



Israeli Participation in OECD Activities: 2005-2006

**Ministry of Finance
International Department**

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Foreword

The significance of Israel's becoming a member of the Organization for Economic Cooperation and Development (OECD) lies first and foremost in the adoption of the high standards set by the organization. This complex process is underway, by means of coordinated action by government ministries and agencies and by parties in the private sector. Israel is currently a member of fifty of the OECD's Committees and Working Parties, which formulate and create common guidelines, comparative indicators, and international standards for free market economies.

Israel expanded the scope of its activity within the OECD in 2005 and 2006 and joined new Committees and Working Parties. This expansion was made possible by the respect and recognition accorded Israel by the OECD with regard to its high-quality contribution to the organization's goals in a variety of areas, including insurance services and private pensions, formulation of government debt management methodology, international taxation, terrorism risk management and finance, technology and innovation, and information technology. Israeli representatives are invited to serve as chairpersons of Working Parties and as leaders of international research programs, such as in methods for mediation between R&D statistics and national accounts and in alternative energies, despite the fact that Israel is a non-member country. In 2005, an Israeli representative was appointed by the Secretary-General of the OECD to serve as a National Expert in agriculture on behalf of the Organization.

An OECD seminar on education was held in Israel in 2006, and a workshop on taxation is planned for 2007, to be attended by OECD experts.

As the list of candidate countries for OECD membership is being finalized, the Finance Ministry's International Affairs Division is launching the "Israel – OECD" website. The website contains full details of Israel's activity within the organization, including comparative statistics about Israel by topic, similar to those on the OECD website.

The attached report constitutes a reminder of the professional work carried out by government ministries and agencies and by parties in the private sector; it thus provides an opportunity to thank all those who have diligently pursued this endeavor despite the hardships encountered.

Finally, special thanks to Mr. Marc Luban of the International Affairs Division at the Finance Ministry for his hard work in preparing this report.

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Chairman, Inter-Ministerial Steering Committee
for Israel's OECD Membership

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- ◇ Marking Israel's contribution to the ongoing work of the OECD's bodies

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Part One

OECD

Government's Ministries

Government Ministries

1. Ministry of Agriculture and Rural Development:

- **Plant Protection and Inspection Services**

- **OECD Workshop on Seed Certification and Modern Biotechnology**

The Director of the Seed & Nursery Stock Inspection Services participated in the Workshop on Seed Certification and Modern Biotechnology held in September 2005. Subjects raised during the Workshop included the following, among others:

- Species identification.
- Species purity.
- Roles of government – to maintain the seed production process.

- **OECD Seed Schemes for the Varietal Certification of Seed Moving in International Trade – 2005 Annual Meeting**

The Director of the Seed & Nursery Stock Inspection Services participated in the annual meeting of the Seed Standards Committee, held in September 2005. Subjects raised during the annual meeting included the following, among others:

- Accreditation in seed sampling and testing as a permanent option.
- Study of OECD requirements.
- Publication of a report on the visit of an Israeli representative to Albania, including recommendations to admit Albania as a member in OECD seed trading.
- Botanical definitions of various types of oats.
- The use of synonyms for different species.

- **OECD Evaluation Mission in Albania – July 2005**

Mr. Raul Kleinerman, Director of the Seed & Nursery Stock Inspection Services at the Plant Protection and Inspection Services, was selected by the Secretary-General of the OECD to participate in an official delegation, with the status of a National Expert. The delegation's mission included an examination of the existing legislation and regulation in

Albania in the area of seed production and trade, and an evaluation of the extent of Albania's readiness to join OECD seed trading.

- **Plenary Meeting of the OECD Scheme for the Application of the International Standards for Fruit and Vegetables**

The representative of the Plant Protection and Inspection Services contributed extensively to the formulation of the professional approach underlying the guidelines for non-destructive tests of agricultural produce, published in March 2006.

- Guidance on objective tests to determine quality of fruits and vegetables and dry and dried produce.

- Following the discussions of the plenary meeting in October 2004, the representative of the Plant Protection and Inspection Services undertook the preparation of a **Brochure on standards for fruit** industry, at an investment of NIS 250,000.

Session 64 – The Head of the Inspection Section participated in the meeting of the OECD Scheme in November 2006. Several decisions regarding Israel were made during the meeting:

- Israel was added, with the status of a member, to the working group established to develop a format for training of quality inspectors.

- The Israeli representative was elected vice-chairman of the OECD Scheme – this is the first time a representative of a non-OECD country has been elected to the position of vice-chairman (and chairman in the next term) of this group.

- **12th Meeting of Heads of National Inspection Services – Sponsored by OECD**

Session 12 – The Head of the Inspection Section participated in the Meeting of Heads of National Inspection Services, sponsored by the OECD, held in Morocco in December 2006.

The Israeli representative gave a presentation on the topic:

- New Inspection Methods in Israel.

- **Ad Hoc Working Group on Revision of Isolation Distances for Hybrid Cotton**

International Seed Federation (ISF) had requested a revision of the isolation distances for hybrid cotton and the issue had been discussed at the extended Advisory Group Meeting. The large isolation distances required by the OECD Seed Schemes should be revised. On the basis of accepting a 99% varietal purity standard for seed, the suggestion could even be 10 meters for Certified seed production, but for additional safety a distance of 30 meters could be adopted; 200 meters for the production of Foundation seed could be retained.

- Israel had proposed keeping the current isolation distances for hybrids produced by the CMS (Cytoplasmic Male Sterility) system and to be flexible for other production systems.

