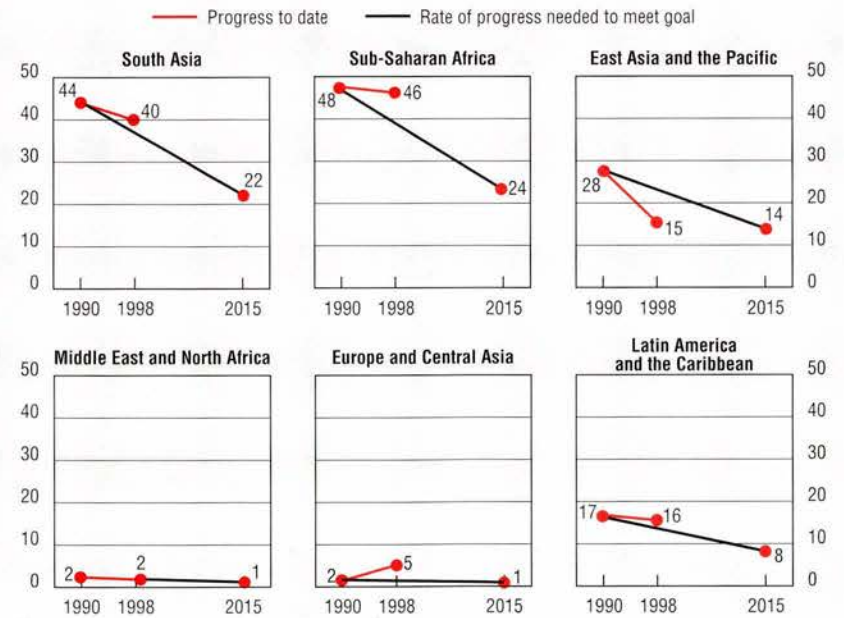
Goal: Reduce the proportion of people living in extreme poverty by half between 1990 and 2015.

Despite the economic boom in the western world, notably the United States, global poverty remains a serious problem. Across the globe 1 person in 5 lives on less than $1 a day – and 1 in 7 suffers from chronic hunger. True, the worldwide number and proportion of people living in extreme poverty or on less than $1 per day declined slightly through the mid-1990s. But most of that decline was in east Asia, notably China.

Overall progress slowed temporarily in some Asian countries in the late 1990s, and ground to a halt or reversed in others. In the rest of the world, while the proportion of people in poverty declined, population growth meant that the number of poor people increased. And in the countries of the former Soviet Union, undergoing economic and social transition, the proportion of poor more than trebled.

Mixed progress in reducing income poverty

Proportion of people living on less than $ 1 a day (%)



The first graph shows that poverty in South Asia fell from 44% in 1990 to 40% in 1998. Without more effort, South Asia will not meet the 2015 target of 22%. East Asia and the Pacific, by contrast, are ahead of target. However, the proportion of people living on less than $ 1 a day has risen in Europe-Central Asia.

The numbers of poor are greatest in South Asia, but the proportions are highest in sub-Saharan Africa. Most of the poor live in rural areas, but urban poverty is growing faster. Women are more likely than men to lack rights to land and other assets. They also have difficulty getting access to credit. And they lack adequate employment and economic security in old age.

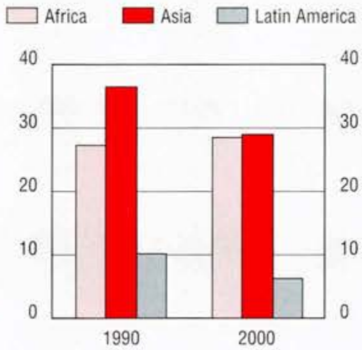
In many developing countries, the poor struggle at the margin of the formal economy. They lack political influence, education, healthcare, shelter, personal safety, regular income and food. An important symptom of poverty is malnutrition. People who are ill-fed and under-nourished are less productive and spend a greater proportion of their meagre budgets on medication and healthcare, thus reinforcing the effects of poverty and making it harder to escape it.

Malnutrition

Today there are 150 million underweight children in the developing world. The proportion is falling everywhere except Africa. Being underweight, even mildly, increases the risk of death and inhibits mental and physical development. The problem extends itself from one generation to the next, simply because malnourished women are more likely to have underweight babies. Malnutrition and income poverty can be reduced, by providing all citizens with income-earning opportunities, access to

Malnutrition – another dimension of poverty

Proportion of children under-5 who are underweight (%)



Source: A Better World for All.

basic resources, security and political empowerment.

Providing economic opportunity is a precondition for achieving growth that is both sustainable and equitable. Governments should introduce reforms that spur growth: a sound pro-poor macroeconomic framework; policies that promote low inflation and fiscal discipline.

Opportunity and access

Governments should also promote integration into the global economy to stimulate trade and investment and spur private sector activity. However they may need some assistance to determine the pace and order of integration so that the benefits can spread as widely as possible. Reforms that improve the access of poor people to markets should also be pursued. Regulations that pose a heavy burden on small firms could be changed, such as the recent simplification of the tax system for small firms in Bolivia. Access to credit should be improved, following the example set by Grameen Bank and other micro-finance institutions in Bangladesh and elsewhere. Investments in basic assets have also to be carried out – in schooling and skill development, food security, preventive healthcare, rural infrastructure and credit systems. Of course, governments have not only to ensure that these investments reach the poor, but that the poor have the capacity to take advantage of them. The policy can work. Take China for instance: by building upon its prior investment in people, by empowering them through training and education, not only was China able to reinforce its rapid growth, but also to reduce the gap between the average income of its people and that of the rest of the world to half of what it was 40 years ago. Vietnam is another country to have reduced the share of its poverty rate from 58% to 37% between 1993 and 1998, thanks primarily to land reform that created opportunities for people to improve agricultural yields and incomes.

Empowerment

Empowerment gives people dignity, a sense of inclusion and the moral strength to help themselves economically. Providing a voice in decision-making means pursuing the involvement of poor people and society at large in policy and programme design and implementation. Indeed, responsive and accountable institutions of governance have often been found to be the missing link between anti-poverty efforts and poverty reduction (see box).

Security

Poverty reduction clearly cannot happen without peace. The trouble is all too many countries are suffering from (often local) conflicts, which are reversing gains in social development in many countries, notably in sub-Saharan Africa. Moreover, poor people are more exposed to such risks than richer ones.

Conflict is only one dimension of the security issue, since the poor also tend to be exposed to natural disasters, like flooding. They face economic risks too, like crop collapse and sudden falls in commodity prices. Reducing poverty demands providing poor people with greater security, which requires mechanisms to help manage risks (even before a crisis strikes) and mitigate the impact of local and national crises. These include cushioning the impact of sudden price shocks on the most vulnerable and mechanisms to keep children in school; public works and "food for work" programmes that provide work at slack times; and sustainable, well-designed pension, unemployment and social assistance programmes.

Thailand, which is redirecting its development strategy to reduce inequality, has provided safety nets of this kind in the aftermath of its crisis; similar programmes were set up in Indonesia and Korea. In Brazil, the Bolsa Escola programme helps parents keep children in school by providing assistance to families whose children attend class regularly.

Rich countries can do more to open up their markets so that heavily indebted countries can generate more export earnings.

While poverty reduction begins at home, the rich countries also have their role to play. As aid donors, the rich countries should focus more strongly on questions of governance, and should be more generous in funding cohesive programmes drawn up by governments to address all aspects of human poverty and deprivation and in measuring progress. The rich countries can also

The governance factor

Traditionally, we have always considered poverty to be a lack of means. It is certainly that in part. Without resources, people cannot satisfy even their most basic physiological needs. But a more meaningful definition of poverty is based on deprivation of capability, a concept associated with Nobel prize winner Amartya Sen, and elaborated in UNDP's Human Development Report of 1997, which called it 'human poverty'. Capability deprivation means that people are unable to play a full part in society, are economically inactive, marginalised by conflict or discrimination. While they lack income, simply providing more money will not be sufficient to lift them from their deprivation. In any case, being incapacitated inhibits people's abilities to earn a living.

As highlighted in UNDP's Human Development Reports and most recently in the study on Voices of the Poor conducted for the World Development Report 2000/2001 (see references), the poor themselves often allude to the importance of non-material deprivation. They often define their own lot in these terms. Not 'lack of money' but lack of empowerment. Resources are important, and a measure of economic dynamism is a prerequisite for making progress against poverty. But while the economic engine may be revving, the transmission may be faulty. And often governance is the missing link.

In today's developing world, the overall lack of resources is commonly not the stumbling block, but the use of them is. In countries where progress towards poverty alleviation is slow, public spending intended for basic social services is not put to best use and may not always reach the needy. Sound governance makes the links more solid between resources and needs. If people have a say in the choice of elected decision-makers, can give expression to their views through a free media, and can have fuller access to information about government activities, resources are more likely to be used productively.

Empowering the poor is itself a means of overcoming poverty, because it allows the poor to gain greater control over their lives rather than remaining the hapless recipients of benefits delivered from some far away centre. Take the case of Andhra Pradesh in India. There, village women have organised themselves into self-help groups and with their own resources are increasingly able to respond to the growing needs of the poor for access to credit, information, skills and technology. Similarly, in Cambodia's Seila initiative, local communities are encouraged to formulate their own anti-poverty projects. In Ghana, district authorities are raising their own revenues for poverty reduction projects. In Uganda, the government has made efforts to increase the transparency of its budget procedures, both at the central and at the local government level, and set up a poverty reduction strategy, the Poverty Eradication Plan, with broad participation.

These examples demonstrate that through governance the leaders of the poorest countries have the power to make a direct attack on poverty. By helping to decentralise power and authority, promote land reform, encourage community solidarity and the emergence of independent civil society organisations, governments can make a difference.

continue easing the debt burden on the poorer countries.

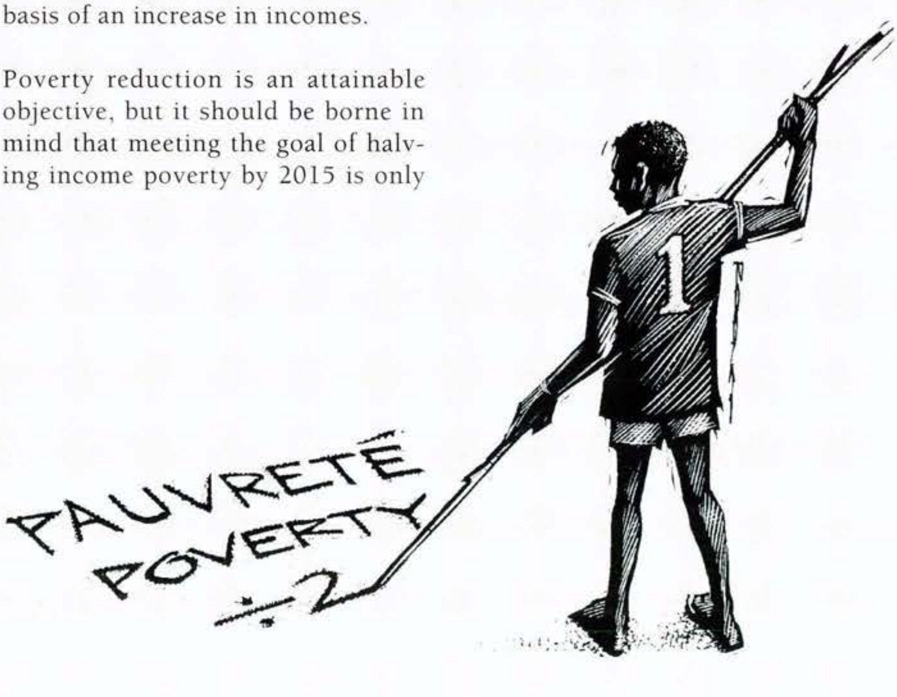
Globalisation of markets, the volatility of commodity prices, the availability of knowledge, and flows of private and official capital have a powerful impact on poor countries and their ability to reduce poverty. As the experience of the 1990s has shown, financial crises can wipe out a decade of progress. Rich countries can do more to open up their markets to trade with developing countries, so that heavily indebted countries in particular can generate more export earnings. They should also support the provision of global public goods, such as vaccines against malaria and AIDS, and research into agricultural advances, particularly in those areas that enjoy wide public support.

Local and global action in these areas will help address not just income poverty, but other dimensions of deprivation as well, such as malnutrition and exclusion, as there are powerful linkages between them. However, there is no simple relationship between rising income levels and improved nutrition levels or life expectancy, access to formal education, and so on. Improvements in the quality of life depend not only on the resources available, but also on public priorities. Investments in primary education and in rural infrastructure have helped countries like Costa Rica, Cuba, Sri Lanka and Vietnam to attain higher standards of health, larger reductions in mortality rates and higher literacy rates than other countries with similar or greater economic resources. These improvements have helped to alleviate many of the worst manifestations of poverty, even without increases in income levels. Conversely, improvements in social standards, combined with other policies, often form the basis of an increase in incomes.

Poverty reduction is an attainable objective, but it should be borne in mind that meeting the goal of halving income poverty by 2015 is only part of the battle. As the world's population is projected to increase to 7.1 billion by 2015, the number of poor stands to rise. So even if the goal of halving the proportion is reached, almost 900 million people will still be left living on less than $1 per day. Nonetheless, the price of doing nothing would be very great indeed. By acting now we stand a chance of being able to sustain poverty reduction efforts over the long run. ■

References

- UNDP 1997 and 1999 *Human Development Reports*, New York: Oxford University Press.
- UNDP, *Overcoming Human Poverty: UNDP Poverty Report 2000*, United Nations Publications: New York, 2000.
- Ferreira, Francisco, Giovanna Prennushi, and Martin Ravallion, "Protecting the Poor from Macroeconomic Shocks", World Bank, Policy Research Paper No. 2160, 1999.
- Narayan, Deepa with Raj Patel, Kai Schafft, Anne Rademacher and Sarah Koch-Schulte. *Voices of the Poor: Can Anyone Hear Us?* New York, N.Y.: Published for the World Bank, Oxford University Press, 2000.



Education: quality counts too

JACQUES HALLACK, ASSISTANT DIRECTOR-GENERAL FOR EDUCATION, UNESCO

Goal: Enrol all children in primary school by 2015

© Charlotte Thege

The burden of knowledge

Providing universal primary education in developing countries remains a great challenge – and a great opportunity. Educational success would give millions more the skills to rise out of poverty. But failure would fuel an educational – and social – crisis in the decade ahead. In developing countries one child in three does not complete five years of schooling. Improving on that figure is only part of the challenge. Enrolment rates are in fact up in most regions, but the quality of education has been suffering. Education for all is all very well, but good quality education for all is another story. At the World Education Forum in April 2000, the international community agreed that providing good education must be at the top of the agenda.

This means investing in training teachers, improving facilities, providing materials, and making sure what is being taught is relevant. It means increasing family and community participation and eliminating the gender bias that is harming girls' education.

Bangladesh's education minister, Abu Sharaf Hifzul Kader Sadique, acknowledged at the E9 (nine high-population countries) in February 2000, that in his country's "rush for numbers, quality missed out". Bangladesh has since made great strides in literacy, but difficulties in quality remain. China admits to the same problem: at the same E9 meeting, Lu Fuyuan, deputy education minister, said that the "overall quality of school teachers leaves much to be desired"; he was citing the difficulty in reaching remote areas. Bangladesh and China are not alone. Brazil, Malawi, and Mexico, along with most countries that have made major strides towards education for all, are now turning their attention to improving quality. It is a job which entails several steps.

Teachers' salaries already amount to 95% of public education budgets; any improvement will require increased funding.

Teachers have to be trained. Having achieved 96% primary school enrolment, Brazil is now concentrating its efforts on improving the quality of instruction, as almost half of the country's pupils are one year behind and repeat one or more classes. A recent nationwide study showed that teachers with university-level education helped their pupils make much faster progress than teachers without it. But today only about half of the 1.5 million teachers in state primary schools in Brazil have a higher-education qualification. Today, important efforts to boost in-service training for teachers are being made by the Brazilian authorities.

Of course, once teachers are trained, they have to be retained. Paradoxically, as some countries are upgrading teacher training, others are watching as qualified, talented teachers desert the profession for better-paid work in computers or tourism. Teaching suffers from a brain drain provoked by low status and even lower salaries. There is a need to restore value, both morally and materially, to the function of teachers and educators and give them back status, recognition and dignity within their society. Financial constraints and political sensitivities have made this difficult in the past, but change is now required. The trouble is that in many developing countries, teachers' salaries already amount to as much as 95% of public education budgets; any improvement in teachers' employment conditions will clearly require increased funding.

Keeping up to date

Improving facilities and materials is also important. A good school environment can have a positive impact on attendance and success rates. Unfortunately, the opposite is also true. A UNESCO/ UNICEF study in fourteen least developed countries in Asia and Africa found that at least 35% of schools (often much more than that) needed repairing or rebuilding. Many had no furniture or running water. Most developing countries face serious problems in producing and distributing appropriate textbooks and teaching materials, from mathematical instruments to maps. Again it is a question of political will and increased funding. In the case of learning materials sound national strategies are often lacking. Countries such as Namibia, South Africa, Nigeria and Ghana, where African publishing is developing most rapidly, are exemplary because they have managed to establish a close co-operation between book industries, governments and national publishers' associations.

Another problem is that education systems in many countries are becoming obsolete: what is being taught in school is simply not always relevant. When education programmes exist out of context, without a bearing on the surrounding job market, or on the local culture, sooner or later they lose their "clients". Proper teacher training would help to resolve this, as would the establishment of relevant curricula, appropriate textbooks, and so on.

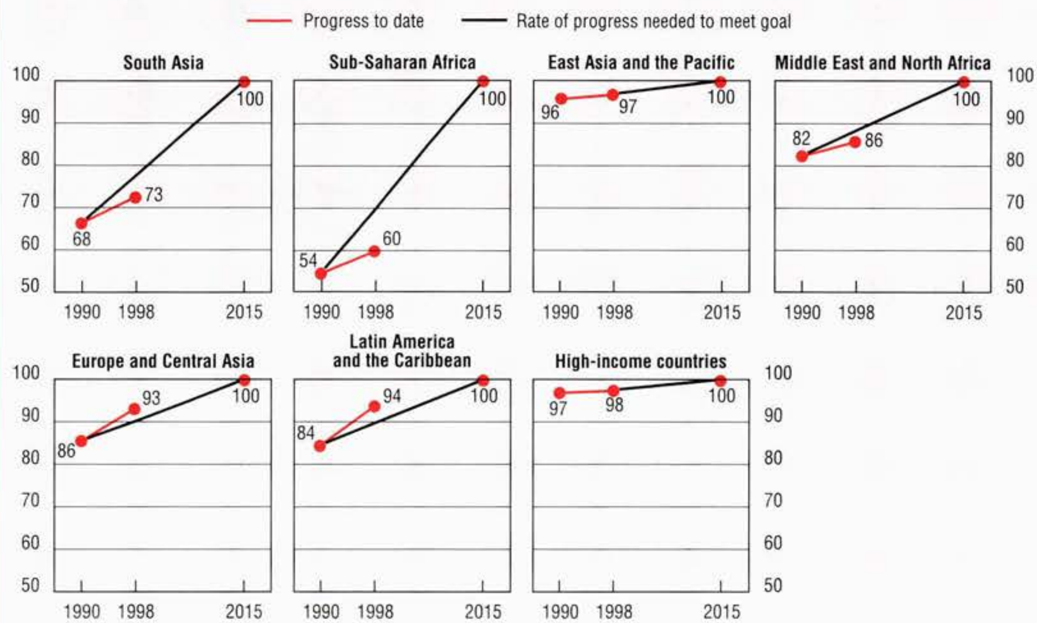
Finally, many external factors influence the quality of education, not least the pupils' social status and state of health. After all, quality education is not only about having good quality teachers and materials. It is also about the quality of learners. Children need to be healthy, well-nourished and ready to learn.

A privileged pursuit

Today, 113 million children, most of them girls, are excluded from education. Some 110 million

Rising enrolment – but too many children out of school

Net primary enrolment rate (%)

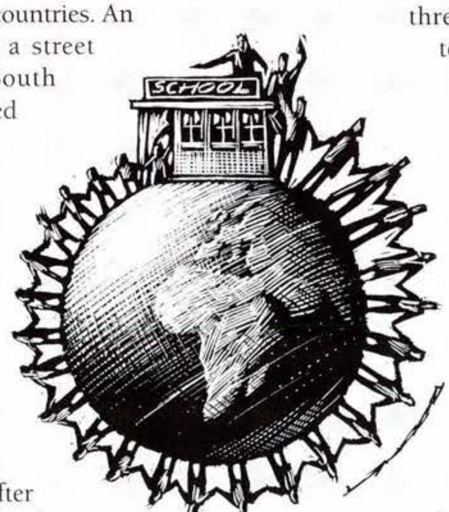


Latin America and Europe-Central Asia are on track to get all children enrolled in primary school ahead of the 2015 target date.

Malawi shifts resources

In 1994 Malawi made primary education its top priority – addressing poor access and inequality, high repetition and dropout rates and poor infrastructure in its school system. More government money for schools and the elimination of fees boosted enrolments by 50% and focused Malawi's education system on helping the poor. In 1994-95 the poorest fifth of the population received 16% of all public education spending, up from 10% in 1990-91, while the share going to the richest fifth declined from 38% to 25%.

of them live in developing countries. An excluded child might be a street child, or a boy from a South American hill tribe recruited into a militia, or even a girl who is a sex worker in an Asian slum. But these are extreme cases. There may be more mundane reasons for exclusion, though the effect is just as pernicious, such as an African child – usually a girl – who is kept at home to tend crops, fetch water or look after younger siblings. Or simply that families cannot afford school fees.



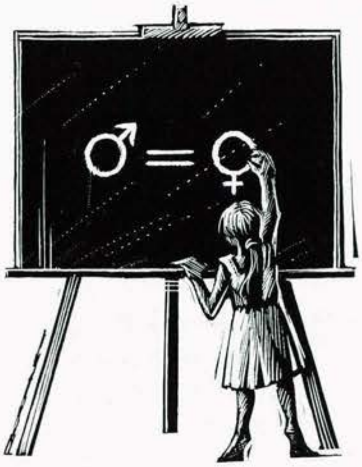
A tangled web of socio-cultural, economic and physical factors excludes children from education. Schools exclude when they do not welcome families as partners; the education bureaucracy excludes by failing to back their teachers; and governments exclude by failing to pursue pro-child policies. As governments have been slow to embrace non-formal education, non-governmental organisations provide most of the schooling to children in need. But for real advances to be made, more effective partnerships between non-governmental organisations and governments must be built.

Nor do the demographics leave much room for complacency. Declining birth rates may cause the world's school-age population to increase by only 9 million in the next 15 years, but there are large regional differences. In East Asia the school-age population will decline by 22 million, thanks to reduced fertility rates. But in sub-Saharan Africa it will rise by 34 million. Added to the 46 million not in school in 1998, that means building schools, training teachers and providing textbooks for an extra 80 million children in the next 15 years. South Asia, the Middle East and North Africa face a similar challenge.

These prospects make the need to improve the efficiency of education systems all the more urgent. Today, in South Asia and sub-Saharan Africa only around two in three pupils reach grade 5. In terms of measuring efficiency, up to a third of school systems resources are spent on repeaters and dropouts. In fact, a quarter of the 96 million pupils who entered school for the first time in 1995 are likely to abandon their schooling before grade 5. Schools have to be more sensitive to the needs of many ordinary and low-achieving pupils if they want to be truly open and accessible to all. ■

References

- *http://www2.unesco.org/wef* (World Education Forum 2000).
- *http://www.unesco.org/education/e_learning* (gateway to e-learning on the Internet).
- *http://www.ei-ie.org* (Education International).
- The World Declaration on Education for All 1990.
- UNESCO, *World Education Report*, 2000.
- UNESCO, Final report of the World Education Forum. (Dakar, Senegal, 26-28 April 2000), 2000.



