



Getting to Grips with Globalisation

The OECD
in a Changing World

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Political responsiveness, managerial efficiency and a global approach to the issues of the day were the key recommendations that I received when I visited member country capitals before coming to the OECD in 1996 to take up my duties as Secretary-General. At the time, the political community was struggling with the challenge of creating commonly agreed rules of the game that would enable both developed and developing countries to draw full advantage from global interdependence. Politicians knew that the OECD had a role to play in drawing up these rules of the game. But they also knew that they had to be based on the highest possible standards, to win the support of other players in building a coherent framework for the global community.

That challenge is still with us. Gone are the days when individual nations could run a successful economic policy at home while ignoring international trends. Economic policy makers have to take a host of other issues into account, from concerns about the environment, health and food safety to issues of technological innovation and development. The OECD is uniquely placed to provide a forum where governments and policy makers can come together to address these and other issues.

But the OECD countries are not the only players on the global stage and, as the 21st century unfolds, many challenges lie ahead. Weaker growth has led once more to rising unemployment in some countries. Trade barriers still hamper the flow of basic goods around the world.

Preface



*Donald J. Johnston
Secretary-General*

The threat of terrorism adds anxiety to everyday life, disrupting business activity. In a world beset by strife, the need for effective humanitarian aid is more urgent than ever. Intergovernmental organisations are in the front line of the combat to build a better world.

At times like this, it can be useful to step back to gain the necessary perspective for looking forward. My intention in this booklet is to set in perspective many of the policy challenges which the OECD has addressed over the last few years, and to indicate some of those to which it must now turn its attention. Internally, the OECD's management culture has changed. We have become more open, more transparent and more responsive to dialogue with other stakeholders. In a context of global interdependence, we have strengthened our working links with other countries and economies. We are engaged in a constant effort to ensure that we provide value for money for taxpayers in our member countries.

But our underlying objective remains unchanged: to promote prosperity and well-being for people everywhere, with the support of co-operation between nations.

A handwritten signature in black ink, appearing to read 'Donald J. Johnston', written in a cursive style.

Donald J. Johnston
Secretary-General

The OECD in a changing world

The 21st century: never before have the lives of people around the world been so closely linked. Electronic communications speed across time-zones, cultures and continents. Advances in technology, medicine and other sectors in one country are rapidly available elsewhere.

But there are negative aspects, too, to global interdependence. Pollution drifts across borders. Financial turmoil in one national stock market spills over to others. Terrorism knows no frontiers. Nor do crime and disease.

Globalisation brings both challenges and opportunities. Responding to them is a matter for governments as well as for citizens. A globalised economy needs globally accepted codes of behaviour. Without them, or when they are flaunted, the result can be disaster. In the late 1990s, the Asian crisis wrought havoc in many developing countries' economies. More recently, major corporate collapses have hit investors and pension-fund holders world wide. To ward off such perils, co-operation between countries is essential. But multilateralism faces many obstacles, as the September 2003 inconclusive meeting of the World Trade Organization in Cancún, Mexico, demonstrated once again.

The world's richest countries have a responsibility to take the lead in helping others to reap the rewards of globalisation. One place where they do this is at the OECD.

Low-key and often understated, the OECD is sometimes perceived as a think-tank. That's part of its function. Its extensive statistics base is one of the most widely used and respected sources of comparative economic data in the world. Its twice-yearly *Economic Outlook* and regular country surveys provide valuable input into policy-making in capitals. So does its analytical work in such areas as employment policy, education, agriculture and the environment.

But the OECD is more than a talking shop. It's a forum within which governments get to grips with the challenges posed by globalisation. Working with each other and a growing number of countries and economies outside OECD membership, as well as with other international organisations, its members define the policies needed to support sound and sustainable economic growth and then implement them through national legislation. Over the past decade, in response to requests from its member countries, the OECD has tackled a range of cross-cutting economic, social and environmental issues while broadening and deepening its engagement with business, trade unions and other representatives of civil society. Negotiations at the OECD on taxation and transfer pricing, to quote just one area of OECD activity, have paved the way for bilateral tax treaties around the world. By avoiding double taxation, such agreements help to underpin cross-border investment, potentially spurring innovation and growth.

Created in 1960 as an economic counterpart to NATO, the OECD today is an organisation with global reach. Its cradle was Europe, where it is the successor to the Organisation for European Economic Co-operation, set up in 1947 with support from the U.S. and Canada to help rebuild European economies after World War II. European countries still form a majority among its members, but most other regions of the world are also represented. In 1964, Japan joined the OECD, followed by Finland in 1969 and Australia and New Zealand in the early 1970s. In May 1994, the OECD welcomed Mexico as its 25th member. The Czech Republic followed in December 1995, Hungary in May 1996 and Poland in November 1996. In December 1996, the OECD extended its membership in Asia to include Korea. In December 2000, the Slovak Republic became the Organisation's 30th member.

An organisation
with global reach

OECD member countries and OECD outreach activities



At the same time, the OECD has extended its co-operation with other parts of the world. In 2003, there were 19 non-OECD economies participating in OECD committee work, nearly double the number 10 years previously. Other non-OECD countries and economies are associated with OECD instruments in such fields as investment, taxation and competition policy. Altogether, the OECD has working relationships with more than 70 economies outside its membership, including co-operation programmes with some of the world's biggest countries: China, Russia and Brazil. The OECD works with business through the Business and Industry Advisory Committee and with organised labour through the Trade Union Advisory Committee, both of which have consultative status with the OECD and its various committees.