2. Ministry of Communications:

- **Economics and Budget Division**
 - **Committee for Information, Computer, and Communications Policy (ICCP)**

Information, Computer and Communications Policy Committee (ICCP) – The OECD ICCP Committee is a forum in which governments work together to maximise the global economic and social benefits of the “information society” by discussing issues and developing collective solutions to help foster coherent information society policies in an era of convergence and globalisation.

The Senior Deputy Director-General of the Economics and Budget Division represented Israel at the Committee for Information, Computer, and Communications Policy, at the following meetings:

Session 48 – During the session, held in March 2005, the following subjects were raised:

- The fight against junk e-mail ("spam") – A study by Microsoft shows that 15 billion spam messages are sent each day, comprising 60% of e-mail traffic. Hotmail alone blocks 3 billion spam messages each day.
- The problem of "phishing" – Fraudulently obtaining bank account information from Internet users – which is a threat to the online financial and banking industry.
- Convergence – The development of broadband audiovisual services and its effect on the regulation of electronic communications and on competition in the communications market, with the growth of the mergers and acquisitions trend.
- Digital content – Examination of the development of content transmission by digital means over broadband connections in four areas: A. Music; B. Content for cellular phones; C. Scientific publications; D. Computer and video games.

Session 49 – During the session, held in October 2005, the following subjects were raised:

- Next-generation networks – In most countries, the number of analogue telephone lines has decreased, in favor of VoIP (Voice over IP) services. This subject was considered from the viewpoint of regulation and the rules of competition.

- Update of comparative indicators in the areas of communications and computerization – A report on trends among OECD countries in the growth in the number of cellular phones versus a reduction in the number of fixed lines.
- The effect of ICT on economic growth in the UK – Presentation of the results of a study conducted among 50,000 businesses in order to examine the influence of information and communications technology (ICT) on economic growth. Parameters examined include: A. Investments in information technology (IT) infrastructure; B. Number of employees using computers and the Internet; C. Electronic trade; D. Use of the Internet as a mediator between companies; E. Use of communications networks. The findings indicate that investments in hardware and software are directly correlated with productivity, with an emphasis on the services sectors, and inversely correlated with costs.
- Assessment of Israel's participation in and influence on the Communications and Computerization Committee – in the document that was written towards a discussion of the assessment of Israel's contribution to the Committee's work, held behind closed doors without the participation of Israel, the following comments were made, among others:
 - "Israel continues to undertake world-class research in the area of ICT, especially software, as well as becoming an example of a rapidly developing digital economy."
 - "Israel has contributed to the Outreach strategy of the ICCP mainly through TISP activities, where through their participation they have *'increased acceptance of coherent policy frameworks,'* especially in the telecommunications area."
 - "Israel has a positive impact on the functioning of ICCP and the TISP."
 - "Israel has been an active member of the ICCP and its working parties, particularly the TISP."

Session 50 – During the session, held in March 2006, the following subjects were raised:

- A report by the committee's chairman on his meeting with the OECD Council – a decision was made to rank the topic of the Digital Economy in first place in terms of its importance and output, among all subjects dealt with by the organization.

- Summary of work on the topic of junk e-mail – the task force on junk e-mail ("spam") concluded its work, presented a comprehensive document, and prepared a toolkit instructing countries that have not yet taken action on this matter to act to reduce the dimensions of this problem. A website for this purpose was set up at www.oecd-antispam.org. The website will be maintained routinely and will also be expanded to address phishing, spyware, and botnets.
- Preparation for a Ministers' Meeting – the delegations expressed their wish to prepare a high-level (ministerial) meeting on the subjects of convergence, privacy, and security.

Session 51 – During the session, held in October 2006, the following subjects were raised:

- Characteristics of NGN (New Generation Networks) technology.
- The connection between convergence and competition.
- Uses of NGN and its effect on new technology.
- Information security in an NGN world.
- Evidence of the effect of information and communications technology (ICT) on economic growth.
- On-line film and video.

◇ **OECD ICCP Workshop: “The Future of the Internet”**

The Senior Deputy Director-General of the Economics and Budget Division participated in the OECD ICCP Workshop, held in Paris in March 2006.

The OECD ICCP workshop "The Future of the Internet" brought together policy-makers, leading academics, private sector organisations, and civil society organisations to discuss following subjects:

- Trends shaping the future of the Internet.
- Explored the various approaches – technical, regulatory, and economic– that are being taken or can be taken to create new functionality for and increased trust in the Internet.
- Promote the internet sustained growth and adoption.
- Identify opportunities for increased international cooperation on pressing issues.

OECD ICCP Workshop: “The Future of the Internet” - As the world’s societies and economies depend increasingly on the Internet, after three decades, the Internet and other global networks are approaching a crossroads. Against the backdrop of a broadening base of users worldwide and rapid convergence to IP networks for voice, data, and video, the Internet offers the world’s economies and societies increasing opportunities for economic growth and social development; whether it be through information, e-commerce, communication/social networks, the participative web, entertainment, Web services, e-government or for critical infrastructures such as power grids, financial systems, air traffic control and intelligence systems.

◇ **“Next Generation Networks: Evolution and Policy Considerations”, OECD Foresight Forum**

The Senior Deputy Director-General of the Economics and Budget Division participated in the OECD Foresight Forum, held in Budapest in October 2006.

“Next Generation Networks: Evolution and Policy Considerations” – Next Generation Networks (NGNs) can be defined as networks with a packet-based architecture, facilitating the provision of existing and new/emerging services through a loosely coupled, open and converged communications infrastructure. The advent of NGNs is bringing forward a series of innovative opportunities but also a greater array of challenges, touching upon competition, interconnection agreements and new business.

