



# Annual Report | 2003

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

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# Preface

The past year has been a very active and challenging one for international co-operation. The OECD has responded flexibly to the rapidly-evolving globalised economy by developing new projects, and by continuing to modernise the functioning of the Organisation. This Annual Report documents our activities in 2002, and points the directions of upcoming work, some of which I would like to highlight here.

## The evolving policy agenda

The positive economic developments in early 2002 did not last. Global economic recovery is now faltering against the background of geopolitical uncertainty. Taking a longer perspective, OECD countries continued to make progress in structural reforms that foster economic growth, raise productivity and achieve higher levels of employment. But the pattern of growth across the OECD area is changing. In most of the post-war era there has been a general tendency for countries with relatively low gross domestic product (GDP) per capita to catch up with the leading countries.

This pattern of convergence was reversed during the 1990s, as the United States drew strongly ahead of the field again. Australia, Canada and Ireland also achieved much higher growth over the past few years than continental Europe or Japan. These differences stem in part from demographics. But policies matter too, in particular as some OECD countries made strong progress in structural reform. The OECD Growth Study provides a framework for analysing these issues, and the OECD is now monitoring the implementation of its recommendations.

The OECD has for a long time worked on a number of policy issues that are relevant to the fight against terrorism or to managing the aftermath of a major terrorist attack. Thus, following the tragic events of 11 September 2001, the OECD provided its members with an assessment of the economic impacts, as well as impacts on international trade and on financial markets. It accelerated work in sensitive fields such as security of information systems and standards for access to pathogens held in biological resource centres. It has begun new work on ship ownership and cargo verification. A special Task Force on Terrorism Insurance is helping members come to grips with mega-terrorism risks.

The World Summit on Sustainable Development in Johannesburg focused world attention on progress in the decade since the Rio Earth Summit and provided an opportunity to review international commitments on development, trade, financing and the environment. It produced two main results: a detailed, action-oriented Plan of Implementation, intended to guide work on sustainable development in the years to come; and a series



OECD Secretary-General  
Donald J. Johnston.

of partnership initiatives involving government, business, non-governmental organisations and other groups to address specific sustainable development problems. The OECD participated actively in the preparations for the summit and in the meeting itself. For follow-up, the OECD will concentrate on areas where it has a clear comparative advantage: corporate responsibility and accountability; poverty reduction, especially through better development assistance and trade liberalisation; methods to achieve growth with less environmental impact; protecting and managing natural resources; and statistics on sustainable development. The OECD has also joined seven partnership initiatives, in areas ranging from dealing with environmental emergencies to developing indicators of children's environmental health.

OECD work to facilitate multilateral trade negotiations has intensified in the run-up to the 5<sup>th</sup> World Trade Organization (WTO) Ministerial meeting in Cancún, Mexico, in September 2003. Member countries are committed to achieving the promise embodied in the Doha Development Agenda (DDA). And particularly at a time of marked political and economic uncertainty, they appreciate that all countries will reap benefits if the negotiations are successfully completed, while failure would raise serious dangers to the multilateral trading system and the global economy. Making progress in agriculture is crucial to the success of the negotiations and to making the DDA a true "development round". The OECD will help governments build consensus among themselves and among the broader public in support of market openness in order to strengthen the negotiation process.

### Adaptation and reform

Adaptation and institutional "reform" are constants in any living organisation. Pressures to adapt and reform have undoubtedly strengthened over the past decade, with a denser web of interconnections between economies (globalisation), the pressures and opportunities afforded by new information and communications technologies, and greater involvement of citizens in the making of public policy. In the globalising world economy, almost every policy issue now has an international dimension and has become a subject of international co-operation.

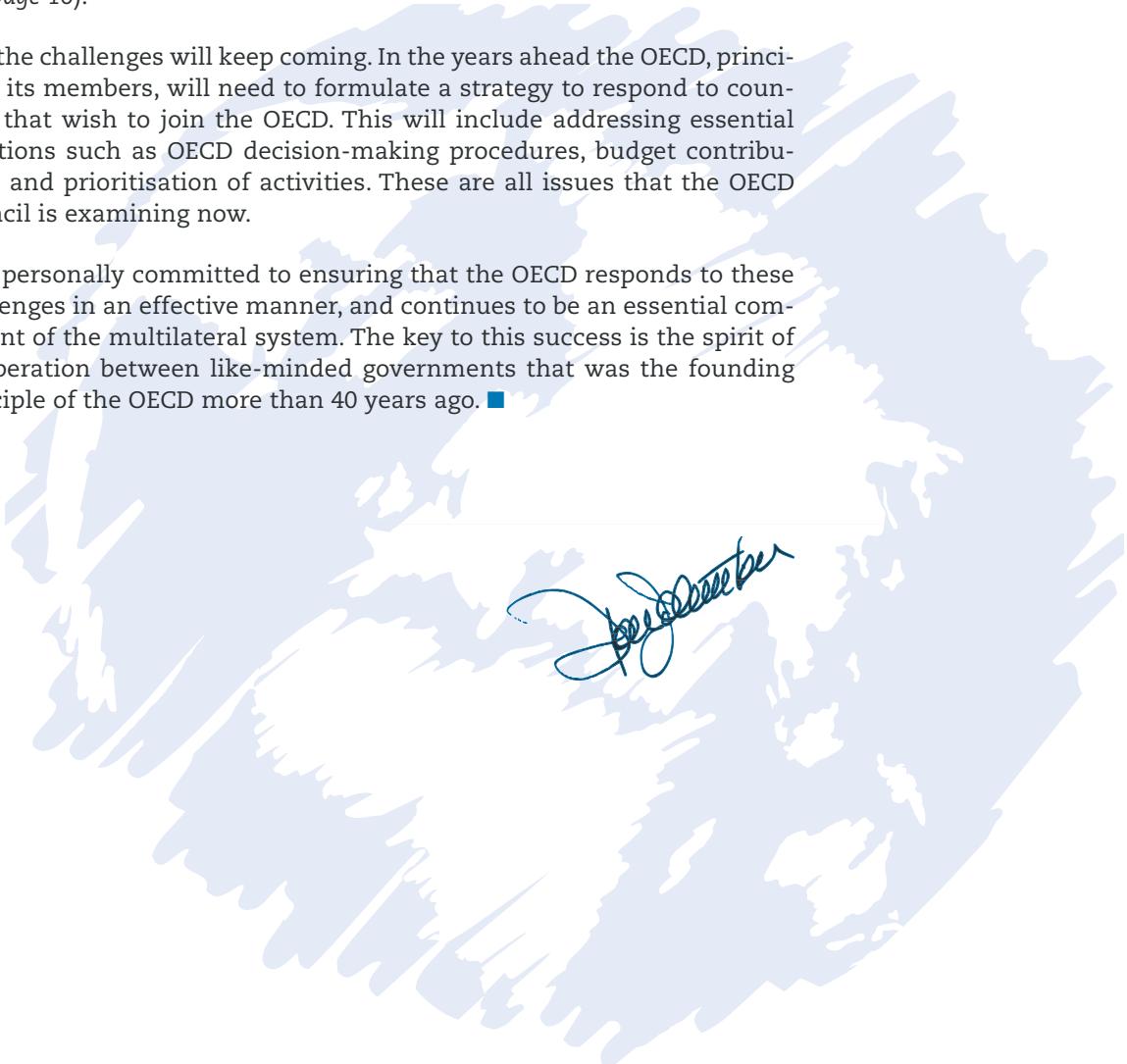
Reflecting the increasing importance of education in our knowledge-based societies, the OECD in 2002 created a separate Directorate for Education. Globalisation has also made it necessary to involve a broader range of countries in the OECD's activities. Thus, six new members have joined the Organisation over the past decade, and the OECD now co-operates with some 70 non-member economies.

Like many organisations and governments the OECD has been operating with tight, even declining, budgets and continuously seeks efficiency and best value for money. Modernisation has also been a priority and the

Organisation has streamlined its budget process and made its financial system more accountable and transparent by signing up to the International Public Sector Accounting Standards (IPSAS). The 2002 accounts, certified by external auditors, will be made available on the OECD website. It is also forging ahead with a major renovation of the headquarters site to improve safety and enable the Organisation to operate more efficiently (see page 10).

And the challenges will keep coming. In the years ahead the OECD, principally its members, will need to formulate a strategy to respond to countries that wish to join the OECD. This will include addressing essential questions such as OECD decision-making procedures, budget contributions and prioritisation of activities. These are all issues that the OECD Council is examining now.

I am personally committed to ensuring that the OECD responds to these challenges in an effective manner, and continues to be an essential component of the multilateral system. The key to this success is the spirit of co-operation between like-minded governments that was the founding principle of the OECD more than 40 years ago. ■



*Joe Deleecker*

## — About the OECD —

OECD share of world GNI (PPP): 60%  
OECD share of world trade: 76%  
OECD share of world population: 19%  
OECD GDP growth in 2002: 1.3%  
OECD share of world official development assistance: 95%  
OECD contribution to world CO<sub>2</sub> emissions: 55%  
OECD share of world energy production: 39%  
OECD share of world energy consumption: 54%

■ OECD member countries  
■ OECD outreach activities



The OECD is a unique forum where governments can pool ideas and expertise to tackle the economic, social and governance challenges of the 21<sup>st</sup> century globalised economy. It groups 30 market democracies producing 60% of the world's goods and services, but in this era of globalisation the OECD does not and cannot work alone. It shares expertise and exchanges views with more than 70 countries worldwide, as well as a vast array of stakeholders and interest groups, on topics of mutual concern from measuring climate change to ensuring transparency and accountability of governments to their citizens.

The OECD traces its roots back to the Marshall Plan for rebuilding the European economy after World War II and thus can draw on some 50 years of experience in crafting policies and systems that encourage economic growth, employment and social inclusion. And it is living proof that peaceful co-operation among like-minded economies is a powerful engine for stable economic growth and social progress.

Perhaps best known for its regular reports on member country economies, the OECD is also at the forefront of efforts to understand, and to enable governments to respond to, new developments and concerns. These include the misuse of the international financial system by terrorists and other criminals; the "new economy"; electronic commerce; biotechnology; and sustainable development.

The OECD's work includes efforts to foster prosperity and fight poverty through economic growth, financial stability, trade and investment, technology, innovation, entrepreneurship and development co-operation. It is helping to foster sustainable development, ensuring that economic and social development are not achieved at the expense of rampant environmental degradation. Other aims include creating jobs for everyone, social equity and clean and effective governance.

The Organisation is one of the world's largest and most reliable sources of comparable statistical, economic and social data. OECD databases span areas as diverse as national accounts, economic indicators, the labour force, trade, employment, migration, education, energy, health, industry, taxation, tourism and the environment.

The OECD provides a setting where governments can compare experiences, seek answers to common problems, identify good practice and co-ordinate domestic and international policies. It is a forum where peer pressure can act as a powerful incentive to improve policy and implement "soft law" – non-binding instruments such as the OECD Guidelines for Multinational Enterprises – and can on occasion lead to formal agreements or treaties.

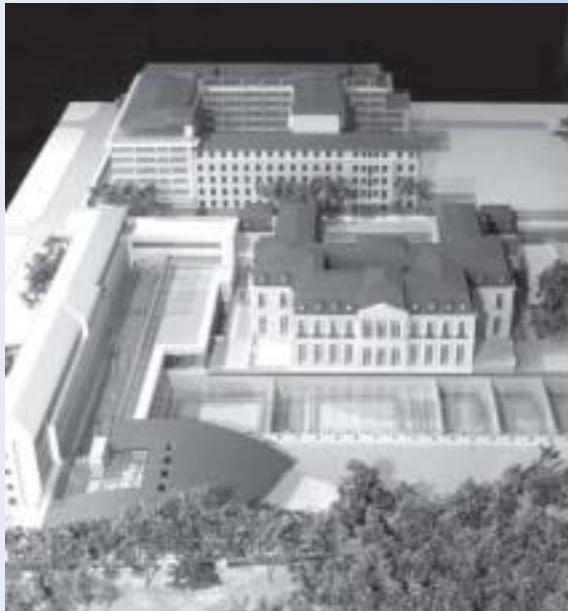
It works with developing countries, including the New Partnership for Africa's Development (NEPAD), and non-members are invited to subscribe to agreements and treaties. Business, labour and civil society take part in work on issues from trade and environment to biotechnology and food safety. ■

## — OECD site project —

Good progress was made in 2002 on a major project to renovate and redevelop the OECD's Paris headquarters.

The Organisation launched an international architectural competition for the redevelopment of part of the La Muette site, to resolve serious health and fire safety problems. The buildings will be refurbished, and a modern, efficient conference centre constructed. In early 2003, the OECD Council chose from among the five projects submitted – and in line with the recommendation of an independent jury – a proposal by a combined French-American team of architects. Other projects by members of the team include the Stade de France and Pyramide du Louvre in Paris, the World Trade Centre in Barcelona and the East Wing of the National Gallery in Washington. Construction work should begin on the site in mid-2004 and be completed in 2008 when staff will return to La Muette.

In parallel, the OECD has leased offices in the Tour Europe at La Défense, an active business centre to the west of Paris, as a temporary home for 1,000 OECD staff during the redevelopment. Work to make it ready was completed in 2002. Staff will move out through the first half of 2003, emptying some 20,000 m<sup>2</sup> of office space, so that the redevelopment can begin. ■



A scale model of the renovated OECD headquarters site and new conference centre.



La Tour Europe at Paris, La Défense, temporary home for OECD staff during the renovations.

## Selected events



US First Lady Laura Bush gives a keynote address on the importance of education at OECD Forum 2002 on 13–15 May.

### OECD Forum 2002, Paris, La Défense



(left to right)  
Belgian Minister of State for Foreign Affairs Annemie Neyts-Uyttebroeck and OECD Secretary-General Donald Johnston, at the OECD ministerial on 15–16 May.

### OECD Council at Ministerial Level



(left to right)  
French Minister for Economy, Finance and Industry Francis Mer and Japanese Minister of Economy, Trade and Industry Takeo Hiranuma, at the OECD ministerial on 15–16 May.

### OECD Council at Ministerial Level

## Visit by Mexican President

Mexican President Vicente Fox addresses the OECD Council on 15 November.



(left to right)  
Russian Prime Minister  
Mikhail Kasyanov  
with OECD Secretary-General  
Donald Johnston during a visit to  
the OECD on 2 July.

## Visit by Russian Prime Minister

OECD Secretary-General Donald Johnston visits the Soweto township in Johannesburg, and meets a local woman who won a competition for the best kept produce garden, during the summit on 26 August – 4 September.



## World Summit on Sustainable Development, Johannesburg

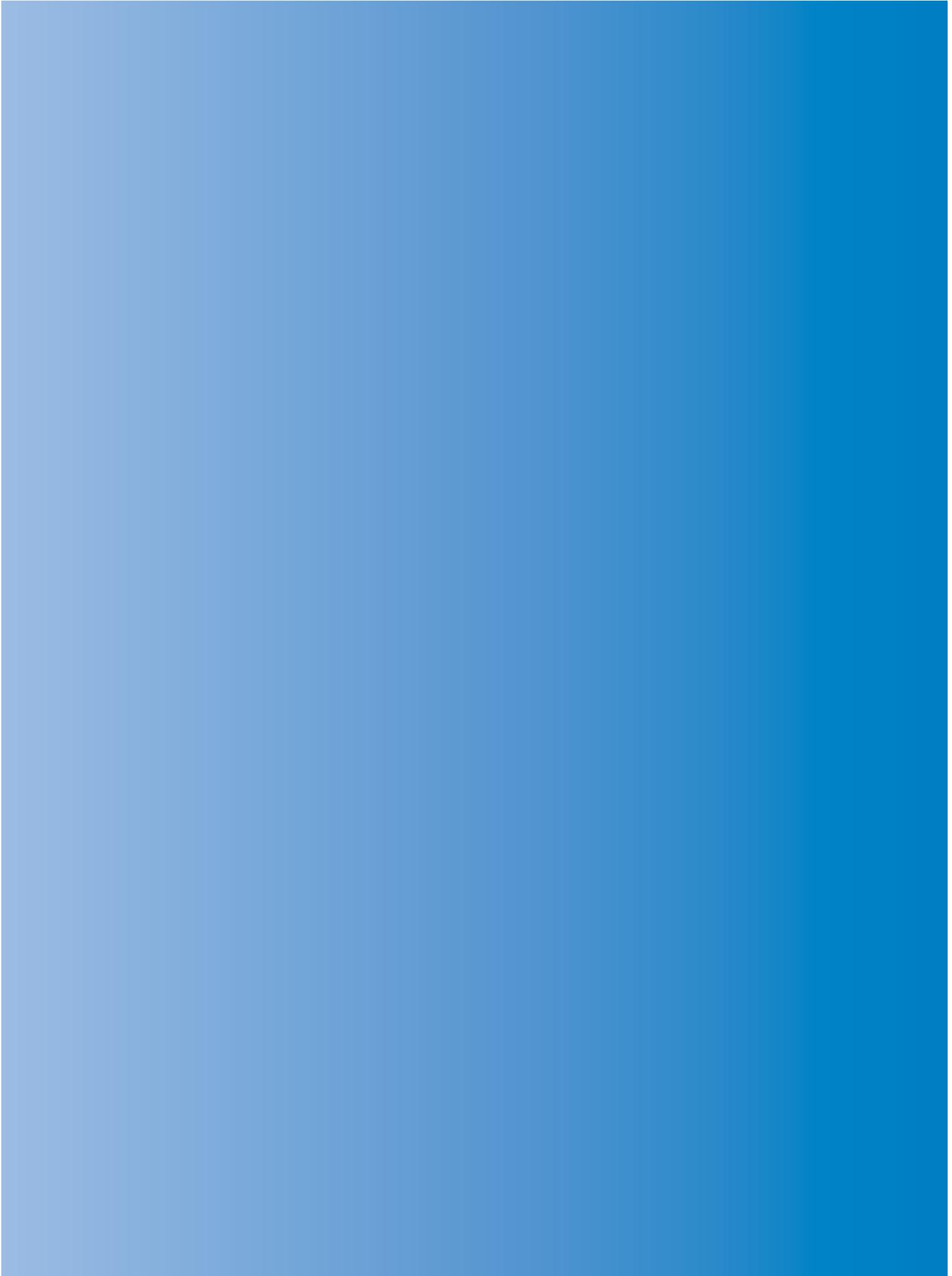


WTO Director-General  
Supachai Panitchpakdi co-signs the  
preface to the First Joint WTO/OECD  
Report on Trade-Related Technical  
Assistance and Capacity Building  
on 29 November.

## Visit by WTO Director-General

## KEY ACTIVITIES





# Economic growth and stability

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

An active international dialogue on macroeconomic and structural policies is more critical than ever in the wake of recent events including the growth slowdown and financial market turbulence of the past two years. The OECD contributes to this dialogue by analysing and monitoring economic growth and stability to help improve economic policy-making. This involves broad-based evaluation of macroeconomic policies and trends, as well as key structural policies, in OECD member countries and other selected economies. The results of this work are presented in several regular publications. OECD Economic Surveys cover individual countries and the euro area (see box page 18); the six-monthly Economic Outlook reviews all OECD members and some other economies; OECD Economic Studies and economic department working papers cover general issues, and there are occasional special publications.

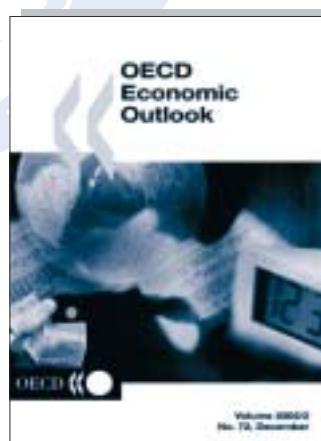
## Promoting economic growth and stability

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

OECD countries have made much progress during the past decade in fostering economic growth, raising productivity and achieving higher levels of employment. The overall economic situation is more prosperous and stable than a decade ago. Sound structural and macroeconomic policies have played a key role in achieving this, together with other important factors, such as technological innovation.

This improvement has been uneven, however. The United States and a few other countries have recorded strong growth for almost a decade, widening the gap with other OECD economies, including Europe and Japan. This growing divergence has triggered many questions which the OECD has studied. The results are to be published in early 2003 under the title *The Sources of Economic Growth in OECD Countries*. The book examines how various factors join forces to produce growth, in particular labour market participation, technological innovation, productivity and firm dynamics (see box page 23). It also discusses how policy can best foster growth. The OECD is now carrying out a review of structural policies that member countries are undertaking to boost long-term growth.

Despite this underlying improvement, OECD economies have suffered from a less favourable environment during the last two years, due in particular to the severe slowdown of world trade and business investment as well as turbulence in the financial markets. Returning to strong economic growth will require well-timed and adequate economic policies. The OECD plays a key role in this regard, by promoting active international dialogue among economic policy-makers. This provides an opportunity for a multilateral exchange of views on the world economic situation, based on the OECD Economic Outlook, and on appropriate policy responses. The peer reviews

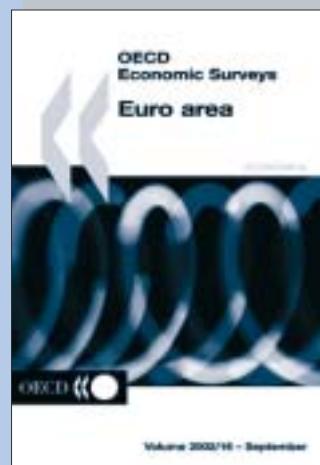


of national economies, as published in OECD Country Surveys, provide a unique opportunity to gather information at national level, discuss best practices and disseminate policy lessons. Useful lessons are also drawn from cross-country structural policy analysis that helps to better understand the interaction between structural policies such as those influencing competition, employment, taxes and the environment, and macroeconomic performance.

## The Euro area

[www.oecd.org/eco/country\\_surveys](http://www.oecd.org/eco/country_surveys)

The euro became concrete reality for 300 million Europeans in 2002 with the advent of euro notes and coins and the scrapping of 12 national currencies. An OECD Economic Survey of the euro area published in July looked at developments after the changeover, following the first OECD euro area survey in 2001 when the currency already existed on paper for banking and exchange transactions. The 2002 survey reviewed prospects for economic recovery in the currency area, examined budgetary policies and the pressures stemming from ageing in member countries, and assessed the performance of the European Central Bank. It also took a special look at policies to boost financial market integration. Growth headed down in 2001 and recovered slowly in 2002, with important risks to the economic outlook. There was also a question mark over the Stability and Growth Pact, which sets the rules for budget discipline, as France, Germany, Italy and Portugal all missed targets. But the European Central Bank seems to have come of age, and persistent overshooting of the 2% mark for inflation, due to a series of adverse price shocks, does not appear to have compromised its credibility, the survey said. Euro zone citizens meanwhile were getting to grips with the advantages – or otherwise – of a single currency. Travellers were happy to find that the euros they drew out of bank cash machines abroad were worth the same as those at home, making it easy to compare prices. But when they received their bank statements they found they were being charged far more than back home for the privilege of using their cash cards. That practice has now ended, but transferring money from one euro area country to another is still more expensive than transferring money within a country.



All in all, pan-European integration in the banking sector still has a long way to go, the euro area survey found. The massive merger and acquisition activity in recent years has served mainly to concentrate national banking markets. Barriers to foreign entrants into local insurance and pension markets also remain considerable. The survey welcomed policy initiatives by the European Commission to boost financial market integration, but said unfinished business remains and the pace of reform should be stepped up.

## Structural issues

[www.oecd.org/eco/structural\\_issues](http://www.oecd.org/eco/structural_issues)

Thanks to its multidisciplinary approach, the OECD has a comparative advantage in analysing how structural policies influence economic performance. A decade ago, the *Jobs Strategy* helped identify how adequate policies can raise employment levels. OECD ministers asked for an assessment of the *Strategy* at their annual meeting in May 2002. Although employment has increased in several countries, joblessness, particularly long-term unemployment, remains problematic, especially in Europe. Moreover, many employed individuals have difficulties moving up the career ladder. These issues, as well as what can be done to raise the participation rate of older workers, women and young people in the workforce, will be discussed at a meeting of OECD employment and labour ministers in September 2003.

The *New Economy: Beyond the Hype*, published in 2001, helped understand some of the specific channels through which structural policies boost growth. At their annual meeting in May 2002, ministers asked the OECD to monitor member countries' implementation of this report's recommendations. In 2003 the OECD will review how structural conditions in product market competition, migration and public expenditure reform in individual countries can induce robust economic growth. Once these country reviews are completed, the OECD will carry out an overall analysis of the results to take stock of what has been learned and disseminate good practices. Similar studies are being undertaken on how policies influencing trade and foreign direct investment affect economic performance.



OECD Chief Economist  
Jean-Philippe Cotis.

## Multilateral review

Several times a year, economic policy-makers gather at various OECD forums to discuss their assessments of global prospects and draw policy implications. The OECD flagship publication, the *Economic Outlook*, which summarises the OECD's assessment of the short-term prospects, serves as a basis for these discussions. These meetings are particularly useful when the situation is difficult to read, as it was in 2002. After the terrorist attacks of 11 September 2001, the rebound of the OECD economies occurred with surprising vigour, and the confidence of consumers and investors returned more rapidly than expected. This strong rebound proved to be short-lived, however. Economic growth returned to a more subdued pace and confidence was bruised by corporate scandals and falling stock prices. Discussions of these and underlying factors, such as monetary and other policies, nonetheless led to the OECD forecasting a return to stronger growth in 2003-2004.

Now that the hype of the new economy is over, it is important to understand the structural impact of technological change, especially information and communication technologies (ICTs). Is ICT still an important driver of growth? Can countries that lagged behind in the 1990s catch up? OECD experts are exploring these issues and will report to the 2003 annual OECD ministerial meeting. This work also draws on better measurement of the information economy, which became easier in 2002 with the publication

## Insurance

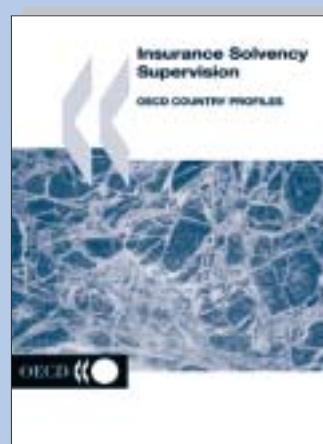
[www.oecd.org/daf/insurance-pensions](http://www.oecd.org/daf/insurance-pensions)  
cecile.vignial@oecd.org

Insurance is a key element of economic activity. The reduction in the availability of insurance against terrorist risk since 11 September 2001 is still affecting many sectors, raising awareness of the underlying role insurance plays in national economies. Insurers and reinsurers are also leading financial investors and intermediaries, and their integrity is essential to financial sector stability.

OECD countries attached particular importance to insurance market surveillance in 2002. They created a special discussion group on insuring against terrorist risk. This group is concentrating on three core issues: the definition of an insurable terrorist act; methods of coverage for terrorist risks using a combination of insurance and reinsurance markets, financial markets and government intervention; and coverage of mega-terrorist acts such as those of 11 September. This work will continue in the next two years.

A three-year reinsurance project also came to fruition in 2002 with an agreement that the regulatory and supervisory authorities in all 30 OECD countries will exchange information in areas such as reinsurance fraud and insolvency via a specially created network hosted on the OECD website. Exchange of such sensitive information, provided under conditions of confidentiality, will act as an early warning system for authorities. The information exchange can be extended to other participants by invitation. This decision was particularly timely in the wake of the 11 September terrorist attacks and, more recently, a number of costly natural disasters such as major flooding, as well as the sharp fall in stock markets. All these events have led to growing concern about the ability of insurers and reinsurers to cope with major claims in the future.

The OECD is also engaged in work on other insurance areas, such as private health insurance as part of the OECD's wider health project (see page 30). In addition, two studies are under way on insurance risk management, one looking at systemic risk and the other examining natural disaster and environmental risk. The issue of governance and insurance companies is in the spotlight. This covers not only insurance sector-specific issues but also wider questions about insurance companies' roles in the financial system, notably their part in running non-insurance companies in their capacity as major institutional investors. This work should lead to a series of principles and best practices for the insurance sector.



The insurance sector plays a growing role in national economies. This book includes contributions from the 30 OECD countries on national regulation of insurance solvency supervision, its practical organisation and the measures taken when difficulties arise.

of *Measuring the Information Economy*, the first comprehensive and internationally comparable compilation of official statistics in this area (see Best use of new technologies chapter page 54). It provides insights into

## Transport security

[www.oecd.org/transport](http://www.oecd.org/transport)  
danny.scorpecci@oecd.org

The terrorist attacks of 11 September 2001 highlighted the potential risks associated with terrorists using means of transport, in this case airliners, not only to deliver terrorism but also as weapons in their own right. A particular concern is containerised cargo. Millions of containers move internationally each year and could potentially be used to deliver terrorist attacks to very specific locations.