- ▲ In 1996, the OECD launched a specific programme of dialogue and co-operation with China, reflecting the common interest of both sides in China's stable and effective integration into the world trading system. Since then, the OECD has contributed to policy reform in China by sharing its member countries' experiences in a range of areas, from competition policy and financial sector reform to environmental policy instruments and regulatory reform. In 2002, China became a participant in the OECD's Committee on Scientific and Technological Policy, joining Russia, Israel and South Africa as non-member countries with observer status.

- ▲ In 1997, OECD countries set up a Liaison Committee to work with the Russian Federation towards the shared "ultimate goal" of Russian membership of the OECD. Since then, four *Economic Surveys* of the Russian Federation, in 1995, 1997, 2000 and 2002, have analysed the macroeconomic and structural challenges that must be met on the way to becoming a market economy. OECD reviews of Russian

education, agriculture, environment, investment, innovation policy, social policy, human resource development and science and technology have provided analysis and recommendations for each of those sectors. A review is now under way of Russian regulatory reform. Russia participates in 19 committees and other OECD bodies.

- ▲ In 1998, the OECD's governing Council agreed to create a co-operation programme with Brazil, for which funding was allocated as from 1999. Activities have developed rapidly. During 2003-2004, the Brazil Co-operation Programme is slated to include a second *Economic Survey* and joint work in such areas as competition policy, tax and securities market reform, and insurance and private pensions.
- ▲ In South Eastern Europe, the OECD was a founding partner in the Stability Pact set up at the initiative of the European Union in 1999. Alongside Austria and Romania, the OECD co-chairs the Investment Compact which aims to boost private sector investment in the region. It is also active in other projects in South Eastern Europe, collaborating on concrete steps for the reform of education, economic monitoring, trade co-operation and efforts to combat bribery and corruption.
- ▲ Today, the OECD's principal vehicle for policy dialogue with countries outside its membership is a set of specialized initiatives with global participation: the OECD Global Forums. Created in 2001, these enable participants to exchange experience on a range of issues transcending national frontiers. Each has a medium-term, results-oriented programme with a flexible structure to cope with evolving circumstances. Some 28 Global Forum meetings were held in 2001, 34 in 2002 and 41 in 2003.

If global orientation is now a consistent feature of OECD work, it has become so against a background of shifting economic conditions world wide. During the late 1990s, technological innovation held out the apparent promise in the U.S. of an end to cyclical swings and a “Goldilocks scenario” of non-inflationary prosperity and high employment. Today, following the collapse of the dot-com bubble, unemployment and budget deficits have risen in many countries, while currency swings and share price fluctuations challenge businesses and investors.

Amid change, nonetheless, there is also constancy: the OECD Secretariat, drawing on the experience of OECD countries and the OECD’s statistical data base, continues to provide governments with rigorous analysis and innovative policy proposals. And despite recent pessimism, there are also grounds for hope. Information and communications technologies (ICTs) are helping to boost productivity, leading to improved prosperity in many countries. The challenge is to ensure that these improvements are evenly spread and generalised.

A common thread to the work of the OECD Secretariat and OECD committees is a commitment to building effective market economies. The OECD has promoted privatisation and regulatory reform, combined with strong policies to enforce and maintain competition. A study on the *Sources of Economic Growth in OECD Countries* published in 2003 reviewed the factors that can assist or impede improved prosperity and growth in national economies. Another report on *ICT and Economic Growth* clarified the links between regulatory environments, investment in information and communications technologies, and improved productivity.

Helping its member countries to learn from shared experience is another OECD leitmotiv. During the 1990s, the OECD’s *Jobs Study* provided an influential analysis of

The evolving global economy

What drives growth? Averages of annual changes in selected countries, in %

	Germany	France, Italy and Spain	United States
Real growth in GDP per capita: 1980s	2.0	2.0	2.2
1990s	1.2	1.7	2.0
Contribution of labour input: 1980s (hours worked per capita)	-0.4	-0.7	0.9
1990s	-0.8	0.2	0.1
Contribution of labour productivity: 1980s	2.4	2.7	1.3
1990s	2.0	1.5	1.9

Source: OECD (2002), *Economic Surveys*, Germany (page 24).

labour markets in OECD countries. Recommendations for addressing the weaknesses affecting many of them have since been followed by governments in a number of countries with demonstrably positive effects. Sharing the lessons learned from experience is also one of the ways in which the Organisation can benefit other countries that aren't part of its membership. A 2002 study published on the occasion of China's accession to the WTO, *China in the world economy: the domestic policy challenges*, drew on the work of some 40 authors representing all branches of the Secretariat.

In many respects, the OECD's work complements that of the Financial Stability Forum in financial markets and that of the Financial Action Task Force in the fight against money laundering. The OECD promotes competition as the key to innovation in a vibrant economy. But it also insists that, to be truly effective, competition needs to be fair and

open. In 1998, the OECD's Committee on Fiscal Affairs launched a high-profile project to combat harmful tax practices and set the basis for fair competition in the global market for mobile financial services. Other OECD committees focus on fighting cartels and corruption, improving corporate governance and setting ground rules for cross-border corporate social responsibility.

In parallel, the OECD has consistently pressed for the elimination of barriers to trade and investment. In the late 1980s and early 1990s, OECD work on measuring government subsidies to farmers paved the way for the integration of agriculture into the multilateral trading system and the successful conclusion of the Uruguay Round Agreement on Agriculture. The General Agreement on Trade in Services arising out of the Uruguay Round owed much to OECD analysis of how core principles such as transparency and non-discrimination would work for services. In 2001, major steel-producing countries from all over the world chose the OECD as a forum for negotiations aimed at eliminating subsidies that distort trade in steel products, knowing that it would provide impartial analysis and statistics as a basis for their work.