▪ **Working Party on Telecommunication and Information Services Policies**

The Senior Deputy Director-General of the Economics and Budget Division represented Israel at the Working Party on Telecommunication and Information Services Policies, at the following meetings:

Session 34 – During the session, held in June 2005, the following subjects were raised:

- Policy implications related to VoIP services¹ – A paper was submitted reviewing the policy being formulated by OECD countries in reference to VoIP services. The paper reviews the regulatory developments on this subject, and addresses matters including consumer issues, such as access to emergency numbers, the possibility of identifying callers'

¹ VoIP – Voice over Internet Protocol – Telephone calls over the Internet.

location, security, and privacy. Competitive aspects were also examined, in view of concerns over an increase in the power of traditional telephony monopolies that acquire Internet providers.

☑ Israel's representative to the Working Party gave a presentation to the participants describing broadband penetration in Israel in comparison to OECD countries: Voice over Broadband in Israel.

1st place in the international comparison of Skype² users relative to the population.

12th place in the international comparison of broadband subscribers relative to the population (Sweden – 11th, US – 13th).

- Implications of WiMax³ technology for regulation and competition – WiMax technology allows users to enjoy broadband services in distant locations as well.
- Universal service in a changing network environment – A paper was presented examining the subject of universal service in the competitive age. The key question is whether it is possible to ensure that universal service in telephony will continue in the age of next-generation networks, whether to expand the obligation to broadband services as well, and whether and how universal service should be financed.
- ICT Indicators – The OECD publishes comparisons between countries on its website on various parameters related to communications and computer-mediated communications. **For the first time, the decision was made to include Israel and Singapore in these comparisons.**

Session 35 – During the session, held in December 2005, the following subjects were raised:

- Recommendations on VoIP policy – A paper was presented examining the expected transition from traditional telephony to broadband-based telephony from a regulatory perspective. The conclusion of the paper is that regulators should adopt a "light regulation" approach, by gradually removing restrictions as competition evolves.

² Skype – Allows telephone calls over the Internet.

³ WiMax – World Interoperability for Microwave Access.

- Convergence – A paper was presented reviewing the phenomenon of multiple play among 88 communications operators in OECD countries. 4-play operators (voice, data, video, and cellular) operate in ten countries, while 3-play operators (voice, video, and data) operate in 23 countries.
- Substitution between fixed-line and cellular telephony – A paper was presented indicating the rapid development of cellular telephony. Users are transferring from traditional fixed-line telephony to cellular telephony, especially young users.

- **Working Party on Communication and Information Services Policy (CISP)**

Since 2006 the name of the Working Party on Telecommunication and Information Services Policies has changed to Working Party on Communication and Information Services Policy.

Working Party on Communication and Information Services Policy –

1. To promote exchanges of experience among member countries and review recent developments in the field of communication infrastructures and services policy, taking into account the development of the Global Information Society and the emergence of next-generation networks.
2. To explore alternative goals and strategies for communication infrastructure and services in order to promote a common understanding of policies and increase international co-operation.
3. To analyse the economic and social implications of changing communication market structures, including the Internet and the convergence between the broadcasting and telecommunication sectors.
4. To analyse international and trade issues in communications and information services, and promote co-operation in this field.

Session 36 – During the session, held in December 2006, the following subjects were raised:

- IPTV⁴ – developments in the market and in regulation.
- Developments in optic fiber technologies.
- Fixed-mobile convergence (FMC) – market developments and policy issues.

⁴ IPTV (Internet Protocol Television) – digital television broadcast over Internet protocol (IP) rather than over cable, satellite, or broadcast from the air.

3. Ministry of Education:

- **Division A for International Relations and UNESCO and the Chief Scientist**
 - **Education Policy Committee**

The Education Policy Committee is responsible for:

- Evaluating prospects and policies for educational growth and development to meet individual, social, cultural and economic objectives, taking into account the need for optimal allocation and efficient management of the total resources for learning.
- Exchanging information and promoting international co-operation among member countries and, where relevant, with non-member countries on the problems identified above.

Session 76 – The Head of the International Relations Division and the Chief Scientist of the Ministry of Education participated in a meeting of the Education Policy Committee held in November 2005. The following subjects were discussed at the meeting:

- A draft of guidelines for quality assurance in cross-border higher education.
- Guidelines for promoting the subject of educational leadership – a possibility for Israel to participate in the activity was mentioned.
- Development of human resources in the areas of science and technology.
- A project for the recognition of informal learning and the transfer of academic credits.
- Continued participation of non-member countries in OECD activity, including Israel.

Session 78 – The Chief Scientist of the Ministry of Education participated in a meeting of the Education Policy Committee held in October 2006. The following subjects were discussed at the meeting:

- Research underway regarding the efficiency of public spending on education.
- Main findings of the review on equality in education.
- Reform in higher education – report by Korea.

- Survey to be conducted in Luxembourg regarding the improvement of achievements in education in order to cope with the job market.
 - International networks: violence in schools and early childhood education.
 - Global scientific activity forum regarding developments in interest in science and technology studies.
- **EDC/CERI Joint Meeting of the Education Committee and CERI Governing Board**

Centre for Educational Research and Innovation (CERI) – CERI was set up in 1968. Since then, it has established a genuinely international reputation for pioneering educational research, opening up new fields for exploration and combining rigorous analysis with conceptual innovation.

Functions of the Governing Board

The Governing Board shall be concerned with all matters in the field of competence of the Centre. In particular, each year it shall prepare and approve by a two-thirds majority vote the draft Programme for the following year.

Joint Meeting – The Head of the International Relations Division and the Chief Scientist of the Ministry of Education participated in a joint meeting of the Education Policy Committee and the CERI Governing Board, held in November 2005. The following subjects were discussed at the meeting:

- Development of the OECD's strategy on the assessment of competency for adults.
- Report on work processes of the INES group and the strategy formulated for the development of PISA.
- Summary of activities related to the "Teachers, Teaching, and Learning" survey.