The OECD Maritime Transport Committee set up an *ad hoc* group of government and industry representatives to explore where it could make a substantive contribution towards enhancing transport security, in support of the work of specialised agencies such as the International Maritime Organization (IMO) and the World Customs Organization (WCO). It has started work in four key areas – ship ownership; risk assessment and economic implications; verification of cargo; and developing best practices – that will continue through 2003 and 2004. The ship ownership project looks at how owners can create a cloak of secrecy around their ownership of vessels, and will consider possible best practices that could enhance transparency without reducing the confidentiality of commercially sensitive details that are not security-related. While the principal reason for this project has been security, following the events of 11 September this also has direct application to enhancing accountability in shipping. At present shipowners can use a complex web of corporate devices to avoid accountability, a practice that regularly gives cause for a public outcry, in particular in the aftermaths of maritime disasters such as the recent sinking of the tankers Erika and Prestige. The OECD is the only international body covering this crucial aspect of shipping accountability.

The second project will provide an assessment of the risks faced by the transport chain, the potential cost of countermeasures, and who should pay for them. Work on verification of cargoes will investigate possible ways of checking the identity of cargoes at their original point of loading and the means of avoiding containers being tampered with en route. Because the transport chain extends into surface transport, this project will be carried out with the European Conference of Ministers of Transport (ECMT). Other bodies, such as the WCO, will also be consulted. Finally, the OECD will compile best practices for a range of transport security responses in order to provide both national administrations and industry bodies with readily available information when assessing their security needs and deciding on appropriate responses.



DID YOU KNOW...  
that more than 200 million containers  
were carried by trading ships in 2002?

developments in ICT use and thus serves as a reality check on some of the hype. For example, it found that the volume of Internet sales is still relatively small, accounting for less than 2% of sales in 2002.

### Role of financial markets

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

Financial markets play a key role in economic growth and stability. The OECD covers financial issues related to banking, securities and institutional investors (insurance companies, pension funds, and investment companies). It also exercises surveillance over developments, reform measures and changes in structural and regulatory conditions in financial markets and institutions. It promotes liberalisation in financial services and the development of international financial best practices. The OECD also helps foster the integration of other countries into the global financial system.

In 2002, the OECD began work on the integrity and transparency of financial markets, one of the main themes of the annual ministerial meeting in May. We will need stronger market surveillance to maintain the integrity of our economies. This will involve reinforcing oversight by supervisory authorities, as well as encouraging improved governance systems within financial institutions and in corporations. The OECD also deals with particular issues related to the governance of financial institutions, which is expected to play a key role in economic stability and integrity.

Market monitoring was particularly active in 2002, with special meetings on the impact of financial market deterioration and major corporate scandals as well as on the impact of the terrorist attacks of 11 September on the insurance industry. There were also in-depth discussions with private representatives from the banking, insurance and pensions community. Core analytical work on financial markets focused on financial integrity and governance issues. But it also covered financial supervision; developments in risk capital markets; risk transfer mechanisms; e-insurance; pension reform and trends; and recent structural changes in OECD public debt markets. Policy analysis in the insurance sector focused on issues related to terrorist and other major risks (see box page 20).

The highlight of pensions work in 2002 was the release of the new OECD Guidelines on governance of pension funds, disseminated worldwide through the International Network of Pensions Regulators and Supervisors. Other pensions work looked at the principles related to the rights of beneficiaries and funding, while analytical work dealt with issues related to annuities, supervision, risk management in pension plans, investment regulation and personal plans.

Outreach activities on financial markets were particularly intensive and included meetings on a broad range of topics such as capital market reform, housing finance, government securities markets, institutional investors, insurance regulation and supervision, private pension reform and financial statistics. The regions and countries covered included Asia, Latin America and transition economies in Europe. There were also special meetings in China and Brazil.



(left to right)  
US Treasury Secretary Paul O'Neill  
with OECD Secretary-General  
Donald Johnston, during a visit to  
address the OECD Council about  
terrorist financing.

Financial publications in 2002 included the flagship thrice-yearly publication *Financial Market Trends* and statistical yearbooks covering items such as institutional investors, international direct investment, bank profitability and insurance statistics. There were also two issues of a new series on private pensions and new publications on insurance solvency supervision. ■

## How does your business grow?

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

When it comes to business growth, productivity begins at home. That is the main conclusion of a comparison of business and productivity growth in 10 OECD countries carried out in 2002. Understanding how productivity growth works is important for governments as it can indicate, for example, whether administrative barriers to creating or expanding businesses are likely to hamper productivity growth.

The study found that 50% to 85% of labour productivity growth in manufacturing comes from events inside each individual firm, such as increased capital investment or more efficient operating methods. "Creative destruction" – the departure of old firms from an industry and the arrival of new ones with higher productivity – generally plays a secondary role, accounting for 20% to 40% of productivity growth. And the third possible way of increasing productivity, that of high-productivity firms gaining market share over less productive companies, typically has a very small impact.

Hi-tech industries are an important exception, however. Here entry of new firms was seen to significantly boost productivity growth. More generally, the evidence suggests that new firms tend to make a larger contribution to overall efficiency by using more modern technologies than established competitors.

And there are intriguing differences in the way creative destruction operates between Europe and the United States. While overall rates of firm turnover are similar, start-ups in the United States tend to be smaller, and on average less productive than those in the European Union. But then those that survive tend to grow much faster than those in Europe. What appears to be happening is that low business set-up costs and relatively light labour market regulations in the United States encourage entrepreneurs to start on a small scale, because the opportunity cost is not too high and the business can be expanded or contracted quite easily. In contrast, higher entry and adjustment costs in Europe encourage more pre-entry evaluation of business plans, with consequently less market experimentation. The US approach of greater hands-on experimentation by new firms seems to allow faster innovation and adoption of new technologies. The strong contribution to productivity growth by new firms in ICT-related industries appears to confirm this, and would suggest that easing regulations to stimulate firm-entry may have significant effects on productivity growth.

# — Employment and social cohesion

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

Dynamic employment, education and social policies are important in ensuring that people can get, and keep, jobs. OECD ministers underlined this at their annual meeting in May 2002, when they pledged to emphasise "development of human resources, focusing on education and training, and policies that foster a more dynamic environment for job creation and equal opportunities," not just for people of different races and sexes but also of different ages.

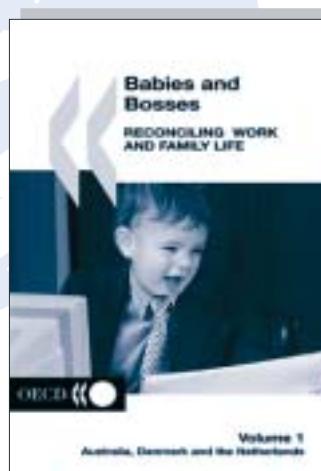
The OECD first proposed a comprehensive blueprint for labour market reform, the *Jobs Strategy*, nearly a decade ago and has since worked closely with member countries to identify the best ways to implement it and to monitor the results. In May 2002, OECD ministers decided that the time had come to assess the jobs strategy and look more closely at new challenges such as the economic and social impact of migration (see box page 27). OECD employment and labour ministers will meet in September 2003 to discuss developments and policies to mobilise labour resources for more and better jobs.

## Boosting employment

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

Unemployment and long-term joblessness remain unacceptably high in many countries. Even those that have achieved significant improvements in overall performance still have low employment rates among some specific groups, particularly women, low-skilled workers, disabled people and older workers. And while active labour market policies do help get people back into the workforce, some of them find it difficult to keep a job or to move up the career ladder. There is also a need to adapt to population ageing and skill-biased technological change. These issues will be addressed in the 2003 edition of the *Employment Outlook*.

The implication is that labour market, social, migration and education policies must be dynamic and inclusive to permit people to participate in the world of work. Improving job prospects for older workers is currently the focus of a review covering 20 countries (see box page 29). A new series of reviews launched in 2002, *Babies and Bosses: Reconciling Work and Family Life*, looks at how parents in different countries juggle having a career and spending time with their children. Childcare, parental leave arrangements, part-time work, and the structure of the tax/benefit system are all coming under the microscope of OECD analysis. Ultimately, however, much of the responsibility for ensuring an adequate work/life balance lies with employers. It is in their own interest to do so, as failure to take advantage



This first OECD review of the reconciliation of work and family life considers the current mix of family-friendly policies in three countries.

## Education: PISA

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

How good are school systems in different countries at providing young people with a solid foundation of knowledge and skills, and in preparing them for later life and learning? And how can we measure how well they are doing? OECD governments started trying to answer that question in 1997 by setting up a framework to assess how well their education systems equipped pupils with key skills such as reading, mathematical and scientific literacy. The result was the Programme for International Student Assessment (PISA), a comprehensive and rigorous international effort to assess educational results and identify policies for improving the performance of national education systems.

The results of the first assessment were published in 2002. This assessment tested more than 250,000 students in 32 countries. It measures the ability of 15-year-olds across the OECD to apply knowledge and skills in key subject areas, and shows how they learn what they know. For some countries, the results were deeply disappointing, showing that their students' performance lags considerably behind that of their counterparts, and sometimes despite high investment in education.

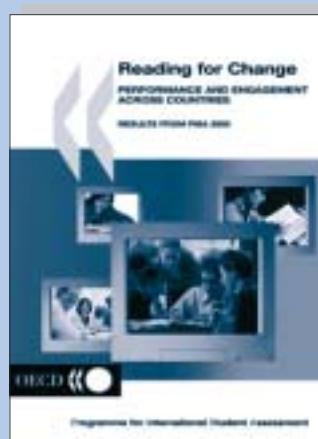
But the results overall provide encouraging insights. The performance of countries such as Finland, Japan and Korea shows that excellence in education at a reasonable cost is an attainable goal. Equally important, the examples of Canada, Finland, Japan, Korea and Sweden underline that poor student performance does not automatically follow from a disadvantaged socio-economic background. The question is what the poorer performers can glean from the high achievers to help students to learn better, teachers to teach better, and schools to become more effective.

Many of the countries that perform well in PISA have progressively shifted education policy and practice away from mere control of the resources, structure and content of education towards a more results-oriented approach. They have established clear educational objectives and are systematically investigating and assessing whether they are being met. Schools in these countries typically enjoy more autonomy but also tend to be more accountable for their performance. They rarely have the option of making students repeat a year, or transferring them elsewhere, possibilities that exist in many of the lower performing countries.

Further PISA assessments in 2003, 2006 and 2009 will reveal which countries are progressing in the right direction and which are falling further behind. They will also help to explain how school resources, policies and practices interact with home background and influence student performance.

### DID YOU KNOW ...

that, by age 15, Korean students are almost three school years ahead of some Europeans in mathematics, but spending per student in Korea is only half the level of spending in some European countries?



of the skills of parents, particularly mothers, is an enormous waste, and will become more so as population ageing reduces the size of the working-age labour pool.

OECD countries spend twice as much on helping the disabled as they do on the unemployed, and the number of people receiving disability benefit went up sharply during the 1990s. A new OECD study to be published in 2003, *Transforming Disability into Ability: Policies to Promote Work and Income Security for Disabled People*, challenges the perception that nothing can be done to increase the employment of disabled people. It says a culture of mutual obligations could bring progress – society must commit to greater efforts to help disabled people play an active role, and at the same time disabled people must be committed to seeking such a role.

DID YOU KNOW ...  
that some 40% of disabled people  
aged 20–64 in OECD countries have  
a job?

### Education for life

[www.oecd.org/edu](http://www.oecd.org/edu)  
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Ultimately, success in the fight against unemployment and social exclusion requires renewed emphasis on a comprehensive strategy for lifelong learning, from kindergarten through to training in new skills for older workers. The OECD has begun reviewing nine countries to assess options for providing all young children with high-quality programmes for a start in lifelong learning, following the publication in 2001 of *Starting Strong: Early Childhood Education and Care*. The role of teachers in promoting school performance is also being examined in a comparative study of 25 countries.

At the other end of the school spectrum, the OECD completed reviews of polytechnics in Finland and of the tertiary education sector in Switzerland in 2002 as part of an examination of structural and governance reforms in tertiary education. Analytical reports on trends in this area will be published in 2003. As the higher education market becomes increasingly international, the OECD is also analysing these trends and their implications for governments and institutions.

Once people get beyond school or college and into the workforce, new issues arise. Training once for a lifetime of work is no longer enough. The OECD is carrying out a series of studies to examine lifelong learning and its individual components, while *Beyond Rhetoric: Adult Learning Policies and Practices*, to be published in early 2003, looks at policy options for addressing deficiencies in adult skills. The OECD is also looking at who pays for lifelong learning and is reviewing experiments by countries to mobilise resources. A multi-country comparative analysis is examining how information and communications technology can be used to promote effective teaching and learning. Innovations in designing the “school of the future” and the impact of the learning environment on education are also under review. Finally, the OECD is examining policy options for equitable distribution of educational and training opportunities as part of larger studies



Vice President of the French National Assembly  
Paulette Guinchard-Kunstler  
at a Labour/Management Programme meeting  
of business experts to discuss  
“Access to Health Care in an Ageing Society”.  
September 2002.

## Migration

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

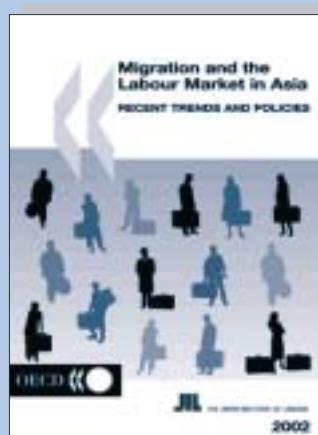
International migration is increasing, partly as a result of globalisation but also because of labour shortages in some countries due to falling birth-rates and ageing populations. Most OECD countries have eased their immigration laws in recent years to make it easier to recruit qualified employees abroad, particularly in the information technology and health sectors. The recent economic slowdown does not seem to have affected this trend and the 2002 edition of the annual *Trends in International Migration* shows a rise in the number of asylum seekers and of economic migrants looking for jobs. The strengthening of border controls and international co-operation to combat illegal immigration in the wake of the 11 September 2001 terrorist attacks in the United States do not seem to have had any major impact on migration policy in most OECD countries.

The international migration of highly-skilled workers is particularly important as this relatively small flow of people has a large economic impact. While most skilled workers migrate from developing countries to OECD countries, there is also important intra-regional migration in the Americas, Asia and Europe. In fact, while some countries seem to be experiencing a loss, others such as Chinese Taipei, Ireland and Korea have been successful in luring their brains back home. Among the industrial countries, a significant proportion of the movement is from one OECD country to another and is generally temporary, suggesting a pattern of "brain circulation" rather than "brain drain".

But before governments start trying to attract highly-skilled foreign workers, they need to know just what skills they will need and when. A special chapter in the 2002 *Trends in International Migration* looks at the wide diversity of methods for calculating current and future shortages being used in different OECD countries. It also shows that migration alone cannot provide a solution to the more structural problems facing some countries, such as job training, lifelong learning and the effects of an ageing population.

Once migrants arrive in a new country, there is the whole question of their integration into the host society. This remains a core concern for many OECD countries, particularly in Europe, where foreign workers are more likely to suffer unemployment. In many countries, unemployment among young immigrants is at least twice as high as among the national population. A seminar in June 2002 examined OECD countries' experience in integrating young immigrants into the workforce.

DID YOU KNOW ...  
 that in many countries, unemployment of young immigrants is at least twice as high as in the national population?



This book presents an analysis of recent trends in migration movements and policies in Asia. It highlights the contribution of immigration to the labour force and describes the changes that have taken place in the sectoral distribution of foreign workers.

## Brain studies

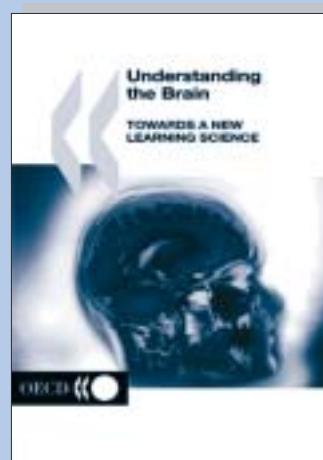
[www.oecd.org/els/education/future](http://www.oecd.org/els/education/future)  
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Do our genes give us a life sentence? Or can we learn to learn faster? Why do people differ in what interests, excites, bores or repels them? Advances in brain scanning and imaging technologies in the past decade have enabled researchers to make promising progress towards answering such questions about the human brain's capacity to develop, learn and change. We now know, for instance, that whatever the case for dogs, you can certainly teach an old human new tricks. Research has shown that the human brain is more capable of learning throughout the life cycle than previously recognised – an important fact when considering the implications of an ageing society.

The next step is to translate these findings into practical applications – when is the best time to learn to read, tackle a third language or start driving a car, and how should we learn each skill? But such developments can only work if they are accepted by policy-makers and practitioners in education, not to mention the people actually doing the learning. There are also a number of ethical issues that will have to be addressed at international level. These are the main reasons why the OECD embarked on a study of the relationship between learning sciences and brain research three years ago. The first phase of the project identified three areas where recent findings in neuroscience are already particularly promising, although further specific research is needed: the relationship between brain functions and literacy; between brain functions and numeracy; and between brain functions and lifelong learning. Three international research networks of scientists and educationalists are working in these specific areas and progress reports will be submitted to OECD governments from 2003. The final results are expected in 2005.

The researchers are considering traditional problems such as dyslexia in reading, dyscalculia in mathematics and the effects of age-related diseases, but will also address issues such as motivation, emotional intelligence, different learning styles, and the influence that gender, genetics and peer group influence may have on learning, especially for adolescents. This is an extraordinary opportunity to compare, for example, reading difficulties in different writing systems, or the importance that different cultures give to emotions in the learning process. So far, 20 countries, including Chile and China, have been involved in the project.

DID YOU KNOW ...  
that dyslexia is a brain-based problem  
that can in most cases be solved by  
learning exercises, with no need for  
medication or surgery?



The new "science of learning" sheds light on how the brain produces perception, memory and language, and on the importance of the early and late years in successful lifelong learning. It provides, among other things, insights into how to improve reading and mathematical skills. This book focuses on the importance of adopting a trans-disciplinary approach.

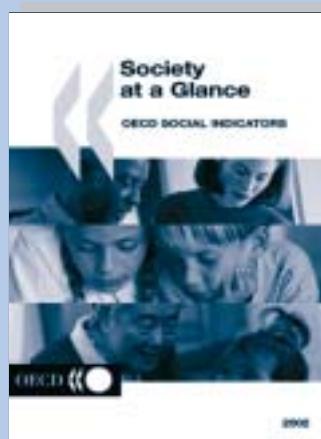
## Ageing and employment

[www.oecd.org/ageing](http://www.oecd.org/ageing)  
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Improving the employment prospects of older workers lies at the heart of any viable strategy to meet the challenges of ageing. Did you know that, by 2020, one in three people of working age will be over age 50, compared with one in four today? Older people are of tremendous potential value to business, the economy and society. Unfortunately, they are also often discriminated against and underused, as many public policy measures and private workplace practices pose serious barriers to work, both paid and unpaid. But the cost of ignoring this resource can only increase in coming years as falling birth-rates and longer life expectancy mean that the OECD population as a whole is getting older. Many current policies and practices are relics from a bygone era. We need to revisit employment practices and policies to benefit from the growing numbers of older citizens, many of whom would like to continue working if given suitable opportunities.

The OECD has reported extensively on public pension systems in member countries and on the need to remove financial incentives for early retirement, as well as ways to make these systems financially sustainable. However, such reforms may not be enough to raise retirement ages in practice if older workers lack the skills sought by employers or face poor working conditions.

The OECD is carrying out a major thematic review of policies to improve labour market prospects for older workers on a country by country basis. It will cover three key areas: an analysis of existing barriers to the employment and training of older workers; a discussion of policy measures that have been used to address these barriers; and a set of country-specific policy recommendations. These recommendations will be discussed with the government of the country under review and with social partners at a seminar in the country concerned. A total of 18 OECD members have confirmed their participation. To make the project more manageable, the reviews will be conducted in two rounds. The first round covers eight countries (Belgium, Canada, Japan, Korea, Spain, Sweden, Switzerland and the United Kingdom) and should be completed by around 2003. The second round will include Australia, Austria, the Czech Republic, Denmark, Finland, Italy, Luxembourg, Netherlands, Norway and the United States. A final report summarising the policy lessons of the review and identifying examples of best practice will be produced once the second group is completed, towards the end of 2004 or early in 2005.



This edition focuses on disability and child well-being indicators in addition to providing a wide range of information on other areas, including ageing populations, foreign-born population, employment, working mothers, replacement rates and child poverty.

on the role of social partners in overcoming barriers to investment in continuous training and on the role of education in promoting social cohesion.

### Good health

Good health policies are vital in promoting healthy and productive populations. The three-year OECD Health Project begun in 2001 focuses on measuring the performance of healthcare systems in member countries and how to improve it. The results will be presented to OECD ministers in 2004. As part of this project, in April 2002 the OECD released *Measuring Up: Improving Health System Performance in OECD Countries*. This included the results of a major OECD/Health Canada conference held in Ottawa in 2001 on best practices in measuring health system performance. The first country study to be completed under the auspices of the Health Project, a review of the Korean healthcare system, will be published in early 2003. The most comprehensive source of comparable statistics on the health and healthcare systems of OECD countries is *OECD Health Data*. The OECD manual *A System of Health Accounts* is increasingly used by countries all over the world seeking to develop good indicators of their health needs. A second edition of *Health at a Glance* will be published in October 2003, presenting graphs of key indicators, trends and cross-country comparisons.

[www.oecd.org/health](http://www.oecd.org/health)  
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(left to right)  
Mats Ola Ottosson, Chairman of the Institutional Management in Higher Education Directing Group and Director of Uppsala University, with Barry McGaw, OECD Director for Education, at the IMHE Conference in September.

### Social capital

Effective and inclusive societies are underpinned by networks of support and trust – “social capital”. The OECD started new work in 2002 on how to measure social capital and to use it effectively, building on the 2001 publication, *The Well-Being of Nations* which defined the concept. Some 22 countries took part in an international conference on measuring social capital, organised by the OECD and the UK government in September 2002. Further work will involve developing a set of guidelines on key indicators of social capital. The OECD is also jointly organising a series of seminars on social capital with member countries. ■

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DID YOU KNOW ...  
that Americans are eight times  
more likely to be clinically obese  
than Japanese?

# International trade and investment

[www.oecd.org/trade](http://www.oecd.org/trade)  
[www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)  
 ech.contact@oecd.org;  
 daf.contact@oecd.org

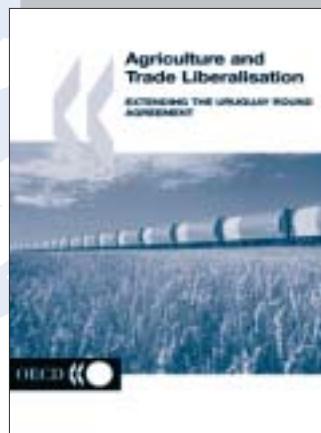
Trade and investment liberalisation has stimulated economic growth and helped integrate an expanding number of countries into the world economy. OECD work on trade and investment helps forestall the tensions that can emerge within the trading system and provides data and analysis to support continued trade and investment liberalisation.

OECD countries are committed to ensuring that developing countries reap the benefit of current multilateral trade negotiations in the World Trade Organization (WTO) and have pledged to work towards the Doha Development Agenda objectives (see box page 32). They have also pledged to work towards the aim of duty- and quota-free access for all least developed countries' exports, as agreed at an international conference on financing for development in Monterrey, Mexico in February 2002. In the run-up to the WTO ministerial meeting in Cancún, Mexico, in September 2003, the OECD is also ensuring that development considerations are in the mainstream of all aspects of its trade and investment work.

## Trade and agriculture

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

The OECD is addressing several agricultural trade issues related to the WTO negotiations. This includes analysing various scenarios for further trade liberalisation and their likely impact on trade flows, studying the role of state trading enterprises in agriculture, and analysing export credits and food aid. A major report published in 2002 entitled *Agricultural Policies in OECD Countries: A Positive Reform Agenda* looks at the costs and benefits of agricultural trade reform. It covers issues such as market access, export subsidies, and domestic support to farmers. The annual flagship publication, the *OECD Agricultural Outlook*, examines trade and market developments, including analysis of important trade policy changes.



Agricultural trade policies and subsidies in OECD economies undermine their actions to reduce poverty in developing countries. The OECD measures such agricultural support in the annual publications *Agricultural Policies in OECD Countries: Monitoring and Evaluation*, and *Agricultural Policies in Emerging and Transition Economies*. In 2002, the OECD also provided rapid assessments of the United States Food Security and Rural Investment Act and the European Commission's agricultural subsidy reform proposals, including their potential impact on trade.

## Trade in services

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

Trade in services offers immense opportunities for economic expansion and increased well-being, but is a sensitive issue, particularly when it

comes to the movement of people supplying services. GATS: the Case for Open Services Markets, published in 2002, provides practical illustrations of the benefits of market openness in services trade and investment, and

## OECD and the Doha Development Agenda

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

OECD countries are committed to the Doha Development Agenda, the framework for the multilateral trade negotiations currently under way in the World Trade Organization (WTO). These negotiations have been designed to ensure that all countries, and particularly developing countries, reap the benefit of more liberalised trade. The OECD in 2002 redoubled its efforts to strengthen the constituency for free trade, build bridges between differing viewpoints in sensitive areas, and facilitate negotiations in the run-up to the WTO ministerial meeting in Cancún, Mexico, in September 2003.

Analytical work in the OECD is contributing to the trade talks by providing data that show the advantages of continued progressive trade liberalisation in a rules-based environment, and by helping countries to better prepare for and engage in negotiations. The OECD is also ensuring that development is in the mainstream of all aspects of trade work, and has stepped up information-sharing and dialogue with other countries and civil society. During 2002, the OECD organised workshops in Africa and Asia on trade and development, trade capacity building and market access concerns of developing countries related to environmental requirements (see Development co-operation chapter, page 59).

OECD members are also working together to address WTO-related technical assistance and capacity building needs to enable developing countries to play a full part in the WTO negotiations and to implement new agreements as a central component of the Doha Development Agenda. In September 2002, the OECD issued a CD-ROM grouping more than 40 analytical publications and reports on trade policy issues, to help enhance understanding of trade policy issues and negotiating procedures.

The OECD and WTO have also created a user-friendly joint database that provides information about trade-related technical assistance and capacity building in three areas: trade policy and regulation; trade development; and infrastructure. This will help the development and trade communities improve co-ordination, share information and monitor implementation of the technical assistance commitments made at Doha.

Trade work undertaken by the OECD, including in the areas of agriculture and services, clarifies policy approaches that help governments pursue their domestic interests without distorting international markets and trade. These efforts are intensifying in support of Doha.



(left to right)  
OECD Secretary-General  
Donald Johnston and WTO Director-General Mike Moore, sign a letter in May 2002 launching a joint initiative in support of the Doha Development Agenda.

addresses specific concerns about public services and governments' right to regulate. It also sets out the key negotiating challenges, especially for developing countries.

The OECD and the United Nations Conference on Trade and Development (UNCTAD) are working together to help strengthen the negotiating capacity of developing countries in the services field. A Services Experts meeting, planned with the World Bank for 2003, will bring together trade negotiators, industry specialists, academics and – for the first time – regulators from both OECD and non-OECD countries to explore and debate key issues on the General Agreement on Trade in Services (GATS) agenda in an informal, non-negotiating setting.

### Non-tariff barriers

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

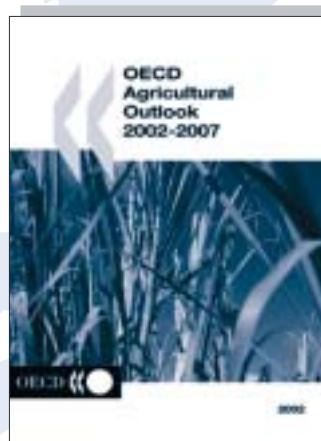
To underpin preparations for WTO negotiations on market access for non-agricultural products, the OECD has undertaken a comprehensive review of data on non-tariff barriers from business surveys. It is also investigating specific types of non-tariff barriers, especially those used by, or of concern to, developing countries such as import licensing and product labelling.

### Textiles

A project on textiles and clothing is being undertaken ahead of the phase-out of the Multi-Fibre Arrangement by the end of 2004. This will analyse the likely impact of liberalisation and include a study of structural adjustment policies in these industries.

### Trade and competition

The OECD has made presentations to the WTO on topics including special and differential treatment, peer review, hardcore cartels and modalities of voluntary co-operation. These activities complement OECD work on reinforcing competition institutions in developing countries. The OECD has also been an active participant in several WTO- and UNCTAD-organised capacity building workshops in developing regions.



The *OECD Agricultural Outlook* shows that sluggish economic growth, weak demand and continued high levels of spending on farm support are slowing the recovery in world prices, despite a general tightening of supplies in recent years.

### Trade-related intellectual property rights

The development dimension of trade-related intellectual property rights (IPRs) is being examined to improve understanding of the benefits of IPRs for economic development in non-member countries, including foreign direct investment and technology transfer.