Developing countries have primary responsibility for their social and economic development. But the world's richest nations cannot turn their backs on their poorer neighbours. Here, too, the OECD plays a role in promoting fairness in globalisation. Its Development Assistance Committee (DAC) is the international forum for donor governments seeking improved quality and effectiveness of aid through enhanced co-ordination. In 1996, the DAC launched a "21st Century Strategy" for aid, later transformed into the UN's Millennium Development Goals. In 2001, a DAC agreement to untie Official Development Assistance to the Least Developed Countries boosted recipient countries' freedom of choice in how they actually use aid.

Improving the efficacy of development support

Effective development requires high standards of ethical behaviour, particularly in relation to major investment projects. The OECD plays a role in ensuring that companies from rich countries don't unfairly abuse the rights and needs of people in small countries. In 1997, OECD countries and five non-member countries – Argentina, Brazil, Bulgaria, Chile and the Slovak Republic (at that time still engaged in the accession process) – signed a far-reaching Convention on Combating Bribery of Foreign Public Officials in International Business Transactions whose effect was to make bribery illegal in many countries that had previously condoned it as a business practice. Civil society groups such as Transparency International provided support in negotiations and continue to assist with the implementation of the Convention. Peer reviews are now under way to verify that participating countries have the legislation needed to ensure that the Convention is enforced.

In parallel, the OECD's Working Party on Export Credits and Credit Guarantees has issued an "Action Statement" on bribery and helped OECD countries to strengthen so-called "Common Approaches" for reviewing the environmental impact of projects supported by government-backed export credits. Under a statement of principles designed to avoid adding to the debt burden of heavily indebted poor countries, OECD members pledged in 2001 to refrain from providing official support for unproductive expenditure in these countries. Other OECD bodies have worked on other aspects of development, from conflict prevention to efforts to bridge the digital divide.

The OECD has also played an important bridge-building role in the area of trade and core labour standards. A 1996 study, *Trade, Employment and Labour Standards*, paved the way for the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, a milestone in this field. A 2000 update, *International Trade and Core Labour Standards*, contributed to

efforts to resolve disagreements ahead of the Doha WTO Ministerial Meeting in November 2001.

Many OECD projects are of direct interest mainly to specialists. But some become well-known among a wider public. An example is the OECD's Programme for International Student Assessment, known as PISA, launched in 1997 to monitor the performance of education systems within an internationally agreed framework. First results published in 2001 attracted widespread attention, particularly in countries which did less well in the resulting comparative rankings. PISA is designed to assess how well school systems provide young people with the knowledge and skills they need for adult life. It doesn't specifically identify which policies or practices *cause* success, but it does reveal some common characteristics of students, schools and education systems that do well. This helps governments figure out how to help students to learn better, teachers to teach better, and schools to be more effective. PISA's initial results and subsequent analysis continue to be debated by policy-makers, teachers, parents and the business sector. One result has been to reinforce a shift in public and governmental concern away from mere control over educational resources and content towards a focus on outcomes. A second PISA survey is now under way, whose results will be published in 2004.

Another broadly based project with wide-ranging implications for governments and citizens is the OECD's Health Project, launched in 2001 to investigate health systems and factors affecting performance as well as affordability, efficiency and equity. Taking as its starting point the recognition of the importance of health systems for economies and the well-being of citizens, it aims to assist decision-makers in formulating evidence-based policies to improve performance. Here, too, advanced technologies have a valuable

**Better systems
for education, health
and environmental
protection**



Seizing the opportunities of the digital revolution

Right from the start of the Internet era, the OECD focused on ways of helping governments and businesses in both developed and developing countries to seize the opportunities provided by electronic commerce. Its approach targeted four prime objectives: access to infrastructure and services; stable and predictable regulatory frameworks; an environment of security and trust; and actions to maximise and share the benefits among all stakeholders. The “Sacher Report” on *Electronic Commerce – Opportunities and Challenges for Government*, drawn up in the mid-1990s in co-operation with a group of senior business executives, was the first in a series of OECD initiatives channeling and fostering development of the “e-economy”. Others have included influential guidelines on cryptography policy, the security of information systems, on-line privacy protection and the protection of consumers on-line. The OECD has also helped to develop regulatory frameworks for electronic authentication and for tax laws in the digital world.

In line with its now customary working practice, the OECD approached the challenges posed by the e-economy by seeking to build consensus among a broad range of stakeholders, including representatives from both OECD and non-OECD countries, business and civil society entities and other international organisations. At a conference in Turku, Finland, in 1997, participants identified the main obstacles to the development of e-commerce and the policies needed to overcome them. A year later, government ministers and business representatives from 40 countries, including chief executives from several major companies, met in Ottawa to discuss next steps and make recommendations on such issues as taxation frameworks, security, authentication and consumer protection. International conferences in Paris in 1999, in Dubai in 2001 (the first major OECD event in this domain organised in a non-OECD country), and in Honolulu in 2003 broadened the scope of OECD work further, with Honolulu in particular laying emphasis on the importance of ICTs for economic development in developing countries.

contribution to make: the OECD is working with governments, industry and other international organisations to study how biotechnology can help in such areas as the cure or eradication of infectious diseases, the care of the elderly and the provision of clean water supplies.