Women and girls: education, not discrimination

ANNE MÜLLER, INFORMATION OFFICER, UNESCO. A.MULLER@UNESCO.ORG

Goal: Empower women and eliminate gender disparities in primary and secondary education by 2005

Picture a country where girls are not allowed to go to school just because they are girls and must work instead. Or where sick babies die because their mothers cannot read the prescription on the medicine bottle. Imagine a society where parents remove their daughters from school at puberty, for fear of unwanted pregnancy, and marry them off early to husbands their daughters do not necessarily want.

Such is the plight of girls in many developing countries: they continue to be systematically more disadvantaged than boys solely because of discrimination by gender. Some 60% of the 110 million children not in school in developing nations are girls. The gender gap continues to be unacceptably wide despite the fact that the education of girls and women is now on policymaking agendas in most developing nations and the fact that 44 million more girls attend primary schools in developing countries than in 1990.

Education can make all the difference to a girl's life, not just economically, but for her human development too. And as Kofi Annan, secretary-general of the UN says, it is a social development policy that works, with immediate benefits for family planning, nutrition, health and, economic productivity as well as social and political participation. The UN has announced a ten-year Girls' Education Initiative at the recent World Education Forum in Dakar in April 2000. The objective is to get the main countries affected to come up with national action plans by next year that promote gender equality and sensitivity in all aspects of education. The initiative will help countries free up funds for girls' schooling by helping them to get the most from development cooperation, policy and education reform. The hope is that by 2015, all children everywhere – boys and girls alike – will be able to complete primary schooling education; and to ensure that by then boys and girls will have equal access to all levels of education.

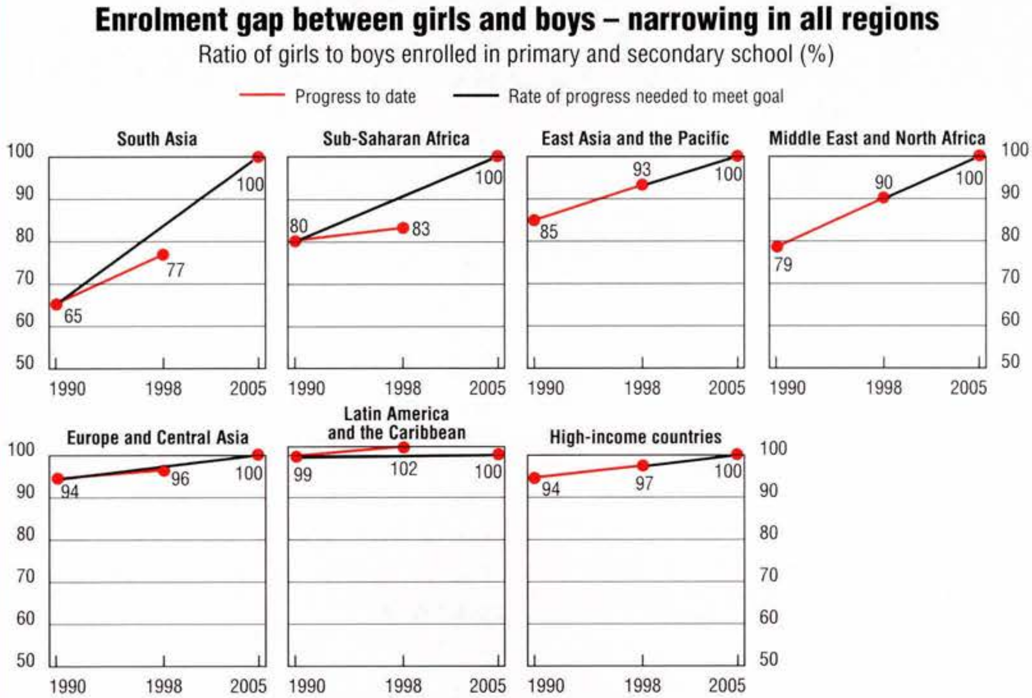
Girls with literate mothers are more likely to go to school than girls without.

More and more governments now realise the importance of striking a balance in meeting the needs of girls' and boys' education. The Egyptian government is integrating a successful concept of girl-friendly community schools – by using female teachers, active learning and child-centred class management – into the formal education system. In Mashan County in China, villages and households that take effective measures to send girls to school are awarded priority for loans or development funds. And a promising initiative in Tanzania aims to help girls speak out about their problems and find solutions to overcome obstacles to their own social and academic development. In other countries, older girls mentor younger girls and coach them during the holidays in mathematics and science.

But education problems affect boys too. Sometimes boys are pulled out of school and sent out to work to boost family income. In Jamaica boys' drop-out rate is higher than for girls. The government is investigating effective measures for reducing this distortion.

Trading places

Still, overall there is a gender gap and African and South Asian countries especially have a long



Girls are catching up fast in the education stakes, but not fast enough in South Asia and sub-Saharan Africa.

way to go to close it. An average six-year-old girl in South Asia can expect to spend six years in school – three years less than a boy of the same age. Girls based in a rural area lose out even more, since they run three times the risk of dropping out of school than a city boy. Discrimination is reinforced in the classroom, as research shows that both male and female teachers tend to give more attention to boys, a trend now being tackled by gender-sensitive training programmes.

Traditional beliefs and practices are often at the root of the gender gap, keeping girls at home to supplement family welfare by working and caring for siblings and the household. The weight of these beliefs and a shortage of alternative opportunities to supplement household income and welfare often cause parents to distrust the education system or to feel they have no choice.

There is an old saying that an intelligent family has an intelligent mother. Certainly, studies suggest that girls with literate mothers are more likely to go to school than girls without. UNESCO underlines the necessity of reaching both girls and their mothers in the same initiative. It is a dual approach which has reaped rewards in rural Mali, where an imaginative community-based campaign using riddles, rhymes and the radio changed long-held attitudes to girls and women. And once the village women were involved in literacy and income-generating activities, they too supported the movement to educate girls.

These are small anecdotes of success, perhaps. But they show that while education may be a powerful tool, it is the simple lessons, in human dignity and mutual respect, that work best in the end. ■

References:

- UNESCO: *http://www.unesco.org*
- World Education Forum website: *http://www2.unesco.org/wef/*
- United Nations Development Fund for Women *http://www.unifem.undp.org/*
- Forum for African Women Educationalists: *www.fawe.org*

Helping children survive

JAN VANDEMOORTELE, CHIEF OF POLICY ANALYSIS, UNICEF

Goal: Reduce mortality rates among infants and small children by two-thirds by 2015

Joe was a normal looking child. He looked about the right weight, had a cheery smile and laughed loudly when he played with his many friends. Sadly, Joe fell ill and died a week before his fifth birthday.

Today, some 30 million infants in developing countries are not protected by routine vaccination. And some 11 million children under five die each year, mostly of preventable causes. The under-five mortality rate, one of the best single indicators for measuring social progress, fell by a mere 5% during the 1990s; this is hardly progress enough.

Why are children being betrayed like this? The answer is both simple and complex. It is simple because most countries under-invest in their children's well-being. Governments in developing countries spend, on average, less than 15% of the national budget on basic social services – some $150 billion. Industrialised countries channel, on average, about 11% of their targeted aid – some $4 billion – to these services.

It is not enough. About $100 billion more per year is needed in global spending on basic social services for each and every child to get a good start in life. This may appear as a large sum of money, but it represents only a third of 1% of total world income. That is not a lot of money, particularly if spending it means giving vulnerable children the right to live. Put crudely, it represents a rare investment opportunity. At the Copenhagen Social Summit in 1995 the world's leaders suggested as a rough guideline that 20% of budgetary expenditure and 20% of aid flows should be allocated to basic social services.

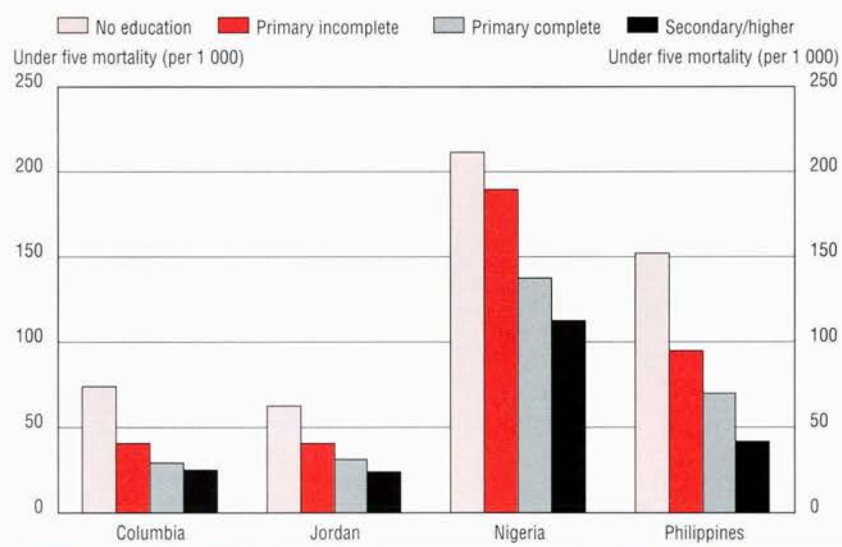
But though the goal of reducing child mortality requires relatively little money, it is certainly not being reached. It is here that the arguments become more complex. It is one thing to invest more in children, but quite another to achieve the equity and efficiency needed to make the investments work. It is partly a question of management, but also a matter of dealing with major hurdles, like the spread of HIV/AIDS, malaria, diarrhoeal diseases and pneumonia, all of which demand vaccines to be developed. Add to this the problem of halting armed conflicts and reducing the crippling debt burden, and the issue of reducing child mortality becomes more than a question of mere budgets.

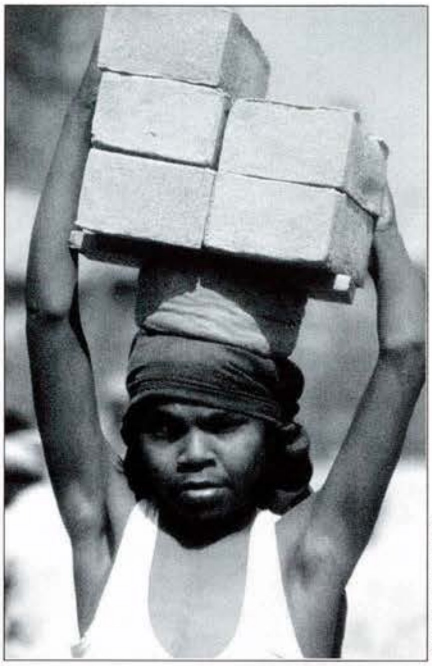
These are major challenges, though there are some relatively simple things that can be done. For example, education, particularly of girls, is key, not just in its own right, as other articles in this Spotlight emphasise. Rather, the risks of under-five mortality and child malnutrition are closely associated with the level of education of the mother; a child is about two to three times more likely to be malnourished or to die before five when its mother is illiterate than when the mother has completed primary education!

There is also a relationship between education and HIV/AIDS control. In several African countries, HIV infection rates are

Educating girls save lives

Under-five mortality rates by mother's level of education, 1990-1994





© Marie Dorigne/REA

Struggling to grow up

falling rapidly among educated people. Even in the most affected countries that have seen their under-five mortality rate increase in the 1990s, the risk of premature death among children whose mother has post-primary education has

Only a third of 1% of total world income in extra global spending is needed for every child to get a good start in life.

declined. Simply put, education provides protection against HIV infection and other deadly childhood diseases.

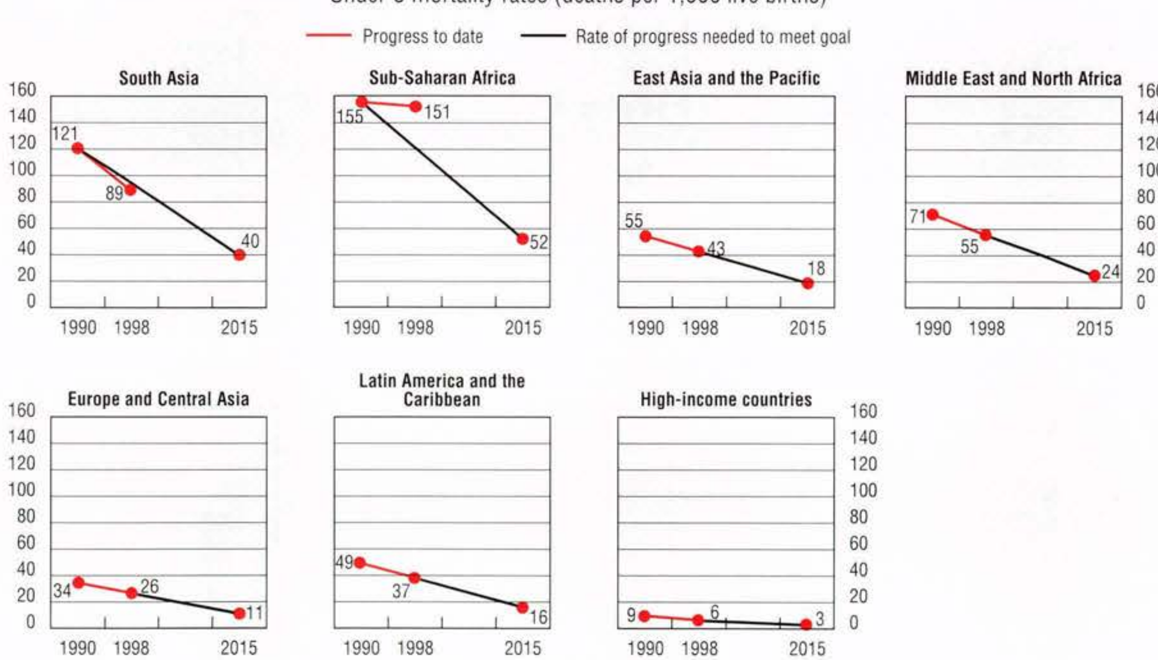
The widening education and mortality gaps reflect the growing income inequities between the rich and poor in many countries. Children are a particularly sensitive group that have fallen victim to these trends. A small increase in the global budget and a little bit of imaginative policy-making in education and other social areas would greatly reduce premature child deaths in developing countries. And kids like Joe would be able to grow up and celebrate many more birthdays as a result. ■

References

- UNDP, UNESCO, UNFPA, UNICEF, WHO, and the World Bank "Implementing the 20/20 Initiative: Achieving universal access to basic social services", 1998. UNICEF, New York.
- UNICEF "Poverty Reduction Begins with Children", New York, 2000.
- Vandemoortele J.: "Absorbing social shocks, protecting children and reducing poverty". UNICEF, Staff Working Paper EPP-2000-01, New York.
- Visit Unicef's website at *http://www.unicef.org*

The outlook for children – improving, but too slowly

Under-5 mortality rates (deaths per 1,000 live births)



Child mortality rates are falling worldwide but sub-Saharan Africa will be far from its target in 2015 at the current rate of progress.

Maternal mortality: helping mothers live

CARLA ABOUZAHR, SENIOR ADVISOR, UNAIDS

Goal: Reduce maternal mortality ratios by three-quarters between 1990 and 2015

More than 500,000 women died during pregnancy and childbirth in 1995 – and many more millions suffered without treatment. Large as the problem is, resolving it might not be as difficult as many believe.

A woman in Africa has a one in 16 chance of dying from pregnancy-related causes; the risk in developed countries is one in 2,500.

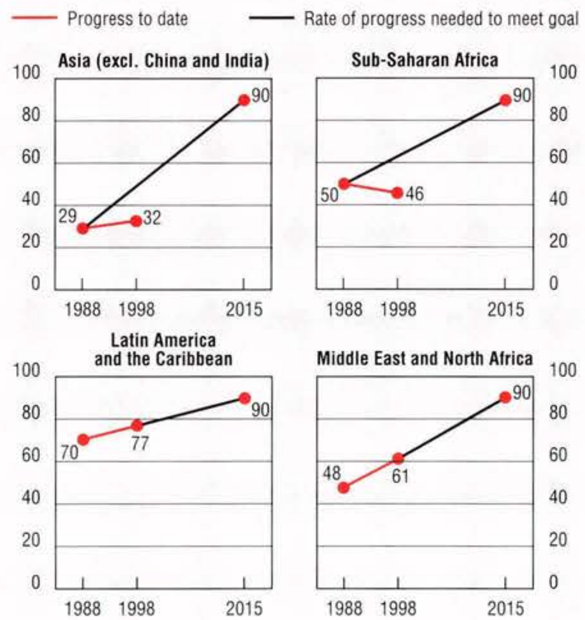
Every minute of every day, somewhere in the world, a woman dies following pregnancy-related complications – 514,000 deaths each year. For every woman who dies, many more suffer disabilities that can affect them for the rest of their lives. The neglect that contributes to the deaths of women also compromises the health and survival of the infants they are carrying and the older children they leave behind.

Deaths during pregnancy or childbirth are unlike other deaths in developing countries. They happen only to young women, not because of disease, but during what should be a normal process. Childbirth is of course part of human survival and should be an event for the mother to celebrate. Society has a duty, therefore, to ensure that women are able to go safely through pregnancy and childbirth. But as women continue to die, it is a failure of their societies, their health systems and their families and communities.

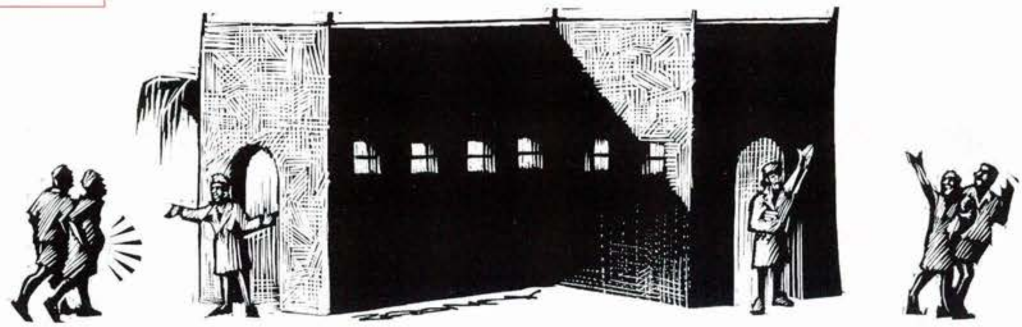
The overwhelming majority of the more than half a million maternal deaths each year occur in developing countries. In the developed world, the maternal mortality ratio averages around 21 maternal deaths per 100,000 live births. By contrast, in developing countries the ratio is 20 times higher, at 440 per 100,000. While these numbers are subject to margins of uncertainty, there is no question that the risk of maternal death is most acute in sub-Saharan Africa and in parts of south-east Asia. In some regions, such as eastern and western Africa, the ratio may be as high as 1,000 deaths per 100,000 live births. In fact, a woman in Africa faces a one in 16 chance of dying from pregnancy-related causes; by contrast, for her sister in the developed countries, the risk is one in 2,500. The discrepancy between these two figures is one of the widest differentials between rich and poor countries, wider even than the gaps in child mortality.

Skilled care at birth still not available in many places

Proportion of births attended by skilled health personnel (%)



Progress in improving skilled care at birth is lagging in Asia and Africa. Maternal deaths can be reduced when the birth process is followed by basic medical care.



Maternal deaths are all the more tragic because they can be prevented in simple and cost-effective ways. Infections, blood loss and unsafe abortion account for the majority of deaths; all these causes are well within the abilities of health workers with midwifery skills to tackle. The management of infection, shock, blood loss and convulsions, and surgical procedures, such as caesarean delivery, do not require high technology equipment or expensive drugs.

Alone in labour

There is a strong association between levels of maternal mortality and the proportion of births that are assisted by a skilled health care worker. Indeed, the proportion of births attended by skilled personnel is a key indicator for tracking progress in reducing maternal mortality. Globally, just over half of all deliveries are attended by a skilled birth assistant; for many of the rest, mothers will have the help of relatives or traditional birth attendants; millions deliver entirely alone. Poor mothers are much less likely to have access to a skilled birth attendant than richer ones; they are therefore more likely to die too.

The development goal is to change all that, by having skilled attendants at 90% of births by 2015 in regions where they are not routinely available. It is a tough challenge, since progress has been relatively modest over the past decade (see graphs), with an average annual increase in care coverage at delivery of under 1% in 1988-1998. Significant improvements in coverage have occurred in some countries, notably Bolivia, Egypt, Indonesia and Morocco, but in sub-Saharan Africa as a whole, there has been a decline. It is a disturbing trend and is probably caused by barriers to access like high cost of services and drugs, transport difficulties (including costs) and distrust of the services that are provided.

When $3 goes a long way

Reducing maternal mortality is not necessarily dependent on economic development. It would cost only about $3 a person a year in low-income countries to provide the essential services needed to tackle the problem: that would cover a skilled health worker to assist every delivery, access to essential obstetric care for mothers and their infants when complications arise, and family planning information and services so that unwanted pregnancies and unsafe abortions can be avoided.

No country is so poor that it cannot afford the key interventions needed. Indeed, no country can afford not to put resources and energy into safe motherhood, for as other articles in this Spotlight show, neglect of women drives poverty and robs the next generation of hope for a better future. What is lacking is not the level of national wealth, but the level of commitment to do something. Conscious decisions are required; China, Cuba, Iran, Malaysia and Sri Lanka have all been able to achieve and maintain significant reductions in levels of maternal mortality by deliberately allocating the resources where they were needed.

Decision-makers at political, economic, social, religious and household levels (which tend to be dominated by men) have to realise that pregnancy and childbirth can and should be made safer. After all, the very fabric of their societies depends on it. ■

References

- Visit the WHO web site at *http://www.who.org/reproductivehealth*
- Also, *http://www.who.int/rht/msm/index.html*

Reproductive health

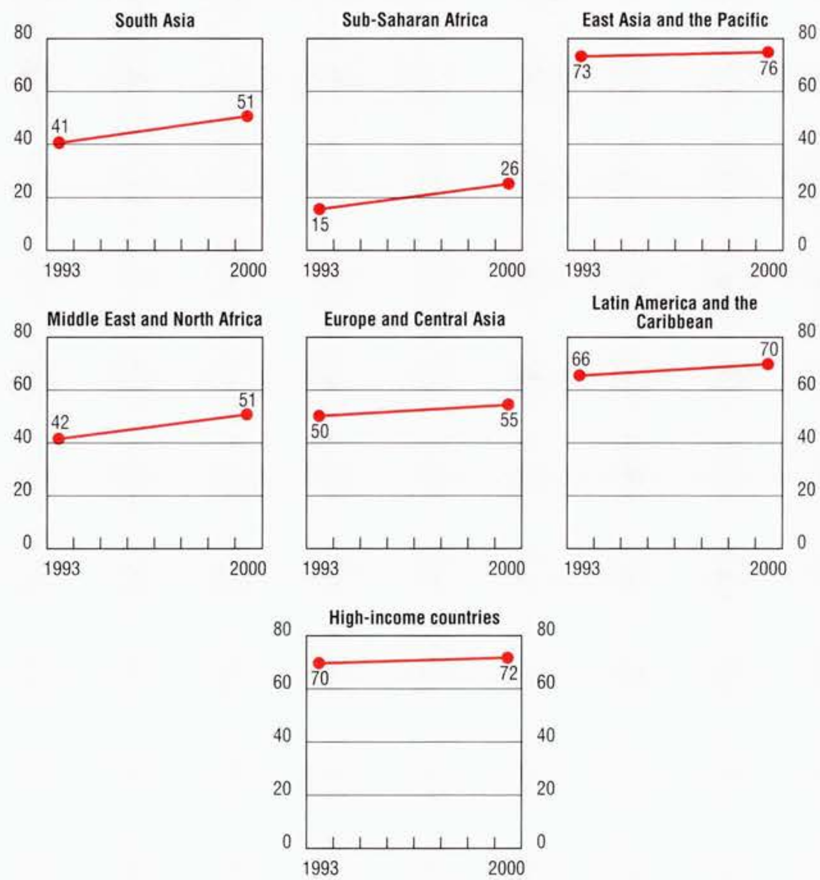
Richard Leete, Technical and Policy Division, United Nations Population Fund (UNFPA)*

Goal: Provide access for all who need reproductive health services by 2015

Reproductive health services are an area where gains have been made in recent years, but with rising numbers of people in poor countries passing through their reproductive ages, the pressure is on to sustain and build upon this progress in the decade ahead. Increased attention is now being paid to the quality and range of services provided, including offering a wider choice of contraceptives, so as to meet the individual needs of women, men and adolescents.