Joint Meeting – The Chief Scientist of the Ministry of Education participated in a joint meeting of the Education Policy Committee and the CERI Governing Board, held in October 2006. The following subjects were discussed at the meeting:

- Renewing the mandate of the various educational institutions.

- Formulating the INES work plan for 2007-2008.

- **Center for Educational Research and Innovation Governing Board**

Session 73 – The Head of the International Relations Division and the Chief Scientist of the Ministry of Education participated in a meeting of the Governing Board of the Center for Educational Research and Innovation, held in November 2005. The following subjects were discussed at the meeting:

- Advancement of students with handicaps, learning disabilities, and special needs.
- Update on research on the subject of the relationship between learning processes and the brain.
- The "Education for Tomorrow" project.
- Electronic learning in higher education.

Session 75 – The Chief Scientist of the Ministry of Education participated in a meeting of the Governing Board of the Center for Educational Research and Innovation, held in October 2006. The following subjects were discussed at the meeting:

- Globalization, linguistic abilities, and cultural diversity.
- Professional education and training.
- Social effects of learning.
- Research and development in education – report by Switzerland.

- **Activity of Early Childhood Education and Care Policy**

The Chief Scientist of the Ministry of Education participated in the meeting regarding early childhood education policy, held in Italy in September 2006. Subjects discussed:

- Key aspects in formulating early childhood education and care policy.
- Establishment of an international network on the subject of early childhood education.
- Approval of publication of the report on early childhood education and care policy.

- **International Seminar: "Education Development for Disabled and At-Risk Students in South-East Europe"**

- ☑ On May 22-27, 2006, the OECD and the Israeli Ministry of Education held an international seminar in Israel on the subject of "Education Development for Disabled and At-Risk Students in South-East Europe." The seminar was attended by senior OECD officials, experts from the United States, representatives from nine countries in South-East Europe, Israeli education professionals and experts, and representatives of the Special Education Division at the Ministry of Education.

The seminar provided a professional international forum in which to raise various issues related to special education. Subjects discussed:

- The integration of special education students into regular institutions.
- Reforms in special education.
- Monitoring special education students.
- Diagnosis of students.
- Action plans were presented by several countries regarding the training of teachers working with special education students.

- **Assessment and Measurement Division**

- **Center for Educational Research and Innovation – CERI**

- ◆ **International Conference – "Improving Learning Through Formative Assessment"**

The Head of the Assessment and Measurement Division participated in the International Conference on Improving Learning through Formative Assessment, held in Paris in February 2005. The conference represents a summary of research by the Center for Educational Research and Innovation (CERI) about formative assessment and learning, as part of a series of activities on the subject, "What works in innovation in education," started in 2002. Following the international conference, a book entitled *Formative Assessment: Improving Learning in Secondary Classrooms* was published by CERI, which includes eight studies about secondary education, combined with reviews and policy analyses from several countries regarding the formative assessment of learning.

At the international conference, the main components related to the effort to promote formative assessment were presented:

- Create a classroom culture that encourages interaction and the ongoing use of assessment.
- Set learning goals and monitor each student's progress towards these goals.
- Use varied teaching methods and adapt them to the students' different needs.
- Use varied assessment tools.
- Give students feedback and adapt teaching to their needs.
- Foster deep involvement in students' learning process.

Within the framework of implications for education policy (What Works?), the following recommendations were made:

- Place an emphasis on teaching and learning.
- Integrate formative and summative assessment approaches.
- Ensure that information collected at the level of the classroom, school, and system is related and used in a "formative" manner.
- Invest in training and support to promote formative assessment.
- Encourage innovation.
- Strengthen bridges between research, policy, and educational action.

Various countries presented different models for promoting the subject of formative assessment. It was agreed that organizational changes will not advance achievements and equality, and that the main effort should be invested in teacher-student (and parent) interaction.

- **Society and Youth Administration**

- **CERI: Center for Educational Research and Innovation**

- ◊ **Conference in the Series "Promoting Partnerships for Inclusion"**

The Head of the Youth Advancement Section participated in an annual meeting in the series Promoting Partnership for Inclusion, held in Seoul in October 2005. The meeting was attended by representatives of OECD member and non-member countries and by representatives of the Youth Empowerment Partnership Programme (YEPP). The meeting dealt with the examination of models for developing services for at-risk youth and advancing inter-sectoral partnerships.

The various countries presented their position papers, while responding to the overall local developments in this area. The presentations included ways of coping, learning from success, and identification of difficulties that can be learned from, circumvented, or dealt with. In addition, a day was devoted to a tour of services for at-risk youth, based on a model of referral and advice centers and a program for temporarily homeless youth.

During the discussions, the YEPP organization presented a report on a formative assessment study accompanying the projects it operates in various countries.

In addition to the committee's discussions under the auspices of the OECD, the government of South Korea held a professional seminar on "Building a Safe Community for Children and Youth at Risk." At the seminar, each country presented its perception of youth in general and youth at risk in particular, with an emphasis on ways of coping and building partnerships.

- **Science and Technology Administration & Chief Scientist Bureau**

- **Research to Identify Educational Innovation in Computer-Based Education**

The Science and Technology Administration and the Chief Scientist Bureau at the Ministry of Education jointly conducted a three-year study through the OECD on the identification of educational innovation in computer-based education, its characteristics, and processes likely to lead to educational innovation in schools. The first and second stages of the study focused on the identification of characteristics and description of processes at schools; the third stage concentrated on an in-depth investigation of 60 schools and identification of notable characteristics related to innovation leadership that can serve as a model for implementation throughout the country.