If healthy people are to lead full and productive lives, they need a healthy environment to live in. That's where the policy approaches broadly grouped under the heading of sustainable development come in. The OECD hosts the Round Table on Sustainable Development, an independent body funded by three philanthropic organisations as a forum for discussion between government ministers from OECD and other countries and representatives of IGOs, business and civil society to generate policy ideas and build consensus for actions. In 2001, OECD governments adopted the *OECD Environmental Strategy* as a far-reaching commitment to specific actions to improve environmental management. Its objectives include maintaining the integrity of ecosystems through the efficient management of natural resources and decoupling environmental pressures from economic growth.

Among OECD projects little known to the public but highly valued in specialist circles, the Globally Harmonised System for the Classification and Labelling of Hazardous Chemicals (GHS) identifies hazardous substances and mixtures based on their physical properties and potential risks to health and the environment. Jointly developed by the OECD and the ILO in response to a 1992 request from the United Nations, this system was hailed as a major achievement at the World Summit on Sustainable Development in Johannesburg in 2002 and adopted by the UN Economic and Social Council in 2003. In a related area, the OECD Chemicals Programme has developed a system known as the Mutual Acceptance of Data in the Assessment of Chemicals which saves human and animal resources by harmonising

approaches to testing chemicals for safety. Its value to governments and industry in terms of reduced costs due to the avoidance of duplicative testing has been estimated at around 60 million euros a year.

Another OECD initiative that has facilitated dialogue between governments and civil society, this time relating to food safety, is the concept of Substantial Equivalence, developed by the OECD and now an internationally accepted principle used in assessing the safety of foods derived from genetically modified crops. This concept takes as its basis a presumption of safety in relation to aspects of a new genetically engineered product that are identical to that of an existing product known to be safe. In 1999, responding to a request from the G7/G8 group of leading industrial countries, the OECD Secretariat launched a debate on the issues surrounding biosafety and food safety in relation to genetically modified crops. A consultation session with non-governmental organisations in Paris paved the way for a series of major conferences over the following two years involving representatives from government, business, academia and environmental lobby groups. These events, in Edinburgh, Bangkok and Raleigh-Durham, North Carolina, helped to facilitate rational debate on a topic that is still a focus of widespread controversy.

Other related OECD initiatives include:

- ▲ *BioTrack Online*, a database developed by the OECD to provide governments, industry and other stakeholders world wide with information on biotech products such as transgenic maize, potatoes and sugar beets, including national regulatory developments, field trials and consensus documents.

- ▲ *The OECD Schemes for Seed Certification*, used by 52 countries across all continents to ensure the varietal identity and purity of seeds in international trade through

appropriate requirements and controls throughout cropping, seed processing and labelling operations.

- ▲ The annually published *OECD List of Varieties Eligible for Seed Certification*, listing 30 000 varieties representing most species and including all basic staples and soon to be extended to include information about living modified organisms.
- ▲ The *Co-operative Research Programme on Biological Resource Management for Sustainable Agriculture Systems* which encourages research, international co-operation and information exchange on biotechnology's role in integrating socio-economic and scientific concerns.

In support of OECD countries' efforts to harness the positive forces of globalisation, the Organisation worked during the 1990s on a proposed multilateral agreement on investment to set ground-rules for cross-border investment flows and host-country governments' treatment of foreign firms investing in their territory. The aim was to establish an overarching treaty providing a common legal framework for investors and their investments, replacing hundreds of bilateral agreements between individual countries. In the end, the policy implications in many areas including environmental protection and labour rights proved too complex and OECD governments decided to abandon the project. Since then, however, the need to engage civil society more directly in decisions affecting a broad range of stakeholders has been better understood. Reflecting this, the OECD is now more open to input from non-governmental stakeholders.

One of the first instances of this new-found openness was the process that led to the adoption in 1999 of the OECD's *Principles of Corporate Governance*. These principles form the

A fairer framework for globalisation

basis for joint projects by the OECD and the World Bank Group to spread awareness and support for best practices in corporate governance world wide. They provide underpinning for the work of a series of Corporate Governance Roundtables operating under the aegis of the OECD and the World Bank Group in Russia, South East Europe, Eurasia, Asia and Latin America. Governments recently started a review with a view to updating them in the light of lessons learned from corporate scandals in various countries.

Negotiations leading to the revision in 2000 of the OECD's *Guidelines for Multinational Enterprises* followed a similar pattern, with the participation of representatives of several non-OECD countries and of business, the labour movement and other civil society groups. As a result, the Guidelines are far from being just another bureaucratic document. Labour unions and environmental lobby groups are drawing on them as a yardstick for best practice and many companies are responding to them with appropriate measures. By taking ownership of the guidelines, civil society ensures that they have a demonstrable effect.

In a global economy, policy makers need internationally comparable statistics and yardsticks for bench-marking as well as internationally agreed norms and guidelines for best practice. As an organisation that brings together the world's mature democracies, the OECD provides a forum within which governments develop such instruments, exchanging best practices and exercising "peer pressure" to facilitate economic co-operation and development. As all members can attest, each participating country contributes and each draws benefit.