### Trade facilitation

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

The OECD is assessing the benefits that trade facilitation – simplifying and harmonising procedures for the international movement of goods – may

bring to businesses, and examining country practices and efforts to simplify and enhance the transparency of border procedures. It is also evaluating the benefits of multilateral trade facilitation measures for developing countries.

## Steel

[www.oecd.org/sti/steel](http://www.oecd.org/sti/steel)  
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Government support to expand, modernise and rescue steel facilities has contributed to a massive build-up of over-capacity worldwide, resulting in significant, long-term distortions in steel markets. Despite relatively strong consumption in recent years, steel prices have been fairly low and dumping has increased. In addition, countries have increasingly resorted to safeguard measures to shield their industries from imports.

The situation reached a critical point in 2001, when representatives of all major steel-producing economies worldwide met at the OECD to discuss ways to resolve the problem. Meetings continued through 2002, and in December, senior government officials from the major steel-producing economies in the OECD and beyond started work immediately on an agreement for reducing or eliminating steel trade-distorting subsidies at all levels of government.

Discussions in 2002 focused on two principal areas: evaluating policies and issues related to the closure of inefficient steelmaking capacity; and in the longer term, ways to deal with market-distorting government measures and industry practices.

On the capacity front, governments established a mechanism to share information twice a year about capacity and related industry restructuring, and to evaluate issues in each participating area through a rigorous peer review process. This work has already helped to boost transparency, revealing that at least 128 million tonnes of inefficient excess capacity will be closed by 2005. This represents more than 10% of current global capacity, but given that the estimated inefficient excess capacity is up to 250 million tonnes a year, substantial over-capacity will continue to exist even after these closures unless there is a surge in steel demand.

On the disciplines front, in 2002 governments carried out a comprehensive review of existing multilateral disciplines and concluded that it would be beneficial to take action on a number of fronts, while focusing attention on ways that disciplines on subsidies and related government supports could be strengthened. While there is strong industry support for this latter initiative, questions have been raised regarding whether and how sector-specific disciplines would be pursued, and the relationship of any potential agreement to existing World Trade Organization (WTO) disciplines.



(left to right)  
EC Trade Director Ian Wilkinson  
and US Under-Secretary  
for International Trade Administration  
Grant Aldonas, at a news conference  
following the OECD high level meeting  
on steel in December 2002.

## KEY ACTIVITIES

International trade and investment

### Export credits

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

Governments provide official export credits to help national exporters competing for overseas sales. OECD work on export credits seeks to build international consensus on rules and guidelines that will eliminate trade distortions and reduce the potential for subsidies. In 2002, this work focused on the relationship between export credits and the environment with the launch of the Common Approaches on Export Credits and the Environment. Members will report in 2003 on the experience gained in the first year of implementation and possible amendments. The participants will continue in 2003 to evaluate the consequences of WTO developments for the Export Credit Arrangement with a view to adjusting its provisions and communicating with non-participants.

### International investment

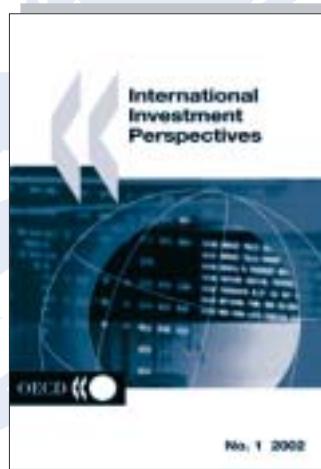
[www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)  
daf.contact@oecd.org

The OECD promotes co-operation among governments concerning foreign direct investment (FDI) and other capital movements. It helps to improve the domestic policy environment for attracting and reaping the full benefits of international investment, and to encourage the positive contribution of multinational enterprises to sustainable development. It also carries out work related to post-Doha discussions on investment within the WTO. Studies in areas such as the relationship between bilateral, regional and multilateral investment disciplines and the benefits of transparency in international investment policies are important contributions to the work relating to investment in Geneva.

In support of the Doha Development Agenda, the OECD published a comprehensive report on the role of FDI in development in 2002 (see box page 37). It also released an extensive study, *Forty Years' Experience with the OECD Code of Liberalisation of Capital Movements*. The study describes the challenges that OECD members faced as they liberalised capital movements, and proposes lessons for policy-makers in countries that are about to embark on a similar course. It shows that any difficulties were outweighed by benefits such as increased integration of domestic enterprises into the world economy; wider investment choice; enhanced public sector transparency; and better governance overall.

The OECD also launched in 2002 a new annual publication on recent FDI trends and policy developments, entitled *International Investment Perspectives*. It is carrying out work related to the negotiations on trade and investment within the WTO.

In September 2002, Israel joined the OECD Declaration on International Investment and Multinational Enterprises. This calls on host country governments to treat foreign investors no less favourably than domestic enterprises and promotes voluntary standards of business conduct under the framework of the OECD Guidelines for Multinational Enterprises. Association with these OECD standards reinforces governments' efforts



Attracting foreign investment and reaping its full benefits present important challenges. The articles in this publication aim to review these challenges and bring timely contributions to the international policy debate.

## Shipbuilding

[www.oecd.org/sti/shipbuilding](http://www.oecd.org/sti/shipbuilding)

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The world's shipbuilding industry faces a serious problem as it heads into the first decade of the new millennium. While superficially the industry seems to be enjoying something of a boom, with near-record production levels over the past two years, the reality is that all shipbuilders are facing serious financial problems due to very low, and still falling, prices.

This high production/low price pattern indicates chronic over-capacity in the industry. The reality is that high demand is entirely driven by the supply side, as shipbuilders offer ever lower prices in an effort to keep their production facilities in use. This has all the hallmarks of a poorly functioning market in crisis. But the problem has existed in the shipbuilding sector for many years, and has been aided by government support measures that have distorted the industry by preventing market responses such as bankruptcies, mergers and take-overs from restoring some kind of equilibrium.

The 1994 OECD Shipbuilding Agreement was designed to reduce distortion in the market and, had it been in force, may have helped to prevent the industry from reaching this crisis situation. But the agreement has not come into force because one signatory, the United States, was unable to ratify it.

Nonetheless, all OECD members, as well as a number of non-member economies and the shipbuilding industry agree that a broadly based, enforceable international agreement to restore normal competitive conditions is probably the only way of addressing the structural problem in the shipbuilding industry worldwide.

The OECD's Council agreed in September 2002 that negotiations on a new agreement to bring normal competitive conditions to the global shipbuilding industry should start as soon as possible. It created a special negotiating group and asked it to complete its work by the end of 2005. All non-OECD countries with substantial shipbuilding interests are invited to participate on an equal footing with OECD members. Invitations have been sent to Brazil, China, Croatia, Romania, the Russian Federation, Chinese Taipei and Ukraine.

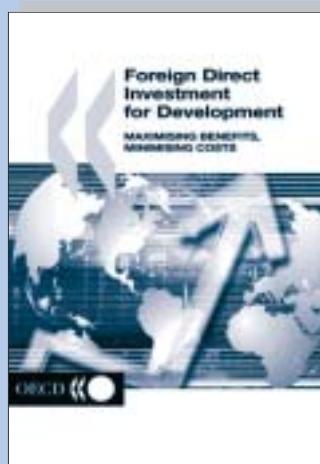
While the details of the new agreement have yet to be negotiated, the OECD has suggested that for any instrument to be successful it must be legally binding, have a wide coverage within and outside the OECD and cover a wide range of support measures and subsidies. It must also address pricing and other practices that distort the market and provide appropriate, enforceable penalties.

## Foreign direct investment for development

[www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)  
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Foreign direct investment (FDI) is an integral part of an open and effective international economic system and a major catalyst for development. In February 2002, the international community brought efforts to mobilise FDI to the forefront of public attention, notably through an international conference on financing for development in Monterrey, Mexico. The conference buttressed a growing international consensus about the importance of international investment in achieving sustainable development goals and ensuring that poor countries benefit from globalisation.

But how can a developing country best attract FDI and maximise the benefits from a foreign corporate presence in its economy? *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs*, published in 2002, offers answers to these and other related questions. One of the main findings of the report is that, whatever the possible drawbacks of FDI, the benefits generally outweigh the costs by a wide margin. The benefits include a fuller integration into world trade via the networks of the investing enterprises, a direct impact on competition and enterprise development in the host economy and a diffusion of knowledge and technology to domestic enterprises.



However, these benefits do not accrue automatically. National policies and the international investment architecture play an important part. It is up to the countries seeking the investment to put in place transparent and non-discriminatory policies and appropriate regulatory and institutional frameworks so as to create an environment conducive to investment. If developing countries are to get the most out of FDI, they also need to bolster domestic education, technology and infrastructure in order to make the domestic business sector receptive to the know-how introduced by foreign-owned enterprises.

OECD countries, where most FDI flows originate, can help by facilitating access of developing countries to international markets and technology. They can also encourage non-OECD countries to integrate further into rules-based international frameworks for investment; to promote actively the OECD Guidelines for Multinational Enterprises, together with other elements of the OECD Declaration on International Investment; and to share with non-members the peer review-based approach to building investment capacity.

The OECD is committed to engaging non-member countries and civil society in experience-sharing and dialogue to enhance the role of international investment as a catalyst for poverty alleviation in the world.

to pursue investment-friendly economic reforms. Israel is the seventh non-OECD country to sign up to the Declaration after Argentina, Brazil, Chile, Estonia, Lithuania and Slovenia.

The 2002 annual report on implementation of the OECD Guidelines for Multinational Enterprises shows significant progress in promoting and using this multilaterally endorsed code of conduct for international business covering such areas as human rights, labour relations, environment, consumer protection and the fight against corruption. National contact points that deal with companies' observance of the Guidelines are currently dealing with more than 25 cases involving issues from human rights in Myanmar to resettlement operations in the Zambian copper belt. Future work on corporate responsibility and the OECD Guidelines will explore the contribution that companies can make in the fight against corruption.

### International taxation

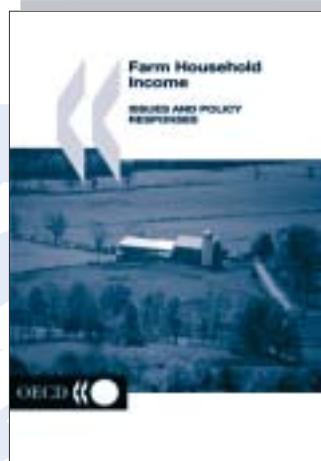
[www.oecd.org/taxation](http://www.oecd.org/taxation)  
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Cross-border trade and investment would be seriously impeded if they were taxed twice, once in the source country and again in the country of residence. The OECD Model Tax Convention and the worldwide network of tax treaties based on it help to avoid double taxation by providing clear rules for taxing income and capital.

The OECD Convention requires constant review to address new tax issues and a changing business environment. An update in late 2002 included revisions on restricting entitlement to treaty benefits, clarification of domestic anti-abuse rules, treaty characterisation of e-commerce payments, the threshold for taxing profits of non-residents and assistance in collecting taxes.

A large share of world trade consists of transfer of goods and services within multinational enterprises. Transfer prices – payments for goods or services from one part of a multinational enterprise to another – may diverge from market prices for a number of reasons, including for tax planning reasons. To ensure that the tax base of a multinational enterprise group is divided fairly, it is important that transfer pricing within the group should be in line with pricing between independent firms. This "arm's length principle" is set out in the OECD Model Tax Convention. Guidelines on how this principle should be put into practice were issued in 1979 and are continually under review to ensure that they remain up to date. The OECD started work in 2002 on improving dispute resolution between tax authorities on transfer pricing and treaty issues. This should benefit taxpayers by reducing double taxation.

Many jurisdictions beyond the OECD participate actively in its tax treaty and transfer pricing work. The OECD has organised an annual meeting of treaty negotiators and transfer pricing experts since 1996 which allows negotiators from around 70 countries to discuss practical cases. ■



This report provides an overview of the income situation of farm households and examines the influence of agricultural and of tax and social security policies on them.

# Sustainable development

[www.oecd.org/sustainabledevelopment](http://www.oecd.org/sustainabledevelopment)  
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How can we meet the needs of today without diminishing the capacity of future generations to meet theirs? Sustainable development implies a broad view of human welfare, a long-term perspective about the consequences of today's activities and global co-operation to ensure that we do not exhaust the earth's resources, destroy the environment or create untenable social and economic conditions. OECD work in this area in 2002 focused on monitoring progress towards sustainable development, on overcoming obstacles to policy reform, on the social aspects of sustainable development and on the World Summit on Sustainable Development in Johannesburg (see box page 40). The work was mandated by OECD ministers in 2001 and is undertaken in the context of the horizontal project on sustainable development. The results will be presented to OECD ministers in 2004.

## Achieving sustainable development

Sustainable development became part of regular economic peer reviews of individual member countries in 2002. Each Economic Survey of an OECD country now includes sustainable development indicators covering three policy issues chosen from a list including greenhouse gas emissions, air or water pollution, natural resource management, waste management, living standards in developing countries and sustainable retirement incomes. These issues have so far been considered in reviews of Australia, Austria, Belgium, Finland, Germany, Iceland, Ireland, Korea, Portugal, Spain and the United States. Several of the indicators attempt to measure progress in decoupling environmental pressures from economic growth.

The OECD also produces regular *Environmental Performance Reviews* of countries, containing several chapters on sustainable development progress. All member countries have been reviewed, as well as a few non-member countries such as Russia. A technical report on decoupling found that OECD countries have made progress towards decoupling for most of the identified themes and, in some cases, have achieved absolute reductions in environmental pressures.

Work on obstacles to policy reform covers two main areas: overcoming barriers to the use of environmentally related taxes; and identifying environmentally harmful subsidies and policies. In 2002 the OECD studied the potential impact on the steel sector of broader use of economic instruments to limit CO<sub>2</sub> emissions. It also held a conference in Berlin, organised with the German environment ministry, on overcoming barriers to environmentally related taxes. Participants included representatives of OECD governments, academia, industry and NGOs. A workshop on environmentally harmful subsidies ([www.oecd.org/agr/ehsw](http://www.oecd.org/agr/ehsw)) helped to develop



(left to right)  
Brazilian Agriculture Minister  
Marcus Pratini de Moraes with  
OECD Deputy Secretary-General  
Seiichi Kondo when he visited  
the OECD in September.

## Johannesburg Summit

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

The World Summit on Sustainable Development in Johannesburg focused world attention on progress in the decade since the Rio Earth Summit as well as providing an opportunity to agree on actions to address the challenges that still remain. It also provided an opportunity to review international commitments on development, trade, financing and the environment.

The Johannesburg summit brought together tens of thousands of people, including more than 100 heads of state or government, from 26 August to 4 September 2002. It covered a wide range of topics pertinent to sustainable development, including: poverty eradication; changing unsustainable patterns of consumption and production; protecting and managing the natural resource base of economic and social development; sustainable development in a globalising world; health and sustainable development; means of implementation; and strengthening governance for sustainable development.

The summit produced two main results: it agreed a detailed, action-oriented Plan of Implementation, intended to guide work on sustainable development in the years to come, and it produced a series of partnership initiatives involving government, business, NGOs and other groups to address specific sustainable development problems.

The Plan of Implementation focuses on how targets and commitments for sustainable development can be achieved at national level or through enhanced international co-operation. The partnerships highlight the need for co-operation between, and active participation by, different sectors of society to ensure sustainable development is realised. While governments play a key role, they recognise that they cannot achieve it alone.

The OECD participated actively in the preparations for the summit and in the meeting itself. A special report to the summit, *Working Together Towards Sustainable Development: the OECD Experience*, summarised the lessons learned from OECD country experiences and analytical work on sustainable development. A wide range of other relevant OECD reports covering areas from sustainable development strategies to water and wastewater management, as well as the OECD Guidelines for Multinational Enterprises were also widely disseminated before and during the meeting. OECD Secretary-General Donald Johnston actively contributed to the Summit meetings, sharing OECD experiences and policy recommendations. The OECD is now considering how its work can best be targeted to more directly support the Plan of Implementation. The OECD is also involved in seven partnership initiatives, in areas ranging from dealing with environmental emergencies to developing indicators of children's environmental health.



This report, prepared for the Johannesburg summit, assesses the contribution made by OECD countries, both at home and internationally, and brings together the main lessons learned through the Organisation's extensive work on sustainable development.

a shared understanding of the state of play and to identify some of the gaps in information and analysis that are hampering progress. A comprehensive report on subsidies in agriculture, fisheries, forestry, energy supply, transport and manufacturing and their degree of environmental harm will be published in 2003.

Work on the social aspects of sustainable development focuses on the links between environmental and social change and on balancing progress between the various dimensions of sustainable development (see box page 44).

## Environment

[www.oecd.org/environment](http://www.oecd.org/environment)  
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OECD work supports efficient and effective environmental policies in member countries. Activities in 2002 focused on "mixes" of policy instruments for addressing environmental problems, including combinations of environmental taxes, voluntary agreements, tradable permits, and regulations. An in-depth study of the environmental effectiveness, economic efficiency and usage of voluntary approaches – negotiated agreements between government and industry to achieve environmental objectives – will be released in 2003. A comprehensive database of environmental policy instruments used in OECD countries will be available on the Internet from 2003 ([www1.oecd.org/scripts/env/ecoInst/](http://www1.oecd.org/scripts/env/ecoInst/)) and will be regularly updated.

A report of a multi-year project on sustainable household consumption was issued in 2002. OECD members in 2002 also agreed a recommendation on improving the environmental performance of public procurement. A study reviewing the potential and effectiveness of greener public purchasing policies will be published in 2003.

Total waste generation within the OECD area is still increasing in line with economic growth, although in some areas, such as municipal and industrial waste, the environmental pressures associated with waste generation have begun to decline. To strengthen this trend, work on waste in 2002 focused on prevention and environmentally sound management of waste.

Political support for globalisation depends in part on governments' ability to address its effect on the environment. This is reflected in the Doha Development Agenda (see box page 32), which includes commitments to begin negotiations on some trade and environment questions. The OECD is working to provide technical analysis on the environment elements of the Doha Development Agenda and the Monterrey Consensus on financing for development agreed in 2002, as well as follow-up to the Johannesburg Summit. This work will examine the links between trade, environment, and development co-operation policies and help improve understanding of the environmental aspects of the OECD Guidelines for Multinational Enterprises.

The OECD's environmental activities also include work for better regulatory oversight of chemicals. Many OECD countries have started to investigate concerns about chemicals commonly found in food products, the



DID YOU KNOW ...  
that the OECD has provided international tractor standards for more than 40 years, covering safety and environmental features such as roll-over protection, noise levels and power output? It celebrated testing its 2,000<sup>th</sup> model in early 2003.

workplace and the environment. The OECD brings these countries together to co-ordinate their activities and develop a common approach to identifying and assessing endocrine disrupting chemicals (EDCs) – compounds that interfere with the hormonal functions of humans and animals. Member countries agreed in 2002 to share all information on chemicals of national concern using agreed testing methods.

## Biodiversity

[www.oecd.org/env/biodiversity](http://www.oecd.org/env/biodiversity)

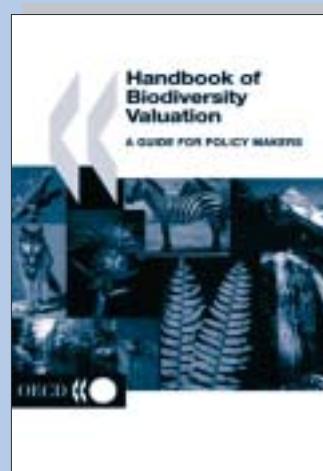
Biodiversity is fundamental to sustaining life. Biodiversity-related work within the OECD supports policies intended for its sustainable use as well as its conservation. In a world where many people care about the quality of the environment, but use it for economic development which brings immediate benefits, the tradeoffs that maintain biodiversity need to be made carefully. But how do you measure the value of a tropical rainforest, or an unpolluted river, to a country's economy – or well-being? The OECD published a *Handbook of Biodiversity Valuation: A Guide for Policy Makers* in early 2002 that offers some answers to such questions. The book uses economics-based methods to capture the value of non-marketed aspects of biodiversity such as forests, in many cases making it possible to give them explicit values. This enables a direct comparison between biodiversity's value with other goods traded in the market, making it easier for governments to find the right balance between the economic use of biodiversity and its conservation. Such work contributes to the development and implementation of the UN Convention on Biological Diversity (CBD).

Another publication, entitled *Harnessing Markets for Biodiversity: Toward Conservation and Sustainable Use*, will be released in early 2003. This publication explores areas where markets have been developed, largely by the private sector, so that sustainable use of biodiversity becomes a natural outcome of market processes rather than one mandated by governments.

Outreach has also become an important part of the biodiversity work, with workshops on biodiversity incentives, valuation, and market creation being held in Oaxaca, Mexico and also in Dakar, Senegal. These events highlighted OECD work in biodiversity for people who are in a position to implement its lessons on a day-to-day basis. More workshops are on the drawing board for Asia and central Europe.

Looking ahead to 2003, the work on biodiversity will continue with a number of projects. The distributive aspects of biodiversity policy will be an important area where work will focus on identifying winners and losers from policy – and how to ensure that biodiversity's benefits are shared between those groups. Also on the agenda is a follow-up project on market creation, including the finalisation of a *Handbook on Market Creation for Biodiversity*. A workshop related to this Handbook is planned for 2003 to review market-creation case studies.

DID YOU KNOW ...  
that OECD work helps governments  
find the right balance between the  
economic use of biodiversity and its  
conservation?



How do you place value on a tropical rainforest or an unpolluted lake? This book offers ways to put a value on biodiversity.

Work has also started on risks from the deliberate release of harmful chemical and biological products and a meeting was held mid-2002 on "Counter-terrorism: New Security Risks Related to Chemicals". Representatives of OECD countries, international organisations, industrial associations and other non-government organisations met to exchange information and learn from mutual experience. A follow-up workshop will address the critical issues of risk communication and public information.

### Trade and environment

Both the WTO ministerial meeting in Doha and the World Summit on Sustainable Development in Johannesburg emphasised the important role of trade in reaching the goal of sustainable development. In the WTO, negotiations are taking place to reduce or eliminate tariff and non-tariff barriers to environmental goods and services. The OECD is supporting the negotiating process by undertaking analytical work on issues related to the definition and classification of environmental goods.

In addition, OECD work has provided input to ongoing trade discussions on how the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development. In November 2002, the OECD held a workshop on the effects of environmental measures on market access for developing countries. It is also examining the trade barriers and opportunities created for developing countries by labelling requirements for environmental purposes.

### Sustainable agriculture

Agriculture is a major user of water and land resources, inflicting damage but also generating benefits for the environment. Governments are pledged to further trade liberalisation and reform of agricultural policies, to reduce support and shift it to forms that are less trade distorting and environmentally harmful. Work in the OECD focuses on analysing and advising on policy and market approaches to achieve sustainable agriculture in ways that are least trade distorting. A comprehensive, interactive inventory of policy measures addressing environmental issues in agriculture will be online in 2003. Work is also examining links between agriculture, environment and trade liberalisation in the pig, dairy and crop sectors. Key agri-environmental indicators of policy relevance to OECD countries are being updated, with the aim of publishing main trends in OECD countries in 2004.

The OECD has also analysed the effects of climate change on agriculture, in particular the impacts on water supplies, and a workshop on organic agriculture in September 2002 looked at the impact of different farming systems on the environment.

The OECD is the leading source of data on agricultural subsidies. Drawing on this data and on the outcome of a workshop on environmentally harmful subsidies in 2002, as well as on the agri-environmental indicators and

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

DID YOU KNOW ...  
that OECD countries increasingly  
regard social progress and poverty  
reduction as integral elements of  
sustainable development?

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

DID YOU KNOW ...  
that 31% of farmer revenue in OECD  
countries comes from government  
policies?

an inventory of agri-environmental policy measures, the evaluation of policy measures in 2003 will contribute to advice on good policy design and implementation.

## Social aspects of sustainable development

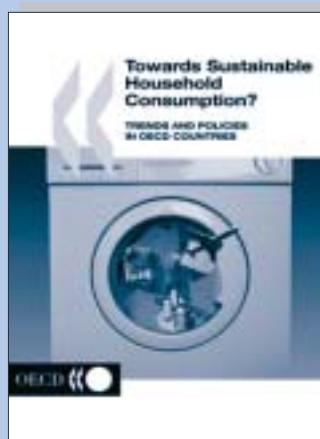
[www.oecd.org/sustainabledevelopment](http://www.oecd.org/sustainabledevelopment)  
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Environmental issues have historically driven much of the discussion on sustainable development. More recently, however, social aspects have also come to the fore, both at international and domestic level. The social and economic needs of the poorest countries were as much a part of the agenda of the 2002 World Summit on Sustainable Development as the environmental themes that dominated the Rio Earth Summit 10 years earlier. At the same time, several OECD countries are more fully integrating social challenges such as the fight against poverty and exclusion, the importance of providing all individuals with the skills required to compete in more flexible labour markets, and the special needs of children and ethnic minorities in their national sustainable development plans or strategies.

OECD work on the social aspects of sustainable development is pursuing two main tracks. The first looks at the direct links between environmental and social conditions. OECD activities contributing to better understanding of the relationship between environmental and social conditions include analysis of the employment and distributive effects of environmental policy, and work on environmental democracy and education.

The second track takes a broader perspective and looks at the role of social protection systems in creating more inclusive societies. Such systems include not only government programmes such as unemployment or child welfare payments, but also support provided by families, communities and firms. Each has an important role in promoting more inclusive societies, reducing poverty, protecting individuals against a range of risks, and facilitating structural adjustment. However, sustaining the performance of these institutions over time requires confronting a range of persistent pressures (such as lower fertility rates, changing family structures, weaker community ties, migration pressures, and persistent poverty and exclusion) that are putting at risk their capacity to deliver results. A report assessing such challenges, and ways in which they can be met, is being produced for mid-2003, in response to a ministerial request in 2001 for further analysis on the social aspects of sustainable development.

The report looks at how various pressures affect social protection systems over the lifecycle of individuals. It discusses ways of reducing the possibility of conflicts between social, economic, and environmental trends, and stresses that social protection systems are essential not only in industrialised countries but also in developing and transition economies.



This book provides a comprehensive analysis of household consumption patterns in five key areas: food, tourism-related travel, energy, water and waste generation. Analysis shows that environmental impacts from household activities have worsened over the last three decades and are expected to intensify even more over the next 20 years.

## Fisheries

The year 2002 was an important one for fisheries, as governments confirmed their commitments to seek better management regimes. OECD work on fisheries covers market and trade issues; illegal, unreported and unregulated fishing activities; and economic and market-based instruments in fisheries management. This provides timely and important input into the implementation plan drawn up at the Johannesburg Summit. In 2002, the Fisheries Committee finalised two major studies that contribute to ensuring sustainable and responsible fisheries: *The Costs of Managing Fisheries*, and *Liberalising Fisheries Markets: Scope and Effects*.

### Round Table on Sustainable Development

[www.oecd.org/sustainabledevelopment](http://www.oecd.org/sustainabledevelopment)  
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The idea of sustainability has found its way into almost every corner of public policy over the past 15 years, but its success as a unifying principle of policy and conduct is also its Achilles' heel. As the case for sustainability has expanded to embrace almost everything, the possibility of a clear and focused agenda has been placed at risk.

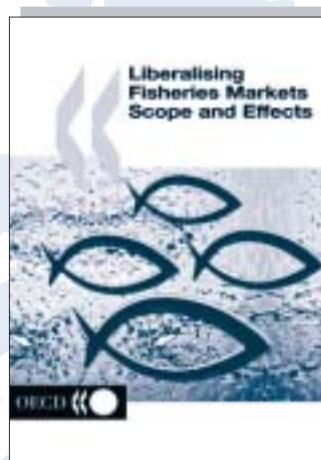
The ministerial-level Round Table on Sustainable Development at the OECD was formed to address these issues. In 2002, its work helped ministers prepare for the UN Conference on Financing for Investment in Monterrey, Mexico, in February as well as for the World Summit on Sustainable Development in Johannesburg.

Ministers from OECD and developing countries met with chief executives of leading multinationals, intergovernmental organisations and NGOs before and after the Monterrey meeting to discuss how to improve synergies between official development assistance and foreign direct investment. A detailed report was produced by the participants and was sent to Johannesburg.

The Round Table also held a special session in July on political sticking points in the run-up to Johannesburg, involving ministers from OECD countries and key developing countries as well as representatives of other international organisations, NGOs and business groups. The meeting provided an opportunity to reflect on priorities for the Summit.

At the end of the year, the Round Table held a meeting on eco-labelling for sustainable development. This was attended by key developing and developed country ministers, including EU Trade Commissioner Pascal Lamy. The heads of international certifying organisations as well as CEOs and NGOs also participated. The discussion focused on the way forward in the global trade, environmental and developmental issues raised by eco-labelling schemes.