☑ In 2006, questionnaires were completed by high school principals, computer-based education coordinators, and 2-4 mathematics and sciences teachers in each of approximately 40 schools included in the study. In addition, a database was collected to serve the Ministry as a source for various analyses and conclusions that can be projected to future computerization processes in schools.

- **Economics and Statistics Division**

- **Indicators of Education Systems Technical Group (INES)**

Indicators of Education Systems – The INES Project began in 1988 in response to national policy makers' desire for information that would allow them to compare the performance of their education systems with those of other countries and thus better assess and monitor the effectiveness and evolution of their education systems.

The **Technical Group**, chaired by the OECD Secretariat, ensures the comparability of administrative data, developing indicators on educational participation, access, human and financial resources, and school completion.

In July 2005, Israel received an official invitation to participate in the Indicators of Education Systems Technical Group, with the status of a full member (details in the chapter about the CBS).

Session 24 – The Head of the Economics and Statistics Section participated in the meeting of the Indicators of

Education Systems Technical Group held in Slovakia in June 2005. Subjects discussed included:

- A new proposal for the presentation of indicators appearing in the Education at a Glance publication as cyclical (EAG-cycle), and the effect of the cycle on the work of the INES Group.
- The new EAG publication – 2005 edition – and its important appendices.
- A proposal to conduct a quick survey on apprenticeship programs (work-based programs).
- The expense per graduate indicator.
- Other financial subjects:
 - Research and development (R&D) expenses in higher education.
 - Expenses for ancillary services.
- Feedback on the publication of the "OECD Handbook" for Internationally Comparative Education Statistics, and its implications for continued work in this direction.

Session 27 – A representative of the Economics and Budgets Division participated in the meeting of the Indicators of Education Systems Technical Group held in Holland in December 2006. Subjects discussed included:

- Problems and improvements in UOE data collection.⁵ A decision was made to implement improvements in the questionnaire's design in order to assist in checking the indicators, as well as improvements in the submission format.
- Exchange of information regarding methods of determining private expenditure estimates, to be coordinated by the OECD secretariat, with the aim of formulating a preferred method.
- Proposals for change and improvement of the manner of measuring inputs and outputs in education, with the aim of assessing the efficiency of public spending.
- Development of administrative cost indicators.

⁵ UOE questionnaires are used jointly by the OECD, UNESCO, and the EU. In Israel, these questionnaires are completed by the CBS in cooperation with the Ministry of Education and the Council of Higher Education.

- Analysis of indicators related to the learning environment and school organization, and their effect on education spending.
 - Development of indicators of monetary assistance to students in higher education.
 - Israel's addition to the list of OECD countries in the publication of indicators of important trends for decision makers.
- **National Authority for Assessment and Evaluation in Education (NAAE)**
 - **Programme for International Student Assessment (PISA)**

OECD Programme for International Student Assessment (PISA)

The PISA programme is an internationally standardised assessment that was jointly developed by participating countries and administered to 15-year-olds in schools. The survey was implemented in 43 countries in the 1st assessment in 2000, in 41 countries in the 2nd assessment in 2003, in 57 countries in the 3rd assessment in 2006 and 62 countries have signed up to participate in the 4th assessment in 2009. Tests are typically administered to between 4,500 and 10,000 students in each country.

PISA assesses how far students near the end of compulsory education have acquired some of the knowledge and skills that are essential for full participation in society. In all cycles, the domains of reading, mathematical and scientific literacy are covered not merely in terms of mastery of the school curriculum, but in terms of important knowledge and skills needed in adult life.

The Director-General of the NAAE serves as the Israeli representative to the PGB (PISA Governing Board), with the status of an observer.

The National Authority for Assessment and Evaluation in Education (NAAE) is the professional leading and guiding body of the educational system in the areas of assessment and evaluation. The Authority operates as a professional, objective, independent entity serving all interested parties within and outside the educational system.

Subjects under the NAAE's responsibility (partial list):

1. Tests: nationwide monitoring tests, international tests.
2. Questionnaires and surveys.
3. Formative assessment and evaluation.

Session 21 - The Director-General of the NAAE participated in the meeting of the Governing Board held in Seoul in March 2006. Subjects discussed included:

- Report on progress with PISA since the 20th meeting of the PGB.
- Co-operation and co-ordination with other international organisations on PISA, including UNESCO.
- Programme of work for the PISA 2009 assessment.
- PISA 2006 analysis, reporting and dissemination plans:
 - The effective integration of students with a migration background.
 - A new approach to scientific literacy.

Session 22 - The Director-General of the NAAE participated in the meeting of the Governing Board held in Dublin in October 2006. Subjects discussed included:

- Review progress with the development and implementation of PISA.
- Finalise the work programme for the PISA 2009 assessment for the period 207-2011.
- Finalise the outline and analysis plan for the report on initial results from the 2006 assessment and review progress with the development of the PISA thematic reports.
- Establish directors for the further development of the international options for the PISA 2009 assessment.

◇ **National Project Manager PISA 2006**

The PISA meeting held in Spain in February 2005 was attended by staff of Bar Ilan University's School of Education, which serves as chief researchers in the PISA study for the assessment of students' skills in the areas of reading, mathematics, and sciences.

- ☑ PISA 2006 examinations, focusing on literacy in the sciences, were administered in Israel in April 2006.

- **Training and Educator's Perfecting Administration**
 - **"Improving School Leadership" Activity**

Improving School Leadership – School leaders in OECD countries are facing challenges with the rising expectations for schools and schooling in a century characterized by technological innovation, migration and globalization. As countries aim to transform their educational systems to prepare all young people with the knowledge and skills needed in this changing world, the roles and expectations for school leaders have changed radically. They are no longer expected to be merely good managers. Effective school leadership is increasingly viewed as key to large-scale education reform and to improved educational outcomes.