The unique nature of the OECD lies in its committee system, which distinguishes it from other intergovernmental bodies. OECD committees bring together officials from 30 member countries and from other international organisations, as well as observer



Expanding horizons

The OECD as pathfinder

If tracking economic and social trends, detecting emerging policy issues and bringing cross-sectoral expertise to bear where it is most effective are all part of the OECD's pathfinder role for governments, there's also a need for a "pilot fish" to identify new work areas that may not yet have been thought of. This is the role played by the Secretary-General's International Futures Programme, which investigates topics of potential interest for the OECD's future work programme and, where appropriate, helps to move them onto the agenda of OECD Committees. In the past, it has helped to place such topics as electronic commerce, air transport, long-term energy issues, the future of education, and emerging systemic risks on the OECD agenda. Looking ahead, it will address a series of other themes likely to have an important bearing on OECD economies and societies in the next decades:

- ▲ Voluntary reviews are planned of selected member countries' capacity for managing major new risks such as mega-terrorism and new infectious diseases.
- ▲ A project is under way to explore the social and economic potential of space-based applications (e.g. earth observation, satellite navigation systems, telemedicine) in industrialised and developing countries, and the policy changes required to foster the development of such applications.
- ▲ A major stakeholders' conference is planned to launch an open, public debate among scientists, governments, corporations and NGOs on the optimal sustainable energy mix of the long-term future.

countries, to address problems of common concern and exchange views on “best practices” in many areas of public policy. Committee discussions are supported by the analytical work of the Secretariat and contributions from member country officials. Agreements are reached on a basis of consensus and reflected in guidelines and codes of conduct. Governments commit themselves to making progress towards these standards, supported by pressure from their peers. In a world of global interdependence, this is arguably the most effective way of influencing the behaviour of sovereign states. The OECD’s record demonstrates the value of peaceful co-operation among like-minded economies as a powerful engine for stable economic growth and social progress.

Thanks to successive enlargements, the OECD now has global reach, spanning Europe, Asia/Oceania and America. But the start of a new millennium has coincided with the end of a period in which members of the OECD, sometimes described as a “club” of the developed world, dominated the world economy. A number of countries outside the OECD are now important players in the global economy, and their role is growing. Russia is seeking support from the Group of Seven major industrial countries for OECD membership, and many other countries have made known that they would like to join. To play a truly global role, the OECD needs to extend and rebalance its membership.

For global norms to be effective, they must be the result of concertation among like-minded partners. Public support for efforts to channel globalisation will depend to a large degree on effective communications between governments and stakeholders, from parliamentarians and business leaders to representatives of labour and civil society organisations and, via the media, the general public. The OECD has an important role to play in this endeavour.



.....
Appendix

“Ministers conclude that the OECD is an essential component of the multilateral system. The ambitious plan of action agreed by Ministers underscores the vital role of the Organisation in reinforcing democracy and demonstrating the values and dynamism of the free market. Ministers, while bearing in mind the constrained budgetary environment, call on the Secretary-General to meet the challenges of bringing the OECD into the 21st century, working with Member countries to provide them with an OECD which continues to be ever more focused, efficient and effective.”

(Communiqué issued at the OECD Council Meeting at Ministerial Level, 1996)

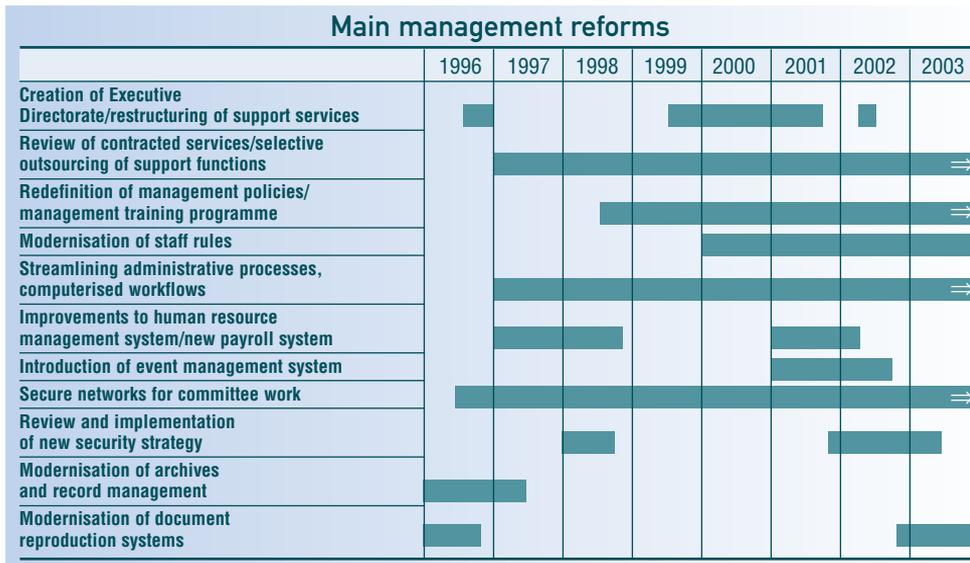
Secretary-General Donald J. Johnston came to the OECD in 1996 with a mandate to modernise and reform the Secretariat and its working methods. Over the past seven years, the OECD has moved from a purely administrative approach to a more modern, output-oriented management approach. This has entailed an organisation-wide drive

Modernisation and reform at the OECD: 1996-2004

Evolution of staff numbers 1993-2003

	Number of regular staff	Number of project staff
1993	1 894	46
1994	1 905	68
1995	1 934	111
1996	1 867	118
1997	1 818	146
1998	1 688	156
1999	1 651	185
2000	1 632	225
2001	1 654	274
2002	1 680	289
2003	1 670	282

for transparency, efficiency and effectiveness. An Executive Directorate, created to supervise support services, has simplified internal management and administrative processes, improved the efficiency of basic support services, eliminated costly fringe services and outsourced numerous functions. The result has been a 21 per cent reduction in operating costs in the period up to 2003. A performance management system has been introduced, accompanied by training for all managers. Recruitment systems, training programmes and benefits have been streamlined and modernised, with a view to increasing staff flexibility.