In 2003, the Round Table will pick up key themes of the Johannesburg implementation plan such as sustainable fisheries management and governance issues related to sustainable development. ■



This publication reviews the significant changes that have taken place in the world fisheries sector, and provides an in-depth analysis of the prospects for and potential effects of further market liberalisation.

# Governance

[www.oecd.org/corporate;](http://www.oecd.org/corporate)  
[www.oecd.org/gov](http://www.oecd.org/gov)  
corporate.affairs@oecd.org;  
pum.contact@oecd.org

Good governance is critical to long-term economic, social and environmental development. At the same time, a well-functioning legal, regulatory and institutional environment is crucial for the continuing development of the corporate sector, which is responsible for generating a large share of the wealth in OECD economies.

The OECD helps governments to identify the changing needs of society and markets, and then to adapt their systems and policies to meet them. A key ingredient for the success of this work is sustained policy dialogue among decision-makers from public and private sector institutions as well as representatives of civil society in member and non-member economies.

Work in 2002 focused on the efficient functioning of government and the promotion of good governance in both the public and corporate sectors. This included areas such as fighting corruption, accountability, citizen participation in policy-making, promoting good practices and encouraging high standards of ethical behaviour.

## Bribery and corruption

[www.oecd.org/bribery](http://www.oecd.org/bribery)  
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Ratification and implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions came close to completion in 2002, and the Organisation is now focusing on strengthening the Convention and improving its effectiveness. As of October 2002, 34 countries had ratified or acceded to the Convention, which went into effect in February 1999 (Ireland has not yet deposited an instrument of ratification). The Convention makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals.

Strengthening the Convention requires vigilance to ensure there are no potential loopholes which could undermine its goals. The Organisation will continue to examine whether existing instruments should be adjusted to ensure that issues such as the role of foreign political parties and candidates in bribery transactions, or the role of foreign subsidiaries, are adequately addressed as well as other front-burner issues concerning bribery in the private sector.

Improving effectiveness implies more focus on monitoring how countries are enforcing national legislation to outlaw bribery of foreign public officials and to end tax deductibility for such bribes. It also involves regularly informing the public of actions taken by governments to comply with the Convention. Reviews of 31 countries' national laws to implement the Convention are already available on the Internet, and reviews of how countries are applying these laws will be added as they are completed. So far, the OECD has reviewed application in Finland, Germany and the United



Hard-core cartels are outrageous violations of competition law. What are the most appropriate tools to fight them? This book identifies an increasingly successful "carrot-and-stick" approach – applying stiffer punishment for cartel operators and enhancing programmes aimed at rewarding co-operation with the authorities.

## Corporate governance

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Good corporate governance is a prerequisite for sound business practice and market integrity – a fact highlighted by a number of high profile cases of corporate governance failure in the past year or so. The OECD is well established as a leading international organisation in this area, notably through the OECD Principles of Corporate Governance that since 1999 have served as an international benchmark for policy dialogue.

But some aspects of the spate of recent corporate failures demonstrated that rapid changes in the markets – with ever more complex transactions, increased internationalisation, the use of sophisticated financial instruments and new corporate structures – have outpaced market surveillance.

In light of these developments, the annual OECD ministerial meeting in 2002 decided to intensify the Organisation's work on corporate governance, and to bring forward completion of a planned assessment of the OECD Principles of Corporate Governance to 2004 instead of the original date of 2005. The objective is to ensure that the OECD Principles maintain their relevance as a global benchmark for corporate governance policy and contribute to the improvement of corporate governance practices worldwide.

The Principles are one of 12 key standards for sound financial systems listed by the International Financial Stability Forum and are widely used by national policy-makers, regulators and market participants in OECD countries and beyond. In May 2002 the International Organization of Securities Commissions (IOSCO) also recommended that its members use the OECD Principles of Corporate Governance as a benchmark.

The OECD's extensive programme on corporate governance with countries outside the Organisation also entered an important new phase in 2002. Regional Corporate Governance Roundtables in Asia, Latin America, Russia and South East Europe all held successful meetings during the year, providing a high-level forum for policy dialogue among policy-makers, regulators, market participants and civil society representatives. Each regional Roundtable formulates policy objectives and reform priorities in a Corporate Governance White Paper. The Russian Roundtable issued its White Paper in April 2002 and the Roundtables in Asia, Latin America and South East Europe are expected to complete theirs by the middle of 2003. The Roundtables will then focus on implementation and enforcement. These Roundtables are organised within the framework of a co-operative agreement with the World Bank Group and supported by the Global Corporate Governance Forum and regional partners.

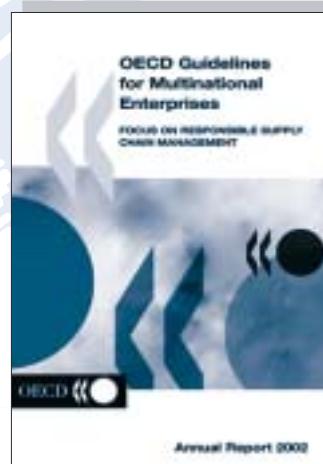
States. Measures taken by Bulgaria, Canada and France to enforce the Convention will be examined in 2003, followed by Italy, Japan and the United Kingdom.

### Corporate responsibility

The 2002 annual report on the OECD Guidelines for Multinational Enterprises showed significant progress in promoting and using them. The Guidelines provide voluntary principles and standards for responsible business conduct in a variety of areas, including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology. The 37 governments that have signed up to the Guidelines have made a binding commitment to promote them and to see that they are respected by multinational enterprises operating in or from their territories and they are also mentioned in several international agreements, including the Association Agreement between the European Union and Chile concluded in May 2002. More than 20 cases arising under the Guidelines are currently under consideration by national contact points in adhering countries. Many of these deal with issues that go to the core of the debate on globalisation, such as human rights in Myanmar or resettlement operations in the Zambian copper belt.

Corporate responsibility is a key aspect of work on multinational enterprises, and an OECD roundtable in June 2002 focused on supply chain management. Future work on corporate responsibility and the OECD Guidelines will explore and encourage the crucial contribution that companies can make in the fight against corruption.

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



### Taxation

Cross-border trade and investment would be seriously impeded if trade and investment flows were taxed twice, once in the source country and again in the country of residence. The OECD Model Tax Convention and the worldwide network of tax treaties based on it help to avoid the danger of double taxation by providing clear consensual rules for taxing income and capital. But the Convention requires constant review to address new tax issues and a changing business environment. An update in 2002 covers restriction of the entitlement to treaty benefits, clarification of domestic anti-abuse rules, treaty characterisation of e-commerce payments, thresholds for taxing the profits of non-residents and assistance in tax collection.

[www.oecd.org/taxation](http://www.oecd.org/taxation)  
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The Convention also covers commercial transactions between different parts of a multinational group. Transfer prices – payments for goods or services between one part of a multinational enterprise and another – may diverge from market prices for a number of reasons, including tax planning. The “arm’s length principle” set out in the Convention seeks to ensure that transfer pricing within the group is in line with pricing between independent firms so that the tax base is divided fairly. Work is

currently focused on areas including transfer pricing and stock options, and applying the arm's length principle to electronic commerce. Work also began in 2002 on a project to improve the resolution of disputes

## Harmful tax practices

[www.oecd.org/taxation](http://www.oecd.org/taxation)  
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Work on harmful tax practices is a key element of the OECD's efforts towards transparency, good governance and greater international co-operation in tax matters. It is not just about improving government's ability to apply national tax laws, but is an integral part of the global effort to promote integrity and stability in the international financial system and to widen the community of nations that subscribe to international standards.

The more open and competitive environment of recent years has had many positive effects on tax systems, including lower tax rates and broader tax bases. However, some tax and related practices are anti-competitive and can undercut these gains, for example, when governments introduce practices designed to encourage non-compliance with the tax laws of other countries. Ultimately, taxpayer confidence in the system – and in government in general – declines as honest taxpayers feel they are treated unfairly and that government cannot enforce its own tax laws.

Since 1998, the OECD has co-ordinated action so that all countries can work together to eliminate harmful tax practices. The OECD has provided guidelines for dealing with harmful preferential tax regimes in member countries, sought commitments to the principles of transparency and the effective exchange of information in tax matters from jurisdictions identified in the 2000 report *Towards Global Tax Co-operation* and broadened its dialogue to seek the co-operation of other non-OECD economies.

The success of the project thus far is demonstrated by the fact that only seven of the jurisdictions identified as tax havens in 2000 chose not to make commitments to transparency and exchange of information, while 31 have done so. Andorra, Liberia, Liechtenstein, Marshall Islands, Monaco, Nauru and Vanuatu were identified in a list of uncooperative tax havens issued in April 2002.

OECD countries and a number of committed jurisdictions have produced a model agreement on effective exchange of information that is being used as the basis for bilateral agreements and for the revision of Article 26 of the OECD Model Tax Convention on Income and on Capital. All 31 committed jurisdictions, the OECD's participating partners, have also been invited to work with OECD members to develop record-keeping standards so as to improve transparency. An informal contact group was established, consisting of four OECD members and four participating partners, to better co-ordinate co-operation on matters of common interest.



(including arbitration) between tax authorities on transfer pricing and treaty issues. This should benefit taxpayers by reducing the incidence of double taxation.

Many jurisdictions beyond the OECD participate actively in the work related to tax treaties and transfer pricing.

### Taxation and electronic commerce

[www.oecd.org/ecommerce](http://www.oecd.org/ecommerce)  
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Taxation has always been a key aspect of electronic commerce developments. The crash in the fortunes of dot.com companies might make it tempting to assume that the tax problems brought about by the rapid advancements in technology in the 1990s have disappeared. But the technology is still here and is still developing, so tax policy-makers and administrators cannot afford to take their eye off the ball. Many of the issues for taxation are now concerned with the ability of companies of all sizes to act globally, and with the development of a digital economy, particularly in the areas of services and intangibles.

The OECD's work in this area continues to build upon the Ottawa Taxation Framework Conditions agreed by 30 OECD and non-OECD countries in 1998. The results of this work in the areas of tax administration and consumption taxes, such as value added tax (VAT), will be published in 2003. The OECD is developing a new "Consumption Tax Guidance Series" which will offer guidance on consumption taxes, including the international aspects of these taxes, and which will include electronic commerce issues. At the same time, a "Tax Administration Guidance Series" aimed at sharing knowledge and experiences between tax administrations around the world, is also under development. The electronic commerce aspects of administration, including electronic payments systems and business identification on the Internet, will be the main focus of this series. Work on direct tax issues will continue beyond 2003 following the incorporation of some earlier findings into the 2002 update to the Model Tax Convention.

### Competition

[www.oecd.org/competition](http://www.oecd.org/competition)  
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Sound competition policy increases economic growth and the level of employment. Effective competition law enforcement, strong competition institutions and competition-based regulatory reform are key to long-term growth and prosperity.

The OECD-led fight against hard-core cartels gained force in 2002 with the wrapping up of phase II of the OECD's programme. Under this phase, countries enacted new laws providing for higher maximum fines in cartel cases and authorised the use of new investigative tools, such as leniency for whistleblowers, in cartel investigations. Most importantly, many countries are now more aggressively targeting and prosecuting cartels – the number of cartel cases is on the rise. Under phase III, launched in 2003, the work will concentrate on issues of harm, effective sanctions,

investigative tools and international co-operation. Its results will be reported to the OECD Council in 2005.

Roundtable discussions in 2002 led to the identification of best practices in a number of areas including merger assessment in fast-moving markets, access pricing in network industries and market power in the electricity sector. Subjects for debate in 2003 include media mergers; predatory foreclosure; competition and consumer policies; and market activities by governments. A library of best practice discussions is available via the Internet ([www.oecd.org/competition](http://www.oecd.org/competition)).

Reviews of national competition policies and sector-specific regulation were carried out for Finland and Turkey in 2002. France, Germany and Norway will be reviewed in 2003.

### Public governance

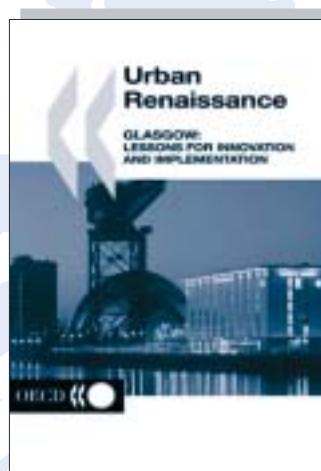
[www.oecd.org/gov](http://www.oecd.org/gov)  
pum.contact@oecd.org

Public governance plays a central role in the economic, social and environmental performance of countries. How public institutions function and in what framework they operate are crucial in determining which policies are adopted and how successfully they are implemented. Governance arrangements also determine the degree of corruption and the quality of democracy experienced by the citizens of member countries.

OECD work on public governance focuses on effective and efficient government and on creating favourable conditions for the development of markets and regions. It increasingly takes into account the links between public and corporate governance, reflecting the "corporatisation" of many parts of government and the changing public/private relationship.

The OECD began a three-year programme on public sector modernisation in 2002, examining the effects on government of changes in the public service. The first wave of public sector reform in OECD countries focused on developing new instruments and processes to increase government efficiency. But it is now clear that such instrument-based reforms can have unforeseen effects and that the same instrument may perform very differently in different countries. The public sector modernisation programme will examine issues such as the potential and limits of high-level performance targets and measures, the changing nature of civil services and the critical role of leadership, as well as the emerging strategic role of central agencies in modern government.

The preparation of the OECD Guidelines for Managing Conflicts of Interest in the Public Service, to be published in early 2003, responds to a growing demand to ensure integrity and transparency in the public sector. Increasingly close relationships between business and the public sector give rise to new forms of conflict between individual private interests and public duties. The Guidelines offer a frame of reference for reviewing existing solutions and for modernising mechanisms in line with good practices in OECD countries.



The last decade has seen the city of Glasgow change dramatically, socially, economically and physically. This study considers some of the important initiatives which have facilitated these changes. But the 21<sup>st</sup> century demands that Glasgow sets itself on a more sustainable path to realise greater social cohesion, building on a historic tradition of partnership and innovation.

## Distributed public governance

[www.oecd.org/puma/agencies](http://www.oecd.org/puma/agencies)  
elsa.pilichowski@oecd.org

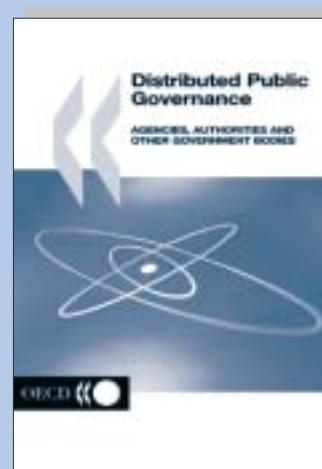
Good public governance means paying attention not only to the shifting relationship between governments, citizens and parliaments, but also to the effective functioning of government itself. This means focusing on "distributed governance" – the proliferation of public organisations such as universities, hospitals and regulatory agencies that operate with some degree of separateness from core government ministries. In many countries such bodies account for more than half of public employment and central public expenditure, but they have not been comprehensively studied from a governance perspective. Does government have adequate oversight of them? How accountable are they?

Most OECD member governments report that the establishment of such bodies has been a largely positive experience. It increases efficiency and innovation; brings management of services closer to citizens; allows more effective partnerships between different levels of government; involves citizens, private sector or civil society organisations in the management of agencies; and allows central ministries to concentrate on policy-making.

At the same time, institutional separateness can create new problems. In most countries, the focus has moved away from the need to create new bodies to the challenge of finding the right balance between accountability and autonomy and moving from input control to outcome-oriented management. In some countries, questions such as how to ensure policy coherence or a coherent public service have also become crucial issues. Human resources questions, particularly how to ensure staff mobility among separate entities with different status, career paths or reward mechanisms, are also important in a knowledge-intensive and ageing society.

The OECD tackled these and other questions in 2002 in *Distributed Public Governance: Agencies, Authorities and other Government Bodies*. This publication offers unique comparative information and analysis on distributed public governance as well as on problems involved in managing arm's length bodies in nine OECD countries. By creating a common language and formulating some common concepts, it provides an important analysis tool for governments and scholars.

Ongoing work in this area has relied on efforts by a group of national experts since 2001, and has benefited from discussions with a large number of international experts. The topic of distributed public governance is also of great relevance to outreach activities. SIGMA (Support for Improvement in Governance and Management) has been involved in the work extensively.



## Regulatory reform

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

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The OECD carried out reviews of regulatory reform in Canada, Poland, Turkey and the United Kingdom in 2002, bringing to 16 the number of countries reviewed since the programme started in 1998. Reviews of Finland, France, Germany and Norway will be carried out in 2003. Each report provides an assessment of recent regulatory reforms and offers a set of specific policy options for consideration by policy-makers.

These reviews show that regulatory reform can bring lower prices, more choice for consumers and higher quality goods and services, together with high safety, environmental, social and regional standards. Reforms improve the competitiveness of countries and ease trade tensions by addressing multiple behind-the-border impediments to trade and investment.

A report on *Regulatory Policies in OECD countries: From Interventionism to Regulatory Governance*, published in 2002, evaluates past experience and provides policy guidance on establishing institutions and implementing tools to improve the efficiency, transparency and accountability of regulatory regimes. The report also identifies a set of key challenges for the future, including ways to reduce red tape, the role of independent regulators in vital sectors such as telecommunications or electricity and the link between regulatory policy and economic growth and productivity.

The OECD is also engaged in a wide range of projects to share its experience on corporate and public governance arrangements with non-member countries. High on the list of priorities is policy dialogue with the Asia-Pacific Economic Cooperation forum (APEC), China, Russia and South East Europe.

## Territorial development

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

Positive economic development at national level does not always mean progress in every region, and OECD territorial analysis shows that disparities within countries have been increasing in recent years. OECD territorial reviews of several OECD countries (most recently Canada and Mexico) found that lagging regions often present hidden opportunities for development. Today's regional policies should therefore target untapped potential and tackle the root causes of regional imbalance, rather than simply re-distribute income.

Transferring responsibilities to the regional and local level is not enough: crosscutting co-operation is needed for capacity-building and more efficient dealings with functional regions. Accordingly, OECD territorial reviews at regional level increasingly focus on specific themes such as cross-border development, multi-level governance and metropolitan development. ■

# Best use of new technologies

[www.oecd.org/science](http://www.oecd.org/science)  
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Information and communications technologies (ICT) are a major driver of economic change that make a significant contribution to growth and wealth creation. The OECD helps member countries harness technological change to boost economic growth and achieve other social objectives such as creating employment and preserving the environment. The OECD analyses ICT policies, and develops new indicators and analytical tools to map ICT supply and demand trends, as well as ICT's role in growth and productivity. The social impact of ICT is also studied, including its potential to contribute to development and poverty reduction, as well as the possibilities offered by e-government.

DID YOU KNOW ...  
that while an increasing number of people in OECD countries are hooked up to the Internet, less than half of them use it daily?

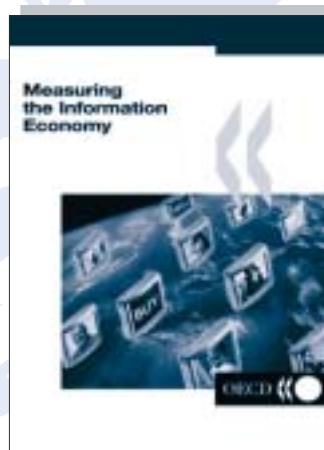
## Harnessing ICT

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

What role will ICT play in future growth? How efficient are countries in harnessing science? Who pays for research and development (R&D) and where is it most effective? Where do major non-OECD economies fit into the picture? The OECD offers answers to these and other key questions for the information economy. New developments in 2002 included the first systematic measure of countries' ability to use science for economic and social progress. The 2002 issue of the two-yearly *OECD Science, Technology and Industry Outlook* meanwhile found that the private sector is providing an increasing proportion of R&D funding, reducing the role of government. The Outlook also evaluates the technological challenges facing China after joining the World Trade Organization. China also became an observer on the OECD's committee for scientific and technological policy in 2002.

The severe downturn in the ICT industry in the past 18 months has raised questions about ICT's role in future economic growth. The 2002 edition of the two-yearly *OECD Information Technology Outlook* found, however, that prospects for the ICT industry remain strong and that the sector will have a significant role to play in the next recovery. The Outlook provides an overview of major trends and policy issues. It explores in detail the rapidly growing and evolving software sector, growth in electronic commerce and barriers to expansion, as well as ICT skills issues and the digital divide. New work has been launched on the impact of electronic delivery of healthcare, education and government services.

When it comes to the infrastructure that makes the global online network possible, work for the two-yearly *OECD Communications Outlook*, to be published in early 2003, shows clearly that despite the recent telecommunications crash, the services sector is growing steadily. Business is increasingly using Internet for economic growth and there has been no slowdown in the growth of demand for communications services. OECD analysis continues to demonstrate the benefits of liberalisation and the need to



With over 80 indicators based on the most up-to-date official statistics, this study provides a comprehensive international comparison of OECD member countries' performance in the information economy. Please note that this title is only available online.

## Biotechnology

[www.oecd.org/biotechnology](http://www.oecd.org/biotechnology)  
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Biotechnology has an increasingly important impact on our lives in areas from science and industry to health and agriculture. The OECD, with almost 20 years of experience in biotechnology-related topics and a strong record on safety issues, is helping to ensure that advances in biotechnology and the life sciences contribute to sustainable economic growth.

OECD work has shown, for example, that successfully incorporating biotechnology into industrial processes as diverse as paper bleaching and vitamin manufacture yields both economic and environmental benefits.

A major conference in Lisbon in 2002 examined ways to ensure that biotechnology contributes fully to the fight against infectious diseases, whether 20th-century newcomers such as AIDS or resurgent scourges such as tuberculosis. The conference called for stronger co-operation and partnerships between governments, charitable foundations and bio/pharmaceutical industries in developed and developing countries.

OECD countries are already working together to obtain the best value from technologies based on biotechnology and genetics, in their healthcare systems and in their economies at large. An OECD workshop in Berlin in early 2002 examined, for example, the patent and licensing system for genetic inventions, and found it generally acts as intended in promoting the diffusion of health-related technologies.

But we will not reap the full benefit of such developments unless biotechnology is used in a safe and secure manner. The OECD enjoys an enviable international record in developing and delivering principles of scientific safety assessment for living modified organisms. The past year has seen significant advances in this work, most notably the production of OECD guidance on designating a unique identifier for transgenic plants. The identifier can be used to access information in OECD and other databases about approved modern biotechnological products, chiefly for agricultural applications.

Countries also need to be able to measure and understand the impact of biotechnology. The OECD has approved a provisional statistical definition of biotechnology that countries are using in national research and development surveys. Work is also under way on a "model survey" to enable member countries to measure the use and development of biotechnology by biotechnology firms.

It is a sad fact that research on biotechnology raises issues of national and international security. Infectious diseases, for example, are potential agents of bioterrorism. The OECD contributes to reducing illegitimate access to biological resources that might be misused as weapons of terror, for example by developing an international standard that will deny terrorists access to infectious agents in national repositories while ensuring that researchers battling against disease can continue to benefit from these valuable biological resources.



Lisa Kelly (Australia), Chair of the OECD Task Force for the Safety of Novel Foods and Feeds.

keep markets open if such benefits and growth are to continue. Other work has focused on key regulatory policy issues such as opening up local phone services to competition, use of universal service obligations in broadband markets and competition between technology platforms.

### Increasing network trust

Trust in electronic networks is vital in an information society. OECD work in this area has focused on implementing consumer protection guidelines and privacy protection online. Work has now been extended to include research on the social and economic drivers of trust in the digital economy. Consumer policy work has concentrated on trans-border co-operation to enforce rules, payment cardholder protection and ways of resolving disputes outside the courts such as arbitration or mediation. Work on privacy protection has also focused on alternative dispute resolution (ADR) as well as privacy enhancing technologies and enforcement issues. The fulfilment of the Ottawa 1998 ministerial declaration on online privacy has been completed; policy and practical guidance has been issued for governments as well as the business world and individuals to promote privacy protection online at national and international level. Revised OECD Guidelines for the Security of Information Systems and Networks were completed and published in 2002 (see box page 57).

[www.oecd.org/sti/security-privacy](http://www.oecd.org/sti/security-privacy)  
dsti.contact@oecd.org



### Fostering innovation

Innovation is a key driver of economic growth and can help respond to many new social challenges. The OECD's role is to improve understanding of how innovation works and the efficiency of innovation policy. *Dynamising National Innovation Systems*, published in early 2002, draws on member countries' experiences over several years in promoting innovative clusters and networks, as well as the mobility of high-skilled personnel. The OECD also began case studies in 2002 of how innovation works in areas such as health-related biotechnology and energy. And OECD experts began work to identify best practices in using public/private partnerships to develop and commercialise new technologies. This international study will compare design, implementation, governance and results of public/private partnerships for research and innovation in areas such as health and environment where pooling of financial and human resources is mutually beneficial.

Throughout the ages physical money in the form of objects, coins and notes has increasingly been replaced by more abstract means of payment. As the public grasps the advantages of digital transactions, virtual forms of payment will dominate. This book suggests why and how to make the transition to the world of digital money.

### Measuring progress

As science and technology progress, we need to update our ability to track and measure these developments. The OECD's Frascati Manual, used worldwide for four decades as the basis for measuring research and development, was updated in 2002. The new 6<sup>th</sup> edition includes R&D in the service sector, provides recommendations about measuring R&D in ICT and biotechnology firms and offers new advice on keeping record of various characteristics of R&D personnel, such as gender. But as is frequently the case, our ability to measure a rapidly growing and changing area like ICT lags behind the economic and social reality. This is why the OECD has

[www.oecd.org/sti/statistical-analysis](http://www.oecd.org/sti/statistical-analysis)  
dsti.contact@oecd.org

DID YOU KNOW ...  
that in Iceland and Finland, 10 out of every 1.000 workers are in research – almost double the EU average?

## Online security

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

Online security is everybody's business in a world increasingly dependent on computer systems. Key national and international structures, from energy and health services to financial markets and transport, rely heavily on globally interconnected information networks. At the same time, ever more powerful personal computers and widespread use of the Internet make online systems available to all. Governments, enterprises and individual consumers all need to be sure that they can do business, shop or simply surf the Internet safe from cyberterrorism, computer viruses and hackers.

To counter such threats and to bring online security up to date in the wake of the 11 September 2001 attacks in the United States, OECD governments in 2002 drew up new Guidelines for the Security of Information Systems and Networks, a substantive revision of existing Guidelines drawn up in 1992.

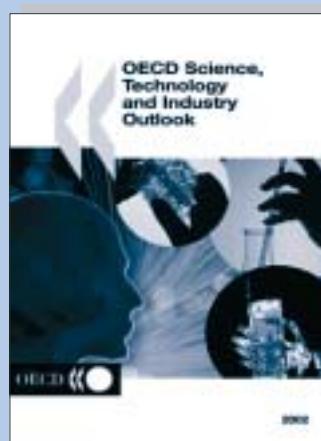
The new Guidelines urge all participants in our interconnected environment – from those who design and build a network system to its users – to help develop a “culture of security” for the information society.

The Guidelines offer nine key principles to achieve this:

- Awareness: Participants should be aware of the need for online security and of what they can do to enhance it.
- Responsibility: Participants are responsible for the security of information systems and networks.
- Responsiveness: Participants should act in a timely and co-operative manner to prevent, detect and respond to incidents.
- Ethics: Participants should respect the legitimate interests of others, such as the right to personal privacy.
- Democracy: The security of information systems and networks should be compatible with the essential values of a democratic society.
- Risk assessment: Participants should conduct risk assessments.
- Security design and implementation: Participants should incorporate security as an essential element of information systems and networks.
- Security management: Participants should adopt a comprehensive approach to security management.
- Reassessment: Participants should regularly review and update online security and security measures.

**Governments** are expected to promote a culture of security through education, training and, if necessary, changing policy. **Businesses** are expected to factor security into the design and use of their systems and networks. **Individual users** need to be aware of the risks and available safeguards for their systems and respond to them.

The OECD hopes the Guidelines will attract wide support as an international standard and encourage everyone to act to lessen the security risks inherent in an interconnected world.



This report identifies significant changes in science, technology and industry policies in the OECD countries. Special chapters examine emerging issues related to changing business strategies for R&D, competition and co-operation in the innovation process, reforming national science systems, strategic use of intellectual property rights in public research institutions, industrial globalisation and international mobility of scientists and engineers.

produced two "model surveys" that offer a tested, internationally comparable methodology for collecting statistics on the use of ICT whether in business, in households or by individuals. As a result, the OECD was able to release late in 2002 *Measuring the Information Economy*, the first compilation of official statistics in this area.

### E-government

[www.oecd.org/gov/Egov](http://www.oecd.org/gov/Egov)  
edwin.lau@oecd.org

The use of the Internet to put information and services online, and to increase citizen participation in policy-making, could transform the structure and operation of government, from electronic tax returns to online voting. The OECD is examining how governments can best exploit ICT to modernise the way they work and relate to their citizens and a report is due in early 2003. One thing is already clear: governments will have to change their existing ways of working if they are to provide customer-focused e-services and cross-agency solutions to complex public policy issues. In particular, different levels of government will have to collaborate closely in order to present a coherent online message to the public. In line with the citizen-focused emphasis of e-government, representatives of the users of the system - the private sector, civil society organisations and academic institutions - are involved in the current project.