Contraceptive prevalence rising in all regions

Married women using contraception (%)



Although the use of contraception has risen in the last decade in most countries, in sub-Saharan Africa it is still practised by only 26% of married women.

Reproductive health services provide women, men and adolescents with the knowledge they need to protect their health and that of their families. The services include provision of family planning methods, prenatal and postnatal care, preventing and treating sexually transmitted diseases, including HIV/AIDS, and discouraging harmful practices against women, such as female genital mutilation. There is a growing recognition of the need to integrate such services into primary healthcare and to afford them priority when it comes to reform and decentralisation.

Take the example of the Islamic Republic of Iran, which in 1989 integrated a national family planning programme into its extensive primary healthcare system. This move not only led to increased access, but also helped to promote greater choice of contraceptive use. And in response to the 1994 Cairo International Conference on Population and Development (ICPD), the scope of the programme was widened to include other components of reproductive health. It proved to be a successful strategy. Between 1989 and 1997 the contraceptive prevalence rate per 1,000 married women aged 15-49 in Iran rose from 49% to 73%.

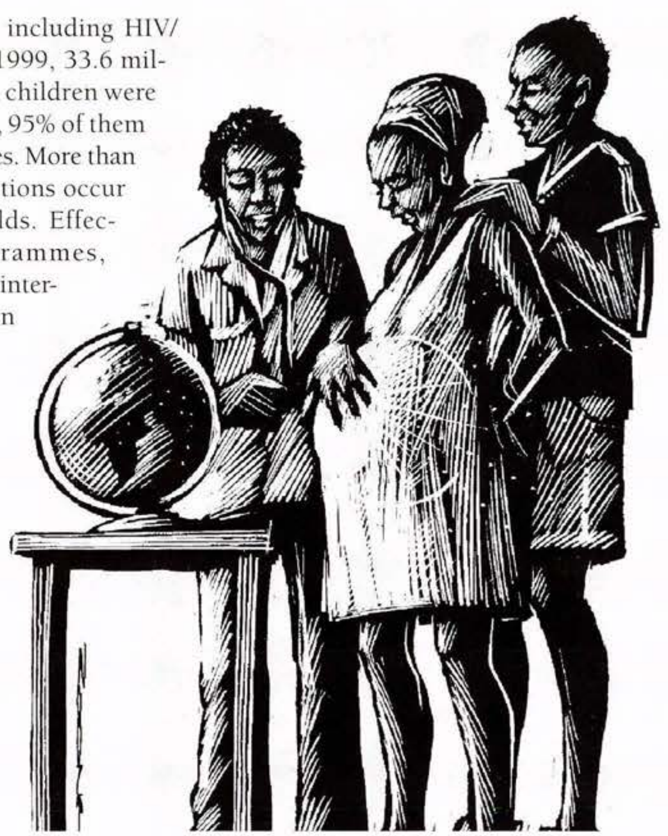
Measuring access to reproductive health services is anything but straightforward, since not only do questions like proximity to delivery points, the types of services available and their affordability have to be taken into account, but consideration also has to be given to the extent to which women feel free to utilise the available services.

Contraception is a case in point. Its use increased in all regions in the 1990s – but Africa lags markedly behind other regions, especially in the poorest African countries. Expanding the use of contraception clearly depends on access and information, but gender relations and power balances within couples are also important. Reproductive health depends on the extent to which men discipline their own sexual behaviour and support their partners' rights and health. Power relationships are often embedded in culture and customs, which is why education plays such a determining role.

Adolescent problems

Another major challenge is to increase access to reproductive health information and services for adolescents. There are currently more than 1.1 billion adolescents aged 10-19, the largest number ever in this age group. Many adolescents lack formal education, work and beneficial recreation; many live in extreme poverty; and many are not sufficiently aware of the dangers they face, ill equipped to protect themselves and willing to take potentially life-threatening risks.

Globally more than 14 million adolescent girls give birth each year. A large proportion of those pregnancies are unwanted, and an estimated 4.4 million abortions are sought by adolescent girls each year. Many adolescents also face serious risks of contracting sexually transmitted diseases, including HIV/AIDS. At the end of 1999, 33.6 million men, women and children were living with HIV/AIDS, 95% of them in developing countries. More than half of new HIV infections occur among 15-24-year-olds. Effective national programmes, together with massive international support, can help attack the pandemic at its root, offering hope to millions.



This is the thinking behind the ICPD plus 5 goal, which aims to ensure that by 2005 at least 90% of young men and women aged 15 to 24 will have access to the information, education and services they need to reduce their vulnerability to HIV infection. The aim is to cut the HIV infection rates in persons aged 15 to 24 globally, and by 25% in the most affected countries. Reducing levels of HIV/AIDS requires not only expanded access to quality reproductive health services, but also major changes in intimate aspects of human relationships and behaviour, in values and norms, and so on. That means education, via formal and informal programmes and media campaigns. But changes in behaviour also require support from political, religious and community leaders, who have to acknowledge the seriousness of the problem. Getting them to do so will be an important part of the challenge ahead. ■

Reproductive health depends on the extent to which men discipline their own sexual behaviour and support their partners' rights.

References

- United Nations, "Population and Development, Vol.1., Programme of Action Adopted at the International Conference on Population and Development". Cairo, 5-13 September 1994. United Nations, New York, 1995.
- United Nations, "Key actions for the further implementation of the Programme of Action of the International Conference on Population and Development." *Report of the Ad Hoc Committee of the Whole of the Twenty-first Session of the General Assembly*, New York 1999.
- United Nations Population Fund (UNFPA), *Report of the 1998 UNFPA Field Inquiry: Progress in the Implementation of the ICPD Programme of Action*, New York1999.
- United Nations Population Fund (UNFPA). *Country Population Assessment: Islamic Republic of Iran*. UNFPA, Tehran, 2000.

* The views in this article are those of the author and do not necessarily reflect those of UNFPA.

Making development sustainable

REMI PARIS, DEVELOPMENT CO-OPERATION DIRECTORATE, OECD

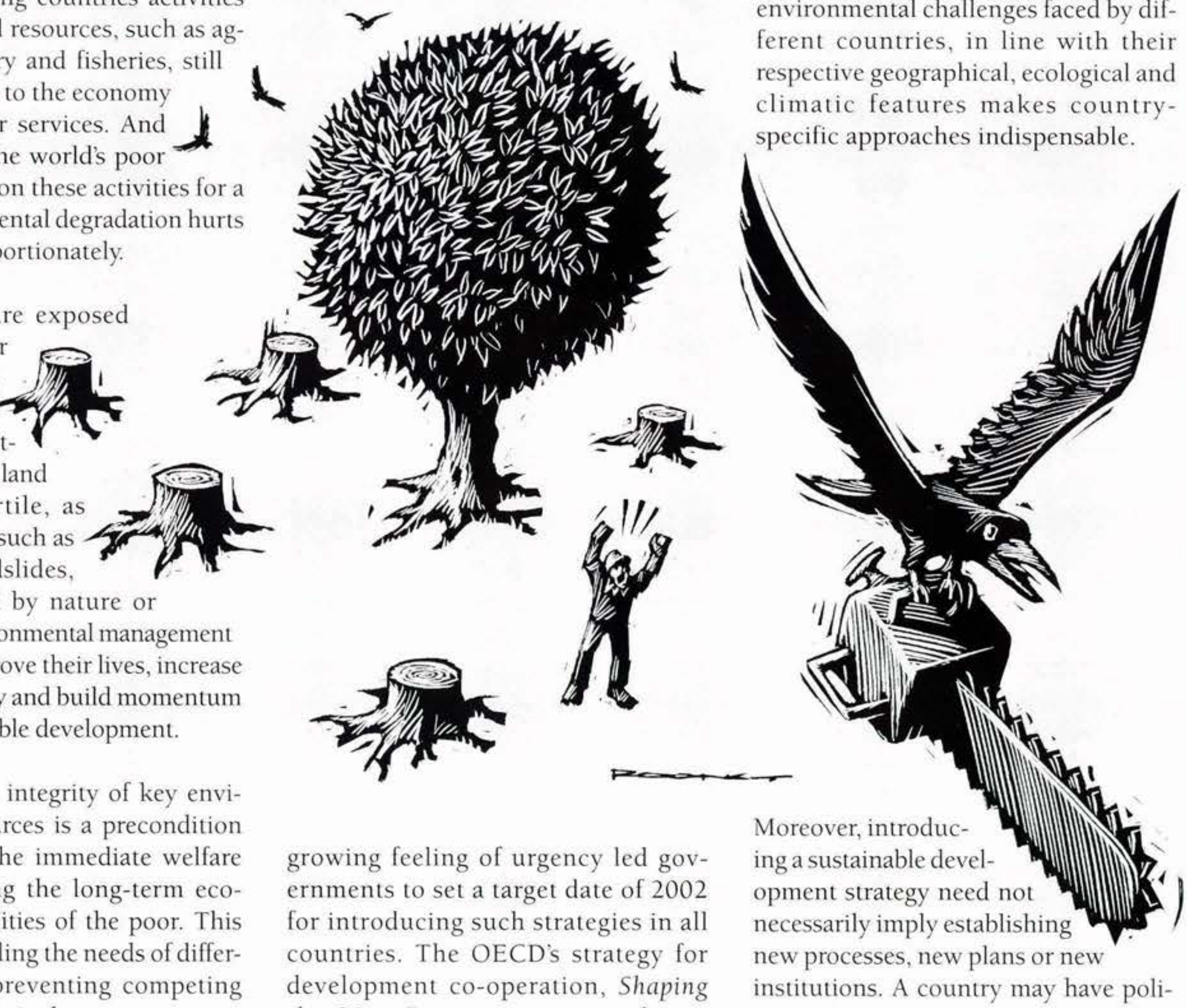
Goal: Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.

More than a billion people world-wide live in extreme poverty and preventable diseases are a major cause of mortality in developing countries, so why should we care about the environment? The answer becomes obvious once we recall that in developing countries activities based on natural resources, such as agriculture, forestry and fisheries, still contribute more to the economy than industry or services. And since many of the world's poor depend directly on these activities for a living, environmental degradation hurts the poor disproportionately.

These people are exposed to air and water pollution and are highly vulnerable to desertification and to land becoming infertile, as well as disasters such as floods and landslides, whether caused by nature or man. Better environmental management can directly improve their lives, increase their productivity and build momentum towards sustainable development.

Maintaining the integrity of key environmental resources is a precondition for improving the immediate welfare and safeguarding the long-term economic opportunities of the poor. This includes reconciling the needs of different users and preventing competing claims over increasingly scarce resources degenerating into violent conflicts, whether locally or internationally.

At the Rio Conference on Environment and Development (UNCED) in 1992, governments committed themselves to formulating and implementing national strategies for sustainable development. Five years later, at a UN General Assembly special session, a growing feeling of urgency led governments to set a target date of 2002 for introducing such strategies in all countries. The OECD's strategy for development co-operation, *Shaping the 21st Century,* commits donor countries to supporting developing countries efforts to meet this target.



"One size does not fit all"

There is no single sustainable development strategy. Each country must formulate its own approaches, in line with its social and economic priorities, its cultural values, institutions and political structures. Also, the wide range of environmental challenges faced by different countries, in line with their respective geographical, ecological and climatic features makes country-specific approaches indispensable.

Moreover, introducing a sustainable development strategy need not necessarily imply establishing new processes, new plans or new institutions. A country may have policies and institutional mechanisms conducive to sustainable development, such as to ensure that industrial development


© Charlotte Thege

Street life

plans take account of the long term consequences on, say, air and water resources, but without having a formal "sustainable development" strategy or document. Conversely, a country may have a formal sustainable development strategy which is not actually implemented. Assessing whether a country has or is developing the basic "building blocks" of a sustainable development strategy is not straightforward. Does the country have the capacity to identify key development constraints and opportunities, to mobilise private and public players around shared goals, and to integrate sustainability into its development policies?

To help answer such questions, the Development Assistance Committee (DAC) based at OECD is working to elaborate good practices for donors in assisting developing countries to formulate and implement sustainable development strategies. Partnerships are central to building such strategies – DAC's own work is being done in consultation with other development interests.

One country to demonstrate this is the Philippines, which established a council for sustainable development after the 1992 Rio Summit. The rallying point for government, civil society and private business was the phasing out of leaded gasoline in April 2000. Philippine Agenda 21 is the country's blueprint. Key businesses have implemented sustainable production initiatives, such as reusing by-products, controlling pollution and including environmental provisions in collective bargaining agreements with labour unions.

Local and global monitoring

Many environmental problems, such as climate change and deforestation, have clear global dimensions. But, as a general rule, the impact of environmental damage is felt at the local, national or regional level. Water shortages and contamination, soil erosion or forest, mangrove or coral reef degradation harm first and foremost the local communities who are directly exposed. Even the severity of air pollution is highly variable in different areas of a single city and even more so in an entire country. Accordingly, most indicators of environmental conditions are primarily relevant at the local level. As a result, developing a capacity to monitor environmental conditions, and the impact of degradation on people's lives, is an important part of efforts to define a country's sustainable development strategies.

Still, there are good universal indicators of human development which a good development strategy can use.

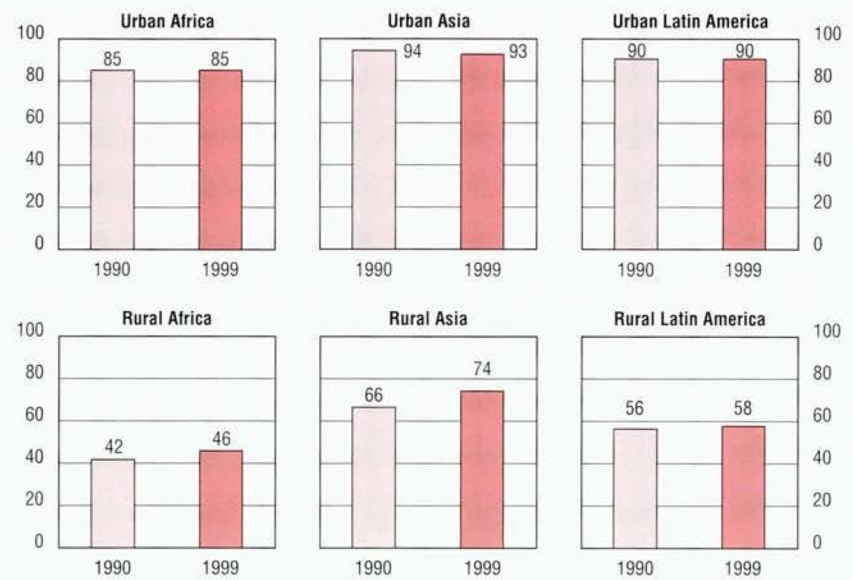
Access to safe water is one and is a fundamental development aim. Almost 20% of the world's people depend on unimproved water supplies to meet their daily needs. Urban populations are better served than rural, but even piped water from municipal supplies may be contaminated by disease-bearing organisms and industrial pollutants. Those without access to safe water supplies must struggle daily to meet their needs and face the constant danger of water-borne disease.

Another issue of global concern is deforestation. Without human interference, large parts of the world would be covered with forests. Through unsustainable harvesting and degradation, the world has lost millions of acres of forests and with them the economically important wood and non-wood products they supply. In the early 1990s about 17 million hectares of tropical forest – four Switzerlands – were cleared annually. If this rate of deforestation continues, 5-10% of tropical forest species will face extinction in the next 30 years. The impacts go beyond that, to soil erosion and the disruption of hydrological systems, as well as climate patterns. Deforestation also directly undermines the livelihoods of forest-dwellers – often indigenous tribes who are among the most marginalised and vulnerable people on earth.

Energy use (and abuse) and its atmospheric effects is another global challenge. It requires adjustments mainly by developed countries in order to allow for faster growth in developing countries without further damaging the atmosphere. The objective of the United Nations Framework Convention on Climate Change is to achieve the stabilisation in the total stock of carbon dioxide (and other greenhouse gases) in the atmosphere, before it reaches a level that could result in disruption in the global climate. The move towards climate-friendly economic development will hinge on the extent to which economic growth and energy use can be delinked (see *Observer 221/222*, summer 2000: The environment in 2020; see website).

Little progress in improving water supplies

Population with access to improved water sources (%)



Energy efficiency

This is a tricky task. High-income countries make more efficient use of energy and may have cleaner technology, but they produce larger total emissions. As poor countries develop, they can also become more energy-efficient – producing more goods and services from the same quantity of energy. But total energy savings from efficiency gains will be more than offset by growth in total consumption. So, if poor countries simply follow the model of the high-income countries today, their total energy use will continue to grow – and with it their emissions of greenhouse gases.

Fortunately, the policies to reduce global greenhouse gases, such as improving energy efficiency in transport or industry, overlap with those to reduce local pollution. This applies both to rich countries – the biggest emitters of carbon dioxide – and to developing ones. Long term solution to the climate change problem will depend on a radical transformation of energy consumption patterns in both developed and developing countries, away from dependence on fossil fuels. The shift will require political commitment and global co-operation, as well as institutional, technical and social innovation. ■

References

- UNDP/UNED/World Bank/ World Resources Institute, A Guide to World Resources 2000-2001: People and Ecosystems: The Fraying Web of life. 2000.
- OECD, Taking Action against Climate Change: The Kyoto Protocol. Paris 1999.
- OECD, "Development Co-operation and the Response to Kyoto," OECD and IEA Forum on Climate Change, Paris 1998.

What it will take

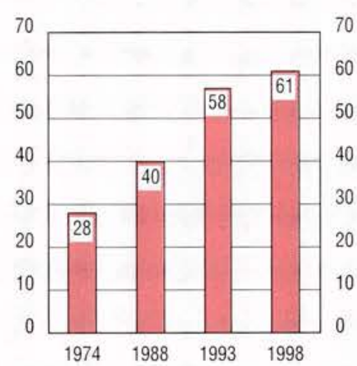
Alan Doss and Ian McFarlane, United Nations Development Group, and Paul Isenman, Development Co-operation Directorate, OECD

Malaysia, Morocco and the Republic of Korea form a select group of countries that halved the proportion of their people living in poverty in less than a generation. The Indian states of Haryana, Kerala and Punjab have achieved the same type of progress. Another dozen countries – including Botswana and Mauritius – reduced poverty by a quarter or more. Their experiences are well-documented and other countries can learn much from them. After all, if they have done it, others can do it too. The question is how?

Stronger voices and choices for the poor; economic stability and growth that favours the poor; basic social services for all; open access to trade and technology; and sufficient development resources, used well. These are the five sets of policy recommendations to reduce extreme poverty which are put forward in the *Better World for All* report, which many of the articles in this Spotlight are based on.

More countries are becoming democratic

Proportion of countries with democratic governments (%)



Voices and choices

Empowering poor people is the starting point of the proposed strategy. That means opening political space for poor people to organise. It also means providing opportunities for women and minorities, by encouraging them to participate as fully as possible in the political process and its institutions. Democratisation has to go beyond elections. It has to promote an independent judiciary, an open civil society and a free media, all of which can make governments accountable for their promises and actions.

Empowering people requires a commitment to respect fundamental human rights and the rule of law. One important way of showing that commitment is for countries to adopt treaties: today, half the world's countries have ratified all six human rights conventions, such as the Convention on the Elimination of Discrimination Against Women (CEDAW) and the Convention on the Rights of the Child (CRC). This is up from a tenth of countries just 10 years ago.

Democratisation also demands overcoming corruption (see Spotlight on bribery and corruption, *Observer* No.220, 2000). Honest and responsive government fosters – indeed embodies – human development.

Empowering people, maximising the resources for development and reducing poverty go hand in hand with building sound, effective institutions, expanding administrative capacity, encouraging local participation and improving the business environment.

Pro-poor growth

Economic growth is not a guarantee of poverty reduction, though it is clearly essential for sustaining poverty reduction in the long term. What is needed is pro-poor growth, which means generating more decent income-earning opportunities for poor people, helping them unleash their productive potential and allowing them to meet at least their families' basic needs. It means stimulating activity in small, even informal, businesses, both urban and rural. In most cases, it requires measures to improve property rights, bargaining power and access to credit, training and new technology. In short, pro-poor growth should aim to reduce inequities by creating better opportunities for all groups in society, particularly poor women. China and Malaysia are examples of countries that have achieved pro-poor growth. The trouble is that many other countries today need substantially faster pro-poor growth, among them the 30 developing countries whose real per capita incomes are lower today than they were 35 years ago.

Getting basics right

Providing basic social services is of course essential to any pro-poor growth and long-term development strategy. At the Copenhagen Social Summit in 1995 the world's leaders suggested as a rough guideline that

20% of budgetary expenditure and 20% of aid flows should be allocated to basic social services. Although the budget allocations to such services have recently increased in many countries, such as the Dominican Republic, Guatemala, Malawi and Namibia, few developing countries or donors meet the guideline. Yet there is an urgent need to invest in education (particularly girls' education, where the returns are high) and in high-quality and cost-effective services to the poor in healthcare, water, sanitation and other basic services.

One way of contributing to the cost of these services is to build a broad, equitable and fair tax base. On average, taxes actually collected in low-income countries accounted for less than 10% of GDP in 1994-98, compared with some 20% in middle-income countries and over 25% in high-income ones. The issue is one of improving tax collection, rather than increasing taxes.

Trade, technology and ideas

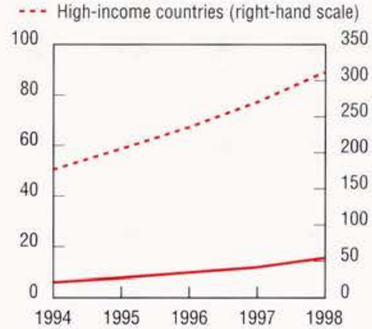
Globalisation offers enormous opportunities for development. It provides better ways of tapping the world's knowledge, technology for delivering products and services, and access to the world's markets. Several countries have taken advantage of these new opportunities, such as India, which is building a strong reputation for itself in new technologies.

Opportunities have been enhanced by the plummeting cost of telecommunications in the past two decades, while the spread of cellular telephones and the Internet have been a boon, say, to cocoa traders in Ghana who need to track world prices. The transfer of knowledge and ideas is critical to development everywhere and a major challenge is to plug all of civil society and business in developing countries into these promising networks. Though this would obviously entail large investments in telecommunications and power supplies, costs are falling, while new (particularly cellular) technology is becoming easier to deploy.

Having the technology is not enough of course. The high-income countries have a clear responsibility to reduce tariffs and other trade barriers to imports from developing countries, particularly in food and textiles markets. And richer countries should help poorer ones to build their capacity to trade effectively, such as by helping them to negotiate with trading partners and where possible to reduce their economic dependence on commodities. For countries themselves to benefit from globalisation, they have to lower their tariffs and other trade barriers, especially for sectors which stand a fighting chance of competing on world markets and for which exposure to world competition would bring clear benefits in terms of capital and growth. They should streamline their systems for the flow of imports, exports and finance. They also have to do their best to minimise volatility by maintaining consistent fiscal and monetary policies that broadly support pro-poor growth.

