

Peer review: a tool for co-operation and change

Introduction

What is peer review?

Democratic governments want policies that are in the best interest of their citizens. But how can they – and their voters – be sure they are making the right choices? One answer is by learning from the tried and tested experience of others. One of the OECD's core strengths is its ability to offer its 30 members a framework to examine and compare experiences and discuss "best practices" in a host of areas from economic policy to environmental protection or strategies to create jobs.

Why is it effective?

How does it work?

OECD peer reviews, where each country's policy in a particular area is examined by fellow members on an equal basis, lie at the heart of this process. A country seeking to reduce unemployment, for example, can learn valuable lessons from its peers on what has worked and what has not. This can save time, and costly experimenting, in crafting the best policies for a particular country. The recommendations resulting from such a review can also help governments win support at home for difficult measures. And perhaps most importantly, because everyone puts themselves through the same exercise, no country under review feels it is being singled out in any way. Today's reviewers will be in the hot seat themselves tomorrow.

Who takes part?

Why does it work?

For further information

Peer review is a tried and tested method at the OECD, where it has been used since the organisation was created more than 40 years ago. It has evolved over time to take account of new developments, including the involvement of civil society, business and labour. One measure of its success is that the method has been adopted by other international organisations such as the European Union, International Monetary Fund and World Trade Organization, although the practice has been most extensively developed at the OECD, helped by the like-minded membership and the high degree of trust between member countries. More recently, African states forming the New Partnership for African Development (NEPAD) have asked the OECD to help them bring peer review to their region. This *Policy Brief* looks at the concept of peer review, and how it is used in the OECD and beyond. ■

For further reading

Where to contact us?

What is peer review?

Peer review is basically an examination of one state's performance or practices in a particular area by other states. Increasingly, civil society, business and labour are invited to contribute to reviews. The point of the exercise is to help the state under review improve its policymaking, adopt best practices and comply with established standards and principles. The system relies heavily on mutual trust among the states involved, as well as their shared confidence in the process. OECD staff experts also play an important role in supporting and stimulating the process.

The peer review is a discussion among equals, not a hearing by a superior body that will hand down a binding judgement or punishment. This adds to the flexibility of the reviews; a state may be more willing to accept criticism, and its neighbours to give it, if both sides know it does not commit them to a rigid position or obligatory course of action. And precisely because peer reviews are not intended to resolve differences, they may in fact play some of the role of a dispute settlement mechanism, by encouraging open dialogue among states that can help clarify positions in a non-adversarial setting.

OECD peer reviews cover a wide range of topics, from economics and governance to education, health, environment and energy. A longstanding type of peer review is that covering the overall economic performance and prospects of an individual country, as is the case with the OECD's regular *Economic Surveys*. But peer reviews can also examine several countries at the same time with respect to a particular theme, such as environmental protection or regulatory reform. Whatever the subject under consideration, or the type of review, such exercises are generally carried out on a regular basis, and each one results in a published report that assesses accomplishments, spells out shortfalls and makes recommendations. So if one review of a country's economy expresses concern about inflexible labour markets, or rampant inflation, the next exercise will examine whether the state has acted on the advice given by its peers and whether the situation has improved. ■

Why is it effective?

The key to the effectiveness of peer reviews is the "peer pressure" exerted during the process by the states carrying out the review, and the willingness of the state concerned to accept it. This pressure can make itself felt in several ways, both public and private. During the review process itself, there is the dialogue between the country under the microscope and its fellow states. But since the final results of OECD peer reviews are generally made public, the government of the reviewed country can also come under pressure from the press and the public to accept the recommendations. The public may echo the peer reviewers in calling for change to bring their state into line with its neighbours in aid policy, for instance. By the same token, officials of the country under review may welcome advice from outside that supports unpopular policy changes, whether later retirement or higher education spending, which they themselves feel are necessary for the longer term good of the country. And because peer reviews apply the same criteria to a number of countries, and sometimes rank performance in a particular area, there is also the pressure of wanting to do better in relation to one's neighbours, or to keep one's place at the top of the list.

Successful examples include the **OECD Jobs Strategy** launched in 1994 and more recently the **OECD Regulatory Reform** series, requested by OECD ministers in 1997 and covering areas such as competition, public sector reform, and governance. At the other end of the scale is the "naming and shaming" technique which publicly singles out poor performers. This has been used by the OECD, for example, to combat harmful tax practices. The **Financial Action Task Force** on money laundering and combating terrorist financing (FATF), which is housed at the OECD, also publishes information regularly on non-cooperative territories. In both cases, states are invited to become co-operative by respecting clearly defined criteria, such as transparency in tax rules and clear anti-money laundering legislation. Both the OECD and FATF publicise cases where territories offer to co-operate and are taken off the relevant list.