### Future studies

[www.oecd.org/futures](http://www.oecd.org/futures)  
patrick.love@oecd.org

What will be the hot issues of the next few decades and will we be equipped to cope with them? The OECD may not have a crystal ball to predict the future, but its International Futures Programme does provide early warning of emerging issues, pinpoint major developments and analyse key long-term concerns to help governments map strategy.

One key question is whether the very nature of the major risks facing the world is changing. Population density is rising in some cities, making them more vulnerable to a host of problems, from new diseases to terrorist attacks. At the same time, globalisation is making it easier for dangerous viruses, pollutants, and technical failures to spread; and equally important, the frontiers of scientific discovery and technological innovation are expanding at breathtaking speed. Work in 2002 looked at the implications of these developments, particularly the potentially significant future increase in the vulnerability of major systems, such as health services, roads or computer networks. The results, including recommendations on how to improve management of emerging systemic risks, will be published in early 2003.

Space and its uses – from earth observation to telemedicine and space tourism – hold out the prospect of huge economic, social and environmental benefits. However, their future development also faces serious technological, economic and regulatory obstacles. The OECD plans to begin a two-year project in 2003 on the role of public and private players in commercialising space and developing space infrastructure. ■



Do space stations need planning permission? Just one possible future question for OECD governments.

# — Development co-operation

[www.oecd.org/dac/](http://www.oecd.org/dac/)  
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Contributing to global development is a key objective of the OECD. This objective is vital in order to achieve poverty reduction and sustainable development globally. OECD countries play a major role in this area, accounting for 95% of total official development assistance (ODA), which amounted to US\$ 52.3 billion in 2001. Much of the Organisation's development work focuses on how to use this aid in the most effective manner to reduce poverty and ensure sustainable development in developing countries.

During 2002, a number of donor countries announced major aid increases for the next four years as part of strengthened international efforts to achieve the Millennium Development Goals (MDGs) for poverty reduction (see box page 62). Most of the Goals were originally selected by OECD donor countries in 1996 and incorporated by UN Heads of State in their Millennium Declaration in 2000.

## Increasing aid

[www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)  
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Developed nations pledged at an international conference on financing for development in Monterrey in March 2002 to increase ODA to developing countries, promising a very different aid scenario from the 1990s, when aid flows declined. These and other commitments could raise ODA in real terms as much as US\$ 15 billion by 2006, boosting aid from OECD donor countries in the Development Assistance Committee (DAC) back to its 1995 level of 0.26% of gross national income (GNI), up from 0.22% in 2001.



Senegal President Abdoulaye Wade at a meeting on the *African Economic Outlook* and the New Partnership for Africa's Development.

## New Partnership for Africa's Development (NEPAD)

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

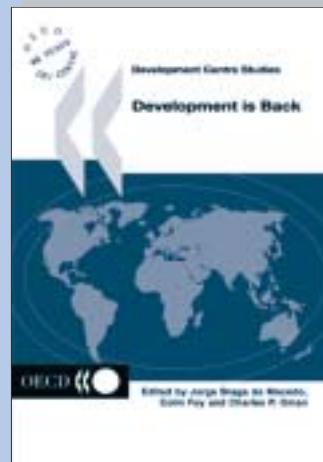
In 2002, the OECD launched a new dialogue process with African countries through the New Partnership for Africa's Development (NEPAD), an African-led initiative to eradicate poverty and achieve sustainable growth and development. Ministers representing NEPAD met with OECD ministers in May and agreed on three areas for co-operation: sharing the OECD's experience in the design and implementation of peer reviews; increasing African participation in OECD activities with non-members, such as the OECD Global Forums; and discussing development effectiveness and improved aid management.

In June, Wiseman Nkuhlu, Chairman of the NEPAD steering committee and economic advisor to the South African President, visited the OECD to discuss peer review methods. Mr. Nkuhlu said that establishing an African peer review mechanism would be a central goal for NEPAD success and stressed the importance of learning from the OECD's experience and expertise as one of the foremost bodies using such mechanisms.

In September 2002, the OECD met with the Executive Secretary and senior officials of the Economic Commission for Africa (ECA) to discuss peer review methods and experience in such fields as economics, competition, trade, development assistance, environment, territorial studies, governance and education. An ECA official also participated in a peer review by the Development Assistance Committee (DAC). The OECD Development Centre organised with the University of Victoria, Canada an experts meeting on effective strategies to realise NEPAD's goals.

On a parallel track, the OECD and ECA Secretariats have begun work to consider institutional arrangements for facilitating joint reviews between NEPAD countries and OECD member countries to assess each other's performance in (i) governance and development progress in African countries, and (ii) policy coherence, aid flows and aid management in donor countries.

African and OECD policy dialogue exchanges began in August with a regional workshop in Mombasa examining trade capacity-building, jointly organised by the ECA and the OECD. In early 2003 the organisation will carry out a peer review of South Africa's competition institutions, the first such peer review for a non-OECD country, as part of an expanding programme of competition capacity-building in Africa. A major international conference on trade and investment is being organised in Senegal in April 2003. Plans are underway for other policy dialogue initiatives on key areas of policy reforms, such as corporate governance. The Common Market for Eastern and Southern Africa (COMESA) may launch co-operation on, for example, market access, competition and taxation on foreign direct investment.



This book provides a compendium of 40 years of development experience and looks forward to future policies and strategies which might provide some solutions to the problems facing developing countries.

DID YOU KNOW...  
that Africa covers as much land as Argentina, China, the EU, India, Mexico and the US put together?

But simply increasing aid is not enough. The Monterrey meeting also produced a two-way commitment emphasising the fundamental role of good governance in developing countries in making aid more effective and the need for better policy coherence on the part of donor countries. These commitments were central elements of the OECD annual ministerial meeting in May 2002. For the first time this included a joint session with DAC ministers and produced a special statement on "OECD action for a shared development agenda" covering areas such as policy coherence, governance and aid effectiveness. African ministers representing the New Partnership for Africa's Development (NEPAD) also met OECD ministers. (see box page 60).

## DID YOU KNOW...

that African economies grew faster than the OECD area in 2002?

**Aid effectiveness**

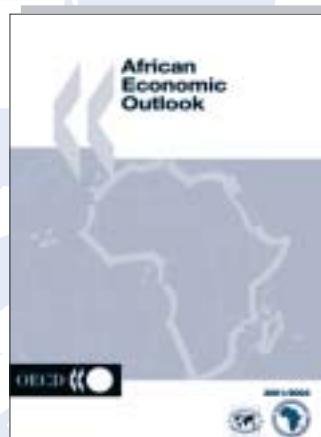
[www.oecd.org/dac/donorpractices](http://www.oecd.org/dac/donorpractices)  
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Improving aid effectiveness to ensure best value for the limited resources available is a fundamental part of DAC work. The focus is now shifting towards measurable results of progress towards the MDGs in individual developing countries.

DAC also provides practical guidance on how donors can simplify their procedures and regulations to improve aid effectiveness. Papers were produced in 2002 outlining good practice in a number of areas, including co-ordination; preparing projects; and reporting and monitoring and will be presented to an international development forum in Rome in 2003.

**Peer reviews**

Development co-operation peer reviews check members' performance against their own objectives, DAC guidelines and good practice. A survey in 2002 confirmed the high priority that DAC members attach to the reviews and suggested a number of improvements. DAC peer reviews in 2002 covered Canada, the European Commission, Greece, Spain and the United States. For the first time, observers from developing countries were involved in a peer review process at the request of the Canadian government. Peer reviews of Denmark, Finland, Ireland, Japan and Luxembourg are planned in 2003, as well as an assessment of donor activities in Tanzania.



The annual *African Economic Outlook* reviews the recent economic situation and the short-term likely evolutions of selected African countries. It also contains a comparative synthesis of African country prospects, placing the evolution of African economies in the world economic context.

**Policy coherence for development**

Aid produces better development results if donor countries' policies in areas such as investment, trade and agriculture support each other, for instance when donor countries combine support for developing countries' efforts to avoid or minimise violent conflict with action to limit arms exports. But when policies are incoherent, aid effectiveness is reduced, such as when OECD countries spend sizeable amounts of ODA on building trade capacity in developing countries but at the same time restrict developing country access to their markets.

New OECD work on policy coherence for development will assess the impact of OECD countries' policies on developing countries and identify more effective ways to promote development. This includes efforts under the Doha Development Agenda to ensure that a new round of global trade liberalisation increases benefits to the developing world.

### Trade and development

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

The OECD has boosted the development aspect of its trade work in response to the Doha Development Agenda. A workshop in Hong Kong, China, in June brought together more than 80 participants from OECD economies and beyond to discuss investment, competition, transparency in government procurement and trade facilitation. The meeting was organised in co-operation with the Asia Pacific Economic Co-operation forum (APEC)

### Millennium development goals

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

The Millennium Development Goals (MDGs) provide a rallying point for international development efforts to 2015. There are eight specific goals which call for: halving extreme poverty; achieving universal education; promoting gender equality; reducing childhood mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development.

Many donor countries pledged in 2002 to increase aid in the coming years as it became clear that on current trends, prospects for meeting the MDGs are mixed. Progress in eastern and southern Asia, if maintained, is on track to meet the goals. But progress in Latin America is slow and much of sub-Saharan Africa and central Asia is either experiencing no progress or regressing. Globally, poverty reduction is on track due to progress in East Asia, but performance in sub-Saharan Africa has been static, both for poverty measured by income and for malnutrition. Child mortality lags behind, on track for only a one-quarter reduction globally by 2015, compared to the goal of a two-thirds reduction.

Many countries still have a chance to meet the MDGs by 2015, but it will require a partnership to mobilise the necessary national and international resources and to promote the right economic and institutional conditions. There are some promising signs through the Doha Development Agenda, commitments to reverse the decline in ODA, and initiatives such as the New Partnership for Africa's Development (NEPAD). But developed countries need to urgently address policy incoherence in areas such as market access.

DID YOU KNOW...  
that OECD countries provide six times  
more in subsidies to their farmers than  
in aid to the 5 billion people in the  
developing world?

and the government of Hong Kong, China. A second workshop in New Delhi, India in December addressed developing country market access concerns arising from OECD countries' environmental requirements.

A regional workshop on trade capacity building held in Kenya, in August discussed how Africa can increase its capacity to generate higher growth and poverty reduction through effective trade and investment. The OECD is also organising an international conference on trade and investment in Africa to be held in Dakar, Senegal in April 2003.

### Technical assistance to trade capacity building

[www.oecd.org/dac/trade](http://www.oecd.org/dac/trade)  
<http://tcbdb.wto.org>  
 dac.contact@oecd.org

Trade-related technical assistance and capacity-building needs are a central component of the Doha Development Agenda. In September, the OECD issued a CD-ROM containing more than 40 OECD trade-related analytical publications and reports, a valuable tool for governments and the public to enhance their understanding of trade policy issues and negotiating procedures. In December, the OECD and the World Trade Organization (WTO) also launched a user-friendly joint database providing information about trade-related technical assistance and capacity building.

### Poverty and health

DID YOU KNOW...  
 that India exports more software than ready-to-wear?

Investment in health is central to economic development and poverty reduction. Better health itself is an important objective of development and so figures prominently in the Millennium Development Goals. Pro-poor health policies are not just about ensuring provision of accessible quality healthcare but also cover other areas that affect the health of the poor such as education, nutrition, water and sanitation. In addition, they encompass global action on trade and the funding of health research as they affect health and poverty reduction in developing countries. In 2002 the DAC extended its work in this area, building on the DAC Guidelines on Poverty Reduction endorsed by ministers in 2001. A new reference document, to be published in early 2003, identifies the key components of a pro-poor health approach and provides a framework for action.

### OECD Development Centre

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

The OECD Development Centre promotes better understanding in the OECD of developing countries' economic and social problems and shares the knowledge, information and experience gained by OECD members in their development process. In 2002, the Centre celebrated its 40<sup>th</sup> anniversary by publishing *Development is Back*, a compendium of development experience over four decades covering topics such as sustainable development, globalisation and poverty; and trade and investment liberalisation.

The Development Centre also published in 2002 the first annual *African Economic Outlook* in collaboration with the African Development Bank. Senegal's President Abdoulaye Wade, the first African head of state to visit

the OECD, came to Paris for its launch. The African Economic Outlook covers 22 African countries. The second edition, covering 30 countries, will be published in early 2003.

*Trading Competitively: Trade Capacity Building in sub-Saharan Africa* was a highlight of work on integrating developing countries into the world trading system. This book found that despite significant policy improvements in recent years, the inadequate provision of trade support services, lack of coherence in government policies and high transaction costs remain major obstacles to the expansion of export businesses in the region.

Work on finance and enterprises in 2002 focused on how developing countries can cope with short-term capital flows, modifications in banks' internal country risk models and regulatory changes related to external risk assessments by credit-rating agencies. It also focused on the potential benefits and costs of different monetary policy regimes in developing countries.

Activities on poverty reduction focused on how institutional and policy reform can enhance the effectiveness of education and health spending, improve access to modern information and communication technologies, increase the involvement of the private sector, and promote the empowerment of people. These ideas were pursued through a series of publications as well as a number of dialogue meetings in OECD and developing countries. As poverty reduction efforts also require a more informed, educated and engaged public in OECD countries, in early 2003 the Centre published *Public Opinion and the Fight Against Poverty*, which sums up existing data on public views of aid policy in DAC countries.



(left to right)

Economic advisor to President Karzai of Afghanistan Ishaq Nadiri;  
First Secretary, Afghanistan Embassy to the European Union and President of Afghanistan Libre Chekiba Hachemi;  
former US Special Envoy for Somalia Robert Oakley.

### Sahel and West Africa Club

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

The Sahel and West Africa Club is an informal forum that creates and facilitates links between OECD member countries and west African countries and between the public and the private sectors. Work on regional development, the core of the Club's activities, focused in 2002 on competitiveness, governance and democracy, post-conflict development and regional integration.

The Club's secretariat began updating information on structural developments in the regional economy, carrying out a critical review of support structures in the private sector and analysing the structure of family-based agriculture. It also began a test exercise on regional integration in post-conflict situations in the Mano River Union (Guinea, Liberia and Sierra Leone). Work is also under way on cross-border local development in the Sikasso-Korhogo-Bobo Dioulasso region of Mali-Ivory Coast-Burkina Faso. The Club is preparing a framework document for work on governance which will be completed in 2003.

The Club also continued work on transferring regional management of its ECOLOC method for analysing the local economy in West Africa to the regional Municipal Development Programme. ■

# — Co-operative relations with non-members

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

The OECD works with more than 70 non-member economies from all over the globe, engaging in policy dialogue and sharing each other's rich and varied policy experiences. These co-operative relations cover a broad range of topics of mutual interest, tapping into the Organisation's extensive knowledge and experience.

The Centre for Co-operation with Non-Members provides a focal point for the OECD's relations with non-members, which are constantly evolving to accommodate new developments such as the Doha Development Agenda (see box page 32) and the New Partnership for Africa's Development (see box page 60).

## OECD Global Forums

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

The OECD Global Forums provide a framework for dialogue with non-members on key issues of mutual concern. The Forums currently focus on eight areas: sustainable development; the knowledge economy; governance; trade; agriculture; international investment; taxation; and competition.

**The Global Forum on Sustainable Development** is currently focusing on financing and the environment. Work on this issue, including a conference in April 2002 and a ministerial roundtable in June, formed part of the OECD contribution to the World Summit on Sustainable Development in Johannesburg in September (see box page 40). Work on environmental finance will continue in 2003, with the emphasis on financing water.

**The Global Forum on the Knowledge Economy** concentrated in 2002 on coherent government policies and regulatory frameworks for the digital economy. This Forum will launch new work in 2003 on the security of information systems and networks.

How to develop robust laws, institutional frameworks and public/private partnerships for building open government and better corporate governance were the subject of meetings in 2002 of the **Global Forum on Governance**.

A conference on development and trade held by the **Global Forum on Trade** brought together senior government officials from around the world to discuss how best to approach investment, competition, government procurement and trade facilitation in the Doha Development Agenda in the current round of multilateral trade talks.



(left to right)  
Austria's Minister for Economic Affairs and Labour Martin Bartenstein; and OECD Deputy Secretary-General Richard Hecklinger, at the signing of a declaration aimed at attracting investment to south eastern Europe, in Vienna in July.

## South Africa

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

Co-operation between South Africa and the OECD has deepened in recent years. Since 1999, South Africa has been invited to participate in several OECD ministerial meetings, including in 2002 as a member of the New Partnership for Africa's Development (NEPAD) (see box page 60).

Current activities with South Africa focus mainly on taxation, competition policy and governance but South Africa takes part in OECD work in a wide range of areas including science and technology policy, seed schemes and fruit and vegetable standards.

Taxation has a critical role for South Africa. The government needs to increase its domestic tax revenue to finance investment. A stable and equitable tax system is essential for attracting foreign direct investment (FDI), as well as for improving physical infrastructure, social environment, legal and institutional structures. The OECD has been working with South Africa on how to develop the fiscal climate and infrastructure to encourage FDI, as well as how to use fiscal mechanisms to generate revenue for development. In 2002, there were workshops on transfer pricing. For 2003, the OECD is planning regional events on auditing multinationals and on transfer pricing guidelines, organised with the Southern African Development Community (SADC).

The OECD-Southern Africa dialogue on good governance facilitates learning from the diverse public management experience of OECD countries. Work in 2002 included a seminar for senior government officials on the management and governance of the public sector property portfolio as well as joint work on accrual accounting. A seminar for budget committee members from both chambers of the South African Parliament explored how to implement the constitutional requirements for parliamentary scrutiny.

Work on competition policy aims to reduce anti-competitive practices and institutional distortions of competition and to help consumers obtain the basic necessities of life and other products at competitive prices. Competition policy can help subsistence farmers and struggling business operators to obtain materials at lower cost and to sell their products in more competitive markets. Competition reform can, in turn, stimulate innovation, entrepreneurship and the growth of a dynamic small and medium-sized business sector. This promotes overall economic growth and helps to attract private capital. In 2003, South Africa will become the first non-member to undergo a rigorous peer review exercise of its competition institutions under the auspices of the OECD's Global Forum on Competition.



South African Trade Minister  
Alexander Erwin at the OECD  
annual ministerial meeting  
in May.

**The Global Forum on Agriculture** focused in 2002 on the agricultural trade concerns of developing countries in the Doha Development Agenda. It discussed what can be done to ensure that the poor reap the potential gains of agricultural trade reform, and how any possible adverse effects can be mitigated. The OECD is working with other international institutions to improve policy analysis for better policy design that takes account of the circumstances of developing countries.

**The Global Forum on International Investment** offers a platform to share best policy practices and standards. The conclusions of a conference in February 2002 on "FDI and Environment: Learning from the Mining Sector" were reflected in the World Summit on Sustainable Development in Johannesburg. In December, in Shanghai, the Forum addressed the policy requirements for attracting FDI for development. Seven non-OECD countries have signed the Declaration on International Investment and Multinational Enterprises, the OECD's principal investment instrument, and more are expected to do so soon.

Much of the work of the **Global Forum on Taxation** focuses on promoting OECD standards such as the OECD Model Tax Convention and the OECD Transfer Pricing Guidelines. The flagship event of 2002 was a meeting on transfer pricing which brought together 200 treaty negotiators and experts from more than 80 countries. The scope of topics dealt with by the Forum has expanded to cover such issues as auditing of multinationals, tax evasion and avoidance and tax modelling.

**The Global Forum on Competition** examined issues such as how competition policy can contribute to economic development and how well the OECD's programmes satisfy the needs of non-members, during a meeting of some 60 economies in February 2002.



Estonian Minister of Foreign Affairs Kristiina Ojuland visiting the OECD in October.

## Regional and country programmes

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

Regional and country programmes provide more targeted co-operation with non-members in three regions: Europe and Central Asia; Asia; and Latin America (see box page 69). There is a general programme for each region, as well as specific programmes for sub-regions – South Eastern Europe and the Baltic region – and country programmes for Brazil, China and Russia.

In addition to specific regional and country programmes, non-members may also participate by invitation in OECD bodies and adhere to OECD instruments. More than 20 non-members participate in over 30 committees and other subsidiary bodies. In 2002, Israel adhered to the Declaration on International Investment and Multinational Enterprises while South Africa became a full member of the OECD programme related to the mutual acceptance of data in the assessment of chemicals.

DID YOU KNOW ...  
that the OECD is co-operating with more than 70 economies worldwide on issues from ageing to water pollution?

## Europe and Central Asia

The OECD co-operates with transition economies in Europe and Central Asia through the Multilateral Centre on Private Sector Development in Istanbul. The Centre was restructured in 2002 to serve more effectively as a regional forum for Eurasia and South Eastern Europe. Programmes on tax reforms and tax administration are conducted through the OECD Multilateral Tax Centres in Ankara, Budapest, Chonan (Korea) and Vienna.

Work in 2002 produced recommendations for improving the urban water sector in the transition economies of Eastern Europe and Central Asia. In 2003, activities will focus on an "Environment for Europe" ministerial conference in Kiev in May.

As its contribution to the Stability Pact for South Eastern Europe, the "Investment Compact" provided practical support on policy development and implementation in key structural policy areas (FDI policy and promotion; enterprise support; and governance, competition and regulatory reform) that are fundamental to successful transition and increased private investment. The Investment Compact is a Euro-Atlantic-Asian partnership ([www.stabilitypact.org](http://www.stabilitypact.org)) that works to improve the climate for business and increase private investment in South Eastern Europe.

The OECD completed in 2002 a number of reviews and reports of administrative and legislative reform in Estonia, Latvia and Lithuania. These included a Review of Labour Market and Social Policies and reports on the small business sector in all three countries.

The mandate of the Sigma programme was renewed in 2002 through to the end of 2004. This joint initiative of the OECD and the European Community works in partnership with governments to assist reform and modernisation of public institutions in 10 EU candidate countries, five Western Balkan countries and Turkey.

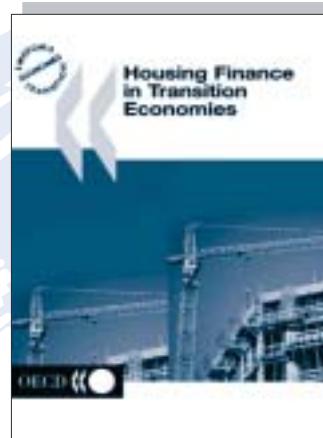
The inaugural meeting of the OECD-Ukraine Forum on Investment and Enterprise Development in Kiev was followed by publication of an Investment Policy Progress Review of Ukraine in June 2002.

## Russia

Work with Russia in 2002 included a meeting to review its progress in implementing anti-corruption measures. A major initiative was launched to examine the tax motivation for capital flight from Russia and to associate Russia more closely with the OECD's work on harmful tax practices.

A roundtable in Saint Petersburg in June looked at attracting quality foreign direct investment (FDI) to Russia's regions. Preliminary discussions were held to launch an FDI Policy Progress Review of Russia in 2003. The OECD published its fourth Economic Survey of the Russian Federation

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



This book provides the first in-depth survey of current situations and challenges in housing finance in major transition economies and their implications.

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

### DID YOU KNOW ...

that about 1.2 billion people, or one in five of the world's population, live in abject poverty with a per capita income of less than one dollar a day? At least two-thirds of these people live in rural areas where agriculture is the principal economic activity.

## Latin America

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

The OECD's co-operation programme with Latin American countries, as well as the specific country programme with Brazil, helps governments address some of the key institutional and policy issues which are essential for economic, social and institutional progress. Regular and consistent dialogue with the OECD provides a useful policy anchor which can help to overcome uncertainties related to political cycles and the international environment. The OECD can provide a coherent framework for formulating policy in various areas, drawing on OECD member country experiences.

Argentina, Brazil and Chile have been very active in this programme, although other Latin American countries, including the Caribbean countries, Peru and Venezuela, also participate. The issues covered include economic monitoring and analysis, accountancy and transparency in governance with a view to fighting corruption, corporate governance, competition policy, tax reform, foreign investment policy, capital markets, insurance and pension reform, statistics and education.

During 2002, the OECD also worked on an "ABC project" to analyse the sources of long-term growth in Argentina, Brazil and Chile. The results of this work will be published in 2003. This topic is particularly relevant for Latin America, as external constraints have often hindered the potential for sustained growth. This study will provide insight into the link between exchange rate regimes and economic structure; how different patterns of specialisation affect the capacity to sustain export revenues; the role of foreign direct investment in specialisation and a detailed case study of the agro-food sector.

The ABC study will pave the way for the first economic assessment of the Chilean economy. It will also provide a good basis for future work on Brazil, including its second economic survey. With the deepening of its expertise on Latin American economies, the OECD will be able to enhance co-operation with those countries.

Also in 2002, the OECD and the Inter-American Development Bank (IADB) launched a partnership to promote competition law and policy and encourage greater competitiveness in Latin American economies. It will hold its first event, a Competition Forum, in Paris in the first half of 2003.



(left to right)  
OECD Secretary-General  
Donald Johnston; OECD Deputy  
Secretary-General Seiichi Kondo;  
and Chilean Finance Minister Nicolas  
Eyzaguirre Guzman, who visited the  
OECD in September.

in 2002, including a detailed examination of the electricity and gas sectors, small business development and fiscal federalism. In 2003, the OECD will undertake a major review of Russia's regulatory reform.

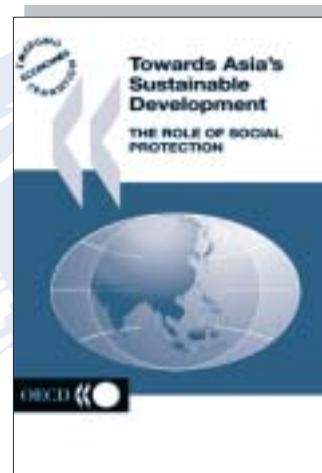
### Asia

[www.oecd.org/ccnm/asia](http://www.oecd.org/ccnm/asia)  
[www.oecd.org/ccnm/china](http://www.oecd.org/ccnm/china)  
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In addition to ongoing work in Asia on financial and pension reform, a seminar was held in Singapore on knowledge-based economies. After an exploratory meeting in Shanghai in early December 2002, the OECD will launch a policy dialogue initiative on investment issues in Emerging Asia. The OECD study, *China in the World Economy: The Domestic Policy Challenges* (2001), was extensively discussed at a special meeting with more than 200 Chinese officials and experts in Beijing. An FDI policy study of China was launched at the beginning of 2002 and is expected to be completed in mid-2003.

### Partnerships with other international organisations

The OECD further expanded its relationship with other international organisations in 2002, including new partnerships with the United Nations Conference for Trade and Development (UNCTAD), the International Monetary Fund (IMF) and the World Bank. The OECD also strengthened co-operation with regional development banks, notably through a new agreement on competition policy with the Inter-American Development Bank. This will be launched at the first meeting of a Latin American Competition Forum in 2003. ■



This book focuses on practical ways of developing appropriate social protection mechanisms that can contribute positively to Asian social development.

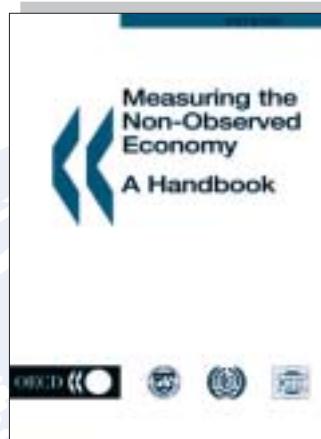
# — Statistics

[www.oecd.org/statistics](http://www.oecd.org/statistics)  
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The OECD's reputation rests in large measure on the high quality of its analytical work and publications, which in turn rely on the accurate and timely information produced by its statisticians. The OECD needs comparable, reliable statistics to measure and monitor developments in member countries and in key non-member countries. To achieve this, it promotes international statistical standards and best methodological practice.

The statistics compiled by the OECD range from annual and historical data to main economic indicators such as economic output; employment; inflation for the 30 member countries and selected other economies, updated monthly. This information is also available to government agencies and the public in a range of specialist statistical publications and databases.

Along with its own statistical work, the OECD Statistics Directorate acts as co-ordinator for the organisation's statistical activities as a whole. In 2002, the OECD continued the reform of its statistical system undertaken in 2001 to improve the quality of data collected, compiled and published by the OECD through improvements in the processing and management of statistics. The reform features a new quality framework and a "statistical information system" (see box page 72). All new statistical activities in 2003 will incorporate the quality framework, which includes a definition of quality; a procedure for assessing proposed new statistical activities as well as existing activities; and internal quality guidelines covering all phases of the statistical production process.



This *Handbook* identifies and promotes best practice for measuring the non-observed economy, which covers activities such as undeclared work, or illegal income. It is available in English and Russian.