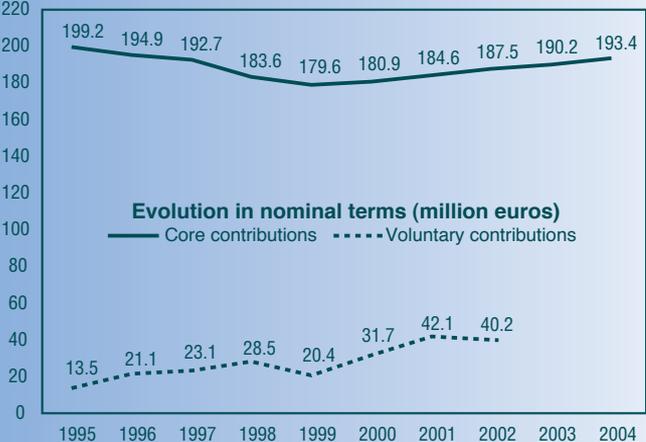
Modernisation of financial systems and controls has been and remains a priority. From the year ended 31 December 2000, the OECD’s financial statements have been audited by external accountants PricewaterhouseCoopers. In 2001, the OECD was the first international organisation to publish its financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). The importance of such reforms was recognised in January 2003 by One World Trust, a non-governmental organisation based in the UK, which, in a survey of governance practices in a range of international institutions and companies, ranked the OECD first among inter-governmental organisations for its overall accountability performance. Under financial regulations and rules which came into force at the beginning of 2003, a significantly strengthened independent internal audit function assesses the quality of financial controls.

Main financial and budgetary reforms

	1996	1997	1998	1999	2000	2001	2002	2003
Studies on pension liabilities and establishment of pensions reserve fund	█							
Planning and implementation of financial reform (road map)		█ ⇒						
Creation of centralised procurement function						█		
Modernisation of financial regulations and rules					█			
Voluntary contributions management							█	
Establishment of internal audit function								█
Review of OECD priority-setting and budget process							█	
Establishment of biennial budget process								█ ⇒
Results-based budgeting								█ ⇒

One of the major challenges of the reform process has been to find the best way of setting priorities and allocating resources for the Organisation’s programme of work and budget. In 2002, a new framework for planning, budgeting and management was adopted which focuses on outputs and evaluation. On this basis, the Council identified priority work to be reinforced during the 2003-2004 biennium: facilitation of the Doha Round, corporate governance, anti-corruption, taxation, steel, shipbuilding and competition. The new budgeting framework also enabled an unprecedented level of resources to be reallocated to these and other priorities. Systematic evaluation of results, starting in 2004, will provide essential input for future budgets.

OECD consolidated budgetary envelope: 1995-2004



A newly created Directorate for Public Affairs and Communications has raised the visibility of the Organisation's work and increased interaction with civil society, as requested by OECD governments. This Directorate manages the OECD Web-site, which provides on-line access to OECD publications. It also organises the annual OECD Forum, held in conjunction with the annual meeting of the OECD's Council at Ministerial level as a venue where governments and citizens can exchange ideas and help to build mutual understanding and good policies. In addition, a Centre for Co-operation with Non-Members has been created to consolidate the activities of several units focusing on different regions using "Global Forums" complemented by country or region-specific

Reform of communications

	1996	1997	1998	1999	2000	2001	2002	2003
Creation of Public Affairs and Communications Directorate		■						
New OECD visual identity				■				
New forms of dialogue with civil society and parliamentarians/OECD Forum				■	■	■	■	⇒
Improved public information about the OECD				■	■	■	■	⇒
Revamp of OECD Web site						■	■	⇒
Online access to OECD information by theme and country						■	■	⇒
Reorganisation of media relations work by theme and directorate				■	■			
Improvements in quality and accessibility of OECD publications			■	■	■	■	■	⇒
Development of online access to OECD publications			■	■	■	■	■	⇒
Implementing revised publishing policy							■	⇒

programmes. Work on public governance issues at the national and regional levels has been brought together in a single directorate, and a Directorate for Education has been created to reflect the high priority that member countries attach to this sector.

In October 2003, the OECD Council took a series of important decisions regarding the redevelopment of the Organisation's Paris headquarters, including the construction of a new conference centre in conformity with modern requirements. The Council approved a Site Project Budget through to 2009 up to a maximum of 298.5 million euros to cover the cost of renovating the Organisation's main "La Muette" site and the running costs associated with its renting of temporary premises in Paris's La Défense business area. It also set in place the financial framework within which this budget must be managed.

Such a commitment represents a strong gesture of confidence in the OECD now and for the future. If the OECD is to expand its membership, however, it will also need to reassess and adapt many of its own working methods. OECD committee processes, while highly valued by members, do not lend themselves in their present form to a greater number of participants. OECD countries will also have to review the Organisation's decision-making rules. Consensus is a powerful instrument when building the shared guidelines or recommendations that underpin peer reviews. But the obligation for consensus among more than 30 countries can also create inefficiency when it is applied to administrative or budget matters, for example. Budget questions will also be an issue if the OECD enlarges, especially if the contributions of new members do not cover the costs of the services that the OECD provides. Work has already begun to address these challenges and members intend to have recommendations ready in time for approval at the 2004 Meeting of the OECD's Council at Ministerial level.