Peer pressure is particularly effective when it is possible to provide both qualitative assessments of performance and quantitative measures of progress. However, such methods can only pro-

The process in detail: environmental performance reviews

Although each OECD peer review has its own procedure, there is a common pattern, consisting of three phases: preparatory, consultation and assessment. All reviews are subsequently published in some form. Overall, it takes about a year to conduct a review. This is how the process works for an environmental performance review of a given country.

The preparatory phase lays the groundwork for the review. The outline of the report is defined, with standard topics, such as water, and country-specific topics, such as forestry. A memorandum on its situation is prepared by the reviewed country, covering areas such as its environmental objectives, or progress on implementing recommendations made in a previous OECD review. It includes Secretariat members and experts from three reviewing countries. Occasionally, it includes observers from non-members or international organisations. The team analyses documentation and data. A questionnaire is developed to serve as an agenda for a dialogue in the next phase.

In the consultation phase, the review team carries out an intensive dialogue with the country concerned, as well as with academics and representatives of industry and environmental NGOs. It also meets managers of the facility concerned during on-site visits to places such as industrial plants or protected areas. At the end of this phase, the review team and the Secretariat prepare a draft final report, including an analytical section, where the country's performance is examined in detail, covering environmental management, sustainable development and international commitments. The focus is on environmental effectiveness and economic efficiency, on delivering promised domestic objectives and on meeting international commitments. The reviews also monitor implementation of the principal goals of the

"OECD Environmental Strategy for the First Decade of the 21st Century". An evaluation and prescriptive section sets forth conclusions and recommendations. These reviews make extensive use of agreed quantitative environmental indicators measuring items such as intensity of energy use, or air quality via sulfur oxide and nitrogen oxide emissions.

In the assessment phase a plenary meeting of the body responsible for the review - in this case the Working Party on Environmental Performance (WPEP) made up of all 30 OECD member countries - discusses the draft report. A delegation from the reviewed country, usually headed by a minister or vice-minister, answers questions from representatives of the other 29 countries for a full day. The WPEP then amends the conclusions and recommendations in light of the discussion and approves the review. The report is published under the responsibility of the Secretary-General.

Publication and follow-up include a press conference on the final report and its recommendations, usually given by the environment minister of the country under review and high level officials from the OECD. The report is usually presented to parliamentarians and decision-makers in the reviewed country through special seminars. Special effort is made to distribute the report in the national language. Recommendations commonly lead to a formal government response within 24 months of publication, specifying actions taken on each of them. The next OECD review of the same country (such reviews are currently carried out every five to seven years) also monitors progress. To date, 45 reviews have been carried out covering 33 countries, including OECD members and some beyond the OECD such as Russia. Reviews are under preparation for China and Chile.

duce positive results when the “rules of the game” are clear and all the countries involved accept them. Otherwise the exercise can degenerate into a diplomatic quarrel to gain position in the scoreboard. ■

How does it work?

There is no standardised peer review mechanism as such, but all peer reviews share certain structural elements: a basis for proceeding; an agreed set of principles, standards and criteria against which the country performance will be reviewed; designated actors to carry out the review; and a set of procedures leading to the final result (see box on page 3). The OECD’s executive body, the Council, made up of representatives of all member countries, retains control over the development of peer review programmes through its annual examination of the organisation’s proposed programme of work and budget.

Peer reviews are generated in a number of ways. Subsidiary bodies of the OECD – committees or working parties dealing with a particular issue for example – can decide to undertake peer reviews as part of their activities, or to carry out a one-time peer review at the request of the country to be reviewed. This can also be extended to non-OECD members at their own request. For far-reaching review programmes, a mandate may be needed from the OECD ruling body, the Council, and sometimes directly from member country ministers, as was the case with ongoing reviews on regulatory reform and environmental performance.

Peer reviews can also be built into international treaties, agreements or other legally binding instruments as part of their implementation process. One example is the **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**, which provides for Parties to the convention to “co-operate in carrying out a programme of systematic follow-up to monitor and promote the full implementation of this Convention”. This has been the basis for a rigorous process of multilateral surveillance which is centred on peer review.