The Head of the Training and Educator's Perfecting Administration participated in OECD activity on the subject of "Improving School Leadership". Subjects discussed included:

- What are the roles and responsibilities of school leaders under different governance structures? What seem to be promising policies and conditions for making school leaders most effective in improving school outcomes?
- How can effective school leadership be best developed and supported? What policies and practices would be most conducive to these ends?

- **The Bureau of the Minister + The Chief Scientist Bureau**
 - **Meeting of OECD Education Ministers**

The Minister of Education and the Chief Scientist participated at the Annual Meeting of OECD Education Ministers held in Athens in June 2006.

The ministers discussed how to ensure that quality, equity and efficiency characterise all aspects of higher education:

- Who should pay for higher education?
- Measuring the quality and impact of higher education.
- Higher education's contribution to research and innovation in a global knowledge economy.

- **The Ministry of Education + The Academy**
 - **International Network on School Bullying and Violence**

International Network on School Bullying and Violence – Aimed at aiding and encouraging implementation of effective measures against bullying and violence in schools. Network members are 21 countries including Israel. The network's main activity is conducted through the exchange of information, based on a specially created website. The website is comprised of two sections: one is open to the general public and contains information presented by each of the member countries, while the other is an online platform allowing continuous contact between the representatives. Information regarding Israel on the website includes:

- PSE – Positive School Environment
- VDA – Violence, Drugs, and Alcohol
- National Policy – Israel
- School Violence in Israel: A National Survey

<http://www.oecd-sbv.net/Templates/Member.aspx?id=43&countryid=90>

The Ministry of Education participates in the OECD-sponsored international network on school violence. The Ministry of Education participates in the network through a representative from the School of Education at Bar Ilan University, who participated in the network's second meeting held in Budapest in June 2006. The meeting was attended by representatives of 15 countries as well as an OECD representative.

During the meeting, three work groups were created: Best Practices, Legislation, and Policy. Representatives of different countries are members of each of the groups, which together are formulating the network's policy and the type of information each country will be asked to present.

- ☑ Israel participates in the group dealing with the formulation of criteria for assessment and presentation of Best Practices.

4. Ministry of the Environment:

- **Solid Waste Management Division**
 - **Working Group on Waste Prevention and Recycling**

The **WGWR** meets every 9 months to address such topics as environmentally sound management of waste, transboundary movements of waste, materials management, material flows, improving recycling markets, and other issues related to import/export of waste, as well as waste recovery, waste prevention, recycling, and resource conservation.

In December 2004, Israel was admitted with the status of an ad-hoc observer country to the Working Group on Waste Prevention and Recycling, which belongs to the Environment Policy Committee.

In November 2005, the decision was made to grant Israel the status of an observer on the Working Group until December 2007.

Session 7 – The Head of the Solid Waste Division participated in a meeting of the Working Group on Waste Prevention and Recycling convened in February 2005. The President of the Working Group congratulated Israel on joining as an ad-hoc observer country. An overview presentation was given on the status of the development of solid waste handling in Israel over the last decade, the tools used (policy, enforcement, financial aid, cooperation with the public), and future challenges.

Session 8 – the Head of the Solid Waste Division participated in a meeting of the Working Group on Waste Prevention and Recycling convened in November 2005 in Seoul (Korea). The meeting was attended by 45 participants from OECD countries, representatives of the United Nations Environment Program (UNEP), and representatives of the Business and Industry Advisory Committee (BIAC). The goal of the meetings was to formulate an agreed definition of Sustainable Materials Management (SMM), with regard to materials that have a clear negative impact on the environment (e.g. iron metals, mineral production, food products, and plastic), with the aim of reducing the effect of products' toxicity and reducing the quantity of waste produced during the products' life cycle.

☑ Questionnaire on the existence of Environment Management Systems (EMS) within the waste management industry – Israel responded to this

questionnaire, aimed at obtaining information regarding the existence of an environment management system operating in accordance with the rules of the International Standards Organization (ISO) or the European organization's Eco-Management and Audit Scheme (EMAS), in order to create a guidebook for implementation of the OECD Council's recommendations on Environment Sound Management (ESM).

- ☑ Questionnaire on Sustainable Materials Management (SMM) – Israel responded to this questionnaire, as part of the formulation of an agreed definition on this subject.

Session 9 – The Head of the Solid Waste Division participated in a meeting of the Working Group on Waste Prevention and Recycling convened in September 2006. Fifty representatives of OECD countries and observers from non-member countries (including Israel) participated. Results of questionnaires on the following topics recently administered to the participant countries were analyzed:

- The Environment Management System (EMS) at the level of the individual plant.
- Sustainable Materials Management (SMM).
- ☑ During the meeting, Israeli technology for reducing waste in packaging at the source was presented – Waste Reduction Packaging and Labeling Industry in Israel.
- ☑ The handling of Sustainable Materials Management (SMM) in Israel was presented.

- **Dangerous Materials Division**

- **39th Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology**

The **Joint Meetings** consist of two meetings focusing on pesticides and industrial chemicals, which then combine for general policy issues. It is attended by OECD countries and those (Israel) who have been accepted to Mutual Accepted of Chemicals Safety Data (MAD).