The work of the OECD Secretariat is financed by member countries. The annual contribution of each member is calculated according to the weight of its economy. The United States is the biggest contributor – providing just under 25% of the budget – followed by Japan. The minimum contribution to the budget by the Organisation’s smallest member countries is 0.1% of the total.

Member countries determine both the size of the annual budget and the programme of work. Countries can also elect to make voluntary contributions to finance specific programmes or projects. In recent years voluntary contributions by individual countries or groups of countries have increased.

Decision-making power is vested in the **OECD’s Council**, composed of one representative per member country and the European Commission. The Council meets regularly at the level of ambassadors to the OECD. It meets at ministerial level once a year to discuss important issues and set priorities for OECD work. **OECD Committees** bring together officials from member countries, international organisations and observer countries. Some 40 000 senior officials from national administrations come each year to request, review and contribute to work undertaken by the OECD Secretariat. There are about 200 committees, working groups and expert groups in all. The staff of the **OECD Secretariat** supports the activities of committees. Some 700 economists, lawyers, scientists and other professional staff provide research and analysis. The Secretariat is directed by the Secretary-General, assisted by four Deputy Secretaries-General. The Secretary-General also chairs the Council, providing the crucial link between national delegations and the Secretariat.

Funding the OECD

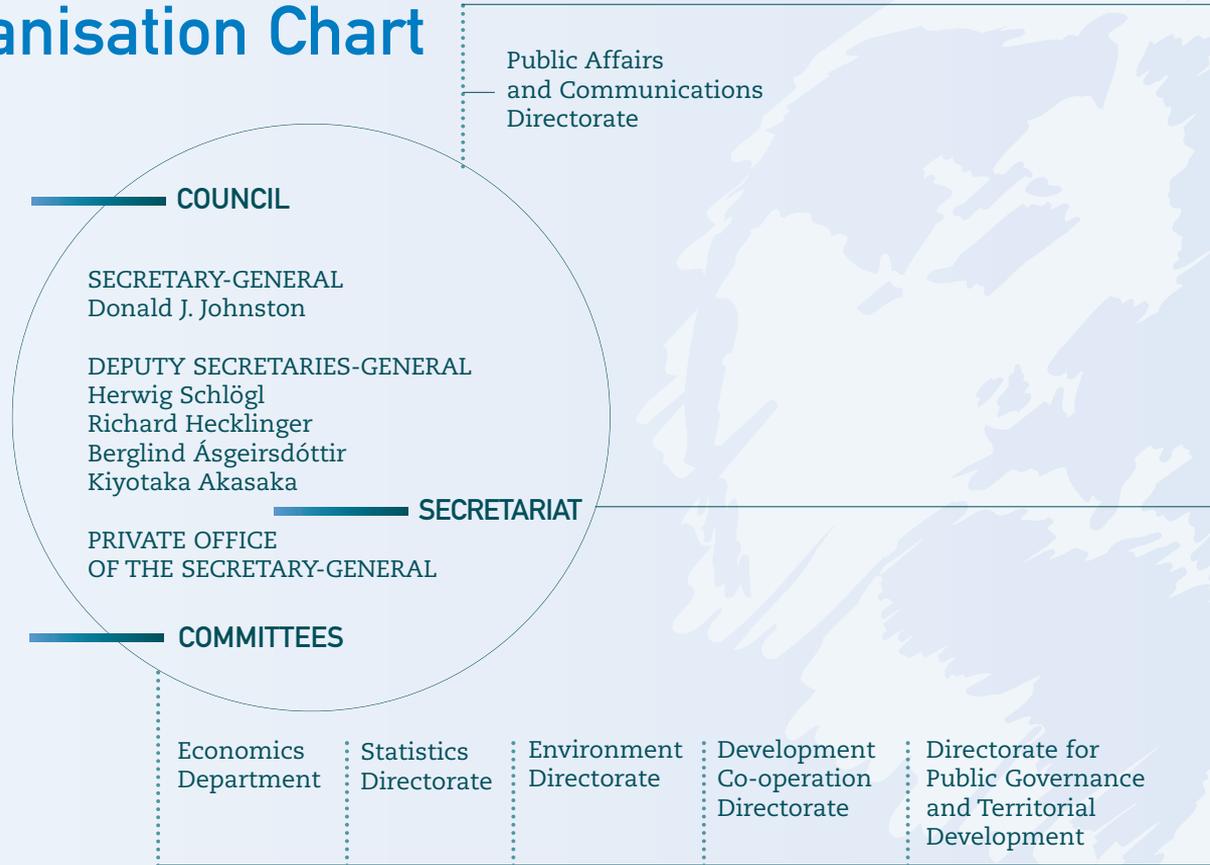
Who does what?

Scale of member countries' contributions to the Organisation's core budget - 2003

Rank by amount	Contribution share		
	In percentage	Cumulative total	
1.	United States	24.975	24.975
2.	Japan	23.128	48.103
3.	Germany	9.467	57.570
4.	United Kingdom	6.885	64.455
5.	France	6.382	70.837
6.	Italy	5.182	76.019
7.	Canada	3.181	79.200
8.	Spain	2.771	81.971
9.	Mexico	1.996	83.967
10.	Korea	1.932	85.899
11.	Netherlands	1.876	87.775
12.	Australia	1.736	89.511
13.	Switzerland	1.454	90.965
14.	Belgium	1.165	92.130
15.	Sweden	1.083	93.213
16.	Austria	0.926	94.139
17.	Norway	0.784	94.923
18.	Denmark	0.747	95.670
19.	Turkey	0.706	96.376
20.	Poland	0.651	97.027
21.	Finland	0.583	97.610
22.	Greece	0.546	98.156
23.	Portugal	0.495	98.651
24.	Ireland	0.399	99.050
25.	Czech Republic	0.238	99.288
26.	New Zealand	0.231	99.519
27.	Hungary	0.181	99.700
28.	Iceland	0.100	99.800
29.	Luxembourg	0.100	99.900
30.	Slovak Republic	0.100	100.000