But the most common form of peer review is the assessment of a country’s performance in imple-

menting policy recommendations and guidelines, whether for labour market flexibility, environmental protection or regulatory reform. Perhaps the best-known are the OECD’s *Economic Surveys* of individual economies, carried out on a regular basis for every OECD member (and some non-members, such as Russia and Brazil) by the OECD’s **Economic and Development Review Committee (EDRC)**. These reviews assess a country’s performance in relation to broad economic guidelines. Peer reviews by the OECD’s **Development Assistance Committee**, which groups the world’s major official aid donors, assess performance in development co-operation in areas such as poverty reduction, conflict prevention or policy coherence. Specific indicators and benchmarks, such as reduction in carbon dioxide emissions or a type of regulatory framework, are used in areas such as environmental performance review and in regulatory reform reviews.

The same peer review can include assessments against a number of different measures. For instance, environmental performance reviews assess the country against its own domestic objectives and international commitments, including those of the **OECD Environmental Strategy for the First Decade of the 21st Century** – as well as benchmarks and national and international legislation and regulations.

Peer review is a joint operation involving the reviewed country, the examining countries and staff from the OECD Secretariat. The entity responsible for a peer review can be part of the OECD’s decision-making structure such as the EDRC (See box on page 6), or a working party. The frequency of reviews varies from case to case; economic surveys are carried out on average about every 18 months on each individual member country, while environmental performance reviews are on a five to seven year cycle.

Taking part in certain peer reviews may be a condition of membership of a committee or working party. Participation implies the duty to co-operate with the examiners and the Secretariat by, among other things, making documents and data available, responding to questions and requests for self-assessment, and hosting on-site visits. ■

Who takes part?

As the term peer review implies, the review will be carried out by members of the committee, working party, or other body which has decided to undertake it. The term “peer review” implies by definition that officials in the relevant policy field from other countries will be involved in the evaluation process. But generally some countries are chosen as lead examiners, while the rest of the group participates actively in the final discussion. The choice of lead examiners is usually based on a system of rotation among member states, although the particular knowledge of a country relevant to the review may be taken into account.

The individuals responsible for participating on behalf of the reviewed country may include civil servants from ministries and agencies and at different levels of government. In some cases the representation is at ministerial level. The role of the examiners is to represent the collective body carrying out the review – committee, working party or whatever – in the early stages of the process and to provide guidance in the collective debate itself. Their work includes examining documentation, taking part in discussions with the reviewed country and the Secretariat, and taking a lead speaker role in the debate in the collective body. In some cases, the examiners also participate in missions to the country. Lead examiners have a duty to be objective and fair, and free from any influence of national interest that would undermine the credibility of the peer review mechanism.

The OECD Secretariat supports the whole process by producing documentation and analysis, organising meetings and missions, stimulating discussion and maintaining continuity as the keeper of the historical memory of the process. The independence, transparency, accuracy and analytic quality of the Secretariat’s work are essential to the effectiveness of the process.

How the work is divided up between the Secretariat and the lead examiners, and the degree of interaction between them, varies widely. But as a general rule the Secretariat carries out the most labour-intensive part of the job, particularly if it has the most expertise in the topic under review. Usually all countries that are members of the body undertaking the review will be treated and each

implicitly accepts the duty to co-operate with the examiners and the Secretariat. ■

Why does it work?

Peer review is a useful tool because during the review process countries systematically exchange information, attitudes and views on policy decisions and their application. This dialogue can in turn be the basis for further co-operation, through, for example, the adoption of new policy guidelines, recommendations or even the negotiation of legal undertakings.

Peer review can also serve as an important capacity building instrument, since it is a mutual learning process in which best practices are exchanged. This is true not only for the country under review, but also for countries participating in the process as lead examiners.

In many contexts, the “soft law” nature of peer review can prove better suited to encouraging and enhancing compliance than a traditional enforcement mechanism. Participants in a peer review have the flexibility to take into account a country’s policy objectives, and to look at its performance in a historical and political context. Peer review can therefore assess and encourage trends toward compliance even among relatively poorly performing countries, while noting negative trends in countries that may have a higher performance record.

But for a review to be effective, it must meet certain conditions.

One is **value sharing** – that participating countries share the same views on the standards or criteria against which to evaluate performance. A strong common understanding on these elements will prevent uncertainty or backtracking during the process.