Crossing the digital divide is essential for being competitive

Personal computers per 1,000 people



Source: A Better World for All, 2000.

Use resources effectively

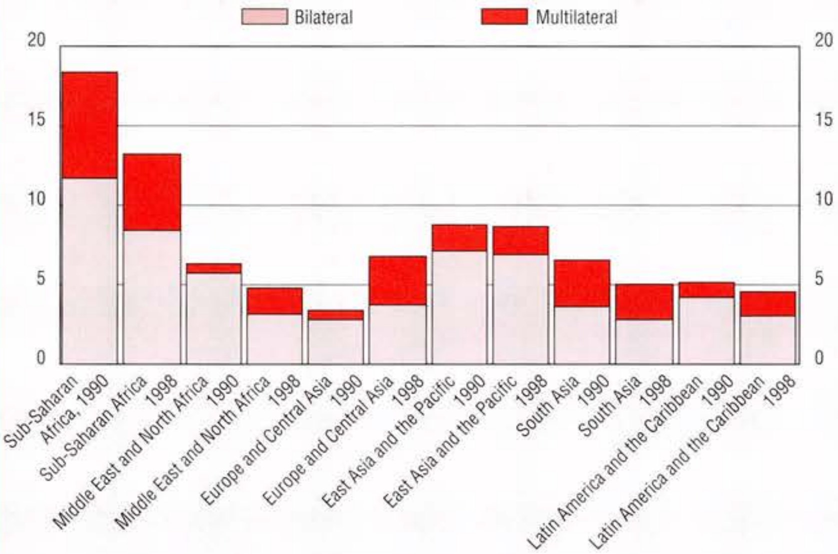
Development costs money. Much comes from investment by people and much from investment by government. What has spurred the growth of many East Asian countries is their high savings rates, often more than 30% of gross national product. Many African countries, by contrast, have had total savings rates of only 10-15% of national income, too low to sustain growth fast enough to lift more people from poverty.

Money must be spent wisely – on projects with long-term development prospects and on basic services for the poor, not on subsidised services for the rich, such as lavish hospitals in town centres. Being able to rely on predictable resources, like tax and customs revenues through a working tax collection system and indeed aid flows, and having the capacity to deliver public services efficiently will mean a better return on development spending.

Some regions rely almost entirely on aid for their external finance. Private capital flows can add much to what countries put into their development efforts. But these flows are concentrated in fewer than 20 developing countries, and some types of these flows, such as bonds and bank lending, can be volatile, as witness the Asian crisis of the late 1990s. Countries need to create the conditions that attract longer-term investments from overseas as well as locally. Countries like Mozambique and Uganda are beginning to do just that, by providing a stable political and economic environment and a welcoming and transparent regulatory environment. External aid plays an important part in supporting development, especially in poor countries. Most OECD countries have adopted

Aid, on the decline in the 1990s, needs a major boost, especially for the poorest countries

Aid by region (in 1997 US$ billions)



Source: A Better World for All, 2000.

a target to provide 0.7% of their GNP as aid, but only Denmark, the Netherlands, Norway and Sweden have met this. Worse, the inclination to help developing countries declined in the 1990s. In just five years, from 1992 to 1997, OECD aid fell from 0.33% to 0.22% of GNP, a decline that halted in 1998 and 1999. Donors need to provide more aid to poor countries. Accelerated debt relief is also critical if the poverty goals are to be met.

But donors also have to offer easier access to their markets, including duty-free and quota-free access for poor countries. And they should finance programmes that will benefit many countries at once, such as research on vaccines for tropical diseases. Indeed, reducing human suffering and the number of violent conflicts, sustaining the environment and stemming the spread of such global threats as HIV/AIDS, are all keystones to promoting growth and reducing poverty in the poorest and least developed countries.

Where do we go from here?

There is a consensus that any strategy aiming at poverty reduction has to be multifaceted. Acknowledgement of this is clear in the *Better World for All* report put out jointly by the UN, the IMF, the World Bank and the OECD in June 2000. It is also clear, to judge by the reaction that the report has drawn, that differing opinions abound on where the priorities for poverty reduction should lie: More growth? Greater equity? Faster globalisation? More trade liberalisation?

A number of non-governmental organisations have strongly criticised the *Better World for All* report for not adequately addressing the problems of unfair trade, declining aid, inadequate debt relief and the governance structures of the international financial institutions. They argued that without profound changes in these areas, a significant reduction in poverty would remain illusory. In their view the report was one-sided because it dwelt too much on what developing countries must do and not enough on the responsibilities and commitments of the industrialised world, commitments that they believe have not been met.

In fact the report avoids finger pointing. Rather, it highlights the broad policy recommendations which, if adopted, could significantly reduce poverty by 2015. It is everyone's responsibility to help ensure those goals are achieved. This, as *A Better World for All* underlines, is why partnerships are so important – between developing countries and high income countries, governments, civil society and the private sector, and between international organisations like the UN, the World Bank, IMF and OECD, institutions that must remain open to discussion and debate on development progress and policies, while seeing to it that undertakings are matched with action. Partnerships are not a question of imposing one view on another, but rather taking responsibilities jointly – North and South – to work to achieve the goals that have received unprecedented universal endorsement. It is not an easy challenge, but it is a feasible one. It is our duty to embrace it. ■

References:

- United Nations: Millennium Report of the Secretary-General: "We, the peoples: the role of the United Nations in the 21st century" – *www.un.org/millennium/sg/report/*
- International Trade Centre: Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries – *www.intracen.org/ldcs/itc.htm*
- OECD: Net Official Development Assistance Flows in 1999 – *www.oecd.org/dac/htm/hlm2000stats.htm*
- World Bank: World Development Report 2000/2001: Attacking Poverty – *www.worldbank.org/poverty/wdrpoverty/*
- UNDP: Overcoming Human Poverty – *www.undp.org/povertyreport/*

Mainstreaming works

FRANCESCA COOK, DEVELOPMENT CO-OPERATION DIRECTORATE, DCD.CONTACT@OECD.ORG

The importance of promoting gender equality cannot be underestimated. While all seven development goals laid out in this Spotlight are intertwined to a very large extent, a few of them, like reducing poverty, improving education and lowering maternal mortality, would have little hope of being achieved without a more even *rapport de force* between the sexes. Inequality keeps women poor, illiterate and unhealthy; it undermines the lives of children; in short, it places a dead hand on economic potential. The question is how to reduce it, if not remove it altogether.

Gender mainstreaming is one way. The aim is to address discrimination through programmes and strategies that increase the abilities of women (or men, if they are at a disadvantage) and their opportunities, as well as fostering a better understanding of their rights through information dissemination, training and education. The emphasis has to be on initiatives that help women (and men) to become the agents of their own development and empowerment. An irrigated rice project in Northern Cameroon failed to attract farmer interest because the project designers had not used any gender analysis and failed to understand the intra-household conflicts over labour allocation and compensation. Women were not assigned land, but were expected to work in their husband's rice fields. According to traditional practices, women were entitled to a cash payment from their husbands in return for work in their rice fields. Many women felt the payment they would receive was really insufficient and therefore they reduced their time devoted to rice cultivation. The good and potentially productive land remained unused.

Development strategies are more successful at addressing women's and men's differing needs and opportunities when they are based on a prior analysis of the possible effects of a development initiative. This means estimating the ways in which opportunities, skills, knowledge, income or well-being may be increased or decreased because of a development activity, project or programme. The same activity may be positive for one sub-group of people in a community and negative for another. Often the activity must be adjusted so as to impact more equally on the various groups. One obvious sub-group is women.

Several countries, like the Philippines, Jamaica, and South Africa have gender mainstreaming policies in place and they seem to be bearing fruit. Literacy rates are up, if slightly, and more women are to be found working in civil services and in top business. These may be exceptions, but they are a start.

The key thing is that mainstreaming programmes can work, simply because they ensure that the perspectives of women and men become a normal part of the decision-making processes, from design to implementation and monitoring.

But mainstreaming is not that easy to put in place. In practice a number of criteria are needed. One is the explicit commitment of leaders (development ministers and heads of agencies, ministers within developing countries) to a clearly articulated policy. The establishment of women's ministries, laws governing the use of gender analysis in policy formulation (South Africa), proactive election statutes (India), laws for equal rights for women in labour and employment (Philippines) – all these help to institutionalise mainstreaming. They are especially constructive when accompanied by information campaigns to demonstrate the positive effects to the economy and to livelihoods of greater equality.

To make progress, it helps to have a network of concerned individuals in place who can share knowledge, information, experience and best practice, using practical instruments, such as the Internet. These networks do not grow out of thin air, but it can be surprising how quickly groups of interested bodies can come together as a partnership – government, business, NGOs – once the initial efforts are made.

Policymakers can take a lead, such as by equipping their public servants with the skills needed to identify issues and devise action. They can encourage the private sector to do the same. There has to be reporting processes, evaluation and monitoring on a continued and transparent basis. Naturally, for all this to work, financial resources have to be committed. This may be the hard part (and donors can no doubt help); the returns though would make it worth it. ■

References

- OECD DAC Working Party on Gender Equality website *http://www.oecd.org/dac/gender*;
- Australia's Australian Aid (AusAid) gender website *http://www.ausaid.gov.au/publications/policy/equalpartners/index/html*;
- United Nations Development Programme (UNDP) gender website *http://www.undp.org/gender/*

A better world for some?

Brett Parris, Global Economic Issues Group, World Vision*

The launch of *A Better World for All* at Geneva 2000 marked a new stage in the development of closer bonds between the UN, the OECD and the international financial institutions: the World Bank and the IMF. Predictably, it received both praise and criticism. World Vision was encouraged that the International Development Goals were receiving some much-needed renewed impetus, but to be honest, it all had a faintly hollow ring. Geneva 2000 was meant to be the major conference where the Copenhagen goals of 1995 were reaffirmed, yet hardly any senior officials from OECD countries were even present.

© Martin Bernetti/AFP

Clearly there is a crisis in development policy and financing. The goals of most of the major UN conferences of the 1990s have come to little. The decade is littered with noble promises, unmet commitments and unrelieved suffering. If the OECD countries were in the midst of a protracted recession and decline, the lack of substantive commitments to the development goals would be somewhat easier to understand. But amidst the longest boom in a generation it stands as an obscene indictment of the governments of the developed countries, and a source of shame for their citizens.

It was disappointing to be presented once again with the simplistic advocacy of trade liberalisation.

A leading economist, Paul Krugman, highlighted this startling selfishness in a blistering attack in the *New York Times* in July on the way the US Congress' debate on foreign aid was manipulated to deceive the American people into thinking their government is far more generous than is actually the case. Far from giving away ten or fifteen percent of the national budget in foreign aid as most Americans apparently believe, the figure in 1998 was a mere 0.1% of GNP, half what it was in 1992, and the average for the OECD was only 0.24%. Mr Krugman cites Jeffrey Sachs' telling assessment: "Each year the average American is asked to pay a grand total of $4 in taxes towards helping the world's poorest 600 million people." This is in strong contrast to

Denmark, Norway, Sweden and the Netherlands, all of which give more than the UN recommended 0.7% of GNP.

The emphasis *A Better World for All* gave to health and education for children – especially girls – was encouraging. Good health, nutrition and education for children is absolutely fundamental to the future development prospects of any country. Malnourished children cannot learn well and a poorly educated workforce greatly hinders development. Discrimination against girls and women not only impoverishes them, it also cripples nations by stunting the psychological and emotional development of the boys and men. The report also emphasised the environmental dimensions of the development crisis. Given the abysmal responses of most Western nations to the realities of global warming, deforestation, overfishing and desertification, this was most welcome.

However, one of the issues which raised the most ire from civil society groups was where the report asserts: "Countries have to lower their tariffs and other trade barriers" (see article on "What it will take to achieve the goals"). It was disappointing to be presented once again with the simplistic advocacy of trade liberalisation in the face of the immense complexities of development and industrialisation policy. How quickly we forget history. It wasn't until 1842 that the United Kingdom really began to lower its trade barriers – after nearly a century and a half of protected industrialisation.

Tariffs not all bad

It imposed "free trade" on India and in the process all but destroyed India's highly developed textile and iron industries. Latin America's textile industries suffered a similar fate. France, Germany, the United Kingdom and especially the United States all developed their domestic industries behind tariff walls and with below market-rate loans. Indeed, tariffs were positively correlated with economic growth for these and six other developed countries between 1875 and 1914. More recently, Japan, Taiwan and South Korea all used measures which were anything but "free trade" to industrialise, many of which are now banned under WTO rules or soon will be.

This is not to suggest that a simplistic policy of blanket infant industry protection is the solution – the bloated, grasping and inefficient "infants" which refused to be weaned in so many countries testify to the risks of that path. Encouraging exports is definitely important, but there must be a more highly nuanced approach to each country's particular situation and stage of development – and a recognition that comparative advantage is dynamic and can be acquired. It is not static. The simplistic advocacy of rapid trade liberalisation for all developing countries in every sector flies in the face of history and condemns countries to low levels of industrialisation and dependence on narrow ranges of commodities for export. Developing countries should have the freedom to decide for themselves how much they will expose their nascent industries to the power of those who have had over a hundred years' head start on them.

Galling

The most galling aspect of the agenda that western governments appear to be pushing is that it leaves the developing countries with little choice but to join in a process of economic integration and liberalisation that is arguably quite appropriate for the advanced industrial countries, but which takes little account of the particular needs of developing nations. Merely adding an extra five or ten years to the WTO agreements for developing countries' compliance, plus some woefully inadequate resources for technical assistance, is a farcical approach to the issue. A recent UN report even referred to the WTO as "a veritable nightmare" for developing countries. Simply implementing the agreements can cost an entire year's development budget for many of them. In the light of the development goals, this can hardly be a good use of these countries' resources.

It was good to see *A Better World for All* arguing for "more and faster debt relief", since this is another critical area in which OECD governments are failing. The United Kingdom was not required to repay her debts to the United States in full after the First World War and Germany was given massive debt relief after the Second World War, but most developing countries must continue to replenish the coffers of multinational banks and OECD governments, making it nigh on impossible for them to improve the health, education and sanitation of their poorest people. As Jeffrey Sachs has argued:

"The IMF has repeatedly insisted on debt servicing that exceeds the combined spending of the health and education ministries. And yet, when the world complains about the disasters of IMF conditionality, the IMF's response is that the protestors are obviously macroeconomic illiterates. I am not a macroeconomic illiterate, and I tell you that the budget conditions in the world's poorest countries are unconscionable. *These countries need vastly more help.* Yes they should balance their budgets, but in a context of greatly increased aid and a cancellation of their debts. The IMF should trumpet this truth, not hide it."(See References)

More help needed

There must be far greater emphasis by the main international organisations and donors on supporting the vulnerable and on strengthening developing country states and institutions, to enable them to become more effective, efficient, transparent and accountable. They must also ensure more effective technology transfer and greater availability of equity capital and loan capital for investment for the very long term.

It is simply perverse for OECD governments to continue to call for a new trade round while cutting aid budgets, delaying effective debt relief, denying duty – and quota-free – access to all exports from least developed countries, and endlessly stalling and backloading agreements on tariff reductions in such crucial areas for poor countries as agriculture, textiles and processed goods. OECD country leaders with vision must end this unjust and myopic approach if there is to be any hope of meeting the development goals and achieving a more prosperous and equitable world in the 21st century.

Finally, the steps taken by the OECD and the other international organisations towards greater dialogue with "civil society" are to be applauded, and this process must continue – though not simply with large NGOs, but also with smaller groups and representatives of the poor themselves. The World Bank's *Voices of the Poor* project was encouraging, though we wonder whether the findings of this project are actually being incorporated into the day to day work of the institutions. Dialogue with NGOs, while important, is no substitute for encouraging participation by the poor themselves in the decisions affecting their lives.

*World Vision is a partnership of Christian NGOs working in 87 countries on over 4000 development, relief and advocacy projects. ■

References

- Adelman, I., "Fifty Years of Economic Development: What Have we Learned?", Keynote address at the Annual Bank Conference on Development Economics, June 26-28, Paris, pp.43, 2000.
- Bairoch, P., *Economics and World History: Myths and Paradoxes*, University of Chicago Press, Chicago, pp. 54, 1993.
- Finger, J.M. and Schuler, P., "Implementation of Uruguay Round Commitments: The Development Challenge", The WTO/World Bank Conference on Developing Countries' Interests in a Millennium Round, 20-21 September 1999, Geneva, p. 23, 1999.
- Krugman, P.R., "Delusions of Generosity", *The New York Times*, New York, July 19, 2000.
- OECD, Development Co-operation 1999 Report, *The DAC Journal 2000*, Vol. 1, No. 1; OECD, Paris, pp. 103, 2000.
- O'Rourke, *K.H., Tariffs and Growth in the late 19th Century*, The Economic Journal, Vol. 110, No. 463, April, pp. 456-483, 2000.
- Rodrik, D., *Getting interventions right: how South Korea and Taiwan grew rich*, Economic Policy, Vol. 20, April, pp. 55-107, 1995.
- Oloka-Onyango, J. and Udagama, D., "The Realization of Economic, Social and Cultural Rights: Globalization and its impact on the full enjoyment of human rights", Report number: E/CN.4/Sub.2/2000/13, 15 June, UN Economic and Social Council, New York, para 15, 2000.
- Sachs, J., "A New Global Consensus on Helping the Poorest of the Poor", Keynote address at the Annual Bank Conference on Development Economics, April 18-20, Washington DC, pp.3, 2000.

Development risks

DAVID ANTHONY, MANAGER, COUNTRY RISK, ECONOMIST INTELLIGENCE UNIT*

"When the will to power is in charge, the higher the ideals, the lower the results": Tao Te Ching


© Beawiharta/Reuters

Dangers ahead?

Over the past decade the concept of "sustainable development" – combining rapid growth with macroeconomic stability, poverty reduction and environmental regeneration – has replaced "market reform" as the main goal of the major multilateral organisations. The recognition that policy changes and GDP growth by themselves are only part of a complex package of requirements in order to improve conditions in the developing world is welcome; the rather simplistic, one-size-fits-all approach to development strategy which emerged from the Washington consensus has clearly had a mixed impact. Criticism and introspection, especially following the Asian crisis, has elicited a re-think on the part of the multilaterals, prompting improved co-operation and resulting in several important innovative initiatives, such as the HIPC debt relief programme, collaboration on data standards and provision, and most recently, the seven-point joint progress report on development goals – *A Better World for All* – issued by the UN, the OECD, the IMF and the World Bank.

The goals discussed in the latest venture will serve as a benchmark by which development can be measured in the coming decade. They are ambitious, and possibly over-optimistic. But if the goals have a weakness, it is not so much that as the implicit assumption that the international economy and geopolitics will remain benign in the next 15 years, and that both sides – donors and recipients – will behave responsibly.

Global risks

Global economic risks, such as a possible oil price-induced slowdown in the international economy, a hard landing for the US economy, or another generalised emerging markets crisis similar to the Asian/Russian/Brazilian trauma could set back the achievement of these goals by limiting the funds which industrialised countries are able, or willing, to channel to developing countries. Global political risks, for example renewed conflict in the Gulf or the Balkans, could also detract attention and constrain financing.

There are also other risks. Inadequate funding of the IMF and the World Bank and the problematic support of major donors concerned by these organisations' aims, methods and influence could constrain their capacity to boost their lending to developing countries in the years ahead. Limited implementation capacity both on the part of donor nations – where aid fatigue is still manifest and where electorates often appear increasingly reluctant to pay higher taxes in return for improved domestic social services, never mind foreign aid projects (witness the recent fuel protest crises in the major European economies) – and the recipient governments, many of which are still struggling with structural adjustment and have little scope for large scale investment in key social areas (education, healthcare, infrastructure) are, sadly, likely to prevent achievement of the goals that heads of government reaffirmed as recently as in September at the UN Millennium Summit. With privatisation shrinking the public sector in industrialised and developing countries alike, private-sector participation will be required to achieve these goals. Country risks – political instability and inefficacy, policy mismanagement, structural constraints and liquidity inadequacies – already constrain private capital flows to developing countries. It is unclear how, in a profit-oriented global marketplace, the author organisations of the *Better World* report intend to design incentives which – without incurring sizeable debts for either themselves or the recipient countries, or accelerating the rapid and potentially environmentally damaging exploitation of natural resources which fuelled much of the growth of the 1990s (particularly in Latin America) – might persuade companies to collaborate in the large-scale infrastructure development needed to reduce poverty, increase the length and quality of life and protect the environment (see next article).

Debt deeds and freer trade

High ideals, like fine words, will need to be backed up by deeds if confidence in the international development agenda is to be sustained – witness the lack of progress (and consequent loss of belief) in the establishment of the global financial architecture promised in the aftermath of the Asian crisis, the half-hearted and fractious attempts to achieve an international consensus on environmental protection, or the reluctance of private international bond creditors to participate in burden sharing with defaulting emerging sovereigns. Swift and significant progress in two areas – international debt relief/restructuring and international trade liberalisation – are priorities if the agenda is to retain credibility. With many developing countries often paying out more in non-productive debt service payments (as measured by debt service/GDP) than they gain through national income growth in any given year, their domestic savings capacity and hence ability to invest in social sectors will be limited until their debt burden is eased, either through restructuring or relief. This is as true for medium-sized, middle-income developing countries such as Brazil or Argentina as it is for less developed countries. Trade barriers in industrialised countries restrict the export capacity of many developing countries, whose main comparative advantage lies in low value-added primary products. International trade liberalisation would help boost exports, and consequently national savings, in a best case scenario providing scope for countries to reduce their debts and releasing funds for investment. More importantly, both these initiatives would empower developing countries and their peoples by giving them greater control over their income and boosting earnings capacity.

The authors of *A Better World for All* are clear, rightly so, that the objective of development is to enhance human happiness, a vital component of which is the right to self-determination of that happiness. If happiness can be defined in terms of the seven goals, then a vital component of the plan must be to enable developing countries to determine for themselves how these goals are to be achieved. Multilateral institutions must at the very least see their role as being in full partnership with local bodies, including government, business, labour and civil society. Failure to do so would result in a repetition of the interventionist mistakes of the past, and while the statistics may point to progress, the ultimate objective of development may be no nearer. ■

*The views in this article are those of the author and do not necessarily reflect the position of EIU or any of its related companies.

References

• *http://www.eiu.com*

High risk, high return

Private capital flows can add much to what countries put into their development efforts. But these flows are concentrated in fewer than 20 developing countries. Can private investors do more? *Observer* special correspondant, Lynn Selhat, asks three financial experts.

While official sector capital investments into developing countries only rose from $30 billion to $80 billion over the last 20 years, private sector investment rocketed from $45 billion to peak at $300 billion during the same period. Clearly, developing nations are fertile ground for private investors. But flows tend not to go to many of the world's neediest countries. While there are opportunities for high returns in developing countries, doing business there is also fraught with risk. Developing nations, with the help of bilateral and multilateral organisations, need to create favourable conditions for private investors if they are to continue attracting long term investments from overseas.

Marie-Christine Crosnier, sovereign risk manager for SocGen in Paris, weighs the potential gains and risks with business acumen. Is the country economically stable and politically reliable? Is corruption a factor and is there a risk of capital flight? Will finance ministers from the country be prepared to signal early should they have difficulty repaying? For Ms Crosnier, who participated in debt restructuring programmes under the Baker Initiative in the mid-1980s and the Brady Initiative in 1990, the answers to these questions are often strong predictors of the success of a deal.

Now private sector debt is four times higher than multilateral and official debt, and many loans frequently have to be restructured or refinanced. That means banks must work with the country's finance minister to find a solution for repayment or partial payment. And banks have taken some huge discounts in issuing debt to developing countries over the past 20 years. In Ms Crosnier's view, Latin America has dealt efficiently with private banks, keeping communication open during its debt negotiations. Indeed, Chile was among the first countries to use debt-equity instruments, an initiative that was helped by privatisation. And Mexico, under the guidance of José Ángel Gurría, its former minister of finance and public credit, succeeded in rescheduling its private debt during the late 1980s and early 1990s.