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

## Short-term indicators

The OECD publishes weekly, monthly or quarterly economic indicators for national accounts, production, composite leading indicators, retail prices, financial, international trade and balance of payments. The indicators are available online, on CD-ROM and in print. The OECD's principal short-term indicator database is the monthly *Main Economic Indicators* (MEI), which includes statistical series for member countries and a range of indicators for such other economies as Brazil, China, India, Indonesia, the Russian Federation and South Africa. Monthly press releases announce the latest figures for the quarterly gross domestic product (GDP), OECD composite leading indicators, standardised unemployment rates, and international trade. Methodological analysis publications compare compilation practices in member countries for industrial production indices, retail trade, construction, and price indicators. Similar analyses will be published in 2003 for employment, unemployment and wage-related statistics on labour cost and earnings. The OECD is also developing international standards for short-term economic statistics such as services and seasonal adjustment.

## Reform of statistics gathering

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

All OECD directorates are involved in statistical work, which covers about 100 different statistical activities closely linked to policy analysis work. While this decentralised structure allows for continuous adjustments that improve the accuracy of the statistics and their policy relevance, it also creates risks of discrepancies between the working methods for different types of statistics that make it harder to conduct cross-subject policy analysis. It also makes it more difficult to get an overall view of all statistics available throughout the OECD.

In addition to conducting its own statistical activities, the Statistics Directorate provides guidelines, sets policies and co-ordinates statistical activities throughout the Organisation. In 2001, it created a new statistical infrastructure and quality framework to boost efficiency. The infrastructure will provide new statistical tools to make it easier to share common systems and practices in OECD statistical activities. These tools include:

- Centralised, detailed information on each activity, its objectives, those responsible for it and where it fits into the overall OECD statistics system. This information will also identify associated data collections, databases and details on its dissemination.
- A glossary of statistical terms to ensure consistency in the terminology and concepts used at the OECD. The glossary (available online at [www.oecd.org/statistics/glossary](http://www.oecd.org/statistics/glossary)) contains a complete set of definitions of the main variables collected by the Organisation and of key terminology and concepts used in OECD publications. At present there are about 5,000 entries.
- A new dataset, the “Reference Series,” containing the most frequently used data series within the Organisation. These are documented in a standard way and linked to the corresponding entry in the glossary, making the information more accessible.
- A catalogue for locating specific data in the collection of OECD datasets. This will include a repository for storing “metadata” – information about the processes and tools used in producing the data – related to the OECD datasets.
- A “common browser” to explore the various internal OECD datasets. The browser incorporates all the tools described above to help users find and use OECD data. This should help avoid inconsistencies between different databases, and make it easier for users to search for and extract data for analytical studies. It will also make it easier to create and disseminate new, integrated databases.

The new infrastructure was partially implemented in 2002. The entire integrated system will be available by mid 2003. The new developments will increase the efficiency and overall quality of statistical work at the OECD and help develop new, cross-cutting policy analysis and publications.



The monthly *Main Economic Indicators* (MEI) presents comparative statistics providing an overview of recent international economic developments for the 30 OECD countries and a number of non-members. The series is also available on CD-ROM and online.

## National accounts

The OECD co-published with the United Nations (UN), the International Monetary Fund (IMF) and other international organisations the 1993 edition of the System of National Accounts for use worldwide, and acts as a bridge between the European system and those of North America and Asia. In 2002-2003, the OECD organised meetings with experts from practically all member countries to find ways to improve the quality and international comparability of macroeconomic data. They discussed measuring investment in software, treating stock-options as costs to businesses, alternative measures of household saving, or measuring household assets and liabilities, among others. Task forces explored the treatment of catastrophic losses in the insurance industry (see box page 20), intangible assets, or the development of new forms of financial services. The studies led to the publication of practical recommendations endorsed by experts from member countries.

The OECD does statistical work in the areas of trade, agriculture, industry and services, and is now increasingly the source used by the UN for trade data in OECD countries. The quality, timeliness and comparability of trade data have improved considerably through regular trade meetings organised by the OECD which have no counterpart outside the European Union. The OECD has started a comprehensive review of trade indicators to provide better quantitative data for analysing the globalised economy.

The OECD worked with other international agencies to produce the *Manual on Statistics of International Trade in Services* in 2002. Statistics and databases are updated frequently, available free on the Internet and adapted to user needs, notably in the area of small and medium enterprises.



## Outreach activities

The OECD works with other economies to allow them to benefit from the experience of member countries in producing reliable and internationally comparable statistics. Of particular concern is the non-observed economy, which consists of informal and underground activities. The non-observed economy is often not included in the national accounts and industrial statistics in European transition countries or in the developing countries of Asia and Latin America with the result that GDP and living standards may be seriously underestimated. The OECD published *Measuring the Non-Observed Economy: A Handbook* in 2002. Work on implementing the recommendations will gather pace in 2003.

The OECD encourages non-member economies to carry out business tendency surveys using the OECD-European Union harmonised system of questionnaires and survey methods. These surveys ask business to measure their optimism or pessimism about the economic situation and their hiring/firing or investment intentions in the coming months. They have proved extremely valuable in providing up-to-date information on economic developments in countries where traditional industry surveys only

produce results many months after the reference period. In 2003, the OECD will publish a manual on the design and implementation of business tendency surveys and the use of their results in economic forecasting and analysis.

Qualitative information from business tendency surveys can be combined with quantitative data from traditional surveys to produce composite leading indicators that predict changes in the business cycle with leads of between three and six months. The OECD system of obtaining leading indicators is particularly valuable when used in conjunction with the Organisation's economic forecasts. A simplified version of the OECD system has been successfully exported to China and plans for developing composite leading indicators are well advanced in Russia and under way in Latin America and South East Asia. In 2002 the OECD released a software package for cyclical analysis which identifies economic time series that show leading tendencies and combines them into a single composite indicator.

The transformation of economic activity through globalisation has brought about a corresponding need to adapt the statistical methods used to measure and describe such activity. The OECD has joined with experts from its member countries and international organisations like Eurostat, the World Trade Organization (WTO), the IMF, the World Bank and the UN Conference on Trade and Development (UNCTAD) to provide guidelines and recommendations for the development of reference indicators on economic globalisation. These recommendations are to appear in a manual which is expected to be published in 2003. The initial version of this manual would cover four areas: foreign direct investment; activities of multi-national enterprises; technology; and trade. ■

# — Public affairs and communications

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The full range of stakeholders – whether the general public, business, labour or civil society organizations – is increasingly involved in public policy-making at national level, and in the activities of international organisations like the OECD. The OECD has an active policy of communication, dialogue and information dissemination with these stakeholders. At the same time, the OECD's analytical work and internationally comparable statistics are increasingly used by researchers and educators.

## Media

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The main focus of media relations activities is to disseminate OECD information to journalists, and, by extension, to the public at large. The international economy, the war on terrorism, development and the environment dominated news headlines in 2002, underscoring the relevance of OECD work in all these areas. Journalists regularly highlighted OECD work on these and other topics, demonstrating the Organisation's strong reputation for reliable data and analysis. They also turned in increasing numbers to OECD experts for comment and explanation.

One of the main activities during the year involved communicating the Organisation's work and expertise on development issues. A communications drive began in the build-up to the United Nations summit on Financing for Development in Monterrey, Mexico in March and continued at the OECD annual ministerial meeting in May. High-level OECD participation and media relations presence at the World Summit for Sustainable Development in Johannesburg ensured successful coverage for the OECD at this event.



(left to right)

Speaker of the Mexican House of Representatives, President of the Latin American Parliament, Beatriz Paredes Rangel; and Edward Goldsmith of The Ecologist, United Kingdom, on the OECD Forum 2002 panel entitled "Public Concerns About Globalisation".

On the economic front, media relations involved helping to communicate to a global audience the OECD's work on the economic consequences of terrorism, while high-profile business scandals underscored the importance of OECD work on corporate governance. The publication of the OECD list of Uncooperative Tax Havens in April spotlighted efforts to bring transparency and fairness to cross-border financial investment.

The OECD also extended its policy of bringing information directly to journalists who cover a particular subject. The *OECD Agricultural Outlook* was presented in Brussels, a centre for the European agricultural press.

## OECD Forum 2002

[www.oecd.org/forum2003/](http://www.oecd.org/forum2003/)  
[oecd.forum@oecd.org](mailto:oecd.forum@oecd.org)

To enhance global stability and security, we need to bridge the gap between the "haves and the have-nots". This was one of the key messages to emerge from OECD Forum 2002, "Taking Care of the Fundamentals: Security, Equity, Education and Growth", which brought together some 1,500 participants from 80 countries.

The OECD Forum is an international public conference offering business and labour leaders, civil society personalities, government ministers and leaders of international organisations the opportunity to discuss together the key issues of the 21<sup>st</sup> century. Annemie Neyts-Uyttebroeck, Belgian secretary of state for foreign affairs, reported to the annual OECD ministerial meeting on the highlights of the Forum 2002 discussions.

Three Nobel prize-winners – Leo Esaki, Robert Mundell and Burton Richter – discussed the challenges facing humanity as we enter the 21<sup>st</sup> century. In a keynote speech, US First Lady Laura Bush focused on education which "opens the door of hope to all the world's children". Belgian Prime Minister Guy Verhofstadt argued that globalisation must be managed better than it is today, while eight winners of the OECD Forum's inaugural essay competition offered their views on how international co-operation can make the world a better place.

Other speakers included Raymond V. Gilmartin, CEO of Merck; Claude Martin, Director General of WWF; Gérard Mestrallet, CEO of Suez; Christine Ockrent of France Télévision; Supachai Panitchpakdi, incoming WTO Director-General; Guy Quaden, Governor of the National Bank of Belgium; and John Sweeney, President of the AFL/CIO, United States.

This open public dialogue will continue at OECD Forum 2003, "Grow, Develop and Prosper", which will take place in Paris on 28-29 April.



Gérard Mestrallet, Chairman and CEO, Suez, France, on the OECD Forum 2002 Panel entitled "How to Ensure Environmental Security".

## KEY ACTIVITIES

Public affairs and communications

### Civil society

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

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Since its creation in 1961, the OECD has undertaken consultation and dialogue with civil society. In the early days this was primarily with business and labour. Over the past decade, such consultation and dialogue have been extended to other civil society organisations.

During 2002, the Business and Industry Advisory Committee to the OECD (BIAC), [www.biac.org](http://www.biac.org), and the Trade Union Advisory Committee to the OECD (TUAC), [www.tuac.org](http://www.tuac.org), provided valuable input to the OECD's work, especially in discussions with OECD ministers on sustainable economic growth and a broader framework of governance for the global economy. BIAC's annual liaison meeting with the OECD Council focused on corporate governance and the fundamentals of growth, while that of TUAC dealt with building coherent global economic governance and the role of the OECD. BIAC and TUAC also made important contributions to OECD Forum 2002 as "knowledge partners".

Civil society organisations participate in regular, informal consultations with the OECD on a broad range of subjects such as the environment, trade, investment, governance, development co-operation, food and agriculture, and information and communications technologies. They have made important contributions to OECD instruments, such as the 2002 revision of the Guidelines on the Security of Information Systems and Networks. Civil society organisations also participate in the monitoring mechanism of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and are playing an increasing role in promoting the OECD Guidelines for Multinational Enterprises. The OECD Visits Programme welcomes some 4,000 people annually to the OECD – groups from civil society, academia, business, labour and government.



(left to right)  
EU Trade Commissioner Pascal Lamy;  
General Secretary of the Trade Union  
Advisory Committee to the OECD  
(TUAC) John Evans;  
and TUAC President, and President of  
the American Federation of Labor and  
Congress of Industrial Organizations  
(AFL-CIO) John Sweeney, at TUAC's  
annual plenary session.

### Parliamentarians

The OECD maintains close relationships with parliamentarians in member countries. The Council of Europe Parliamentary Assembly provides a forum for parliamentarians to hold a yearly debate on OECD activities. The annual meeting between the Economics and Security Committee of the NATO Parliamentary Assembly and the OECD secretariat is now open to non-NATO OECD countries. Korea, Mexico, and the Slovak Republic attended in 2002.

### Website

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

The OECD website carries all of the Organisation's public information available in electronic format and also provides a one-stop-shop to online information services such as the OECD documents database, the online library ([www.sourceoecd.org](http://www.sourceoecd.org)), and the online bookshop ([www.oecd.org/bookshop](http://www.oecd.org/bookshop)). MyOECD allows visitors to customise the site to display only

## OECD online services

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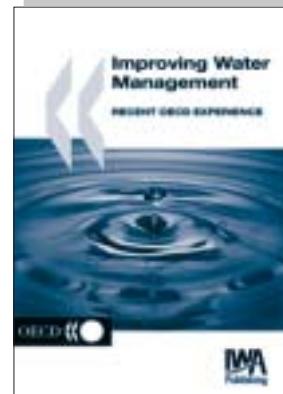
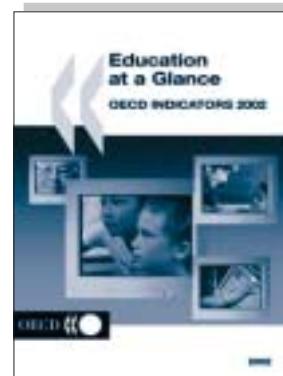
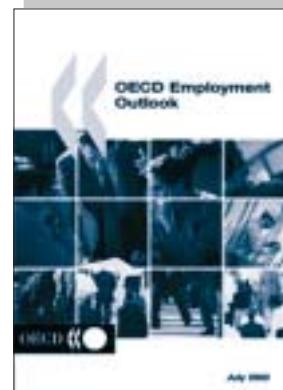
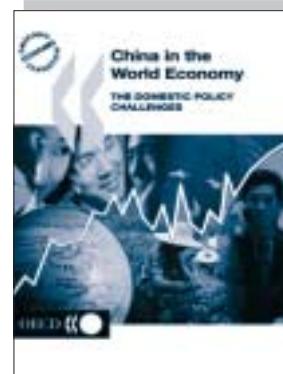
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# — OECD publication themes

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

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



their selected topics of interest on the screen. In one click they can also access the Statistics Portal ([www.oecd.org/statistics](http://www.oecd.org/statistics)) or isolate documentation available on a specific topic or country ([www.oecd.org/countryinfo](http://www.oecd.org/countryinfo)).

The website offers an overview of the wide range of research activities taking place at the OECD. It accommodates both the needs of experts looking for technical information and those of first-time visitors wanting to find out more about the Organisation. The site also highlights OECD-specific expertise and know-how, such as country surveys, peer reviews, best practices, etc. The site is French/English bilingual, and a selection of documents is also available in many other languages. It continues to be used as an instrument of dialogue and online consultation with the public – such as the recent public consultation for cross-border tax issues raised by employee stock-options.

The quality of visits has increased steadily since the launch of a new version of the website in late 2001, as shown by the rise in pages viewed (74%), documents downloaded (200%) and duration of visits. An overwhelming majority of the resources accessed on the website is statistics or general information about the OECD and its processes, demonstrating the crucial role played by the Internet in developing public awareness of the Organisation. Future work will focus on developing new features, such as dedicated websites for categories of users, and maintaining the quality of content and services offered to the public.

## Publishing

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

Publishing is an essential dissemination channel for the OECD's statistics and analysis. A study like *Knowledge and Skills for Life: First Results from PISA 2000*, for example, published as part of the OECD Programme for International Student Assessment, aroused exceptional interest from the media and public as well as those directly responsible for policy-making in education.

Overall, the OECD publishes some 250 books and periodicals each year along with more than 40 associated databases. These are available in print or on CD-Rom and can be purchased through OECD distributors and via Internet through the OECD online library, SourceOECD. The number of subscribers to this online service increased by 51% in 2002. Online user sessions grew by 85% (490,000 downloads by the end of 2002).

The OECD maintained its tradition of innovation in electronic publishing in 2002 with the introduction in November of SourceOCDE, the French language version of SourceOECD. Now users can choose either of the official OECD languages to search and view OECD publications. The additional service attracted many new customers.

Dissemination of OECD work in languages other than English and French was widely improved through translation and online publishing of overviews. The number of translation and co-publication partnerships with

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that OECD information is published  
in almost 30 languages?

institutional and private publishers has increased – one of the most important being *Understanding the Brain: Towards a New Learning Science*. Altogether, close to 300 overviews have been translated into 20 languages, and more than 100 translation licences granted into 29 languages. In English and French, dissemination has also been enhanced by co-publishing partnerships with institutional and private publishers. In 2002,

## Business and Industry Advisory Committee to the OECD (BIAC)

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After four years as BIAC Secretary General, Douglas Worth will step down from the post in June 2003.

## Trade Union Advisory Committee to the OECD (TUAC)

[www.tuac.org/](http://www.tuac.org/)  
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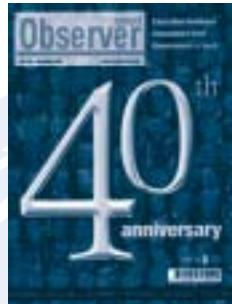
TUAC General Secretary,  
John Evans.

co-editions and translation licences represented an additional dissemination of 100,000 copies.

### OECD Observer

The *OECD Observer*, the organisation's public magazine, celebrated its 40<sup>th</sup> anniversary in 2002 with the publication of a special edition in December. This marked a fitting end to a successful year in which the *OECD Observer* won a highly commended award from the UK's Association of Learned and Professional Society Publishers. Meanwhile the online edition, [www.oecdobserver.org](http://www.oecdobserver.org), a portal for the main OECD website, spent the entire year in the top ten business-to-business magazines listed on Yahoo.com. The French edition, *L'Observateur de l'OCDE*, topped the Google rankings in France for economic and political magazines and journals.

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### The OECD Centres

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

OECD Centres are a closer, more convenient source of OECD books and information for many member countries, and their neighbouring regions. They provide a launching pad for important OECD work and messages and bridge the language gap in disseminating information to parliamentarians, media, business, labour and other non-governmental organisations.

The OECD's Tokyo Centre ([www.oecdtkyo.org/](http://www.oecdtkyo.org/)) organised seminars and symposiums on a range of priority issues throughout 2002. OECD Secretary-General Donald Johnston attended sessions on the Japanese economic outlook and Japanese structural reform, also attended by the Japanese Minister of State for Economic and Fiscal Policy Heizo Takenaka. At the Berlin Centre ([www.oecd.org/deutschland/](http://www.oecd.org/deutschland/)), OECD staff jointly presented the results of the PISA education study and other OECD education indicators and analyses with Federal and Länder ministers. PISA made headlines for several weeks and triggered a lively public debate on the performance of German students and education policy.



The Permanent Delegation of Korea to the OECD organised a visit for a group of students from the Trade, Law and Business University.

The OECD Centre in Mexico ([www.rtn.net.mx/ocde/](http://www.rtn.net.mx/ocde/)) jointly organised with the Mexican education ministry a presentation of PISA student assessment results for Mexico. The PISA results fostered a national debate around education that involved all major actors, including Mexican President Vicente Fox, the education minister, the leader of the teachers' union and several members of Congress. The OECD Washington Center ([www.oecdwash.org/](http://www.oecdwash.org/)) expanded its capacity to share the results of OECD work with Washington audiences by opening a new videoconferencing seminar facility and by partnering with other organisations to hold events featuring OECD work. The *OECD Economic Outlook* and *Education at a Glance* were launched in Washington via video-conference, and a breakfast seminar series has begun in the new facility in co-operation with the National Association of Business Economists and the National Economists Club. ■

# The international fight against money laundering and terrorist financing

The Financial Action Task Force (FATF) helps governments to combat terrorist financing and prevent criminal money laundering. A key aspect of its work in 2002 involved assessing whether members' legislation complied with Eight Special Recommendations on terrorist financing drawn up after the 11 September 2001 terrorist attacks. These include making the financing of terrorism a criminal offence, freezing or confiscating terrorist assets, reporting suspicious transactions linked to terrorism and imposing anti-money laundering requirements on alternative remittance (informal money transfer) systems. By February 2002, FATF members had completed the first phase of a self-assessment exercise and by December more than 100 non-FATF members had followed suit.

The FATF also reported significant progress in 2002 in persuading countries to join the international fight against money laundering. Dominica; Hungary; Israel; Lebanon; Marshall Islands; Niue; Russia; and St. Kitts and Nevis were all removed from the list of non-cooperative countries and territories (NCCTs) during the year. But the FATF imposed counter-measures on Ukraine for failing to enact anti-money laundering legislation that meets international standards.

The FATF pursued a major review in 2002 of its Forty Recommendations. These are a comprehensive blue-print of action against money laundering which were last reviewed in 1996. They cover the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation. The FATF consulted all interested parties during the review. In October 2002, an international Forum was organised between the FATF and representatives of the private sector to discuss the changes and options under consideration. Among other changes, the FATF is considering whether to extend the Recommendations to cover non-financial businesses and professions such as casinos, real estate dealers, lawyers, accountants and investment advisors. The review will be completed in 2003.

The FATF is an independent intergovernmental body whose Secretariat is housed at the OECD. Its 31 members are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council, Hong Kong China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States. Russia and South Africa were invited to join as observers in 2002 and will become full members if an evaluation of their anti-money laundering systems is satisfactory.

The FATF's mission is reviewed every five years. Its current mandate comes up for renewal in 2004. ■

[www.fatf-gafi.org](http://www.fatf-gafi.org)  
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# Nuclear Energy Agency

The profile of nuclear power is increasing in the OECD area as some countries are phasing out their nuclear power programmes while others are revitalising them, and efforts are being made to reach consensus on global climate change and the role nuclear power can play in dealing with it. The Nuclear Energy Agency (NEA), a specialised agency within the OECD, increased its membership to 28 countries in 2002 with the arrival of the Slovak Republic. The NEA helps its member countries to maintain and develop, through international co-operation, the scientific, technological and legal bases required for the safe, environmentally-friendly and economical use of nuclear energy for peaceful purposes.

The role of government in the energy sector is being transformed by trends such as privatisation and the increasing involvement of non-government stakeholders in the decision-making process. There are, nonetheless, many issues which remain of critical importance for continued reliance on nuclear energy: the role of nuclear power in the context of sustainable development; nuclear power plant safety; the management and disposal of long-lived radioactive waste; the modernisation of the radiation protection system; and the need to maintain the infrastructure associated with nuclear power, including basic research in nuclear science. All of these issues are reflected in NEA work.

## Meeting sustainable development objectives

*Nuclear Energy and the Kyoto Protocol* analyses the potential contribution of nuclear energy to lowering the amount of greenhouse gases released by the energy sector in OECD countries that opt for nuclear energy as a domestic energy supply source. This NEA report notes that the importance of the role of nuclear energy with respect to sustainable development will be even greater after 2012, the end date for compliance with the Kyoto Protocol.

The NEA is organising a series of international meetings to assist in the development of new policies on radiological protection, including protection of the environment. This work will feed into the efforts of the International Commission on Radiological Protection (ICRP) to formulate new recommendations in this key area. A meeting took place in February 2002 to outline an international rationale and to look at the availability of scientific information. Further meetings will take place in 2003 and 2005.

The management of radioactive waste is still high on the list of NEA priorities. Belgium, France, Switzerland and the United States have called upon the Agency for international peer reviews of national activities. The NEA is also preparing a report on the principles of step-by-step decision-

[www.nea.fr/](http://www.nea.fr/)  
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making relating to long-term radioactive waste management strategies. Meanwhile, the NEA Forum on Stakeholder Confidence continues to assess ways to develop public confidence in radioactive waste decision-making.

### Paving the way towards future nuclear technologies

Many countries feel that nuclear energy must be part of their energy mix to meet present and future energy supply and security needs and to mitigate the effects of climate change. New reactor technologies and associated nuclear fuel cycles under development could offer greater safety than current designs while optimising the use of resources and minimising waste production. They would lessen the risk of diverting nuclear materials from authorised peaceful uses and should also be more economically competitive with other power sources. In addition to producing electricity, future nuclear energy systems may also be used to produce heat, hydrogen and desalinated water. *Trends in the Nuclear Fuel Cycle* offers a fresh look at developments in this area in OECD countries.

An NEA meeting in February 2002 helped identify important safety issues for advanced nuclear reactors. Participants, including designers, utility executives, regulators and researchers, outlined possible solutions and the type of research that would be involved. They agreed on how important it is to co-operate internationally in meeting these objectives.

A workshop organised by the Nuclear Science Committee in November 2002 produced recommendations regarding R&D needs for current and future reactor systems in areas such as reactor physics and fuel behaviour.

The NEA participated in a new international initiative, Generation IV International Forum, aimed at identifying new nuclear systems and the related R&D needed for their deployment by 2030. The project, launched by the United States, involves 10 countries. The NEA helped develop a "roadmap" for the project and will provide technical and administrative services to GIF beginning in 2003. ■

"... in a world that will need increasing quantities of energy and will want to preserve its environment, nuclear energy has large potential. It can supply a significant share of the energy products that people will need, at affordable costs and without jeopardising natural resources and the environment. Realising the potentials of nuclear energy, however, will require sustained R&D efforts covering a wide range of disciplines and technologies. International co-operation offers unique opportunities to maintain a significant momentum there, while controlling costs in an increasingly competitive economic context."

Luis E. Echávarri, Director-General  
of the OECD Nuclear Energy Agency

# International Energy Agency

The International Energy Agency (IEA) is the forum for energy co-operation among 26 OECD member countries. It is committed to responding swiftly and effectively to oil supply emergencies. Much attention has been focused on this core function since the 11 September terrorist attacks in 2001. The Agency also works to reduce its members' collective long-term energy vulnerability in the light of increasing dependence on imports. It encourages market-oriented energy policies and promotes the use of clean energy and energy efficiency.

The Republic of Korea joined the IEA in 2002. Poland and the Slovak Republic are candidates for membership.

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## Oil markets and security

Member countries hold some 1.3 billion barrels of public oil stocks and 2.5 billion barrels of industry stocks, representing in total 116 days of net imports. This is well above member countries' 90 days stockholding obligation and is sufficient to cope with the largest historical supply disruption.

The IEA held a training exercise with a simulated oil supply disruption in March 2002, involving member governments and the oil industry. A similar exercise was held in Beijing in December 2002 to share IEA experience with the largest oil importer outside the IEA group.

In 2002, lacklustre global economic growth held oil demand growth at a low level. Despite this, continued output restraints by producing countries resulted in strong prices, especially in the latter half. The monthly *Oil Market Report* provides objective analysis of the behaviour of, and developments in, the complex and volatile oil markets.

An international initiative to improve oil data transparency made substantial progress in 2002 and, by May, 70 countries representing more than 90% of world oil production and consumption had begun submitting data. In September the International Energy Forum, in which the IEA participates, agreed to establish a permanent secretariat to further facilitate producer-consumer dialogue.

## Energy and climate change

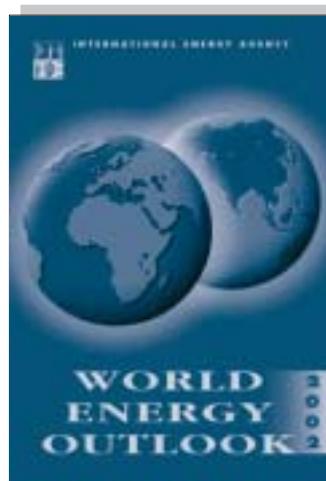
The IEA reviews and evaluates member countries' policies and choice of instruments to mitigate greenhouse gas emissions. New work was undertaken in 2002 on emissions trading and the Kyoto mechanisms, as well as analysis of long-term energy and climate options beyond the Kyoto Protocol timeframe. The IEA Secretariat provides extensive support for the ongoing negotiations under the UN Framework Convention on Climate Change.

The IEA also contributed policy papers and analyses on the energy aspects of the economic, social and environmental pillars of sustainable development and new findings on the vicious circle of energy and poverty to the UN World Summit on Sustainable Development in Johannesburg in September 2002.

### Energy technology

The IEA has developed a new tool for energy technology policy analysis: Energy Technology Perspectives which is an optimisation model that shows the impact of technology development and deployment on international energy markets, emission reduction strategies, energy-supply security and economic development.

Active in providing analysis and international collaboration for clean and efficient energy technologies, the IEA has established a database on renewable energy policies. *Bus Systems for the Future*, published in 2002, showed how better system design and new technologies can bring sustainable transport to large developing cities while reducing oil use. To reduce the environmental impact of fossil fuel use, the IEA has initiated a strategy to accelerate the development of CO<sub>2</sub> capture and storage technologies. In 2002 it published *Solutions for the 21st Century - Zero Emissions Technologies for Fossil Fuels*.



This edition includes projections of global trends in energy supply and demand, trade and investment and carbon dioxide emissions to the year 2030.

### Energy efficiency

In March 2002, the IEA's "1-Watt" initiative to reduce energy waste in appliances and equipment was recognised with an Energy Globe 2002 prize. The IEA also held an international workshop on the impact of information and communication technologies and will publish *Cool Appliances: Policy Strategies for Energy Efficient Homes* early in 2003. Future work includes analysis on sustainable buildings, energy efficiency in competitive electricity markets and policy strategies for energy efficiency.