OECD Organisation Chart

JANUARY 2004



GENERAL SECRETARIAT

Directorate
for Legal
Affairs

Office of the
Auditor-
General

Council and
Executive
Committee
Secretariat

Advisory
Unit on
Multi-disciplinary
Issues

Centre for
Co-operation
with
Non-Members

SEMI-AUTONOMOUS BODIES

International
Energy
Agency

Nuclear
Energy
Agency

European
Conference
of Ministers
of Transport

Development
Centre

Centre
for Educational
Research
and Innovation

Sahel and
West Africa
Club

EXECUTIVE DIRECTORATE

Human
Resources
Management

Operations
Service

Budget
and Finance
Service

Information
Technology
and Network
Services

Conference,
Security and
Language
Services

Trade
Directorate

Directorate
for Financial
and Enterprise
Affairs

Centre
for Tax Policy
and
Administration

Directorate
for Science,
Technology
and Industry

Directorate
for Employment,
Labour and
Social Affairs

Directorate
for Education

Directorate
for Food,
Agriculture
and Fisheries



<u>OECD Web Site home page:</u>	<u>www.oecd.org</u>
<u>Overview of the OECD:</u>	<u>www.oecd.org/about</u>
<u>OECD Statistics Portal:</u>	<u>www.oecd.org/statistics</u>
<u>Information by Country:</u>	<u>www.oecd.org/infobycountry</u>
<u>Newsroom:</u>	<u>www.oecd.org/media</u>
<u>OECD Publications:</u>	<u>www.oecd.org/publications</u>
<u>Ageing Society:</u>	<u>www.oecd.org/ageing</u>
<u>Agriculture, Food and Fisheries:</u>	<u>www.oecd.org/agriculture</u>
<u>Biotechnology:</u>	<u>www.oecd.org/biotechnology</u>
<u>Combating Corruption:</u>	<u>www.oecd.org/corruption</u>
<u>Competition:</u>	<u>www.oecd.org/competition</u>
<u>Corporate Governance:</u>	<u>www.oecd.org/corporate</u>
<u>Development:</u>	<u>www.oecd.org/development</u>
<u>Economics:</u>	<u>www.oecd.org/economics</u>
<u>Education:</u>	<u>www.oecd.org/education</u>
<u>Electronic Commerce:</u>	<u>www.oecd.org/ecommerce</u>
<u>Emerging and Transition Economies:</u>	<u>www.oecd.org/emerging</u>
<u>Employment:</u>	<u>www.oecd.org/employment</u>
<u>Energy:</u>	<u>www.oecd.org/energy</u>
<u>Enterprise, Industry and Services:</u>	<u>www.oecd.org/enterprise</u>
<u>Environment:</u>	<u>www.oecd.org/environment</u>
<u>Finance and Investment:</u>	<u>www.oecd.org/finance</u>
<u>Future Studies:</u>	<u>www.oecd.org/futurestudies</u>

An online guide
to OECD work

Growth:	www.oecd.org/growth
Health:	www.oecd.org/health
Information and Communication Technologies:	www.oecd.org/ict
Insurance and Pensions:	www.oecd.org/insurance
International Migration:	www.oecd.org/migration
Public Governance and Management:	www.oecd.org/governance
Regulatory Reform:	www.oecd.org/regreform
Science and Innovation:	www.oecd.org/science
Social Issues:	www.oecd.org/social
Sustainable Development:	www.oecd.org/sustainabledevelopment
Taxation:	www.oecd.org/taxation
Territorial Economy:	www.oecd.org/territorial
Trade:	www.oecd.org/trade
Transport:	www.oecd.org/transport

Affiliated Agencies and Semi-autonomous Bodies:

International Energy Agency (IEA):	www.iea.org
Centre for Educational Research and Innovation (CERI):	www.oecd.org/edu/ceri
European Conference of Ministers of Transport (ECMT):	www.oecd.org/cem
Nuclear Energy Agency (NEA):	www.nea.fr
Development Centre:	www.oecd.org/dev/
Financial Action Task Force (FATF):	www.fatf-gafi.org
Sahel and West Africa Club:	www.oecd.org/sah

- Economic Policy Committee
- Economic and Development Review Committee
- Environment Policy Committee
- Chemicals Committee
- Development Assistance Committee
- Public Management Committee
- Trade Committee
- Committee on International Investment and Multinational Enterprises
- Committee on Capital Movements and Invisible Transactions
- Insurance Committee
- Committee on Financial Markets
- Committee on Fiscal Affairs
- 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

Main OECD committees

OECD member countries

with date of membership

Australia	1971	Hungary	1996	Norway	1961
Austria	1961	Iceland	1961	Poland	1996
Belgium	1961	Ireland	1961	Portugal	1961
Canada	1961	Italy	1961	Slovak Republic	2000
Czech Republic	1995	Japan	1964	Spain	1961
Denmark	1961	Korea	1996	Sweden	1961
Finland	1969	Luxembourg	1961	Switzerland	1961
France	1961	Mexico	1994	Turkey	1961
Germany	1961	Netherlands	1961	United Kingdom	1961
Greece	1961	New Zealand	1973	United States	1961