"What we learned during this period is that we have to treat every country as a specific case", says Ms Crosnier. So while the Latin American countries came forward early, and actively participated in creating a process for debt repayment, relationships with some African countries were not as straightforward. There are a few exemplary countries, but rather than talk about a repayment problem, there was often silence. "It's a bit like waiting until you're really sick to see a doctor", muses Ms Crosnier.

"When you can't rely on a stock market to unlock the value, you have to go in, get your hands dirty and help the company grow".

Along with working closely with banks to renegotiate the terms of their loans, countries in Latin America have made great strides toward creating more transparency in their banking systems. That Argentina, Brazil, and Chile are now borrowing at cheaper rates than a decade ago is partly proof of this strategy's success, although low world interest rates are also a factor.

Harlan Zimmerman of Foreign & Colonial Emerging Markets of the United Kingdom is also impressed with Latin America's performance, and in particular Brazil's. Enacting reforms to make its system more transparent and working to fight endemic corruption, Brazil has made itself very attractive to the London-based asset management firm, which has $5 billion invested in emerging markets.

Asia's banking crisis a few years ago explains why transparency is so critical to private investors. "Developing Asia was a huge boomer until a few years ago", explains Mr Zimmerman. But the system was not transparent or friendly to foreign investors. As a result many private investors were blindsided when the banking system began spinning into crisis.

Old and new

Countries with no stock market, or an unstable one, pose different problems. Blakeney Management, one of the world's few remaining African fund managers, takes an active role in the management of a company when necessary. "When you can't rely on a stock market to unlock the value, you have to go in, get your hands dirty and help the company grow", says Blakeney's James Graham-Maw. A quarter of Blakeney's portfolio is made up of companies they have direct equity in, allowing them to have some control over the management of the company. In these cases, Blakeney buys enough of the company to have several seats on the board, where they can try to effect change.

One of Blakeney's success stories is African Lakes, which trades on the London stock exchange. Several years ago Blakeney identified the company (a holding company), which was capitalised at "next to nothing" and trading in old economy industries like plantations, motor sales and mining. "We didn't envision continuing in these traditional areas, but felt we could work with the management to enter new markets", says Mr Graham-Maw. A 14 year wait for telephone service in Nigeria and a seven year wait in Zimbabwe pointed to massive opportunity in the telephony sector. "The yawning gap left by the inefficiency of the public sector is where we see real opportunity", says Mr Graham-Maw. Today African Lakes is the sub-Sahara's largest Internet Service Provider (outside of South Africa) and Blakeney has seen a 1000% increase on its investment. Huge margins for growth like this are the main draw for private investment into developing countries.

Mobile power

"We don't believe Africa is going to follow the same route as many of the post-war industrialisers like Germany, Japan and Korea. An export-driven manufacturing base is not going to be their future", predicts Mr Graham-Maw. "Instead, we see the real opportunity in 'growth in income per head', which we are already seeing on the continent and we predict will continue". When incomes start to grow, people join the formal economy; they open bank accounts, start saving, begin buying consumer goods, and eventually the tax net widens.

For poor countries with few resources or those heavily dependent on commodities, information systems and communications may just be the way to a better economy and a more equitable society.

Mr Graham-Maw points to Econet, Zimbabwe's successful mobile telecommunications outfit. Blakeney was an early investor in the company's stock. Mobile phones are having a powerful influence, says Mr Graham-Maw, so much so that one controversial political leader blamed Econet's SMS messaging service for losing him a referendum last spring. They are a real asset in countries "where the government-controlled fixed-line network is notoriously inefficient".

Information is clearly a powerful weapon against the corruption and poor governance that plagues so many African countries. Mr Graham-Maw goes on to complain that the media, when covering developing countries, tends to focus too much on topics like natural disasters, war and disease. A new business start-up does not make headlines. Nonetheless, he is encouraged. "When we go to Africa, we meet with business men and women who are eager to move forward, and we see countries that are moving in the right direction".

Mr Graham-Maw is not alone in his optimism. According to Jean-Louis Terrier, Chairman of

Credit Risk International, a consulting firm, there are good reasons to be "Afro-positive". He sees per capita GDP rising sharply between now and 2015. [OECD *Observer*, April 2000]

But is this optimism well founded? What of the obstacles on the way? One of the greatest barriers to private investment in developing economies is inadequate protection for minority shareholders. "It would be money well-spent if NGOs and western governments put resources toward legal and regulatory reforms that would encourage greater transparency of banking systems and greater protection for minority shareholders", says Mr Zimmerman.

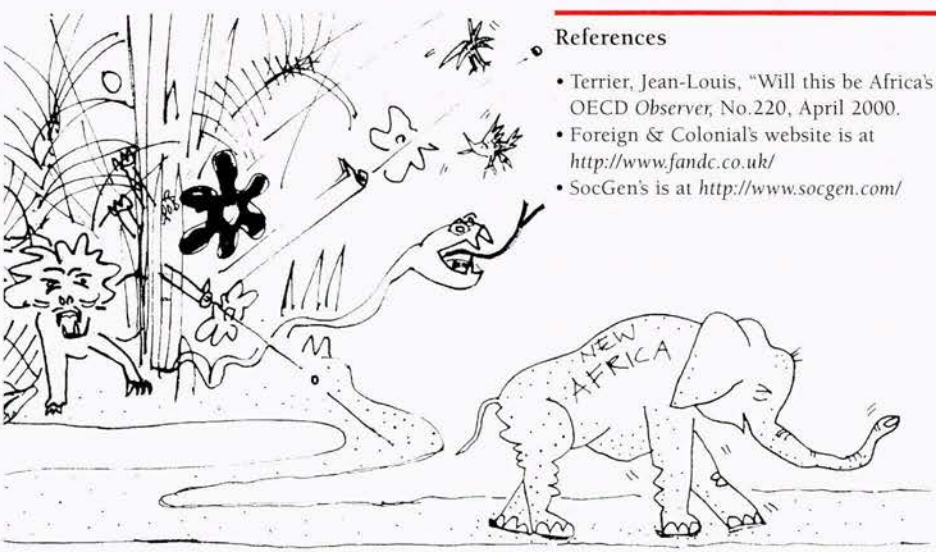
Private and public unite

Another problem to overcome is perceptions, which are at least partly responsible for keeping private investors away from some poorer countries. Improving these perceptions is an area where organisations like the International Finance Corporation (IFC) and the Bretton Woods Institutions more generally can have great impact.

As "catalytic investors", these international organisations provide desperately needed capital, and at the same time communicate a perception of confidence in a region, which private investors then follow. That's not to say these organisations are needed for every project, nor should they have free rein over any project in a developing nation, says Foreign & Colonial's Mr Zimmerman. "Their role is best suited to laying the groundwork for private capital, such as restructuring sectors of economies, or to investing in sectors that are important but typically the last to attract foreign capital, such as long-term infrastructure investments". If the objective of an NGO is to use limited capital resources to act as a catalyst for economic development, says Mr Zimmerman, then anytime someone else is available to provide capital, the NGO should step back and invest the capital some place else.

As for *A Better World for All*, the response was one of measured enthusiasm. "The goals in the report are laudable, and who would oppose them," asks SocGen's Ms Crosnier, but she stresses that the means to achieving them are more important; these have to be identified and agreed upon. That may be the hard part.

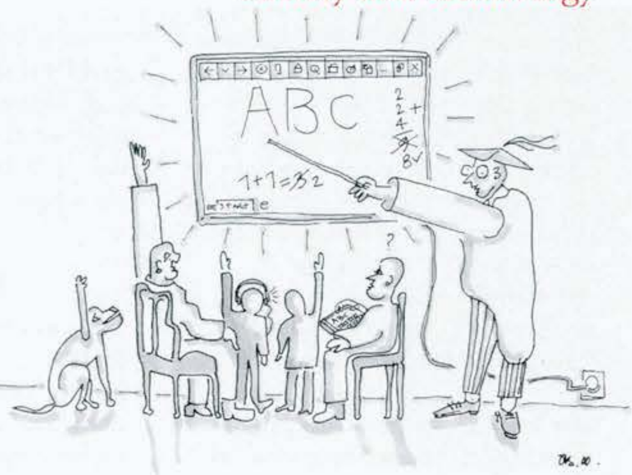
Perhaps resolving it would be easier if private bankers and multilateral institutions understood one another better: "In an ideal world, private bankers would spend time in multilateral institutions, and vice versa, allowing for an exchange of ideas". But Ms Crosnier recognises that the relationships between banks and international organisations have greatly improved, that the main institutions are seeking out the views of private bankers more earnestly: "Even this interview with the OECD *Observer* is a positive sign." ■



References

- Terrier, Jean-Louis, "Will this be Africa's century?" OECD *Observer*, No.220, April 2000.
- Foreign & Colonial's website is at *http://www.fandc.co.uk/*
- SocGen's is at *http://www.socgen.com/*

Note: The *Observer* would like to thank Brian Hammond of OECD for his help in co-ordinating this Spotlight.
The Spotlight on Development is available in pdf format. Contact *observer@oecd.org*



Literacy in a thousand words

BEATRIZ PONT AND PATRICK WERQUIN, EDUCATION AND TRAINING DIVISION, DEELSA, ELS.CONTACT@OECD.ORG

Literacy skills are a corner stone of economic success. The trouble is far too many people are without them.

The US economy may well be the world's largest, with the country riding a wave of unprecedented growth. Yet 40% of its adult population lack the literacy skills required to participate in today's complex knowledge economy. Likewise, other leading economies, such as Germany and the United Kingdom, show similar patterns. Should we be concerned?

Not too long ago, the answer might have been "no". In a more industrial-based economy, high-paying jobs in sectors such as automotive and manufacturing did not necessarily depend on high literacy levels. Also, there were plenty of job opportunities for the less qualified. But today, high literacy skills are vital, not just to get on, but to integrate into the economy in the first place.

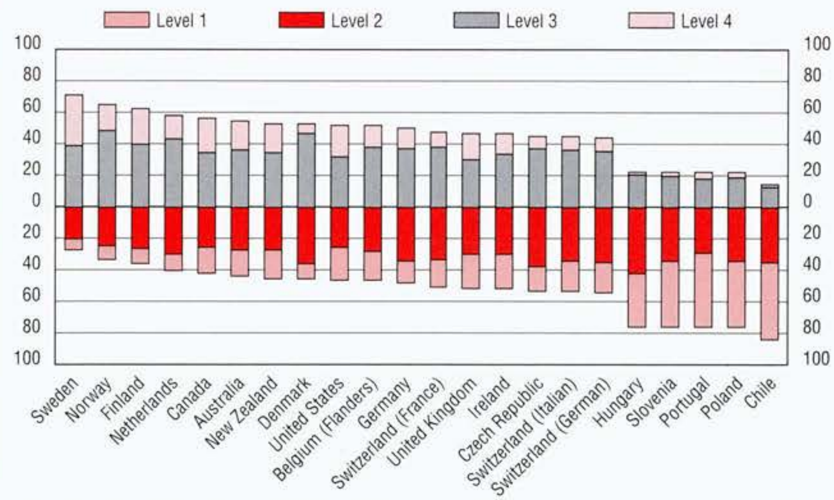
According to one study, the International Adult Literacy Survey, workers not only must have higher levels of education, but the ability to adapt, learn and master new skills quickly and efficiently. Today's economy is knowledge based, and to participate in it requires increasingly complex skills. Policymakers have to respond to these changes in their strategies for designing general and adult education programmes.

The IALS defined literacy as "the ability to understand and employ printed information in daily activities, at home, at work and in the community." In other words, literacy is no longer just a question about being able to read, but is a more complex grouping of skills. The survey included a number of prose sections, such as texts from newspapers and brochures; an array of maps, schedules, charts and graphs to measure document literacy; and arithmetic operations to test basic quantitative literacy. These are the skills identified by experts as being necessary to survive and prosper in advanced industrialised countries.

Unfortunately, in many countries literacy levels are far from satisfactory. Of the 20 countries participating in the IALS study, the most striking are the results of the economic powerhouses, like the United States, Germany and Canada

Good reading

% of population aged 16-65 at each prose literacy level, 1994-1998



This graph shows groups with adequate literacy skills to cope with today's complex knowdedge economy above the zero line, and those lacking such skills below the line. Sweden has the highest proportion with complex reading and comprehension skills but still a quarter of its population fails to meet the minimum threshold. Chile fares worst, with 80 percent of its people below the threshold.

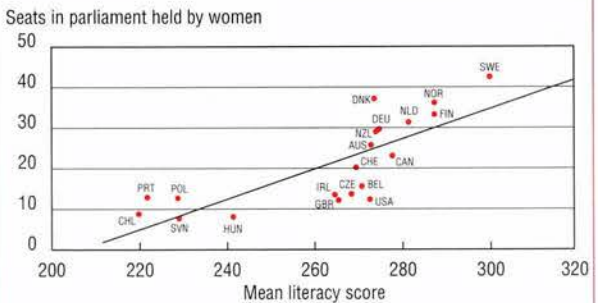
Source: Literacy in the Information Age, OECD and Statistics Canada, 2000.

(see graph); while these countries have a large percentage of highly literate adults, there is an equally large percentage of the population that scores well below adequate. At the bottom of the ranking is Chile (less than 20% of its adult population performed adequately in all three skill areas), followed by Portugal, Poland and Slovenia.

The Nordic countries almost always rank highest in the three areas of literacy (prose, document and quantitative). Sweden has the highest overall scores, while Finland, Norway and Denmark vary according to the different literacy scales. Yet even in these countries at least a quarter of those surveyed didn't reach the minimum threshold. Still, the efforts placed on learning, and especially adult learning, in these countries to improve the situation of the people at the lowest literacy levels seem to have delivered good results. Not only do the Nordic countries have consistently high scores for literacy compared with other countries, their literacy levels tend to be more equally distributed among their populations: the differences between the least literate and the most literate are smaller than elsewhere.

Women in power

Relationship between the proportion of seats in parliament held by women and mean literacy proficiency, prose scale, population aged 16-64, 1994-1998



AUS-Australia; BEL-Belgium; CAN-Canada; CHE-Switzerland; CHL-Chile; CZE-Czech Republic; DEU-Germany; DNK-Denmark; FIN-Finland; HUN-Hungary; IRL-Ireland; NLD-Netherlands; NOR-Norway; NZL-New Zealand; POL-Poland; PRT-Portugal; SVN-Slovenia; SWE-Sweden; GBR-United Kingdom; USA-United States.

Sources: International Adult Literacy Survey, 1994-1998; UNDP, *Human Development Report 1999.*

Economic sense

The links between economy and literacy are several and direct. High literacy skills are determinant of individual economic potential: higher employment participation, lower unemployment probabilities and higher skilled employment. They also condition the structure of the labour force as a whole. Countries with higher average levels of skills have larger proportions of knowledge workers (mobile, high-skilled). They are better prepared to contribute to technological developments as well as to adjust more effectively to them.

As far as the macro-economy is concerned, literacy and gross domestic product (GDP) go hand in hand. The higher the proportion of adults with high prose skills, the higher the GDP per capita. Furthermore, countries with wider economic inequality also have wider literacy inequality.

A number of noteworthy social benefits seem to be related to literacy skills. Literacy has been linked with better health and longer life expectancy; it could be that skilled people, through access to information and preventive health practices, can better manage their health needs. Other interesting findings show a relationship between literacy proficiency and the participation of women in government (see chart), as well as a link between literacy and public and civic participation.

Clearly all countries have work to do if they are to improve the literacy skills of their adult populations. They do not have much choice, given today's demanding economic realities. They can deploy tools, like lifelong learning and training programmes, and strengthen their assessment of results, rather than focusing too much on institutional processes. Concentrating on the educational level of younger people and on the least literate adults would help to improve the country's overall literacy level. Moreover, policymakers should be ready to evaluate informal learning too. That means assessing what people actually know, not just whether they have a diploma or not. From on-the-job experience and learning-by-doing, to reading and the internet: these are all useful types of learning whose value is too often overlooked. The effort required may be great, but the returns in terms of a more able, competitive economy, make it worth it. ■

References

- OECD and Human resources development Canada, *Literacy Skills for the Knowledge Society: Further Results from the International Adult Literacy Survey*, Paris 1997.
- OECD and statistics Canada (1995), *Literacy, Economy and Society: Results of the First International Adult Literacy Survey*, Paris and Ottawa, 1995.
- OECD and statistics Canada (2000), *Literacy in the Information Age: Final Report of the International Adult Literacy Survey*, Paris and Ottawa, 2000.

Brain train

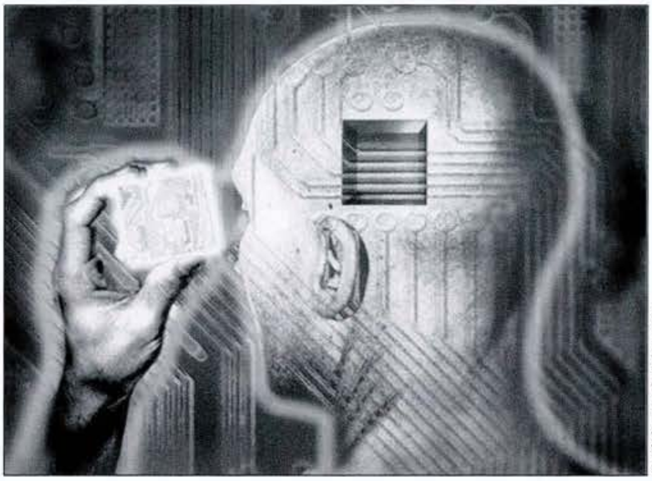
Can brains help policymakers improve their education systems? Scientists say they can.

"You can't teach an old dog new tricks" is an adage past its prime, or at least that is what neuroscientists are beginning to argue in brain science. As recently as 1997, it was generally accepted that formative learning takes place only in the first three years of life. But new research helped by technological breakthroughs show this not to be the case.

In fact, the evidence shows that the possible loss of neurons after age 40 can be offset by stimulating the brain regularly. In other words, as with muscles, targeted exercise can bring learning benefits at any time in a life. This brain plasticity, or the capacity for lifelong learning, is an exciting finding for cognitive scientists, and is now just starting to influence educational policymaking.

The gap between learning research and application was discussed at a meeting in June 2000 as part of OECD's newly launched programme on Learning Science and Brain Research. The aim is to get neuroscientists and policymakers talking to each other, hitherto a daunting task in any field. "Scientists have the answers to questions that policymakers need to ask," said organiser Bruno Della-Chiesa at the OECD's Centre for Educational Research and Innovations (CERI). "And scientists need to know what research policymakers can use and the kinds of research they are willing to fund."

Spectacular progress has been made in the study of the brain over the last 10 years, thanks to technology such as functional Magnetic Resonance Imaging (fMRI) which uses radio waves to measure active brain areas, and Positron Emission Tomography (PET), which tracks brain energy metabolism with the help of high-powered computing. Older research methods relied on autopsies and treatment of head injuries. Today the ability to track blood circulation through


© Philip Kaake/Photonica

brain tissue and to record the firing of neurons and circuitry of synapses, using techniques such as fMRI and PET, has allowed researchers to isolate and measure brain processes, like spatial orientation, visual representation and language processing. Recent breakthroughs in genetics research and cloning policies are also expected to help. All that has been missing was to persuade policymakers of the relevance of these findings. That is why Mr Della-Chiesa is delighted that the OECD might step in.

"It's important for a governmental organisation like ours to get involved," he said, "because there are ethical and economic questions that must be approached on an international level." He questioned, for instance, what would happen if it comes to gene manipulation or to the use of a "learning pill". If a chemical is discovered that accelerates learning, would the chemical be available to all? How would its distribution be controlled? Who would profit from the knowledge gained?

Bruce McCandliss, at the Sacler Institute in New York, presented groundbreaking research in the field of dyslexia, a specific language-learning and reading disability affecting a possible one in ten people. His findings have not only pinpointed a tiny section of the brain that is responsible for the condition, but have indicated a way to correct it. The method he uses consists of a series of mental exercises that stimulate blood flow to the area, essentially "jogging" the brain, and reactivating neuron links. It's still in the initial stages, but to judge from the New York meeting, both educators and policymakers are becoming interested.

A second "brain meeting" will take place in Granada (Spain) in February 2001. And because the new discoveries do not just concern old dogs, the focus will be on youth learning. Topics planned for discussion include learning rhythms, violent behavior, hormonal changes and decision-making, plus the ongoing comparison of "EQ vs. IQ", emotional intelligence versus intellectual intelligence. ■ **A.B.**

References

- Conference website: *http://www.oecd.org/cer/nyconf.htm*

No longer services as usual

DIRK PILAT, DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY*

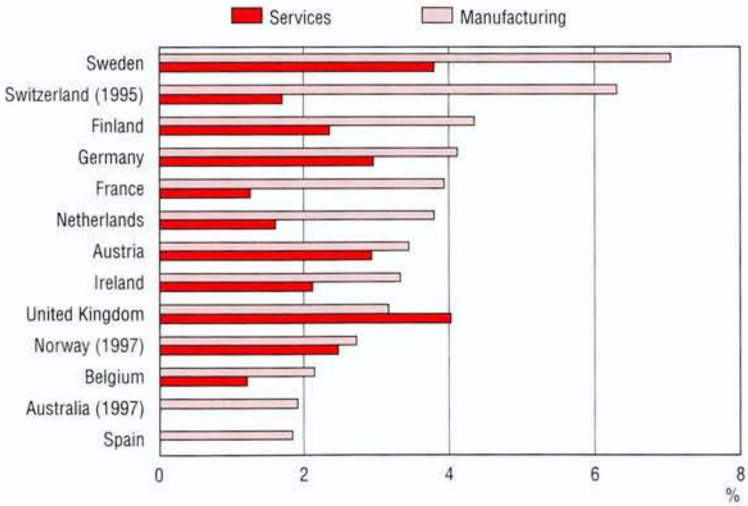
Services are an increasingly dynamic part of OECD economies. One reason is deregulation, another is the spread of information technology.

The mention of services in polite conversation among economists is sometimes met with a glazed look of indifference. The mainstream view is that services are not very dynamic, that they mainly create poorly paid jobs, that they have little or no productivity growth and that they do not innovate. Banking, retailing, business services: these are not exactly the industries everyone is talking about, unlike software manufacturing or genetic technology. Yet, a closer look shows a different picture.

For a start, services have to be taken seriously as they now account for 60-70% of OECD economies. And far from lacking dynamism, several service sectors are noted for their rapid productivity growth, while many are highly innovative. Indeed, a growing proportion of business R&D is in service firms.

Business innovation

Business expenditure on innovation as % of total sales, 1996



Source: OECD (1999), partly based on data from Eurostat.

The main problem is that we still do not fully understand how the services sector works. Take innovation. In manufacturing, innovation implies that a firm introduces a new or improved product or a new production process. This could be a new micro-processor, or automated production equipment. New products and processes are of course not unknown in the services sector but innovation in services more often relates to changes in how, where and when a service is delivered. For instance, electronic banking is an innovative way to provide traditional banking services at home at any time. However, services innovation need not be linked to changes in technology. Fast-food chains, like McDonalds, have applied innovative techniques to boost customer turnover in their restaurants, notably by borrowing from just-in-time assembly line methods for serving food. And services firms also often make *ad hoc* innovations, such as a new solution to a specific financial or business problems.

These typical service innovations (changes in delivery, organisation or *ad-hoc* innovations) are often more difficult to identify than innovation in the manufacturing sector and it is only recently that new statistics have emerged to help us build a clearer picture. They show that many services are innovative and that services firms spend almost as much on innovation as manufacturing firms (graph 1). Indeed, some services sectors are even more innovative than manufacturing; for example in 1997, 55% of all firms in knowledge-intensive services in France showed evidence of innovation, compared with 45% of manufacturing firms.