### Energy diversification

The IEA published in 2002 studies on security of supply in electricity markets, on distributed generation and on the flexibility of gas markets. In co-operation with the Coal Industry Advisory Board, the IEA published a study on the need for market reform in the Indian coal sector.

### Relations with non-members

The IEA maintains good relationships with non-member countries through implementing agreements and other collaborative efforts. The *Russia Energy Survey 2002* was the second IEA study of the Russian energy economy. A publication on China's natural gas market examined the energy policy challenges that lie ahead for China in this sector. ■

# European Conference of Ministers of Transport

The European Conference of Ministers of Transport (ECMT) is an inter-governmental organisation that allows ministers responsible for inland transport to co-operate on policy development. There are 42 full member countries, six associate member countries and two observer countries. The ECMT is administratively part of the OECD and contributes to many activities within the organisation.

[www.oecd.org/cem](http://www.oecd.org/cem)  
ecmt.contact@oecd.org



## Political issues

The ECMT annual ministerial meeting took place in Bucharest in May 2002 and gave ministers the opportunity to examine the topics detailed below.

## Modal shift

In Bucharest, ECMT ministers discussed ways of shifting to non-road freight transport in an efficient manner that contributes effectively to the social, economic and environmental goals of sustainable development. This will require major investment in railways, significant improvements in the quality and productivity of rail and inland shipping services and liberalisation of freight transport markets.

Ministers agreed on the kinds of measures which could help to promote a sustainable balance between modes of transport, and adopted a resolution on the development of European railways, which provides a policy framework for the reform of railways in ECMT member countries. Ministers also adopted a consolidated resolution on combined transport, where the major part of the journey is by rail, inland waterways or sea and where any initial or final stages carried out by road are as short as possible. This resolution recapitulates all of the resolutions and recommendations that the ECMT has already adopted in this area. Ministers also agreed on policy measures for strengthening the role of inland waterway transport.

## Road transport

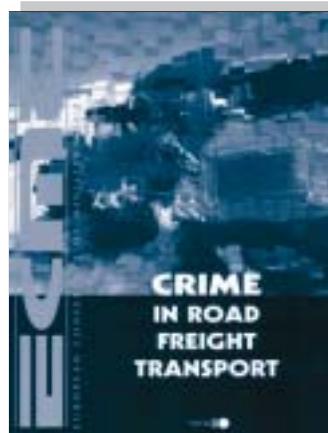
The annual ministerial meeting discussed social issues relating to international road haulage and in particular a report on "social dumping" in the ECMT area. The report shows that questionable practices such as hiring cheap drivers outside the country where a company is registered are currently developing in transport and recommends measures to correct them. Measures include defining a procedure for the exchange of information regarding infringements to existing regulations on driving and rest times, and harmonising contracts for international subcontracting.

Ministers reviewed a progress report on the possible restructuring of the multilateral quota of licences for international road haulage. They issued a number of general policy guidelines on the future of the multilateral quota system and gave the working groups of the ECMT a mandate to establish precise guidelines on the distribution of the quota at national level.

The meeting also adopted a resolution aimed at simplifying procedures for issuing visas to professional drivers working in the international road haulage sector in order to reduce delays at border crossings and make it easier to obtain multiple visas valid for one year.

### Road safety

ECMT ministers agreed to strengthen work on road safety and expressed willingness to set up specific targets to reduce road accidents in Europe, where about 100,000 people are killed and more than 2 million are injured each year. The ministers approved a report on recent trends in road accidents, which recommends specific quantitative targets for road safety, including a 50% reduction in the number of road deaths in all ECMT member countries over the next 10 years.



### Transport security and terrorism

Ministers issued a Declaration on Combating Terrorism in transport, in which they agreed to promote a co-ordinated approach to security in the transport sector and to intensify the sharing of experience and best practice on transport security and counter-terrorism.

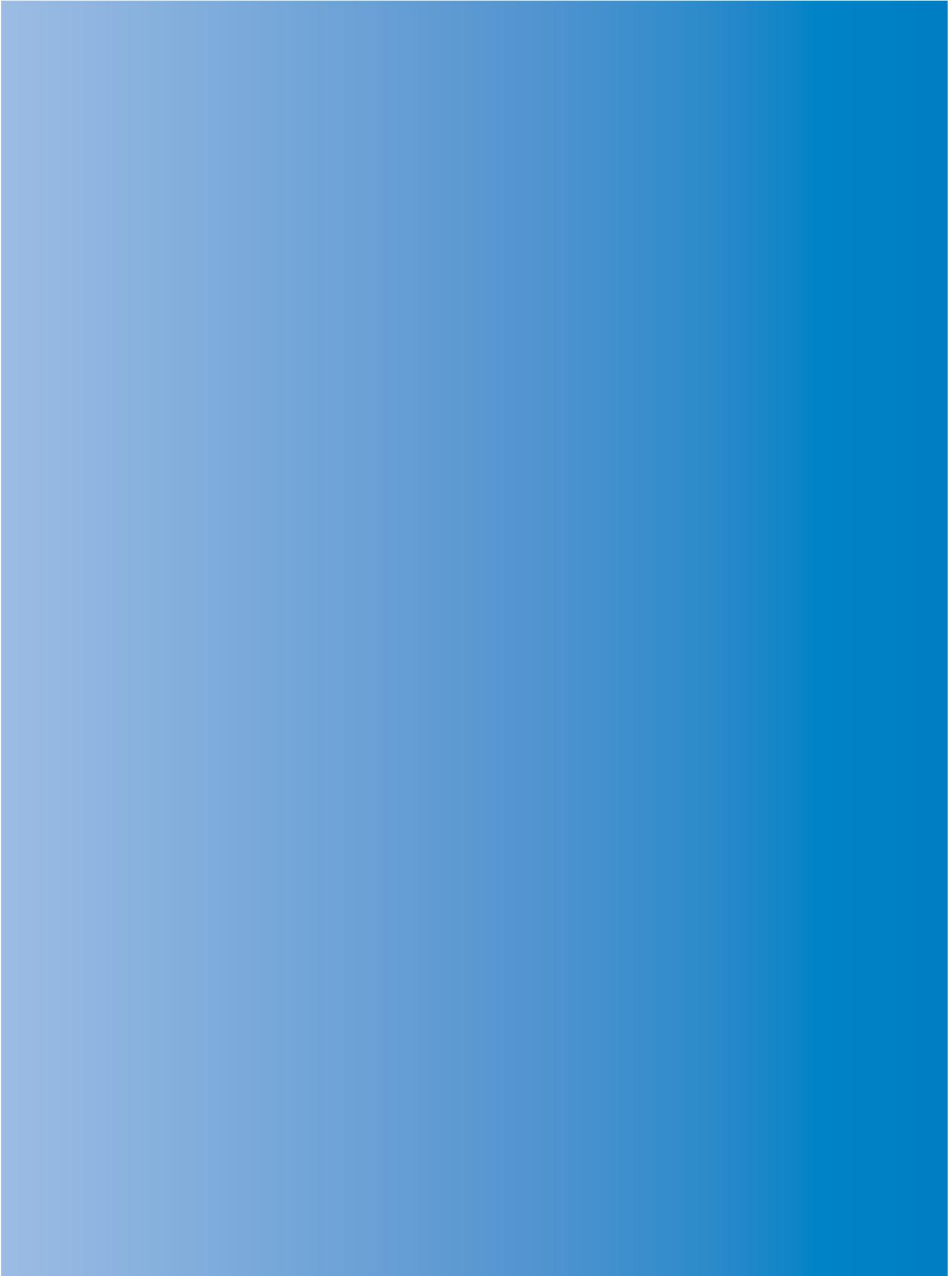
### Research

The ECMT holds regular round tables, seminars and symposia on transport economic issues to support and complete its policy work. Recently published proceedings include *Tolls on Interurban Road Infrastructure: An Economic Evaluation* (Round Table 118) and *Transport and Economic Development* (Round Table 119). A report on Round Table 123, *Vandalism, Terrorism and Security in Urban Public Passenger Transport*, held in April 2002, is to be published shortly. ■

This report describes the modes of theft of commercial vehicles and goods most prevalent in the 1990s, outlines the various methods used to record highway theft and draws attention to the statistical difficulties involved in measuring the phenomenon. It lists existing and potential security improvements for road freight vehicles, such as anti-theft devices, and equipment to track and recover stolen vehicles.

HOW THE OECD  
WORKS





# Executive directorate

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

The Executive Directorate (EXD) manages the OECD's assets, as well as its human, financial and information resources. It co-ordinates the programme of work and budget, a blueprint for OECD activities that balances priorities against staffing and financial constraints. EXD is responsible for the OECD infrastructure and security, information and communications technologies, conference, language and documentation services.

## OECD reform

In 2003, the Executive Directorate will continue work on reforms under way such as in the programme of work and budget. It will manage the move to a new site (see page 10), develop a new system of managing corporate information and introduce new security measures.

## Programme of work and budget

The OECD has introduced a more global approach in setting priorities and allocating the budget for 2003 and 2004. In January 2003, the OECD moved from annual to two-yearly budgeting. At the same time, the Organisation is implementing a results-oriented budget and management system. A set of agreed OECD strategic objectives will be used as a framework in the planning, budgeting, monitoring, and evaluation of projects.

## Financial management

New financial rules adopted in 2002 will allow more flexibility in resource management and accountability. A more rigorous system of internal audit and review will reinforce the new system of results-based management. The new financial rules will improve control of procurement procedures and make them more cost-effective.



## Corporate information management

A new framework for managing corporate information will be developed from 2003 to help track, process and manage information about the budget, expenditure, people and events. It will facilitate the management of information sector by sector and the handling of information throughout the life-cycle of documents and publications.

Every year, the OECD opens the doors of the Château de la Muette to the public as part of the French national "Journée du Patrimoine" (Heritage Day).

## Reinforced security services

In the present international context, it is important to strengthen security measures for OECD staff, delegates and visitors. The OECD monitors potential threats and responses in collaboration with the French authorities and security experts from member countries. New intrusion prevention

and detection facilities are being installed and the definition of responses based on levels of risk is being refined. The selection, training and evaluation of security personnel have become stricter.

### Human resources management

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

The directorate is responsible for recruitment, support to managers, training of staff and administrative services. In 2002, a modern payroll system was put into operation and the human resources management software system upgraded. The directorate is reviewing the Organisation's employment policies to ensure efficient, cost-effective deployment of resources. This will make it easier to match people's capabilities to their jobs and to make best use of their abilities; to provide more career opportunities and reward achievement; and to ensure that the OECD remains competitive as an employer. The OECD will also support staff initiatives to improve job satisfaction.

### Financial resources management

The directorate handles the accounts and manages resources. Annual financial statements are prepared in accordance with International Public Sector Accounting Standards certified by independent auditors. A copy of these statements is available upon request.

The software used for financial and management reporting is being expanded to better accommodate organisational strategy. Financial policies have been revised and, as part of the effort to modernise, a Review Committee will be created.

### Buildings maintenance, infrastructure services

In 2003, more than 1,200 staff and delegates will move to the new site at La Défense in Paris, or within existing buildings at headquarters, to allow the renovation of parts of the existing site at La Muette to begin in 2004. In the interim, additional measures will be taken to keep the Organisation functioning at the main site throughout the renovation.

### Information resources management

The Executive Directorate is responsible for providing staff and delegates with information and communications technologies (ICT) that help them carry out their work and collaborate on a worldwide basis, and for introducing new systems to improve the quality and effectiveness of OECD output.

New systems were introduced in 2002 to help improve the quality of macroeconomic analysis, provide global access to OECD statistics, facilitate the organisation of committee meetings, and streamline payroll and other administrative processes. Work is under way to upgrade desktop computers and telephones throughout the OECD secretariat, and to equip the



(left to right)  
Norway's Finance Minister  
Per Kristian Foss and Iceland's Minister  
of Finance Geir H. Haarde at the OECD  
annual ministerial meeting.

new offices in La Défense, with the required ICT facilities. In addition, new systems will be introduced in 2003 in support of statistics reform (see box page 72), corporate management and programme of work. The use and scope of member government Extranets will be expanded, and the OECD website strengthened (see *Public affairs and communications chapter* page 75).

### Conference and language services

The OECD organised 2,700 days of conferences at headquarters and elsewhere in 2002, and translated some 80,000 pages of documents and publications. Over a period of three years beginning in 2002, the audio conference equipment is being replaced by state-of-the-art equipment.

DID YOU KNOW ...  
that every year approximately  
30,000 national delegates download  
from the OnLine Information Service  
(OLIS) around 50 million pages of  
committee documents and statistics?

### Procurement and contract management services

The directorate is committed to creating an environment that fosters open, global and transparent competition for goods and services and to providing the best overall value in terms of quality, reliability and the Organisation's operational requirements. In 2002, more than €50 million in contracts for goods and services were procured on behalf of the Organisation.

In support of the revised OECD Financial Regulations & Rules implemented in 2003, the directorate will continue to actively ensure consistent contract administration and best procurement practices. ■

## Who does what

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

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

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

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

The sectoral committees are: Economic Policy Committee; Economic and Development Review Committee; Committee for Monetary and Foreign Exchange Matters; Environment Policy Committee; Chemicals Committee; Development Assistance Committee; Public Management Committee; Trade Committee; Committee on International Investment and Multi-national Enterprises; Committee on Capital Movements and Invisible Transactions; Insurance Committee; Committee on Financial Markets; Committee on Fiscal Affairs; Competition Committee; Committee for Scientific and Technological Policy; Committee for Information, Computer and Communications Policy; Committee on Consumer Policy; Committee on Industry and Business Environment; Maritime Transport Committee; Steel Committee; Tourism Committee; Employment, Labour and Social Affairs Committee; Education Committee; Committee for Agriculture; Fisheries Committee; Territorial Development Policy Committee.

The International Energy Agency (see box page 86) and the OECD Nuclear Energy Agency (see box page 84) deal with energy issues. Work mandated by the Council is shared out across the OECD secretariat's various directorates, which work closely together on the many issues that cut across several areas of expertise such as trade and environment or sustainable development.



Berglind Ásgeirs Óttir, who took up her post as OECD Deputy Secretary-General in September 2002.

### Economics Department (ECO)

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

The Economics Department examines economic and financial developments in OECD countries and in selected non-member countries. This surveillance work is carried out under the auspices of the Economic Policy Committee (EPC) and through the Economic and Development Review Committee (EDRC) which assesses policies in individual member (and some non-member) countries. Three subsidiary bodies of the EPC – the Working

Group on Short-Term Economic Prospects, Working Party No. 1 on Macroeconomic and Structural Policy Analysis, and Working Party No. 3 on Policies for the Promotion of Better International Payments Equilibrium – also carry out multilateral and structural surveillance.

The department provides an overall macroeconomic framework to identify priority issues needing multilateral attention. It assesses the implications of a broad range of structural issues in an economy-wide perspective, drawing on work by a number of OECD specialised committees. This currently includes work on the economic implications of ageing, labour market policies, environmentally sustainable growth, public expenditure and tax policies, education and health systems, and growth performance.

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

### Statistics Directorate (STD)

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

The Statistics Directorate collects economic statistics from across the OECD. These are standardised to make them internationally comparable, and are published in both printed and electronic form. The monthly publication *Main Economic Indicators* is one of the principal publications of the directorate. Other specialised publications cover foreign trade, national accounts, employment and unemployment, and there are also regular releases of updated figures, including monthly unemployment rates and changes in consumer prices. Other parts of the OECD publish data and indicators for specialised sectors. In collaboration with statisticians from member countries and other international organisations, the OECD has played a major role in developing new data systems to respond to new policy concerns such as national accounts, energy supply and use, research and development, environment, social aspects and service industries. The Statistics Directorate is also in charge of the co-ordination of all OECD statistical activities and of the development of the new OECD statistical information system (see box page 72).

### Environment Directorate (ENV)

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

The Environment Directorate supports member countries in the design and implementation of efficient and effective policies to address environmental problems and to manage natural resources in a sustainable way. To encourage more sustainable consumption and production patterns, the directorate examines the interplay between the environment and economic, sectoral, or social concerns. It works with other directorates on some key issues – such as trade and investment, agriculture, transport, climate change, and environmental taxes – and is a key contributor to the OECD-wide work on sustainable development. The Environment Directorate produces regular peer reviews of the environmental performance of

member countries. It keeps a permanent watch on environmental performance and compiles environmental data, indicators (core, key and sectoral indicators), and produces future-oriented outlooks of environmental conditions. Its programme on environmental health and safety includes work on chemical testing and risk assessment procedures, co-ordinating data and laboratory practice standards, and harmonising methodologies for assessing the safety of modern biotechnology products. The work of the directorate directly supports the implementation of the OECD Environmental Strategy for the First Decade of the 21<sup>st</sup> Century, adopted by OECD member countries in 2001.

### Development Co-operation Directorate (DCD)

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

As part of the OECD's "Development Cluster", the role of the Development Co-operation Directorate (DCD) is to help OECD countries improve the effectiveness of their development assistance policies, practices and systems. In so doing, it supports the work of both the Development Assistance Committee (DAC) and of the OECD as a whole. Unlike other committees, the DAC has the power to make binding recommendations in matters within its competence directly to countries on the committee. The DAC Chair, who is based at Paris headquarters, issues an annual *Development Co-operation report* on the efforts and policies of the DAC members – this report is an international reference. The 23 DAC members constitute the world's major aid donors. Combined Official Development Assistance totalled some US\$ 53 billion in 2001, more than 95% of the world total. How to invest this aid in the most effective manner so as to reduce poverty and ensure sustainable development in developing countries is what the work of the DAC/DCD is all about and it achieves this through guidelines, recommendations and "peer reviews" of the development co-operation policies of individual DAC members. The DCD also works closely with other OECD directorates on issues of common interest such as trade, the environment, and corruption in international transactions.

### Public Governance and Territorial Development Directorate (GOV)

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

The Public Governance and Territorial Development Directorate (GOV) helps countries to adapt their government systems and territorial policies to the changing needs of society. This involves improving government efficiency while protecting and promoting society's longer-term governance values. Under the auspices of the Public Management Committee and the Territorial Development Policy Committee, GOV analyses how governments manage the public sector, improve service delivery and make policy implementation more coherent. The directorate promotes innovation in territorial development policy, such as the use of partnerships, and helps countries manage the current shift from providing subsidies to enhancing territorial competitiveness and from sectoral to place-based policies. It also develops recommendations on best practices and identifies emerging challenges such as e-government.

One of GOV's primary functions is to create a forum for the exchange of ideas on how to address the governance challenges faced by countries. Top government officials meet in specialised working groups on budgeting and management, policy-making, regulatory reform, human resources management, managing conflict of interest, e-government, territorial policy in urban and rural areas, and territorial indicators.

### Trade Directorate (ECH)

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

The work of the Trade Directorate supports a strong, rules-based multilateral trading system that will maintain momentum for progressive trade liberalisation and rules-strengthening while contributing to rising standards of living and sustainable development in both OECD and non-OECD countries. Its objective is to support the process of liberalisation flowing from multilateral trade negotiations and the effective functioning of the multilateral trading system, centred on the World Trade Organization (WTO). Analytical work undertaken by the Trade Directorate under the auspices of the OECD Trade Committee seeks to underpin the rationale for continued trade liberalisation and foster an understanding of the links between trade liberalisation and a range of issues of public concern. This work advances an informed debate, helping build consensus on a range of pertinent issues. The Trade Directorate is involved in analysis and preparations for ongoing and future trade negotiations that may cover new categories of trade rules, such as those for the environment, competition policy, investment policy and others. At the same time, its analysis of evolving trade issues and policies can help forestall problems that emerge under the pressure of ever-intensifying competition. And its unique work in export credits steers countries away from distortive trade.

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

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

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

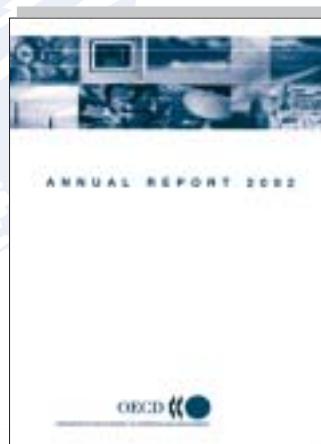
DAF works with government officials through these committees and groups to analyse emerging trends and prepare recommendations favouring policy convergence and best practices for national action and international co-operation. Its work covers many fields including finance, insurance and private pensions; competition law and policy; taxation; corporate governance; anti-corruption; and foreign direct investment. These activities are often conducted in consultation with representatives of business, financial, labour and other non-governmental organisations, and non-member governments are increasingly involved. DAF activities often result in

recommendations, standards, principles and sometimes legally binding obligations, which are then subject to follow-up monitoring or peer review to promote effective implementation.

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

The Directorate for Science, Technology and Industry (STI) and its committees seek to help OECD member countries adapt to the challenges of the "knowledge-based" economy. The Directorate provides analysis to underpin government policies on emerging scientific, technological and industrial issues, and offers a forum for policy dialogue. The Committee on Industry and Business Environment examines framework conditions for industrial competitiveness and entrepreneurship in the context of globalisation and the shift towards knowledge-based economies; it addresses policies that affect the performances of economies at sectoral and firm levels. The Committee for Scientific and Technological Policy examines how to stimulate innovation and effectively fund and manage science systems; biotechnology, and especially its application to human health and sustainable development, is part of the agenda for intense discussion. The Committee for Information, Computer and Communications Policy addresses the many issues involved in promoting the effective and socially beneficial application of information and communications technologies, including electronic commerce, in particular in areas such as telecommunications policy, Internet governance, information security and privacy. The Committee on Consumer Policy focuses on consumer protection in the online marketplace. In areas such as shipbuilding, steel and tourism, the STI works with member countries as well as key non-members to monitor developments and support negotiations towards the adoption of commonly agreed standards or "rules of the game".

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



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

The Directorate for Employment, Labour and Social Affairs (ELS) oversees work on the many interrelated policy areas that can promote employment and prevent social exclusion. Its activities are focused on four main areas: employment and training, health, international migration and social issues. Employment-oriented social policies are considered a key to helping the inactive working-age population get into work and combating poverty and social exclusion. The impacts of population ageing on the labour market and the financing of social protection systems, and the implications for migration flows and policies, are another major cross-cutting theme of the directorate's work. Health, given the impact it can have on society's well-being as well as its cost to governments, is also a priority for ELS.

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

The directorate monitors employment and earnings patterns, and the annual *Employment Outlook* offers analysis of key labour market trends and policies. The flows and effects of how and why people move between countries are studied and summarised in *Trends in International Migration*. Health and social trends are monitored regularly in *Health at a Glance* and *Society at a Glance*. The directorate also looks at the effectiveness of health care and social welfare programmes, the role of women in the labour force and how technology affects workers.

## Directorate for Education (EDU)

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

Individuals benefit economically from education through increased income and reduced likelihood of unemployment. Countries benefit economically as well, since human capital is an important driver of economic growth. Education is a key to social integration and a tool in the battle against exclusion, both from society and the labour market.

To raise the profile of OECD's work on education, a separate Directorate for Education was created on 1 September 2002. The work of the directorate extends well beyond the period of initial formal education. Across the range from early childhood education and care to adult learning, the work addresses issues of access, funding and quality and equity of outcomes.

Progress in education and training systems is presented in an annual compendium of statistics and indicators, *Education at a Glance*. Direct assessment of the levels of achievement of 15-year-olds is provided every three years through the Programme for International Student Assessment (PISA). Major policy messages from the work are published in the annual *Education Policy Analysis*. Investigations of long-range trends, of innovations and of the knowledge production in education are the specific focus of the Centre for Educational Research and Innovation.

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

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

The Directorate for Food, Agriculture and Fisheries helps member countries to achieve the shared goals and to adopt the policy principles and operational criteria for agricultural policy reform identified by OECD agriculture ministers in 1987 and again in 1998. It also aims to help member countries implement policies for sustainable fisheries. Its work covers three broad areas: agricultural policy reform, agricultural trade liberalisation, and environmental sustainability.

The directorate carries out its work programme under the guidance of the Committee for Agriculture and its subsidiary bodies (Working Party on Agricultural Policies and Markets and its Commodity Groups) and the Committee for Fisheries. Two joint working parties (on Agriculture and Trade and on Agriculture and Environment) direct co-operative work that involves other committees and directorates. The directorate reports on agricultural policy reform and market trends in its *Monitoring and Evaluation* and *Agricultural Outlook* reports and on policy developments in fisheries in its *Annual Review of Fisheries*. A report on *Agricultural Policies in Non-Member Economies* is also produced each year. The directorate manages codes for international quality of fruits and vegetables, seeds, forest products and tractors, as well as a co-operative programme to contribute to the scientific basis for managing biological resources for sustainable agricultural systems.

## Public Affairs and Communications Directorate (PAC)

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

The Public Affairs and Communications Directorate (PAC) makes information about the OECD's work available to the public in a timely manner,

contributing to the transparency and openness of the Organisation. PAC also presents "work in progress" on the Internet to elicit public comment. It is responsible for media relations and handles the publication and marketing of some 250 books a year, as well as managing a fast-growing online bookshop, the *OECD Observer* magazine, "Policy Briefs", the *Annual Report* and the Ministerial "Key Information" booklet. The directorate manages the OECD's relations with the Business and Industry Advisory Committee (BIAC), the Trade Union Advisory Committee (TUAC), the Council of Europe, and the Economics and Security Committee of the NATO Parliamentary Assembly, and is increasingly involved in policy dialogue with civil society. It organises the annual OECD Forum, which brings together representatives of OECD countries with business, labour, academics and other civil society organisations to debate significant policy issues. PAC is also responsible for OECD centres in Berlin/Bonn, Mexico City, Tokyo and Washington, and serves as a point of contact with other international bodies, parliamentarians, non-governmental organisations and the general public.

### Executive Directorate (EXD)

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

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

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

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

The Centre for Co-operation with Non-Members serves as the focal point for policy dialogue between the OECD and non-member economies around the world. It manages a number of programmes linked to the key themes of OECD work such as the OECD Global Forums which cover sustainable development; knowledge-based economy including biotechnology and e-commerce; governance; trade; international investment; agriculture; competition; and taxation. The Centre also manages regional as well as country programmes with major non-member economies such as Brazil, China and Russia.

### Development Centre (DEV)

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

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

# OECD Directory

## Economic growth and stability

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

### Economic Surveys

[www.oecd.org/eco/country\\_surveys](http://www.oecd.org/eco/country_surveys)

### Insurance

[www.oecd.org/daf/insurance-pensions](http://www.oecd.org/daf/insurance-pensions)

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### Transport security

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

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### Business productivity

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

## Employment and social cohesion

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

els.contact@oecd.org

### Education: PISA

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

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### Migration

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

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### Brain studies

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

bruno.della-chiesa@oecd.org

### Ageing and employment

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

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## International trade and investment

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

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

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### Doha Development Agenda

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### Steel

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### Shipbuilding

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### Foreign direct investment

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## Sustainable development

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### Johannesburg Summit

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

### Biodiversity

[www.oecd.org/env/biodiversity](http://www.oecd.org/env/biodiversity)

### Social aspects of sustainable development

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

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## Governance

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

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### Corporate governance

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### Harmful tax practices

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### Distributed public governance

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## Best use of new technologies

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### Biotechnology

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### Online security

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## Development co-operation

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

dac.contact@oecd.org; cendev.contact@oecd.org

### New Partnership for Africa's Development (NEPAD)

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

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### Millennium development goals

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## Relations with non-members

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### Latin America

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

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## Statistics

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### Reform of statistics gathering

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## Public affairs and communications

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### OECD Forum

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# — Communiqué

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The OECD Council at ministerial level met on 15-16 May 2002, under the chairmanship of Prime Minister Guy Verhofstadt of Belgium, assisted by the vice-chairs from Spain, Mr. Rodrigo de Rato y Figaredo, Vice-President of the Government and Minister of Economy, and from New Zealand, Mr. Jim Sutton, Minister for Trade Negotiations. The central theme of the meeting was Partnership for Growth and Development. Ministers welcomed the participation of their colleagues from key non-OECD economies in two sessions of the meeting, including a luncheon discussion with ministers from the Steering Committee of the New Partnership for Africa's Development. OECD ministers also welcomed the opportunity to consult with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD. Belgian Minister of State for Foreign Affairs, Annemie Neyts-Uyttebroeck, reported on OECD Forum 2002, which was held in conjunction with the ministerial meeting. The Forum provided an opportunity for leaders from civil society, business and labour to discuss important policy issues with government ministers and leaders of international organisations, and to contribute to the outcome of the ministerial meeting.