The **OECD Mutual Acceptance of Data** - The OECD MAD system saves governments and chemical producers approximately US \$60 million every year by allowing the results of a variety of safety tests performed on chemicals and chemical products such as industrial chemicals and pesticides, to be shared throughout OECD. Israel's adherence to the OECD MAD system means that its laboratories produce safety data work with comparable standards and quality as the laboratories throughout OECD's member countries. This removes a potential non-tariff trade barrier between Israel and OECD countries for marketing chemicals that would have been marketed under different standards and verification procedures. It also opens up the possibility for producers in OECD countries to have safety tests for their chemicals undertaken in Israel.

Meeting 39 – The Head of the Hazardous Substances Division participated in the joint meeting of the Chemicals Committee and the Working Group on Chemicals, Pesticides, and Biotechnology held in February 2006. The Israeli representative participated in the following sessions:

1. **Focus Session: Experiences Using Integrated Approaches to Fulfill Information Requirements for Testing and Assessment** – Included a review of the existing information in the various countries and a review on behalf of the European Commission regarding the need to examine exposure methods and the need to codify this within REACH legislation (Registration, Evaluation, and Authorization of Chemicals). The session included a discussion of the costs of various tests, including biological monitoring of chemicals.
2. **Industrial Chemicals (Chemical Product Policy)** – The session included the following topics:
 - Green purchasing – report on a workshop held in Korea on the subject of green purchasing – Risk Management and Sustainable Chemistry.
 - Flame retardants – information sheets prepared and updated regarding various flame retardants, including industry recommendations and recommendations by the various countries (Israel is one of the world's largest producers of flame retardants containing bromide).
 - New chemicals – formulation of guidelines for examination of the health and environmental consequences of new chemicals in advance of their dissemination. A proposal exists for a uniform format – Mutual Acceptance of Notification.
3. Existing chemicals – collection and publication of information regarding existing chemicals in fixed formats. A report was given regarding a new OECD website for presentation and publication of this information. A review was presented regarding the HPV (High Priority Volume) program.

- **Working Group for National Environmental Policy (WPNEP)**

On October 2006, the OECD Council decided to invite Israel to participate in the Working Group for National Environmental Policy as a regular observer until December 2008.

WPNEP meets approximately twice yearly to conduct business and discuss reports and research on such matters as the integration of environmental policies, resource conservation, technological innovation, cost-benefit analysis, and voluntary environmental programs.

5. Ministry of Finance:

- **State Revenue Administration and Israel Tax Authority**
 - **The OECD Multilateral Tax Training Center**

The workshops held in Vienna and Budapest by the OECD Multilateral Tax Training Center address considerations of policy (efficiency) that are relevant to several subjects of interest to tax policy makers in participant countries. Subjects change from year to year, and may include, for example: Taxation of new financial products – the liberalization of financial markets confronts business owners with growing competition and risks, which require careful financial management. The markets offer new, flexible, inexpensive financial products as part of risk management. The increasing use of these new financial products by taxpayers, for commercial or tax reasons, presents a serious challenge for tax authorities in countries throughout the world. The structure of the seminar is designed to maximize active participation by creating dialogue and through exposure to experiences. Discussions will be based on real-life cases, practical examples, and countries' experience. Participants will cope with several cases and will be asked to present their conclusions. Participants will be asked to share the manner in which their country copes with the problems that arise during the workshop with the attendees.

◇ **Tax Policy Analysis Workshop**

2005 Workshop – The Director of State Revenues participated in a workshop held in Vienna on the subject of taxation policy in November-December 2005, during which he gave a lecture on tax reforms in Israel:

- ☑ Israel's Tax Reforms 2003-2010 – A Focus on Efficiency and Redistribution.

2006 Workshop – The General Director, State Revenue Administration participated in a Workshop on the subject of Tax Policy Analysis held in Budapest in December 2006.

The workshop dealt with the following subjects:

- Tax policy.
- Efficiency and equity.
- Fundamental reforms of personal income tax.
- Taxation of business profits and investment.
- Effective tax rates for policy analysis.

The General Director of State Revenue Administration gave a lecture on the following subject:

- "Reform of personal income tax in Israel 2003 – 2010" thus examining the main goals, components and results of the tax reform and raising the dilemmas concerned.

◇ **Income Tax Workshop**

2005 Workshop – The Deputy Director of State Revenues participated in a workshop on the subject of income tax held in Budapest in November 2005.

Representatives of the following countries participated in the workshop: Bulgaria, China, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Poland, Rumania, Lithuania, Latvia, Slovakia, Slovenia, and Israel.

The workshop dealt with the following subjects:

- Taxation of options allotted to employees.
- Relief from duplicate taxes.
- Taxation of transparent entities.
- Taxation of capital gains of individuals.
- Taxation of electronic trading.
- Lump sum taxation.

Each country presented a review of a unique, recently implemented change in legislation in the area of direct taxation.

The Deputy Director of State Revenues gave lectures on the following subjects:

- Capital gains taxation of individuals in Israel.
- Taxation of employee stock-options in Israel.
- Tust taxation legislation in Israel.

2006 Workshop – The Senior Deputy to the General Director and the Deputy to the Legal Advisor from the State Revenue Administration participated in a workshop on the subject of Income Tax held in Budapest in October 2006.

The workshop dealt with the following subjects:

- Classifying Workers as Employees or Independent Contractors.
- Tax Treatment of Migrating Workers.

- Tax Incentives for Individuals.
- Tax Treatment of Partnerships in Tax Treaties.
- Taxpayer Unit.

The Senior Deputy to the General Director in State Revenue Administration gave a lecture on the following subjects:

- Participation Exemption in Israel.
- Tax Payer Units.

◇ Tax Modeling Workshop

Two economists from the State Revenue Administration participated in a workshop on the subject of Tax Modeling held in Budapest in April 2006.

The workshop provided the participants with various tools for taxation analysis. The main issues covered were estimation of personal income tax, corporate income tax and VAT revenues and calculation of revenue impact of tax policy change. In addition, advanced measures of tax burden and the methodology of database sampling were presented.