There is other evidence that services have become more innovative. For one thing, services R&D has risen from less than 5% of total business enterprise R&D in 1980 to more than 15% in 1995. In countries that measure services R&D well, such as Canada, it now amounts to about 30% of total business enterprise R&D (graph 2). Telecommunications, computer and software services, and specialised R&D service firms are the largest spenders on R&D. The services sector is also an important user of modern technology, and among the most important users of information and communications technologies (ICT). Financial services, education and telecommunications companies, in particular, make more intensive use of ICT than the average manufacturing firm.

Now in the statistics

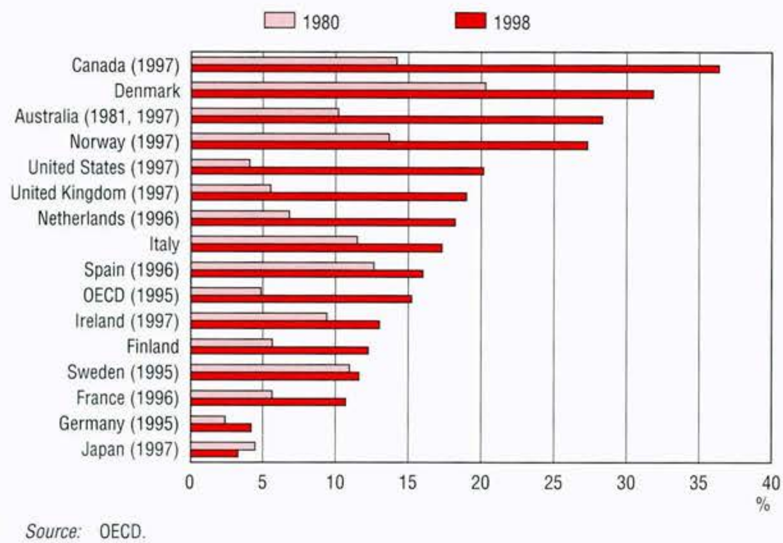
The impact of innovation is slowly starting to show in productivity statistics. In retailing, for instance, productivity has improved substantially due to the use of ICT, notably in areas such as bar-code scanning at the till and in inventory management. Productivity in telecommunications has risen at annual rates of up to 8% over the 1990s in Australia, Finland, Italy and Sweden. And productivity in transport has grown by rates between 2 and 3% annually over the 1990s in Australia, Finland, Italy and the Netherlands. But productivity growth has been sluggish in other services, partly because there is little scope for dynamic change. It is difficult, for instance, to improve productivity in the live performance of a piece of classical music or in hair-dressing.

It can also be difficult to measure productivity gains because of a lack of basic data, or disagreement on what certain services actually produce. The use of ICT in service delivery has made measurement more difficult too, as it has enabled the customisation of services, like banking services tailored to specific client needs.

But better measurement can reveal sharply better results. A recent study by the Bureau of Labor Statistics for the US banking industry, for instance, incorporated quality adjustments for the increased convenience of banking transactions, such as those linked to the use of automatic teller machines. It showed output growth of 7.4% a year between 1977 and 1994, well above the previous official measure of 1.3% a year. And banking is not the only sector for which official measures often hide some of the productivity gains.

The increased use of ICT is a key factor driving these changes. Many services process and diffuse information – financial services, communication and public administration are good examples. Advances in ICT allow more information to be codified, leading to quicker processing and diffusion. In addition, the scope for ICT use has expanded with new knowledge technologies, such as expert systems, that complement (or replace) the intelligence provided by human experts in areas ranging from repairing a car to more complex decision making. In transport and distribution, ICT can improve logistics and automate complex processes, while it is also increasingly used in health and social services. And in recent years, the Internet and the new possibilities offered by electronic commerce have given a further stimulus to ICT investment in the services sector. Innovation surveys show that ICT is a

Share of services in business R&D, 1980 and 1998



Source: OECD.

crucial dimension of service businesses; the five most important technologies mentioned by German service firms, for instance, are personal computers, office software, communication networks, data banks and specialised software.

ICT is also making it easier for firms to co-operate on innovation, to trade services electronically and to deliver them all over the world. Electronic commerce provides a fast and potentially more cost-effective way to connect firms, making existing business processes more efficient. Significant productivity gains are possible, especially in business-to-business relations, because electronic commerce is relatively cheap and can enable automation of relatively simple but universally needed processes, such as distribution, sales, after sales service and inventory management.

A second factor that has helped to change the services sector is deregulation. In the not too distant past, many services sectors were heavily regulated. Some, such as post, telecommunications and railways, were considered "natural" monopolies, implying that they had no scope for competition and that they had to be regulated to avoid abuse of the monopoly. In others, such as road transport, unrestricted competition was considered undesirable for social reasons. In many cases, these reasons for regulation have diminished in importance and many governments have moved to introduce more competition. There is growing evidence that regulatory reform is important for improving performance since, in the absence of competition, firms have little incentive to innovate and are less willing to adapt the quality and mix of goods and services to meet changing consumer needs.

Experience across the OECD area suggests that appropriate regulatory reform can work. For proof, one only has to look at improved performances in road and air transport, distribution services, telecommunications, professional and financial services. Further regulatory reform of the telecommunications industry is particularly important for many services, as it helps to lower the costs of ICT. This encourages investment in efficiency-enhancing ICT and can provide better and cheaper access to ICT services, such as high-capacity broadband communications, which can facilitate electronic commerce. In services for which the public sector remains the key provider – healthcare and education for instance – the scope for private provision has increased, with the market starting to play a greater role.

Far from lacking dynamism, several service sectors are noted for their rapid productivity growth and innovation

Access to the right skills is also important for innovation. Services are typically more labour-intensive than manufacturing firms, and some are highly knowledge-intensive (*e.g.* business services). Understanding what customers want and responding to their needs is particularly important, and relies heavily on the motivation and training of service workers.

So, services are not as inert as they might seem, and the distinction between the services and manufacturing sectors is becoming blurred. Indeed, the manufacturing sector is becoming more like services; a large part of the sales of major manufacturing firms such as Ford Motors, General Electric and Sony now consists of services that are bundled with the manufactured product, such as financing and after-sales facilities. And some services are becoming more like manufacturing, as ICT allows more automation and enables mass production. The character of innovation in both sectors has coalesced too. Nevertheless, much of the measurement, analysis and policy debate still focuses on the distinction between services and manufacturing, which suggests that understanding the differences remains helpful as the economy becomes more complex. ■

References

- OECD, "Promoting Innovation and Growth in Services", *OECD Science, Technology and Industry Outlook 2000*, Chapter 4, Paris 2000.
- OECD, "Employment in the Service Economy: A Reassessment", *OECD Employment Outlook 2000*, Chapter 3, Paris 2000.
- OECD, *The Service Economy*, Paris 2000.

* Note: The OECD is currently organising a workshop with the Australian government on innovation and productivity in services. Further information is available on the Internet site of the Australian government, at: *http://www.isr.gov.au/industry/services/workshop/*

The knowledge divide: where some angels dare*

David E. Dunn, Bozman Partners

Two failures are major contributors to the digital divide: education and credit, or the lack of it.

I am what is somewhat precociously known in my country of origin, the United States, as an "angel" investor. Some think that means one who invests his money in start-up enterprises so risky that only an angel would dare to write a check. That is sometimes true. But I went in to angel-stage investing (that is, investments at the founding stage of a company), and primarily in Internet-oriented start-up companies, because it was a calling card to travel the world outside the United States in a time of what I believe, along with so many others, is revolutionary change. This revolutionary change has been brought on by the dramatic opening of markets by the bigger, richer OECD economies, the disassembling of state control over communication systems and finally and, most important, the invasion of our lives by wireless phones and the Internet.

I should add a bit of context here that I have heard during this conference many times, and with which I agree. These are exciting times for us. Yes, for us – you and me – the people who can not only get in on the digital revolution, but are traveling in first class, with PCs and broadband, global access cellular phones and Palm Pilots. We are blessed with the education and the earning power to be full participants in the digital revolution. More about us, the first-class passengers, a little later.

But are there things about the globalisation of technology on which we can fairly say we had agreement during this conference? I found there were some important ones. Most were not good news. Indeed, most of these points were made ever more stark by the contrast to the excitement of the digital revolution in the developed world.

History lesson

The first was made by Welfare Economics Minister Guy Hascoet of France and repeated by many others: the global spread of technology has not brought clean water, or reliable and affordable electric power, to our poorest citizens. Among the many provocative insights offered to us by Bill Joy of Sun Microsystems was the notion that the advances of technology have caused a sort of disconnect with the collective memory of history, of when uncontrollable pestilence – the black plague – caused the loss of a third of the population of Europe. Maybe we first-worlders think technology can address any health challenge, even AIDS. But in Africa today AIDS is an epidemic of epic proportions, and technology has yet to make a serious dent in its deadly advance.

Over half of the earth's population has never heard a dial tone.

And let's be clear – I cannot yet see a point in time for globalised technology to make a meaningful impact on the lives of the poorest of our fellow humans.

Pierre Sané of Amnesty International dramatically made the point that too many are still victims of heinous torture, abuse and death at the hands of their fellow man. The contribution of the digital revolution to this enduring horror has been to bring it to our TVs and our PCs instantaneously.

And the promise of the information revolution – how far must it reach out, how deep must it penetrate from where we sit today to begin to deliver the promise of consumer empowerment, distance learning or micro-enterprise opportunity?

Jacques Dunogué of Alcatel told us that with ever less costly network systems and cheaper information devices we could now see the point when the challenge of spreading the benefits of modern communication to the masses is no longer a technical challenge, but rather a regulatory and cultural challenge. He also reminded us however that over half of the earth's population has never heard a dial tone. Most research I have seen, even the optimistic versions, predict that most of those cut off from this everyday experience for us will also never make a phone call before they die. So what about basic access to the communication revolution? How many of the world's people really have the prospect of participating in the promise of these dramatic changes we are seeing unfold? Well, the news is both good and bad.

As Kent McGuire from the US Department of Education told us, whites are twice as likely to be connected to the Web as blacks in America. The college-educated are three times as likely. But the most disconcerting finding: Americans with incomes of over $75,000 were five times more likely to be connected. Indeed, the U.S. government has concluded that race is not really the important indicator of access to the Web. Nor is level of education. So far in the U.S. experience, it is mostly about income.

Getting connected

Over 75 million people are now connected in the USA, some 38% of adults. Almost an equal number is connected in Europe today, but only about 18% of the adult population and, again, this is heavily weighted in favor of the higher-income countries of northern Europe. There are over 10 million users in Japan, some 10% of the population. The figures are 20% in Australia and 17% in New Zealand.

According to one source, there are 15 million PCs in China and over 25 million Internet accounts. But the real penetration rate in China? Under three-tenths of 1%. And India, the third world's software factory and yet still among the poorest of nations in terms of GDP– what penetration level? One half of 1%.

Risk culture

Like so much of the digital revolution, being a participant seems to be mostly about being able to afford that first-class cabin. On a more positive note, I know from personal experience here in Europe, and in India, Southeast Asia and the Middle East, that one of the most profound changes that has been unleashed by the information revolution, a change that is as social as it is commercial, is this incredible outpouring of entrepreneurial risk-taking – what I have come to call a new culture of risk.

Jacques Attali made reference to the tendency of American culture to export its risk-taking individualism to the Internet age. I think he is right; this is definitely an aspect of American entrepreneurial culture that the Web generation is quickly globalising. This entrepreneurial blossoming is an essential element of the emerging new economy of high growth, low unemployment and historically low inflationary pressures.

"Start-ups", as we call them in Internet speak. The "cast it all to the winds and go for broke" attitude so prevalent among today's university and MBA graduates. This is a startling change from only half a decade ago. And with more venture funds in the capital markets than ever before (another new economy essential), it is getting harder and harder for large enterprises to hold on to talent. It is not just Cisco that is offering to fund and support their own employees in start-ups in order to keep them in the company. And I must tell you, as one who sees the process very close up, every day, side by side with my entrepreneur partners in Europe and Asia – the spirit is contagious.

But let us come back down to earth a bit, breathe a little less of that intoxicating pure oxygen the Internet age sometimes gives off, leave the first-class cabin we travel in and walk back to second class. Why is it that this digital divide between the haves and the have-nots is opening so fast? Why are whole parts of the globe being left farther and farther behind?

This new culture of risk is essential to today's economy of high growth, low unemployment and low inflation.

I for one don't place as much blame on institutions of government as some others do. The leaders of the developing world have followed our advice in so many ways: privatising their communications markets to meet GATT rules; pressing subsidy programs to promote new enterprise; accepting strict controls from the IMF to meet fiscal standards; reaching out to the OECD for best practices in running their governments.

Digital divide

I spent much of my career as a lawyer dealing with problems in the developing world and I am not naïve about the distance government has yet to go. But I think there are two specific and more insidious failures afoot which are major contributors to the digital divide. They are difficult for the governments themselves to tackle without a lot more help from the developed world. And they are not receiving enough attention from all of us in first class.

One is education. Or what Sweden's Ylva Johansson referred to as the "knowledge divide". A very large percentage of teachers in the developing world – indeed, many in the developed world – do not have the knowledge themselves to teach the basic operating skills for information and communication technologies to their students.

The challenge is not simply one of getting enough computers to the classroom. It is a problem of human software. The knowledge divide is a particularly dangerous challenge, because in middle class and poor countries the knowledge divide perpetuates social exclusion, and in the most basic way blocks any hope for individual empowerment in the communications revolution.

Banking failure

The second problem is credit, or the lack of it, for access to the worldwide communications system we have built. In two to three years, the International Telecommunication Union (ITU) predicts the number of wireless phones in the world to exceed the number of fixed phones. That is an amazing statistic. In twenty years, wireless will have succeeded in catching the 90-year installation of fixed phones, and surpassing it!

Why? There are a number of reasons: lower capital costs for infrastructure, faster online connectivity, privatisation. But of the top eight cellular economies, measured in terms of penetration as a percentage of total telephones, three are Cambodia, Paraguay and Lebanon. Israel and Hong Kong, two higher-income but still classed as developing countries, are also on the list.

In fact, the ITU has only begun to uncover what I believe is a dramatic failure of the banking system to meet the needs of the communications revolution. Let me explain: in Cambodia, Paraguay and Lebanon, prepaid Subscriber Identity Module (SIM) cards are used to pay for over half of all cellular minutes. Good research is hard to come by in this area, but we know that the use of prepaid cards for wireless in the developing countries is 50 to 80% of all minutes sold. In the developed world, prepaid cards are becoming more prevalent as well. According to studies done by Arthur D. Little in Italy, which has one of the highest cellular utilisation rates in the world, over 60% of all cellular minutes are prepaid.

The point is this. We in the developed world see bank accounts and credit cards as a way of life. However, credit systems, which give communications access to the rest of the world – wireless or Internet access – are alarmingly absent in the developing world. Less than 10% of Asians have internationally accepted credit access. Less than 3% if you exclude OECD countries. In China there are 100 million prepaid cards in circulation, and only 50 million cell phones. More than half of all cellular minutes in South America are now bought with prepaid cards.

Unsung heroes

Prepaid cards are a software device that simply bypasses the credit qualification process. They can be purchased at the corner shop, require no bank account, no proof of identity, no address, and are sold for wireless phones all over the world. Indeed, prepaid cards have been the unsung heroes in the amazing penetration of wireless phones in the developing world, with sales rising from less than a billion dollars in 1995 to an estimated five times that amount this year.

Nevertheless, the credit problem stands as the critical barrier to web penetration and the global distribution of content and services via the new medium of our age.

I have personally committed funding and time to an effort with a small company based in India to try to tackle this problem. But even an angel has his limits. And I have asked myself the question, why has such a huge opportunity not been a major target of the software houses of California and Scandinavia? I do not have the answer. But I suspect it is simply that software developers in California and Scandinavia all have credit cards. ■

* Based on a closing speech at Forum 2000, Paris, June 2000.

"Shaping globalisation": reflections on the 2000 Ministerial Council

BY THE HON. PETER COSTELLO, MEMBER OF PARLIAMENT, AUSTRALIAN TREASURER AND CHAIR OF THE 2000 OECD MINISTERIAL COUNCIL

As an Australian Treasurer who has lived at close quarters with the challenges posed by and benefits derived from the increasing internationalisation of the Australian economy, I was particularly honoured to have the opportunity to chair this year's OECD Ministerial Council meeting which had as its theme, shaping globalisation.

With the active support of my vice-chairs, Kimmo Sasi of Finland and Pierre Pettigrew of Canada, I believe the 2000 Ministerial Council was very successful and took a number of positive steps towards addressing what the Chair of the 1999 Ministerial Council, José Ángel Gurría, posed as one of the greatest challenges facing the OECD: the need to respond to the demands of increasing global interdependence.

Advances in communication, transport and information have created international markets for goods and services. National boundaries are becoming less effective as we face the demands of global markets and increasing trade and capital flows. In an ever more integrated world, where poor national policies are penalised and good policies rewarded, the OECD is uniquely poised to help economies respond to the resulting challenges. Co-operation, consensus, dialogue and shared responsibility: these were the attributes which came to the forefront at the 2000 Ministerial and are the hallmarks of the OECD.

I was particularly pleased with the progress made in involving "civil society" by running the inaugural OECD Forum 2000, "Partnerships in the New Economy", in parallel with the Ministerial Council meeting.

Governments must increase their dialogue with civil society in addressing policy challenges, and the Forum 2000 venture was a major step by the OECD in this process. In similar vein, a further welcome development at this year's meeting was that the first plenary session and the session adopting the Multinational Enterprises Guidelines were open to the media. We continue to emphasize the importance of transparency with respect to policy decisions by governments, hence it is only fitting that the OECD should increase its own transparency.

A tangible outcome of the increasing dialogue between governments, non-government organisations, representatives of employees and businesses has been the opportunity to build consensus, or at least understanding, on what can be divisive topics, such as trade liberalisation and food-safety standards. These are areas where strong and differing views are held and we must continue to work towards a greater understanding of all viewpoints so that consensus can be reached.

A particularly significant outcome from the ministerial meetings was the completion of the review of the Guidelines for Multinational Enterprises. This was a positive step towards addressing some of the challenges of globalisation, providing a robust set of recommendations that will improve the international investment climate and encourage the positive contributions multinational enterprises can make to economic, social and environmental issues. The Guidelines were the subject of some negotiation at the meeting, and all parties approached them in a constructive and co-operative fashion.

The OECD is uniquely poised to help economies respond to the challenges of an ever more integrated world.

A significant theme in our discussions was the sources of growth, and in particular whether there was a "new economy" taking shape. One of the important conclusions from the meeting was that the "new economy" is not just about technology, but about a boom in productivity that flows from learning how to use technology to transform "old economy" production processes at the grass-roots level. This is important because we know that not all countries will be large producers of information and communications technology. But by harnessing advances in information and technology, all countries can participate in the new economy dynamic of strong productivity and higher economic and employment growth. The OECD's "growth" project is to be completed in 2001, but already I think we can draw some conclusions about the policy framework needed to take best advantage of the positive effects of advances in information and communications technology. Such a framework includes stable macroeconomic policies and broad and deep structural reform in product, labour and capital markets. Open markets and increased competition help make an economy more adaptable and innovative, more able to take advantage of the productivity benefits flowing from information and communications technology.

Another notable outcome from the meeting was the endorsement of the idea that a rules-based multilateral trading system should provide the best framework for global growth and prosperity. To ensure that the lessons of the WTO Ministerial Meeting in Seattle were clearly taken into account, ministers signaled their determination to work quickly towards the launch of an "ambitious, balanced and broad-based WTO round of negotiations which addresses the needs and aspirations of all WTO members".

Overall, I was very pleased with the outcome of the 2000 Ministerial Council. It made a significant contribution towards addressing the challenge that globalisation poses for all policymakers. The key to the success of the meeting, and my lasting impression, was the co-operative and constructive participation of my ministerial colleagues. Such gatherings give me renewed confidence in the ability of the OECD to achieve its core goals of enhancing the growth and welfare of its members. This would not be achieved, of course, without the ongoing hard work of the secretary-general and the Secretariat. I would like to thank all concerned who made the 2000 Ministerial Council such a success. ■

Shaping globalisation: the annual OECD summit

OECD Ministerial Council, 26-27 June 2000

Globalisation was the order of the day at this year's annual OECD summit in Paris as ministers grappled with the problem of how to ensure that the benefits of the high-tech revolution are shared equally by both rich and poor worldwide.

"We don't have a choice as to whether or not to stop globalisation," Australian Treasurer Peter Costello, who chaired the meeting, told ministers. "Our choice is how to manage it and how to manage it for the benefit of our citizens."

Over two days ministers tackled a range of issues linked to globalisation, notably whether there is a high-tech driven "new economy", and if so how to harness its advantages and avoid opening up a "digital divide" which would leave the developing world, and the disadvantaged in developed countries, ever further behind.

Discussions on trade liberalisation in the wake of the Seattle WTO meeting's failure to launch a new global trade round focused on the need for political flexibility – and the importance of giving the developing world a full place at the table. Ministers were unable to agree on a framework for untying aid to the world's least developed countries, but said they would keep trying for an agreement.

The OECD demonstrated its commitment to greater involvement of civil society through the parallel hosting of the Forum 2000 at Paris-La Defense nearby. This incidentally demonstrated the advantages of a high-tech world as participants could follow sessions at both sites via a live television link and the Internet.

Electronic commerce also came under the spotlight, with the OECD planning several meetings in the coming year to discuss e-commerce-related issues such as taxation.

Discussions on updated guidelines for multinational enterprises went right down to the wire, but members reached agreement before the end of the meeting on what they see as a key element in a global framework of rules for a global economy.

OECD members also agreed to increase their numbers to a round 30 with the addition of the Slovak Republic, which attended the ministerial as an observer for the first time. The Slovak Republic signed an agreement on September 28 setting out the terms of its admission. ■

Some highlights of the 2000 ministerial conclusions

For the complete communiqué, consult: ***http://www.oecd.org/media/release/nw00-70a.htm***

- **Shaping globalisation:** Ministers recognised the serious concerns felt by many at the economic and technological changes in the transition to an increasingly knowledge-based, interdependent world. Ministers warned against creating a "digital divide" within countries or between the developed and developing world. The OECD will produce a major study in 2001 on whether a "new economy" is taking shape, and if so how governments need to adjust their policies.

- **Sustainable development:** Global challenges, such as climate change, conservation of biodiversity and sustainable management of natural resources, are key objectives for OECD countries. The OECD will make a significant contribution towards advancing the international agenda on sustainable development for the "Rio+10" meeting in 2002.

- **Social cohesion:** The OECD will help governments ensure that all groups in society, particularly the disadvantaged, can adapt to and benefit from economic change. OECD education ministers will make recommendations on education and training in the hi-tech economy at their meeting in April.

- **Electronic commerce:** International co-operation is essential to formulate coherent policy approaches to e-commerce given its rapidly-increasing impact on productivity and growth. The OECD will co-sponsor a conference in December on dispute resolution and host a conference in January on key e-commerce policy issues. The OECD will co-sponsor a global conference in 2001 on tax administration and e-commerce. Ministers will receive a progress report on tax issues raised by e-commerce at their next meeting.

- **Trade liberalisation:** Further trade liberalisation in a rules-based multilateral system is the best way to realise the promise of a "new economy" and support poverty reduction and sustained development. Determined to work for the launch as soon as possible of an ambitious, balanced and broad-based WTO Round, ministers called for strong political will and greater flexibility on all sides, particularly in addressing the concerns of developing countries.