At the same time, a peer review can function properly only if there is an adequate level of **commitment** by the participating countries – and that means not only supplying enough resources to carry it out, but also being fully engaged in the process, whether as examiners and active members of the collective body conducting the review or as subjects of the examination when their turn comes. The close involvement of the reviewed country in the process and its ownership of the

Peer review in economic surveys: the role of the EDRC

The Economic and Development Review Committee (EDRC) is at the core of the OECD's peer pressure mechanism. This committee is made up of representatives of all 30 member governments and the European Commission. Its role is to examine economic trends and policies in individual OECD countries, assess the broad performance of each economy and make policy recommendations to improve it.

Each economy is reviewed regularly – currently about every 12 to 18 months. Each review leads to the publication of a survey of an individual country's economy, aimed at promoting better understanding of its economic situation and key challenges facing the authorities, and pointing towards ways of improving the country's overall economic performance.

The reviews have evolved over the years since the creation of the EDRC in 1961 when they were mostly focused on macroeconomic developments and policies. Now there is a very heavy emphasis on structural policies and their interaction with macroeconomic policies. The working of labour, product and financial markets is regularly examined, together with the role of the public sector. In recent years, these reviews have also been extended to selected non-member countries, such as Russia and Brazil.

The surveys also generally include a detailed analysis of a specific structural topic, selected from a menu of issues that the Committee is focusing on. Recent topics have included public expenditure, including fiscal/federal relations, migration and competition and economic performance. Other issues dealt with in the past include population ageing, taxation and environmentally sustainable growth. Once 10 or 12 countries have had such a special chapter in their individual country review, the lessons to be drawn from these assessments are brought together in a synthesis paper. This demonstrates one of

the key elements of the peer review process: examining a country's economic performance in the light of the experience and lessons learnt in other countries.

The reviews are carried out by the EDRC with participation by member countries' permanent delegates to the OECD, sometimes assisted by experts from their governments at home. The country under review is generally represented by a delegation of high-level officials from across government, although the size and composition varies. To make the process manageable and efficient, the committee designates two of its members to lead the examination for each review.

The Committee uses a draft survey prepared by the Secretariat as the basis for their examination of the country under review. Following the examination, the draft survey is revised by the Secretariat in consultation with the country under review, to take account of comments and recommendations made by the Committee, as summarised by its chairman. Amended versions are then officially approved by the Committee for publication under its responsibility. A key element in this process is that the final report is one on which all 30 members agree. It is not solely the responsibility of the Secretariat, although obviously its judgements are an important input, nor does it simply accommodate the views of the country under review. The final report requires discussion and negotiation of key policy recommendations, with some compromises being struck to allow the whole Committee to approve the report. This process means there is a government "buy-in" to the economic policy advice offered and hence a common ownership of the product.

When the surveys are published, the key assessment and recommendation section is made available free on the Internet and as a Policy Brief.

outcome of the peer review is the best guarantee that it will ultimately endorse the final report and implement its recommendations.

Mutual trust: since peer review is, by its nature, a co-operative, non-adversarial process, mutual trust is an important basis for its success. While the peer review process itself can contribute to confidence building, a large degree of trust and value sharing among the participants should be present from the beginning to facilitate, among other things, the disclosure of data, information and documentation which are essential to the process.

And last, but by no means least, the **credibility** of the peer review process is essential to its effectiveness, and to its added value in comparison with government reports or consultants' recommendations. There is a strong link between the credibility of the process and its capacity of **influence**. To assure this credibility, OECD peer reviews benefit from the following characteristics – an independent Secretariat, designated examining countries and a multilateral committee process. The involvement of the reviewed country in the process and its

ownership of the outcome of the peer review is the best guarantee that it will ultimately endorse the final report and implement its recommendations. However this involvement should not go so far as to endanger the fairness and the objectivity of the review. For example, the country under review should not be permitted to veto the adoption of all or part of the final report.

With all these factors in place, peer review can serve as a stimulus for improvement. Through the accompanying effect of peer pressure – including both persuasion by other countries and the stimulus of domestic public opinion – peer review can act as a catalyst for improved government performance. ■

For further information

For more information for more information on the work of the Economic Development and Review Committee please contact Andrew Dean;
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For further reading

- **Peer Review: an OECD Tool for Co-operation and Change**, 2003
ISBN: 92-64-09920-4, 116p.
- **OECD Environmental Strategy for the First Decade of the 21st Century**
Available on our Internet site at:
www.oecd.org/env/min/2001
- **OECD Economic Outlook**,
Periodical
ISSN: 0474-574, €98
- For more information please visit our
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