In the 12 months since we last met, our governments have dealt successfully with difficult economic challenges and have made good progress on a forward-looking agenda on trade and development. A recovery has begun after what has proved to be a relatively brief and shallow downturn. The global economy has shown resilience in absorbing and largely overcoming the terrorist shocks of last September. Further structural reforms as well as appropriate monetary and fiscal policies are necessary to reinforce growth in our economies. While problems have been exposed in the area of corporate governance, they have served to reinforce the commitment of governments and the private sector to address these important issues, thereby helping to maintain confidence in the international economy. The Doha Development Agenda, the Monterrey Consensus and the forthcoming Johannesburg Summit are building a new partnership between developing and developed countries to address one of the greatest challenges of the new century – how to improve substantially the quality of life in the poorer regions of the world and to ensure that development in all countries is sustainable. In all of these areas, the OECD has a major role to play in helping its members, as well as other economies, to devise and implement the policies needed to achieve their goals. In this regard, we welcome the growing interest among non-members in participating in OECD's work.



(left to right)  
Annemie Neyts-Uyttebroeck,  
Belgian Minister of State  
for Foreign Affairs; Leif Pagrotsky,  
Swedish Minister for Industry  
and Trade; and Donald Johnston,  
OECD Secretary-General,  
at the OECD annual ministerial  
meeting.

## Economic outlook and the recovery

We are pleased to see that the recovery is underway. Economic growth picked up in the United States and some other countries at various points last year and is likely to gain momentum in Europe and most of the OECD

area in the course of this year, with Japan expected to experience a modest recovery beginning later in the year. The determined easing of monetary policy across most countries and fiscal stimulus in some have contributed strongly to the return of growth. These policy actions were, in turn, facilitated by earlier progress in promoting low and stable inflation, medium and long-term sustainability of public finances and structural reform aimed at boosting growth and employment. Despite this promising outlook, risks and uncertainties remain. We have an ongoing responsibility to implement sound macroeconomic policies and structural reforms to sustain recovery and support strengthened productivity growth in our economies.

In this regard:

- Monetary policies should remain supportive of non-inflationary growth. Consideration should be given to scaling back stimulus, at some point, in countries where the recovery is established and where there is a danger of jeopardising hard-won gains on inflation. Where price deflation persists, monetary policy needs to continue to provide ample liquidity.
- We will take advantage of the recovery to strengthen fiscal positions.
- We will continue to undertake structural reforms, thereby creating an environment in which economic efficiency, higher levels of employment, and improved living standards are more likely to be realised. We will emphasise:
  - Policies to enhance competition in product and service markets, the reduction of trade distorting and environmentally harmful subsidies, more comprehensive regulatory reform and more efficient public sectors.
  - Development of human resources, focusing on education and training, and policies that foster a more dynamic environment for job creation and equal opportunities.
  - Stronger efforts to meet the fiscal challenges of ageing societies through further reforms to tax, pension and benefit systems. At the same time, policies should be implemented that encourage older workers to remain employed, including through the lowering of barriers to their hiring and retention. Life-long learning is vital in this regard.
  - Policy reforms to seize the benefits of new technologies, including information and communication technologies (ICT) such as broadband, and thereby foster innovation, entrepreneurship, investment, and new business opportunities, including through e-commerce. We look to ICT to help increase access to and responsiveness of governments.

We look to the OECD to draw on the policy lessons from countries' experiences with economic reform, including through comparative analysis, to help us in all these areas, and to monitor progress. In particular, we ask



(left to right)  
Yong-Duk Kim, Deputy Minister  
for International Affairs, Korea;  
and Doo-Yun Hwang, Minister for Trade,  
Korea.

the OECD to increase its monitoring of member countries' implementation of the recommendations in the OECD Growth Study and to assess the Jobs Strategy. The OECD should also continue to analyse the economic and social impact of migration in both host and origin countries. We invite the Secretary-General to bring forward a proposal for a meeting of labour ministers in 2003 to discuss some of these important issues.

In our fight against terrorism, we will implement necessary security policies in ways that avoid undermining our open, competitive markets and safeguard human rights and democratic values. The OECD will continue to monitor the economic effects and the economic policy response to terrorism, including the implications for market openness and increased costs of trade.

We recognise the adverse effects of the shrinkage of affordable insurance cover for terrorism risks. We would welcome OECD policy analysis and recommendations on how to define and cover terrorism risks and to assess the respective roles of the insurance industry, financial markets and governments, including for the coverage of "mega-terrorism" risks.

We look forward to the completion of the revision of the 1992 OECD Guidelines for the Security of Information Systems before 11 September 2002. We encourage the OECD to promote the implementation of the revised Guidelines among governments, the private sector and civil society. We also encourage the OECD to continue its work aimed at strengthening consumer trust in e-commerce.

### Ensuring integrity and transparency in the international economy

The integrity of corporations, financial institutions and markets is central to the health of our economies and their stability. Governments and supervisory bodies need to be vigilant to ensure that financial standards, regulations and methods of market surveillance are effective in maintaining investor confidence and protecting the interests of stakeholders.

The scope for financial crime and abuse, which can threaten strategic, political and economic interests of sovereign states, has increased with the expansion and integration of financial markets and the use of new technologies. Money laundering, bribery, illicit tax practices, the misuse of corporate entities and security fraud are often inter-linked and challenge the integrity of the global economy. The threat posed by the financing of terrorism adds urgency to the need for coherent and complementary responses at both national and international levels.

We agree:

- That implementation of best practices in corporate and financial governance entails an appropriate mix of incentives, balanced between government regulation and self-regulation. We seek to improve such governance to enhance transparency and accountability and thereby



(left to right)  
Guy Verhofstadt, Belgian Prime Minister  
and Chair of the ministerial meeting;  
Shigeo Uetake, Senior Vice-Minister  
for Foreign Affairs, Japan;  
and Takeo Hiranuma, Minister of  
Economy, Trade and Industry, Japan.

strengthen investor confidence and the stability and resilience of financial markets. Effective enforcement of rules on corporate governance is essential.

- That the OECD will survey developments in OECD countries on governance in the corporate and financial sectors, with a view to identifying lessons to be learned and the implications for the assessment of the OECD Principles of Corporate Governance. In this connection, we agree that this assessment should be brought forward from 2005 to 2004.
- That OECD will continue its successful co-operative programme with the World Bank to promote corporate governance reform efforts worldwide, using the OECD Principles of Corporate Governance as a benchmark.
- To encourage the OECD and the Financial Action Task Force (FATF) to strengthen their co-operation on issues of mutual concern, including ongoing work on combating tax crimes in accordance with the 1999 Ministerial communiqué. We commend the FATF's work to combat money laundering and the financing of terrorism. We urge all countries to implement quickly the FATF Special Recommendations on Terrorist Financing.
- To urge Parties to the OECD Anti-Bribery Convention to enforce rigorously the Convention and call on those that have not yet done so to adopt implementing legislation as soon as possible; others should remedy identified deficiencies in their implementing legislation without delay. We urge all Parties to enforce these laws diligently. We reiterate the principle of openness of the Convention to non-signatories in accordance with the terms of the Convention and its Commentaries, the requirement of rigorous monitoring and the mandate to pursue work to strengthen the Convention. We call on all Parties to ensure that adequate means are made available for both an expedited peer monitoring process and the implementation of national commitments. Parties to the Convention should assess whether there are gaps in the Convention and related anti-bribery instruments and identify possible solutions; we look forward to a report to ministers in 2003.
- To continue to promote implementation of the OECD Guidelines for Multinational Enterprises, which provide recommendations for responsible corporate behaviour, including in such areas as transparency and anti-corruption.

Ministers having approved the 1998 and subsequent reports on harmful tax practices welcome the commitments made by 31 jurisdictions to transparency and effective exchange of information for tax purposes, and encourage those jurisdictions on the List of Uncooperative Tax Havens to make similar commitments. Ministers encourage all the relevant international institutions to work together to help jurisdictions to implement their commitments in these areas. More generally, we look forward to further progress in the timely implementation of the measures foreseen in the 2000 OECD consensus Report on Improving Access to Bank Informa-



*(left to right)*  
Donald Johnston,  
OECD Secretary-General;  
and Glenn Hubbard, Chair, Council of  
Economic Advisers, United States.

tion for Tax Purposes, thus improving effective exchange of information between tax authorities.

### The Doha Development Agenda

We welcome the launch of the Doha Development Agenda and reaffirm our pledge to reject the use of protectionism. All OECD members have the responsibility to ensure that the multilateral trading system functions effectively; the implementation of the Doha agenda should not be hindered. We commit to building on the momentum from Doha and to making significant progress on all elements agreed in Doha in order to create the necessary conditions for a successful Fifth WTO ministerial meeting to be held in Cancun, Mexico on 10–14 September 2003. We intend to conduct negotiations according to the agreed schedules, and conclude them by 1 January 2005. We will work together on the progressive liberalisation of market access, on the strengthening of WTO rules and disciplines and on facilitating the negotiating process on investment, competition, trade facilitation and transparency in government procurement. We will also work together on addressing WTO-related technical assistance and capacity building needs and implementation concerns.

Trade and investment liberalisation, underpinned by strengthened multi-lateral rules and combined with well-designed policies, contributes directly to improved welfare, sustainable development and poverty reduction in developed and developing countries. Such liberalisation can be conducted so as to minimise the social costs for adjustment, support environmental protection and preserve the right of governments to regulate in the public interest. We will continue to consult with non-members, business, labour and civil society. We welcome the creation of the ILO World Commission on the Social Dimension of Globalisation and will seek to contribute constructively to its activities. As stated in Monterrey, we will work towards the objective of duty-free and quota-free access for all least developed countries' exports.

In the process of negotiations, we call on all WTO members to address the concerns of developing countries, including market access, recognising that they have a particular interest in a number of areas, including agriculture, textiles and clothing. We will contribute actively to achieve the work programme set out in the Doha Declaration on the TRIPS Agreement and Public Health. Further benefits would accrue to developing countries if the substantial barriers they maintain are liberalised and multi-lateral rules and disciplines are strengthened. We call upon the OECD to work with the WTO to build its country file database as soon as possible, and we pledge to work with developing and low income countries in transition in addressing their WTO-related technical assistance and capacity building needs in order to advance the Doha agenda. The above will be most beneficial if combined with sound policies and good governance in developing countries.

We reaffirm our commitment to abide by multilateral rules. We will work together to address tensions in the steel sector, which have caused



(left to right)  
Sven Hegelund, State Secretary,  
Ministry of Finance, Sweden;  
and Paul Boateng,  
Financial Secretary, Treasury, UK.

concerns in the multilateral trading system. We agree that structural adjustment policies in this sector must be pursued vigorously. In this regard, we take note of the report from the Secretary-General on the work undertaken in the inter-governmental high level meetings on steel under the auspices of the OECD. Aimed at addressing immediate and longer-term issues, this dialogue has focused on issues related to the elimination of inefficient excess capacity worldwide, and strengthening disciplines on market-distorting measures and industry practices. We expect further progress by the end of 2002.

We support recent efforts in the OECD towards broad-based international negotiations on a new Shipbuilding Agreement in order to bring about normal competitive conditions in the world shipbuilding industry.

We expect the OECD to continue and reinforce its crucial policy analysis and activities in all the above areas, including its ongoing work addressing levels of support and their impact on production and trade. By sharing its work with civil society and non-member economies, the OECD can help to broaden the constituency for trade liberalisation and strengthened WTO rules, build bridges and facilitate multilateral trade negotiations.



(left to right)  
Marek Belka, Deputy Prime Minister,  
Minister of Finance, Poland;  
Ivan Miklos, Deputy Prime Minister,  
Slovak Republic, and Dusan Bella,  
Permanent Representative,  
Slovak Republic.

### From Monterrey to Johannesburg and beyond: the OECD's role

We recognise poverty reduction and sustainable development as an urgent priority for the international community. We will build on the consensus achieved at the Monterrey International Conference on Financing for Development in support of a comprehensive, partnership-based, results-focused approach to achieving the internationally agreed goals of the Millennium Declaration. We welcome regional initiatives such as the New Partnership for Africa's Development (NEPAD), the principles of which provide a positive example of this approach, and we appreciated the opportunity to meet today with ministers from the NEPAD Steering Committee. We look forward to further dialogue between the NEPAD and the OECD to determine how we can best co-operate to advance the NEPAD initiative. We recognise and encourage the vital contribution of the private sector to development, and will address the need for technical assistance and capacity building to improve the investment climate in developing and transition economies. The Belgian Prime Minister presented the "PAIR" proposal to create a global fund for debt reduction for the least developed countries. There are other proposals currently under discussion on how we achieve sustainable debt relief under the HIPC initiative because of the fall in commodity prices.

The OECD has an important role to play in taking the Monterrey Consensus forward, as outlined in the "OECD Action for a Shared Development Agenda" annexed to this communiqué. This role entails encouraging policy coherence for development; supporting developing countries' governance and policy capacities; improving aid effectiveness and ensuring adequate aid volume; and strengthening partnerships and accountability.

We recognise the important opportunity presented by the forthcoming World Summit on Sustainable Development (WSSD), and encourage all countries to play an active role to ensure its success. The OECD Report to WSSD illustrates the OECD countries' responsibility and capacity to contribute to sustainable development and to poverty reduction by enhancing economic growth, promoting human and social development and protecting the environment. We will continue to integrate these objectives into our national and international policies, including through intensifying the implementation of Agenda 21 as agreed in Rio in 1992. In the run-up to Johannesburg, we strongly reaffirm our commitment to the policy recommendations made in our 2001 Communiqué and our endorsement of the OECD Environmental Strategy for the First Decade of the 21<sup>st</sup> Century.<sup>1</sup> We will also strengthen co-operation and partnerships with non-OECD countries to promote good governance and effective policies in all countries that are conducive to sustainable growth and development. We recognise the importance of the active involvement of the private sector, particularly through investment, and of civil society.

We ask the OECD to continue to work to fulfil its 2001 ministerial mandate, including the monitoring of progress across all three dimensions of sustainable development: enhancing economic growth, promoting human and social development and protecting the environment. We encourage the OECD and, where appropriate, the Round Table on Sustainable Development, to continue to generate policy ideas and build consensus for actions to help us achieve our sustainable development objectives.

We strongly endorse the current initiative on organisational reform. The OECD has a wide range of expertise. It plays a key role in providing interdisciplinary policy analysis and dialogue, based on a strong economic foundation, as well as in standard-setting and promoting best practices, in certain important areas, in member governments and, increasingly, through partnerships with non-members. We value this contribution. We welcome the OECD's effort to strengthen further its ability to adjust priorities to enable it to sharpen its focus on its core work and, at the same time, enhance its flexibility to take on new challenges. We look to the Secretary-General and the Council to take forward the reform initiative, and ask the Secretary-General to report on further progress to the 2003 ministerial.

## OECD ACTION FOR A SHARED DEVELOPMENT AGENDA

### OECD's role and strengths

Contributing to global development is a key objective of the OECD. Its founding Convention calls upon the OECD to promote policies

*"designed to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development."*  
(Article 1(b)).



*(left to right)*  
Rodrigo Rato y Figaredo,  
Vice-President of the Government,  
Minister of Economy, Spain;  
Caio Koch-Weser, State Secretary  
for Finance, Germany;  
and Francisco Gil Diaz,  
Minister of Finance  
and Public Credit, Mexico.

Given increased interdependence, this objective is even more vital today in order to achieve poverty reduction and sustainable development globally. The principles and values that the OECD promotes – commitments to democracy, market-based economies and open, rule-based, and non-discriminatory trading and financial systems, supported by good governance – are essential to achieving our ultimate goal of the economic and social well-being of all people, in a way that respects diversity and cultural identity.

OECD's strengths include a multidisciplinary capacity for analysis and policy dialogue, its sharing of best practices and monitoring of its members through peer review, and extensive policy dialogue and capacity building activities with more than 70 non-member economies, international organisations and other stakeholders. The Development Assistance Committee (DAC) provides a capacity to foster amongst donors concerted, well co-ordinated, effective and adequately financed international efforts in support of development and poverty reduction in developing countries.

The building blocks for achieving the internationally agreed goals of the Millennium Declaration are now in place, supported by a broadly shared view that effective development calls for a comprehensive, partnership-based and results-focused approach. Developing countries have primary responsibility for their economic and social development, establishing good governance and sound policies to mobilise domestic resources and attract private investment, while developed countries give increased attention to the impacts of their policies on developing countries, and assist developing countries, in particular least developed countries (LDCs), in their efforts to build the capacity necessary to make effective use of trade, investment and aid in support of poverty reduction and sustainable development.



Mark Vaile, Minister for Trade,  
Australia.

## How OECD contributes

The OECD, for its part, will build upon its strengths to advance this shared development agenda in the following ways:

### *Encouraging policy coherence for development*

Successful poverty reduction requires mutually supportive policies across a wide range of economic, social and environmental issues. Through its programme on policy coherence for development, the OECD will enhance understanding of the development dimensions of member country policies and their impacts on developing countries. Analysis should consider trade-offs and potential synergies across such areas as trade, investment, agriculture, health, education, the environment and development co-operation, to encourage greater policy coherence in support of the internationally agreed development goals.

By increasing understanding of the development benefits of rules-based trade and investment, such work will help to reinforce our efforts, including promoting the better integration of developing countries into the multilateral trading system, to achieve more open markets both between

developed and developing countries and among developing countries themselves to allow for export-led growth, and further our aim to improve market access to the goods of developing countries, and particularly LDCs.

#### *Supporting developing countries' governance and policy capacities*

The OECD will continue to work with developing countries and countries in transition to help them identify and meet key human and governance capacity needs, including through use of information and communication technologies. OECD Global Forums and regional dialogue can support developing countries' efforts to build good governance and market-supportive institutions conducive to mobilising domestic resources and attracting investment capital. Such resources are critically important to developing countries' efforts to achieve sustained economic growth and support their capacities to address vital environmental, educational, health and other needs. We welcome initiatives at the regional level, such as the New Partnership for Africa's Development (NEPAD), and stand ready to share the OECD's experience and expertise, notably on peer reviews, in support of a sustained commitment to strengthen political and economic governance.



#### *Improving aid effectiveness and ensuring adequate aid volume*

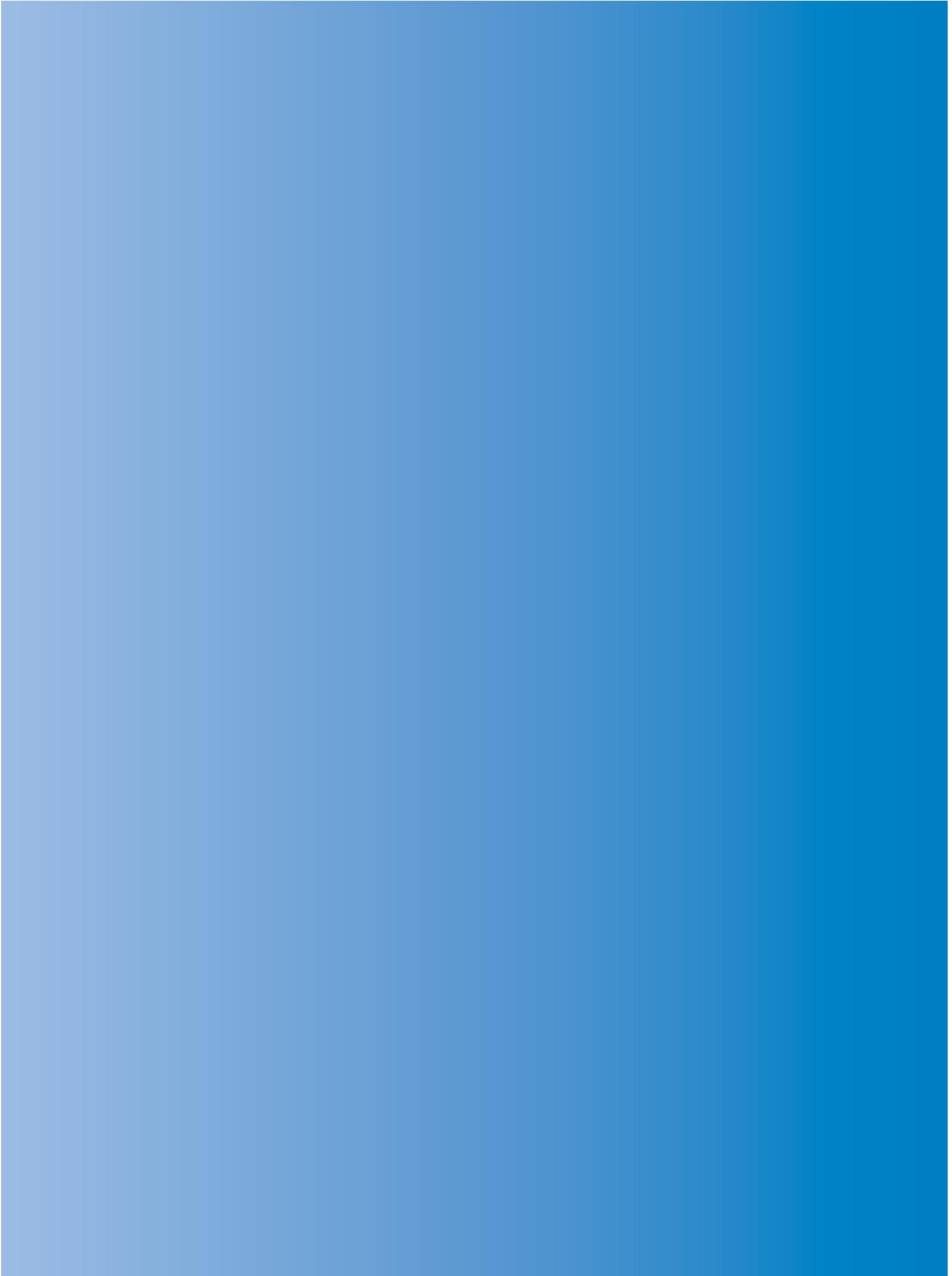
Aid remains an important policy instrument and complement to domestic and international private capital for reducing poverty, preventing conflict, promoting good governance and creating an enabling environment conducive to achieving private-sector-led growth. The OECD, where the world's major donors meet, has a key role in improving aid effectiveness, thereby sustaining the case for aid volume. Peer review in the DAC is an important tool in support of this role. The OECD is working to reduce the complexity of aid management procedures in collaboration with multilateral aid agencies and developing countries, and to ensure effective implementation of all aspects of the OECD/DAC Recommendation on untangling aid to the least developed countries.

#### *Strengthening partnerships and accountability*

The OECD will strengthen its partnerships with non-members, in particular developing countries, as well as with international organisations and other stakeholders through analytical work, policy dialogue, and advice. A broader and more effective dialogue will improve the quality of our efforts to support development. The OECD will account for its actions to advance this shared development agenda through regular review and reports on progress. ■

PRACTICAL  
INFORMATION





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March 2003

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Jacqueline Damon

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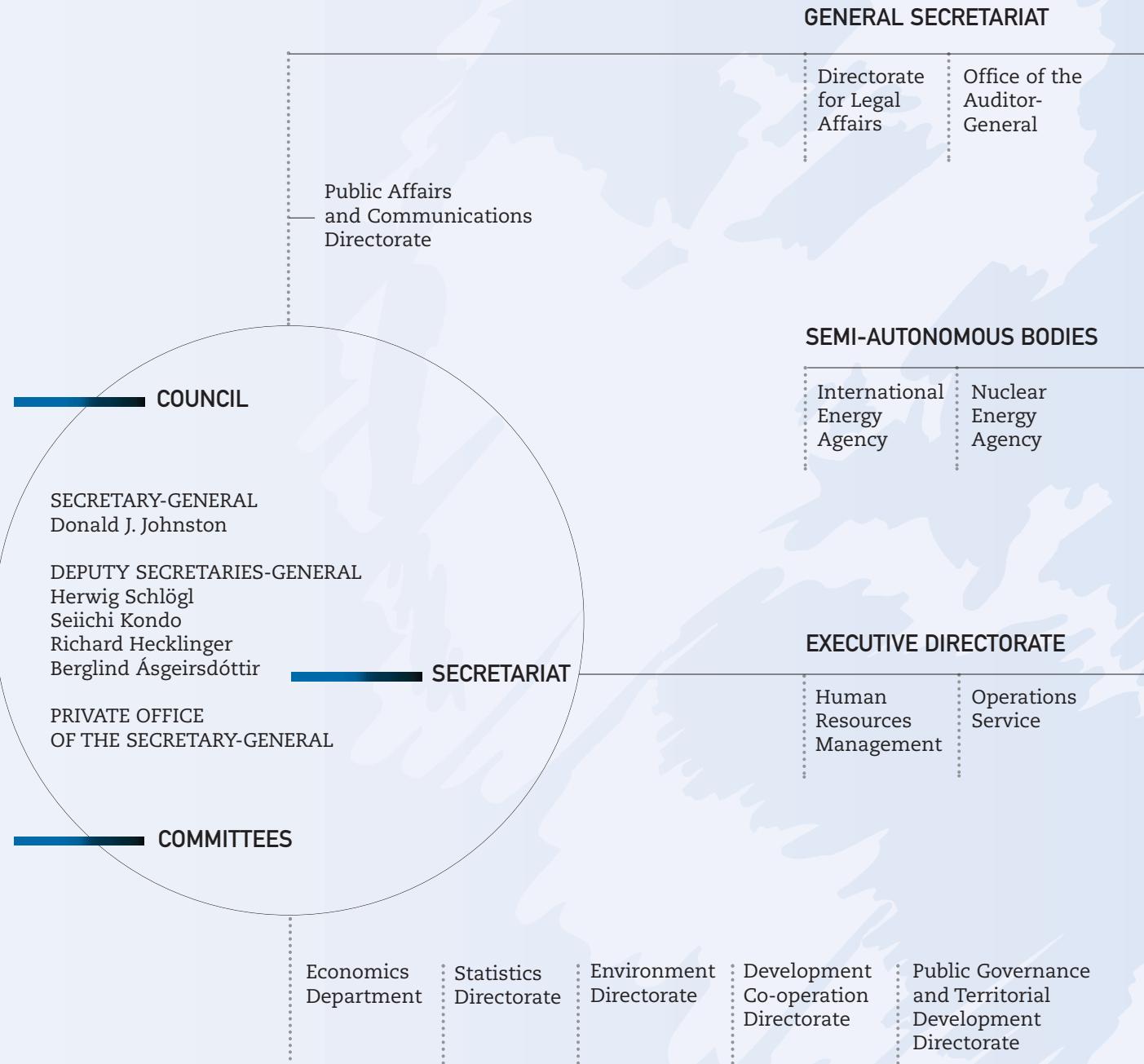
Barry McGaw

## **European Conference of Ministers of Transport**

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

Jack Short

# OECD Organisation Chart



# March 2003

Council and Executive Committee Secretariat	Advisory Unit on Multi-disciplinary Issues	Centre for Co-operation with Non-Members
European Conference of Ministers of Transport	Development Centre	Centre for Educational Research and Innovation
Budget and Finance Service	Information Technology and Network Services	Conference, Security and Language Services
Trade Directorate	Direktorate for Financial, Fiscal and Enterprise Affairs	Direktorate for Science, Technology and Industry
		Direktorate for Employment, Labour and Social Affairs
		Direktorate for Education
		Direktorate for Food, Agriculture and Fisheries

# Ambassadors, Permanent representatives to the OECD

March 2003



*Left to right:*

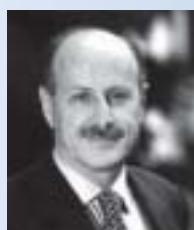
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Austria  
His Excellency Mr. Ulrich Stacher  
Belgium  
Her Excellency Ms. Régine De Clercq  
Canada  
Her Excellency Ms. Suzanne Hurtubise



Czech Republic  
His Excellency Mr. Jirí Maceška  
Denmark  
His Excellency Mr. Peter Brückner  
Finland  
His Excellency Mr. Jorma Julin  
France  
His Excellency Mr. Dominique Perreau



Germany  
His Excellency Mr. Hans-Stefan Kruse  
Greece  
His Excellency Mr. Georges E. Krimpas  
Hungary  
His Excellency Mr. Károly Lotz  
Iceland  
Her Excellency Ms. Sigríður Asdís Snaevarr



Ireland  
His Excellency Mr. John Rowan  
Italy  
His Excellency Mr. Francesco Olivieri  
Japan  
His Excellency Mr. Seiichiro Noboru  
Korea  
His Excellency Mr. Kyung-tae Lee

## PRACTICAL INFORMATION

### Permanent representatives



*Left to right:*

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His Excellency Mr. Jean-Marc Hoscheit

Mexico  
His Excellency Mr. Claude Heller Rouassant  
Netherlands  
His Excellency Mr. Frans Engering  
New Zealand  
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Norway  
Her Excellency Ms. Tanja H. Storm  
Poland  
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United Kingdom  
His Excellency Mr. Christopher Crabbie, CMG  
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Her Excellency Mrs. Jeanne L. Phillips  
European Commission  
His Excellency Mr. John Maddison

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Australia	Korea
Austria	Luxembourg
Belgium	Mexico
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Czech Republic	New Zealand
Denmark	Norway
Finland	Poland
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Germany	Slovak Republic
Greece	Spain
Hungary	Sweden
Iceland	Switzerland
Ireland	Turkey
Italy	United Kingdom
Japan	United States

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