- **Agriculture:** Ministers called for participants to agree an understanding on a new export credit arrangement by the end of the year. Ministers reaffirmed their commitment to substantial, progressive reductions in support and protection for farmers. Ministers called for international action to rebuild overexploited fish stocks to sustainable levels.

- **Governance:** Good, effective public governance is needed in a globalised economy to strengthen democracy and human rights, promote prosperity and social cohesion, reduce poverty, enhance environmental protection and deepen confidence in government and public administration. The OECD will report progress on its *Governance Outreach Initiative* in 2001. Ministers welcomed the updated *Guidelines for Multinational Enterprises*.

- **Corruption:** The fight against corruption is a high priority. Ministers called for monitoring of enforcement of the Bribery Convention to begin as soon as possible and said bribery of foreign public officials should be made a serious crime under money laundering legislation. Ministers called for more countries to join the effort to eliminate hard-core cartels.

- **Harmful tax practices:** Ministers reconfirmed their countries' commitments to remove harmful practices from their preferential regimes by April 2003. They will draw up by July 31, 2001 a list of uncooperative tax havens, which could be subject to defensive measures. The OECD has identified 35 tax havens and will assist co-operative jurisdictions to meet international standards as they eliminate harmful tax practices.

- **Biotechnology:** Because of the growing importance of biotechnology and its far-reaching consequences for human health, agro-food production and sustainable development, the OECD will consider holding a conference in 2001 to address the environmental impacts of genetically modified organisms. The OECD will also continue to undertake analytical work on the food safety aspects.

- **Development co-operation:** The OECD will develop guidelines on poverty reduction to help developing countries take full advantage of the opportunities of globalisation. Ministers regretted that DAC members had been unable to reach a consensus on untying aid to the least developed countries and urged that discussions continue aimed at reaching agreement as soon as possible.

- **Co-operation with non-members:** The OECD must deepen and extend its relations with non-OECD economies. The OECD must remain open to membership by countries sharing the same values. Ministers welcomed the Forum 2000 as a major step forward in openness and asked the secretary-general to develop options for strengthening consultation and dialogue with civil society.

- **Slovak Republic:** Ministers agreed that the accession procedure of the Slovak Republic should be completed as soon as possible.

- **South Eastern Europe:** Strong determination by the countries in the region to reform their economies and societies, and a sustained commitment by OECD countries to co-operate with them, are needed to build a strong, democratic region. Ministers pledged the continuing active support of their countries to the OECD's work in South Eastern Europe.

Banking on small business

It takes an intrepid entrepreneur to start a business in Europe. High social charges, taxes and complex bureaucracy are only the initial hurdles he or she will have to negotiate. Such barriers tend to discourage risk-taking and innovation; and that's before trying to meet the challenges of competing in a high-tech, international environment. Still, entrepreneurs keep trying, even if perhaps too many fail. When they succeed, most do not create empires like Microsoft, but rather smaller, quite ordinary businesses. Over 95% of OECD enterprises are small and medium-sized businesses (SMEs), and they are the backbone of a vibrant growing economy. So the ministerial conference on "Enhancing the Competitiveness of SMEs in the Global Economy" that took place in Bologna (Italy) last June was a welcome break from Big-Business-as-usual.

"Entrepreneurship is becoming a central theme for Europe, " said Marie-Florence Estimé, the economist in charge of the OECD Working Party on SMEs. "But not only in Europe - almost 50 countries participated in the conference, and they all adopted the Bologna Charter. It's a major breakthrough."

The Bologna Charter maps out the direction government policymakers need to follow in order to make setting up SMEs more attractive. It highlights co-operation and partnerships and identifies how policy might improve conditions for entry, such as reforming regulations and institutional barriers that discourage new ventures; developing better equity and venture-capital markets; improving the diffusion and use of technology in the SME sector; facilitating access to global markets through e-commerce; and building on local and regional factors to enhance performance and competitiveness.

Some small facts

What are these SMEs and why is it important to encourage them further? SMEs are small, non-subsidiary independent firms, defined in the European Union as employing fewer than 250 workers, and in the United States as fewer than 500. They account for 60-70% of total employment in most countries. The employment potential of SMEs is one of the reasons why policymakers are showing such interest; indeed, it is predicted that small firms will provide more than 60% of new jobs in the US from 1994 to 2005. SMEs often do not have some of the traditional divides and hierarchies that characterise larger firms. In the United States, women-owned SMEs grew by 89% over the past decade, twice as fast as other businesses.

The Bologna Conference bore out the fact that the United States has the most entrepreneurial culture. A study by the Global Entrepreneurship Monitor in London argued that this was mainly because citizens value the independence associated with starting and managing a business. The population tends to recognise business opportunities; and risk-taking is a value reinforced by the educational system. Most of all, it's relatively easy to establish a new venture and obtain financing. A request for a loan can be turned around in less than 36 hours in the United States, whereas in some European countries it can take up to nine months.

Although the point was made at the conference that emulating one country's enterprise methods won't necessarily work in, for instance, an Asian or African context, it was recognised that for SMEs to expand, market liberalisation and regulatory reforms will probably be needed. To rectify financing deficiencies in some countries, governments are fostering the development of secondary stock markets (EASDAQ in Europe and KOSDAQ in Korea) to allow easy entry and exit for venture investors. They are also building "business angel" networks, which bring together small companies and wealthy investors.

Will the encouragement of small businesses spur the same kind of productivity, employment and growth seen in the United States? Do they play an essential role in the "new economy"? Possibly, and the Bologna Charter is at least a first step on the road to finding out. The real work is for the governments to do, by formulating not more, but better, policies. In the meantime in many countries, enterprise will remain a pursuit reserved for the very brave, the very rich, or indeed, the very foolhardy. ■ *Alison Benney*

See *http://www.oecd.org//dsti/sti/industry/smes/*

Calendar of upcoming events 2000

Please note that many of the meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For further information please contact the Media Relations Division or consult the OECD website at *http://www.oecd.org/news_and_events/upcoming.htm* which is updated weekly.

SEPTEMBER Some highlights

10-17 Economic Crime: Financial Markets at Risk, 18th Cambridge International Symposium. OECD participates. Cambridge, UK.

21-22 Knowledge Management: The New Challenge for Firms and Organisations, high-level forum organised by the Centre for Educational Research and Innovation (CERI). Ottawa, Canada.

25-26 Regulatory Reform, international forum organised jointly by the Public Management Service (PUMA) and the Mexican State of Puebla. Puebla, Mexico.

26-28 International Monetary Fund and the World Bank Group hold their annual meeting. Prague, Czech Republic.

28 Official signature ceremony for the accession of the Slovak Republic to OECD. News conference.

29 Official Development Assistance (ODA) Evaluation, seminar open to the public, jointly organised by the Japanese government and the Development Assistance Committee. (DAC) Tokyo, Japan.

OCTOBER

2 Prospects for Agricultural Policy Reform in OECD Countries, seminar organised by the Centre for European Policy Studies. Brussels, Belgium.

4-6 Environmentally Sustainable Transport, international conference organised by the Environment Directorate (ENV). News conference. Vienna, Austria.

5 Aid Policies of Sweden, review by the Development Assistance Committee (DAC).

9-10 Poverty and Social Exclusion, ministerial meeting organised by the UK Government and the Directorate for Education, Employment, Labour and Social Affairs (ELS). London, UK.

10 Asian Monetary Co-operation and the International Financial Architecture, organised by the Development Centre. Presentation by Mr. Takatoshi Ito, Vice Minister of Finance, Japan.

16-17 Water Management and Investments in NIS: overcoming policy and institutional obstacles, ministerial consultations organised by the Environment Directorate (ENV). Almaty, Kazakhstan.

16-17 Benchmarking Industry/Science Relationships, conference organised by Directorate for Science, Technology and Industry in collaboration with the German authorities. Berlin, Germany.

17 Aid Policies of Switzerland, review by the DAC.

18 World Knowledge Conference, Secretary-General attends. Seoul, Korea.

24-25 Securities Market and Economic Development in China, international seminar organised by the Directorate for Financial, Fiscal and Enterprise Affairs. (DAF) Beijing, China.

25 **Statistics: Efforts to Measure the Hard-to-Measure**, seminar organised by the Royal Statistical Society, the Statistics Directorate (STD). Open to journalists. London, UK.

30-31 **Investment Policy and Norms within the framework of the South East Europe Compact for Investment, Integrity and Growth**, conference organised by DAF and the Ministry for Economic Affairs of Austria. Vienna, Austri.a.

NOVEMBER

1-3 **Schooling for Tomorrow**: Conference organised by CERI, the Netherlands government and the Municipality of Rotterdam, Netherlands.

2-3 **Assessing the Impact on Stability of FDI and other Financial Flows to Latin America**, 11th International Forum on Latin American Perspectives, organised by the Development Centre.

13-14 **Ageing and Technology**, workshop organised by STI. Tokyo, Japan.

13-15 **Forum on Agricultural Policies in Non-Member Economies**, organised by the Centre for Co-operation with Non-Members (CCNM).

13-24 World Conference on Climate Change: United Nations Framework Convention, sixth session of the Conference of the Parties. The Hague, Netherlands.

15-17 **International Science and Technology Co-operation for Sustainable Development**, organised by STI in conjunction with the Korean Ministry of Science and Technology. Seoul, Korea.

21 **Economic Outlook No. 68**, publication of the preliminary version.

21-23 **Environmental Financing**, workshop organised by the China Programme of CCNM/ENV and the Chinese authorities. Beijing, China.

23-24 **Gender Mainstreaming: Competitiveness and Growth**, senior-level conference sponsored by the Nordic Council of Ministers and the OECD.

29-1/2 **Women Entrepreneurs in SMEs: Realising the Benefits of Globalisation and the Knowledge-based Economy**, conference organised by STI. Paris, Bercy.

30-1/2 **Impact of Globalisation on Income Inequality in Developing Countries: Lessons for Policymakers**, seminar organised by the Development Centre.

DECEMBER

6-8 **Global Research Village 2000**, conference organised by STI. The Netherlands.

11-13 **Partnership Forum and Senior-Level Meeting** of the Development Assistance Committee.

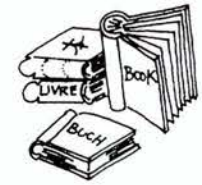
14-15 **Insurance in the Baltic Countries**, workshop organised by DAF and CCNM. Riga, Latvia.

19-20 **China Shipbuilding**, workshop organised by STI.

JANUARY 2001

15-17 **Electronic Commerce**, conference organised by the CCNM Emerging Market Economy Forum and STI. Dubai.

25-30 **World Economic Forum**. Davos, Switzerland.



Publications – July-October 2000

ORDER FORM AT THE END OF THE ISSUE
All publications available in paper and electronic book format
This is a selected list. For more titles, please consult www.oecd.org/bookshop

AGRICULTURE

Transition to Responsible Fisheries
Economic and Policy Implications

OECD Code: 532000021P1
ISBN: 92-64-17160-6
September 2000, 281 pages
33 tables, 34 charts
FF340 US$50 DM101 £31 ¥5,300 MXN467

Agricultural Policies in Emerging and Transition Economies 2000

OECD Code: 142000061P1
ISBN: 92-64-17640-3
July 2000, 156 pages
23 tables, 39 charts
FF295 US$44 DM88 £28 ¥4,700 MXN404

Review of Agricultural Policies

Romania

OECD Code: 142000081P1
ISBN: 92-64-17673-X
September 2000, 270 pages
104 tables, 33 charts
FF340 US$51 DM101 £32 ¥5,400 MXN465

DEVELOPMENT AND AID

DAC Journal 2000 Volume 1, No. 3

OECD Code: 432000331P1
ISBN: 92-64-17156-8
September 2000, 348 pages
28 tables, 45 charts
FF295 US$49 DM90 £30 ¥5,650 MXN454

Facts about European NGOs Active in International Development

OECD Code: 412000101P1
ISBN: 92-64-18548-8
October 2000, 95 pages, 15 tables, 41 charts
FF130 US$20 DM39 £12 ¥2,000 MXN179

Finding Problems to Fit the Solutions

Twenty Years of Aid to the Sahel

OECD Code: 441999011P1
ISBN: 92-64-16976-8
July 2000, 312 pages
FF290 US$50 DM86 £30 ¥6,900 MXN435

Development Centre Studies

Regional Integration and Internal Reforms in the Mediterranean Area

OECD Code: 412000081P1
ISBN: 92-64-17675-6
July 2000, 140 pages, 30 tables, 2 charts
FF180 US$27 DM54 £17 ¥2,850 MXN255

ECONOMICS

OECD Economic Surveys

France 1999/2000

OECD Code: 102000141P1
ISBN: 92-64-17514-8
July 2000, 188 pages
17 tables, 78 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

Mexico 1999/2000

OECD Code: 102000401P1
ISBN: 92-64-17540-7
July 2000, 184 pages
23 tables, 65 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

Denmark 1999/2000

OECD Code: 102000131P1
ISBN: 92-64-17513-X
July 2000, 172 pages
21 tables, 54 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

Finland 1999/2000

OECD Code: 102000311P1
ISBN: 92-64-17531-8
July 2000, 144 pages
18 tables, 80 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

Korea 1999/2000

OECD Code: 102000391P1
ISBN: 92-64-17539-3
October 2000, 297 pages
76 tables, 49 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

Canada 1999/2000

OECD Code: 102000011P1
ISBN: 92-64-17501-6
September 2000, 220 pages, 31 tables, 67 charts
FF185 US$30 DM55 £19 ¥3,550 MXN285

China in the Global Economy

Reforming China's Enterprises

OECD Code: 112000171P1
ISBN: 92-64-17697-7
September 2000, 132 pages
18 tables, 25 charts
FF180 US$26 DM54 £17 ¥2,800 MXN247

A New Economy?

The Changing Role of Innovation and Information Technology in Growth

OECD Code: 922000031P1
ISBN: 92-64-17694-2
July 2000, 96 pages
42 tables, 19 charts
FF130 US$20 DM39 £12 ¥2,050 MXN178

EDUCATION

Schooling for Tomorrow

Learning to Bridge the Digital Divide

Schooling for Tomorrow No. 69

OECD Code: 962000081P1
ISBN: 92-64-18288-8
September 2000, 95 pages
FF130 US$20 DM39 £12 ¥2,000 MXN179

Where are the Resources for Lifelong Learning?

OECD Code: 912000031P1
ISBN: 92-64-17677-2
October 2000, 110 pages, 38 tables
FF170 US$26 DM51 £16 ¥2,700 MXN223

Special Needs Education

Statistics and Indicators

OECD Code: 962000061P1
ISBN: 92-64-17689-6
October 2000, 160 pages
13 tables, 36 charts
FF230 US$33 DM69 £21 ¥3,552 MXN316

Higher Education Management

Volume 12, No. 2

OECD Code: 892000021P1
ISBN: 92-64-17543-1
August 2000, 160 pages
FF205 US$35 DM65 £23 ¥4,350 MXN280

ENERGY

Natural Gas Information 1999
2000 Edition

OECD Code: 612000121P1
ISBN: 92-64-18508-9
August 2000, 500 pages
FF1,050 US$150 DM313 £97 ¥16,210 MXN1,442

Electricity Information 1999
2000 Edition

OECD Code: 612000141P1
ISBN: 92-64-18510-0
September 2000, 768 pages
FF910 US$130 DM271 £84 ¥14,050 MXN1,250

Energy Efficiency Policy Profiles

Energy Labels & Standards

OECD Code: 612000061P1
ISBN: 92-64-17691-8,
August 2000, 100 pages
FF700 US$100 DM209 £66 ¥11,200 MXN999

Nuclear Legislation in Central and Eastern Europe and the NIS
2000 Overview

OECD Code: 662000181P1
ISBN: 92-64-18525-9
September 2000, 196 pages
FF220 US$32 DM66 £20 ¥3,400 MXN289

Nuclear Development

Nuclear Education and Training: Cause for Concern ?

OECD Code: 662000171P1
ISBN: 92-64-18521-6
August 2000, 124 pages
FF210 US$31 DM63 £19 ¥3,300 MXN276

ENVIRONMENT

Greener Public Purchasing
Issues and Practical Solutions

OECD Code: 972000041P1
ISBN: 92-64-17688-8, August 2000, 112 pages
FF130 US$20 DM39 £12 ¥2,000 MXN179

OECD Environmental Performance Reviews

Ireland

OECD Code: 972000061P1
ISBN: 92-64-18292-6
October 2000, 145 pages, 28 tables, 15 charts
FF180 US$35 DM55 £23 ¥4,140 MXN270

OECD Proceedings

Towards Sustainable Development: Indicators to Measure Progress

(Proceedings of the Rome Conference)

OECD Code: 972000111P1
ISBN: 92-64-18532-1,
September 2000, 420 pages
FF490 US$70 DM146 £45 ¥7,550 MXN644

FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS

Financial Market Trends 2000, No. 77

OECD Code: 272000031P1
ISBN: 92-64-17560-1
October 2000,
150 pages, 20 tables
FF225 US$45 DM70 £25 ¥4,450 MXN346

No Longer Business as Usual Fighting Bribery and Corruption

OECD Code: 212000041P1
ISBN: 92-64-17660-8
October 2000, 250 pages
FF250 US$38 DM75 £24 ¥4,050 MXN328

Measuring the Role of Tourism in OECD Economies

The OECD Manual on Tourism Satellite Accounts and Employment

OECD Code: 782000021P1
ISBN: 92-64-18500-3
July 2000, 272 pages
60 tables, 8 charts
FF320 US$48 DM95 £30 ¥5,070 MXN438

OECD Journal of Competition Law and Policy Volume 2, No. 3

OECD Code: 242000231P1
ISBN: 92-64-17584-9
October 2000, 200 pages
FF335 US$60 DM105 £34 ¥7,500 MXN515

Model Tax Convention on Income and on Capital

Condensed version 2000 Edition

OECD Code: 232000551P1
ISBN: 92-64-18549-6
August 2000, 312 pages
FF270 US$39 DM81 £25 ¥4,200 MXN355

OECD Reviews of Foreign Direct Investment

Hungary

OECD Code: 212000021P1
ISBN: 92-64-17633-0,
October 2000, 80 pages
FF130 US$20 DM39 £12 ¥2,100 MXN184

INDUSTRY, SCIENCE AND TECHNOLOGY

Science, Technology and Industry Outlook, 2000 Edition

OECD Code: 922000051P1
ISBN: 92-64-18297-7,
October 2000, 262 pages
FF370 US$53 DM110 £34 ¥5,700 MXN508

OECD Small and Medium Enterprise Outlook

2000 Edition

OECD Code: 922000021P1
ISBN: 92-64-17656
June 2000, 224 pages
22 tables, 20 charts
FF320 US$48 DM95 £30 ¥5,100 MXN453

Korea and the Knowledge-based Economy

Making the Transition (1999)

OECD Code: 922000061P1
ISBN: 92-64-18298-5
October 2000, 166 pages
13 tables, 17 charts
FF230 US$33 DM69 £21 ¥3,600 MXN316

Measuring the Information and Communications Technology Sector

OECD Code: 932000041P1
ISBN: 92-64-18299-3
September 2000
Free publication

LABOUR MARKET AND SOCIAL ISSUES

The Creative Society of the 21st Century

OECD Code: 032000021P1
ISBN: 92-64-17196-7
August 2000, 200 pages
FF140 US$21 DM42 £13 ¥2,220 MXN192

Combating the Illegal Employment of Foreign Workers

OECD Code: 812000141P1
ISBN: 92-64-18515-1,
July 2000, 184 pages
FF280 US$41 DM84 £26 ¥4,350 MXN368

Pushing Ahead with Reform in Korea

Labour Market and Social Safety-net Policies

OECD Code: 812000071P1
ISBN: 92-64-17685-3
June 2000, 180 pages
37 tables, 25 charts
FF150 US$23 DM45 £14 ¥2,400 MXN205

PUBLIC MANAGEMENT

OECD Reviews of Regulatory Reform

Regulatory Reform in Hungary

OECD Code: 422000041P1
ISBN: 92-64-17667-5
July 2000, 368 pages
FF420 US$63 DM125 £39 ¥6,650 MXN575

Regulatory Reform in Spain

OECD Code: 422000051P1
ISBN: 92-64-17668-3
August 2000, 312 pages
FF400 US$58 DM119 £37 ¥6,250 MXN525

Regulatory Reform in Denmark

OECD Code: 422000031P1
ISBN: 92-64-17665-9
September 2000, 375 pages
47 tables, 24 charts
FF420 US$63 DM125 £39 ¥6,650 MXN575

STATISTICS

Main Economic Indicators Sources and Definitions 2000 Edition

OECD Code: 312000131P1
ISBN: 92-64-18516-X
August 2000, 312 pages
FF550 US$80 DM164 £51 ¥8,600 MXN723

TRADE

International Trade and Core Labour Standards

OECD Code: 222000041P1
ISBN: 92-64-18535-6
October 2000, 98 pages
FF140.00 US$20 DM42 £13 ¥2,150 MXN192

TRANSPORT

ECMT Round Tables

Transport and Leisure

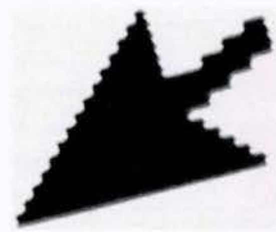
OECD Code: 752000041P1
ISBN: 92-82-11256-X
August, 2000, 200 pages
FF300 US$46 DM89 £29 ¥4,850 MXN425

Sustainable Transport Policies

OECD Code: 752000141P1
ISBN: 92-82-11267-5
September 2000, 35 pages
Free publication

Transport and Ageing of the Population

OECD Code: 752000081P1
ISBN: 92-82-11260-8
September, 2000, 265 pages
114 tables, 44 charts
FF390 US$56 DM116 £36 ¥6,000 MXN535



Indicators

databank

			% change from:				level:	
			previous period	previous year			current period	same period last year
Australia	Gross domestic product	Q2 00	0.7	4.7	Current balance	Q2 00	-4.64	-6.10
	Leading indicator	Aug. 00	1.3	0.1	Unemployment rate	Aug. 00	6.4	7.1
	Consumer price index	Q2 00	0.8	3.2	Interest rate	Aug. 00	6.49	4.92
Austria	Gross domestic product	Q2 00	0.7	3.9	Current balance	Jul. 00	-0.99	-0.92
	Leading indicator	Jul. 00	0.1	7.4	Unemployment rate	Aug. 00	3.2	3.7
	Consumer price index	Aug. 00	0.0	2.7	Interest rate*		..	..
Belgium	Gross domestic product	Q1 00	1.3	5.1	Current balance	Q2 00	2.35	2.88
	Leading indicator	Aug. 00	0.1	1.3	Unemployment rate	Aug. 00	8.6	9.1
	Consumer price index	Sep 00	0.7	3.4	Interest rate*		..	..
Canada	Gross domestic product	Q2 00	1.2	5.3	Current balance	Q2 00	2.11	-1.35
	Leading indicator	Jul. 00	0.2	3.9	Unemployment rate	Aug. 00	7.1	7.7
	Consumer price index	Aug. 00	-0.2	2.5	Interest rate	Sep. 00	5.84	4.81
Czech Rep.	Gross domestic product	Q2 00	..	1.9	Current balance	Q1 00	-0.35	-0.32
	Leading indicator		..	..	Unemployment rate	Q2 00	8.9	8.7
	Consumer price index	Aug. 00	0.1	4.0	Interest rate	Sep. 00	5.34	6.29
Denmark	Gross domestic product	Q2 00	1.1	3.6	Current balance	Jun. 00	0.24	0.41
	Leading indicator	Jun. 00	-0.4	4.2	Unemployment rate	Aug. 00	4.8	5.2
	Consumer price index	Aug. 00	-0.1	2.4	Interest rate	Aug. 00	5.65	3.04
Finland	Gross domestic product	Q2 00	0.3	4.5	Current balance	Jul. 00	0.89	0.55
	Leading indicator	Apr. 00	-1.6	4.6	Unemployment rate	Aug. 00	9.4	10.0
	Consumer price index	Aug. 00	0.2	3.8	Interest rate*		..	..
France	Gross domestic product	Q2 00	0.7	3.4	Current balance	Jun. 00	3.73	3.69
	Leading indicator	Aug. 00	-0.6	1.5	Unemployment rate	Aug. 00	9.6	11.2
	Consumer price index	Aug. 00	0.2	1.8	Interest rate*		..	..
Germany	Gross domestic product	Q2 00	1.1	3.6	Current balance	Jul. 00	-2.60	-1.87
	Leading indicator	Aug. 00	-0.2	5.5	Unemployment rate	Aug. 00	8.3	8.8
	Consumer price index	Aug. 00	-0.2	1.8	Interest rate*		..	..
Greece	Gross domestic product	1999	..	3.4	Current balance	Jun. 00	-0.69	-0.56
	Leading indicator	Jul. 00	0.0	5.3	Unemployment rate		..	..
	Consumer price index	Aug. 00	0.1	3.0	Interest rate	May 00	8.90	10.00
Hungary	Gross domestic product	1998	..	4.9	Current balance	Jul. 00	0.01	-0.14
	Leading indicator		..	..	Unemployment rate	Q2 00	6.7	7.0
	Consumer price index	Aug. 00	0.4	9.7	Interest rate	Aug. 00	10.60	14.40
Iceland	Gross domestic product	1999	..	4.3	Current balance	Q1 00	-0.18	-0.11
	Leading indicator		..	..	Unemployment rate	Aug. 00	1.2	1.9
	Consumer price index	Sep. 00	0.2	4.0	Interest rate	Aug. 00	11.30	8.52
Ireland	Gross domestic product	1999	..	9.8	Current balance	Q1 00	0.10	-0.02
	Leading indicator	Aug 00	0.9	9.5	Unemployment rate	Aug. 00	4.4	5.6
	Consumer price index	Aug. 00	0.5	6.2	Interest rate*		..	..
Italy	Gross domestic product	Q2 00	0.3	2.6	Current balance	Jun. 00	-1.84	1.23
	Leading indicator	Jul. 00	0.6	3.3	Unemployment rate	Jul. 00	10.5	11.3
	Consumer price index	Aug. 00	0.1	2.6	Interest rate*		..	..
Japan	Gross domestic product	Q2 00	1.0	0.8	Current balance	Jul. 00	10.02	10.95
	Leading indicator	Aug. 00	0.6	4.7	Unemployment rate	Aug. 00	4.6	4.7
	Consumer price index	Aug. 00	0.0	-0.8	Interest rate	Sep. 00	0.35	0.12
Korea	Gross domestic product	Q2 00	1.1	9.3	Current balance	Aug. 00	0.99	1.65
	Leading indicator		..	..	Unemployment rate	Aug. 00	4.1	6.1
	Consumer price index	Sep. 00	1.5	3.9	Interest rate	Aug. 00	7.00	7.20

			% change from: previous period	previous year			level: current period	same period last year
Luxembourg	Gross domestic product	1999	. .	7.5	Current balance		. .	. .
	Leading indicator	Aug. 00	0.0	6.9	Unemployment rate	Jul. 00	2.2	2.3
	Consumer price index	Aug. 00	1.3	3.1	Interest rate*		. .	. .
Mexico	Gross domestic product	Q2 00	2.0	8.0	Current balance	Q1 00	-4.20	-3.52
	Leading indicator	Jul. 00	0.8	7.7	Unemployment rate	Jul. 00	2.0	2.4
	Consumer price index	Aug. 00	0.5	9.1	Interest rate	Aug. 00	15.71	21.49
Netherlands	Gross domestic product	Q2 00	0.8	4.2	Current balance	Q2 00	6.64	3.79
	Leading indicator	Aug. 00	0.5	1.5	Unemployment rate	Jul. 00	2.5	3.5
	Consumer price index	Aug. 00	0.3	2.5	Interest rate*		. .	. .
New Zealand	Gross domestic product	Q2 00	-0.9	4.6	Current balance	Q2 00	-0.67	-0.64
	Leading indicator		. .	. .	Unemployment rate	Q2 00	6.1	6.9
	Consumer price index	Q2 00	0.7	2.0	Interest rate	Sep. 00	6.66	4.94
Norway	Gross domestic product	Q2 00	-0.2	3.4	Current balance	Q2 00	4.32	0.72
	Leading indicator	Aug. 00	1.1	3.0	Unemployment rate	Q2 00	3.2	3.1
	Consumer price index	Aug. 00	-0.1	3.5	Interest rate	Aug. 00	7.12	6.09
Poland	Gross domestic product	1999	. .	4.2	Current balance	May 00	-0.41	-0.68
	Leading indicator		. .	. .	Unemployment rate	Aug. 00	14.1	12.2
	Consumer price index	Aug. 00	-0.3	10.7	Interest rate	Aug. 00	17.18	12.55
Portugal	Gross domestic product	Q4 98	0.7	3.7	Current balance	Q2 00	-3.03	-2.37
	Leading indicator	Jul. 00	-3.5	-4.3	Unemployment rate	Aug. 00	3.8	4.4
	Consumer price index	Aug. 00	0.1	3.5	Interest rate*		. .	. .
Spain	Gross domestic product	Q2 00	0.9	3.9	Current balance	Jun. 00	-1.22	-0.81
	Leading indicator	Jul. 00	0.1	3.9	Unemployment rate	Aug. 00	14.5	15.7
	Consumer price index	Aug. 00	0.4	3.6	Interest rate*		. .	. .
Sweden	Gross domestic product	Q2 00	1.1	4.0	Current balance	Jul. 00	0.40	0.63
	Leading indicator	Aug. 00	1.4	5.7	Unemployment rate	Aug. 00	5.9	7.1
	Consumer price index	Aug. 00	0.1	1.0	Interest rate	Sep. 00	3.94	3.05
Switzerland	Gross domestic product	Q2 00	0.6	3.9	Current balance	Q2 00	8.49	7.99
	Leading indicator	Aug. 00	0.7	3.1	Unemployment rate	Aug. 00	1.9	2.6
	Consumer price index	Sep. 00	1.2	2.3	Interest rate	Aug. 00	3.38	1.03
Turkey	Gross domestic product	Q2 00	. .	5.9	Current balance	Q2 00	-3.27	-1.38
	Leading indicator		. .	. .	Unemployment rate	Q4 99	7.3	6.7
	Consumer price index	Aug. 00	1.7	56.4	Interest rate	Sep. 00	47.44	67.51
United Kingdom	Gross domestic product	Q2 00	0.9	3.2	Current balance	Q2 00	-4.99	-4.26
	Leading indicator	Aug. 00	-0.1	0.8	Unemployment rate	Jun. 00	5.4	6.0
	Consumer price index	Aug. 00	0.0	3.0	Interest rate	Aug. 00	6.13	5.17
United States	Gross domestic product	Q2 00	1.4	6.1	Current balance	Q2 00	-106.14	-78.98
	Leading indicator	Aug. 00	-1.4	-0.2	Unemployment rate	Aug. 00	4.1	4.2
	Consumer price index	Aug. 00	-0.1	3.4	Interest rate	Sep. 00	6.60	5.50
Euro zone	Gross domestic product	Q2 00	0.9	3.8	Current balance	Jul. 00	-2.06	6.62
	Leading indicator	Aug. 00	-0.2	3.2	Unemployment rate	Aug. 00	9.0	9.9
	Consumer price index	Aug. 00	0.0	2.3	Interest rate	Sep. 00	4.85	2.73

Definitions and notes

Gross domestic product: Volume series, seasonally adjusted except for Czech Republic and Turkey; ***Leading indicator***: A composite indicator, based on other indicators of economic activity (employment, sales, income, etc.), which signals cyclical movements in industrial production from six to nine months in advance; ***Consumer price index***: Measures changes in average retail prices of a fixed basket of goods and services; ***Current balance***: $ billion ; not seasonally adjusted except for Australia, the United Kingdom and the United States; ***Unemployment rate***: % of civilian labour force – standardised unemployment rate; national definitions for Iceland, Korea, Mexico, Poland, Switzerland and Turkey; seasonally adjusted apart form Turkey; ***Interest rate***: Three months, except for Turkey (overnight interbank rate); . . not available; *Refer to Euro zone.

Source: ***Main Economic Indicators***, OECD Publications, Paris, October 2000; Quarterly National Accounts database.

Pump primers

As oil prices spiralled in recent months, motorists the world over have been vying for the dubious honour of suffering the world's most expensive petrol. But while French lorry drivers and fishermen were the first to take to the streets to try and force their government to cut fuel taxes to bring prices down, IEA/OECD figures show that they may have less to complain about than some other countries.

In fact, private motorists in the United Kingdom paid the most for diesel fuel among OECD members in the three months to June, at just over US$1.20 a litre, with tax accounting for 74.7% of the price. It was the same story for commercial users, who paid slightly less but still headed the list with tax at 70.3%.

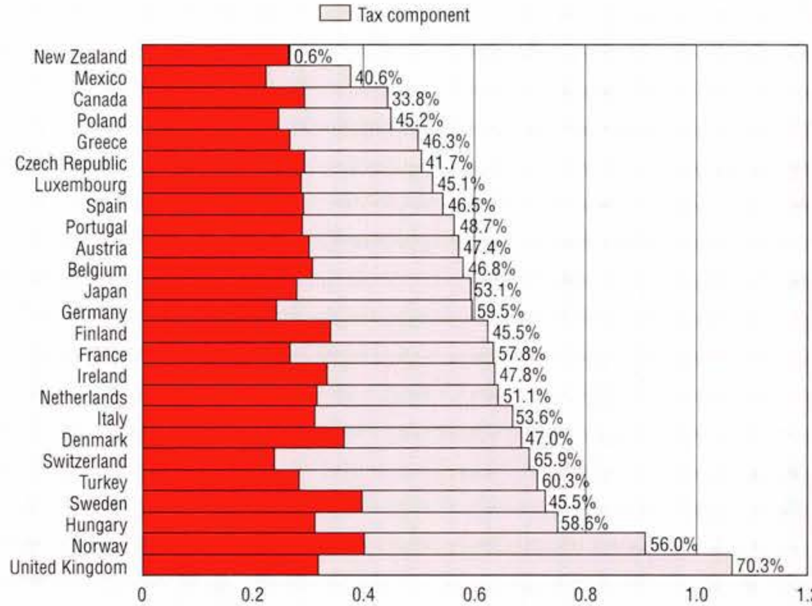
France ranked ninth behind countries including Japan and Switzerland, with diesel at below 80 cents a litre and a tax level of 64.4%. French commercial users did not make it into the top ten either, in 11th place behind Ireland with a tax rate of 57.8%.

US motorists may be surprised to discover that their diesel fuel is not the cheapest in the world. That distinction goes to New Zealand, with diesel for private motorists taxed at just 11.7%, compared with 31.1% for their US counterparts, giving a price per litre of less than 30 cents. New Zealand commercial diesel was even cheaper, with tax accounting for 0.6 percent of the price. ■

• Visit http://www.iea.org/

Diesel prices and taxes, commercial use

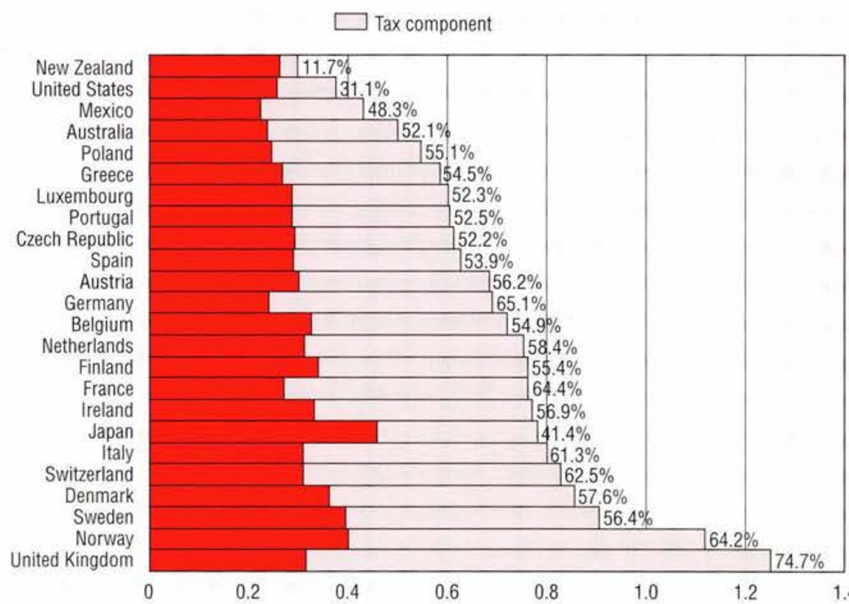
US$/litre, Q2 2000



Note: Data not available for Australia and United States.
Source: Energy Prices and Taxes, IEA/OECD Paris, 2000.

Diesel prices and taxes, non-commercial use

US$/litre, Q2 2000



Note: Data not available for Canada, Hungary and Turkey.
Source: Energy Prices and Taxes, IEA/OECD Paris, 2000.

Internet keeps getting cheaper

Surfing the web keeps getting cheaper in OECD countries, and the good news for real Internet fans is that the price falls are steepest when it comes to services offering unlimited access for a flat fee. The average price for off-peak Internet access based on 40 hours' use a month fell 27% between October 1999 and September this year, thanks to the spread of unmetered access.

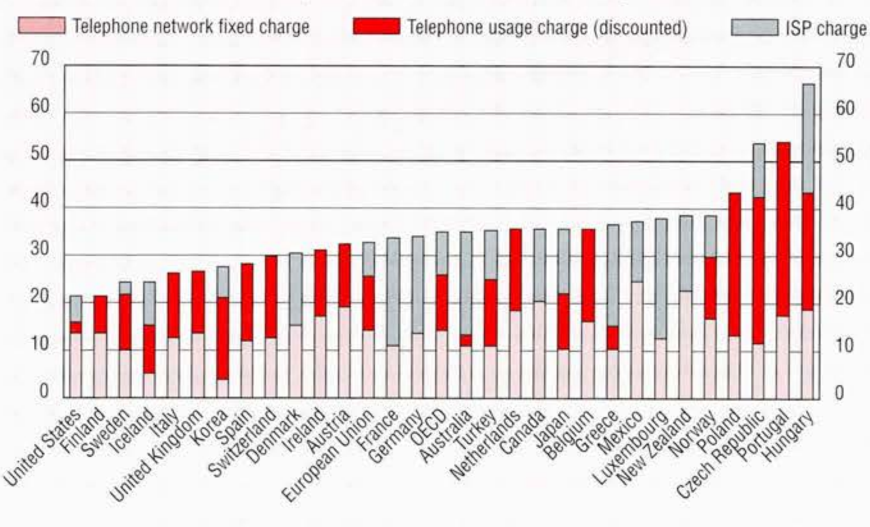
By September, unmetered access was available in 10 OECD countries, double the number at the beginning of the year and including Hungary, Korea and Spain. Prices for metered access also fell sharply, with the average price for 20 hours off-peak use per month dropping 20% in the year to September. This was partly thanks to the spread of subscription-free Internet access, where there is no fee to the Internet service provider beyond the cost of the phone call. This practice has now been introduced in Finland and Portugal.

Korean websurfers pay least for 20 hours' access per month at off-peak times, but their US counterparts do better when it comes to peak time use. ■

• Visit our IT site at *http://www.oecd.org/dsti/sti/it/*

Internet access

20 hours at off-peak times, in US$ PPP, including VAT, 2000



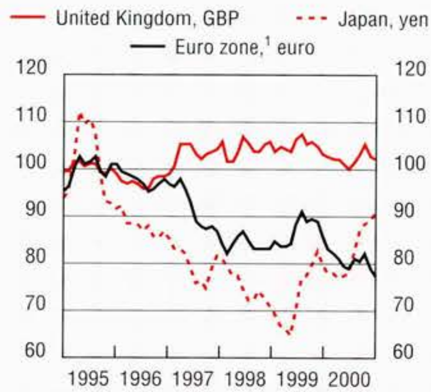
Note: Public Service Telephone Network (PSTN) fixed charges include monthly rental fee. The basket includes 20 one-hour calls. Off-peak is taken at 8pm. In some countries, Internet Service Provider (ISP) and PSTN usage charges are bundled and included under either the ISP or the PSTN charge.

Source: OECD, http//www.oecd.org/dsti/sti/it/cm/

How low is the euro?

Exchange rate trends

USD against national currency, 1995 = 100
daily averages



1. Prior to 1999, data for the euro zone correspond to the ECU.

Source: *Main Economic Indicators*, OECD 2000.

The euro fell further against other major currencies in September, prompting the European Central Bank to intervene on foreign exchange markets for the first time since the European single currency's creation in January 1999.

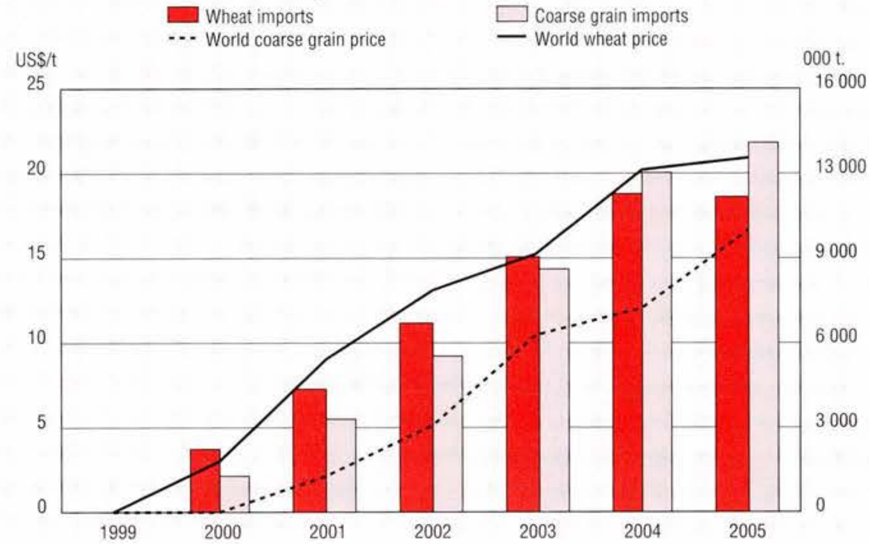
The concerted intervention with the US Federal Reserve, the Bank of Japan and the Bank of England was not enough to reverse the trend.

Its average value slipped to 1.1484 per dollar in September, from 1.1059 in August. By the end of the first week of October it was trading at 1.1506 to the dollar, as a surprise euro zone interest rate rise sent the currency back down to pre-intervention levels.

The euro has in fact fallen steadily in value since the single currency was launched two years ago. But the currency is still high compared to 1985, when a basket of European currencies traded at less than 70 cents to the dollar. ■

China should grow more vegetables

Complete free trade would increase China's grain imports by 26 million tonnes



Source: OECD Secretariat.

China should grow less cereals and oilseeds and more vegetables as part of agricultural reform in the transition to a fully-fledged member of the global economy following its accession to the World Trade Organisation, a new OECD study suggests.

Labour-intensive vegetable production would be more competitive than cereal and oilseed growing given China's large labour force and lack of agricultural land and water, *Agricultural Policies in emerging and Transition Economies 2000* found. Grain production is already declining, and the trend is expected to continue as cuts in guaranteed prices and stocks begin to bite.

Completely free trade would boost grain imports by some 26 million tonnes by 2005 to total some 40 million tonnes. But China would have trouble handling such an import level with its current port, road and distribution network. Even without full free trade, lower tariffs and larger import quotas are expected to increase access to foreign food supplies at lower prices, with a knock-on effect on domestic prices. The reduction in tariffs envisaged in the WTO accession negotiations, for example, would push domestic wheat prices down 8% compared with prices without any trade liberalisation. ■

• *Agricultural Policies in Emerging and Transition Economies 2000* also covers prospects for other emerging countries such as India and Brazil. The book is available from the OECD online bookshop at *http://www.oecd.org/sourceoecd/*

Rebels without a role

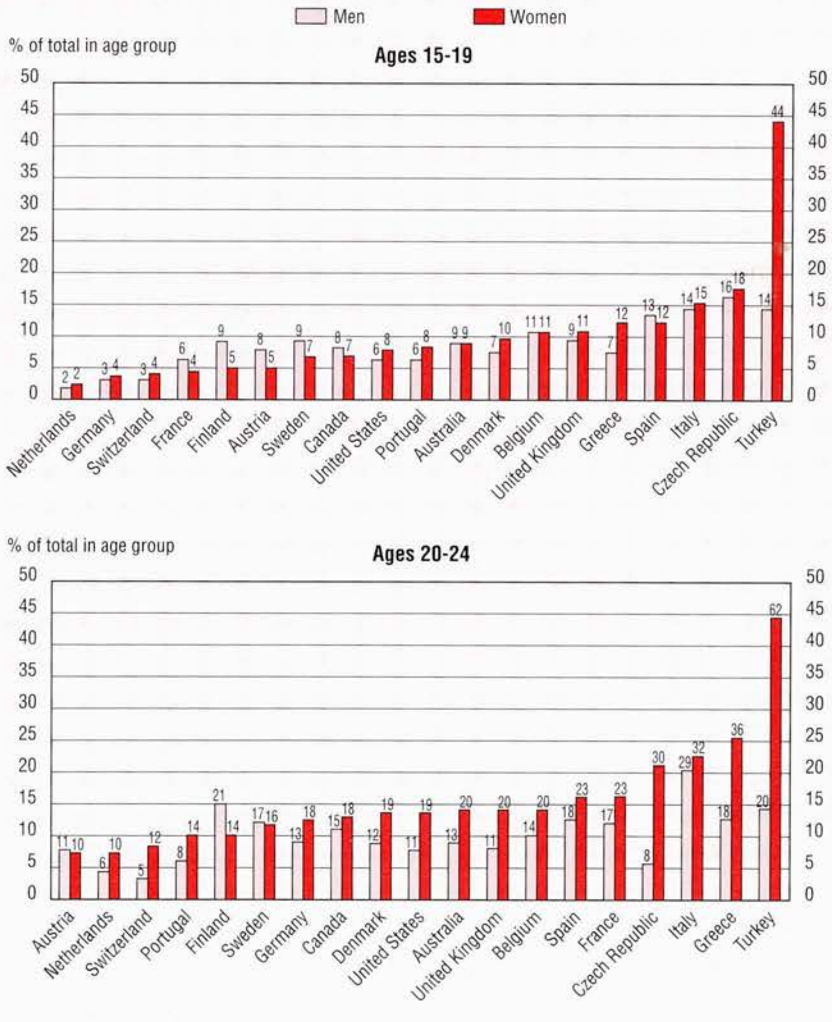
Most young people in OECD countries continue their studies until the end of their teens, but in several countries a disturbingly high proportion – more than 10% – of 15-19-year-olds are neither in school nor at work. The worst affected are young women in Turkey, where 44% of this age group are out of school and work, but other countries above the 10% mark include the United Kingdom, Italy, Belgium and the Czech Republic, the OECD says in its latest *Education at a Glance* survey.

Overall across OECD countries more than four out of five 15-19-year-olds are still at school or college, but once they move on into the labour market between the ages of 20 and 24 the number out of work can rise sharply. In the Netherlands, for example, only two percent of 15-19s are not in school or work, but this more than doubles to 10% of women and six percent of men in the 20-24 age group. ■

- *Education at a Glance: OECD Indicators 2000 edition* is available from the OECD online bookshop at *http://www.oecd.org/sourceoecd/*
- Visit *http://www.oecd.org/els/*

Lost years

Youth not in education or work, by age group and gender, 1998



Source: Education at a Glance – OECD Indicators, OECD 2000.