◇ Tax Treaties Issues Workshop

The Chief Legal Advisor of the State Revenues, the Head of International Taxation Department of the State Revenues and the Team Leader, International Tax Division from the Tax Authority, participated in a workshop on the subject of Tax Treaties Issues held in Vienna in May 2006.

The workshop provided the participants with a working knowledge of the application and interpretation of double tax agreements, thus focusing in depth on the more difficult treaty provisions relating to the taxation of business profits, property, employment income, investment income and intellectual property. It also covered the special rules of treaty interpretation. The seminar was orientated towards practical issues and involved the consideration of many case studies.

◇ Taxation of Financial Markets Workshop

A Tax specialist from the International Tax Division, Tax Authority participated in a workshop on the subject of Taxation of Financial Markets held in Budapest in July 2006.

The workshop dealt with the following subjects:

- Permanent Establishment.
- Taxation of Financial Markets.
- Collective Investment Vehicles.
- Derivatives.
- Synthetic Instruments.
- Zero coupon bonds.
- Redeemable Preference shares.
- Tax Avoidance using financial instruments.

The Tax specialist gave a lecture on the following subject:

- ☑ Tax avoidance and anti tax avoidance rules in Israel.

▪ 10th Global Forum on Tax Treaties and Transfer Pricing

The Head of the International Taxation Department at the State Revenues Administration, the Head of the International Taxation Unit at the Tax Authority, and the Senior Division Head of Assessment and Control at the Tax Authority participated in the Global Forum on international taxation and transfer pricing held in Paris in September 2005. The Forum was organized by the OECD Centre for Tax Policy and Administration, and focused on the attribution of profits to a permanent establishment. Representatives of eighty countries and international organizations participated in the Forum, with the aim of discussing tax issues on the global agenda and holding bilateral talks.

The conference was devoted to subjects related to the attribution of profits to a permanent establishment in connection to sales and distribution, financial institutions, and construction sites.

The Israeli representatives participated in a preliminary meeting for non-member countries with the OECD Secretariat, which provided an opportunity for the participants to raise subjects related to the organization's work. In the Israeli

connection, suggestions were raised for cooperation between the OECD and Israel on tax subjects.

- **11th Global Forum on Tax Treaties**

The Head of the International Taxation Department, the Chief Legal Advisor, State Revenue Administration, Acting Director, International Tax Division, Tax Authority and the Legal Department, Tax Authority participated in the Global Forum on International taxation held in Paris in September 2006.

The 11th Annual International Tax Meeting on Treaties focused on the circumvention of tax treaty provisions thus providing a better understanding of the circumstances which may give rise to a tax treaty not functioning as intended and possible responses (both government and taxpayer actions) to those problems.

The Head of International Taxation Department in State Revenue Administration was the chairman of the central session about "Treaty shopping" and gave two lectures on the following subjects:

- ☑ Tax policy considerations and practical issues regarding the role and application of anti-abuse rules.
- ☑ The Israeli approach to those issues as appears in the Israeli domestic law and tax treaties.

Parallel sessions were conducted on the following topics:

- Treaty override or justifiable clarification.
- The "good faith in application" requirement.

- **Accountant General Division**
 - **Working Party on Debt Management**

The Working Party on Government Debt Management deals with the following topics:

- Formulating methodology for government debt management.
- Publications encompassing all aspects of debt management.
- Planning and organising conferences on the subject of financial reforms, some jointly with international economic organisations such as the International Monetary Fund, the World Bank, and others.

◇ **Joint Meeting World Bank–OECD on Debt Management – May 2005**

◇ **15th OECD Global Forum on "Public Debt Management" – December 2005**

The Head of the Government Debt Management Unit participated in two meetings held by the Working Party on Debt Management in 2005.

- ✓ A presentation about the Government Debt Management Unit, detailing domestic debt management, external debt management, issues abroad, management of tradable and nontradable domestic debt, and more was presented at the Global Forum.

Session 34 - The Head of the Government Debt Management Unit participated in the 34th Session of the Public Governance Committee held in October 2006. The main topic for discussion include: Assessing fiscal risks through long-term budget projections.

Long-term budget projections are in their infancy. In most OECD countries the increase in the elderly population is not only a transitory problem. Higher longevity will create permanent higher old-age dependency rates in the future. It is necessary to consider both how pension reforms are formulated and a broader agenda for reform of the public sector. In many countries, policy reforms will be necessary to create fiscal sustainability to avoid future fiscal risks.

◇ **16th OECD Global Forum on Public Debt Management, 6-7 December 2006, Amsterdam**

This annual forum is held under the aegis of the OECD Working Party on Debt Management and the Multilateral Public Debt Management Network and is co-sponsored by the Japanese Government. It brings together debt managers from all over the world to discuss viewpoints and experiences relating to public debt management. This year's topics for discussion included: recent trends and developments in public debt management in emerging markets; the role of retail instruments in issuing strategies and risk management of government debt.

The Head of the Government Debt Management Unit participated in the annual forum held in December 2006 and gave a lecture at the Session 2: The role of retail instruments in issuing strategies, on the following subject:

- ☑ Introducing a retail programme: what are the key questions for a debt manager?

▪ **Working Party of Senior Budget Officials**

◇ **Symposium on Accountability and Control of Decentralized and Delegated Public Spending**

A Senior Deputy Accountant General participated in the Symposium, which was held in Madrid in June 2005. The discussions focused on control mechanisms for the execution of payments by government agencies, semi-autonomous public bodies, and private sector subcontractors for services to the public.

◇ **Symposium on Agencies and Public-Private Partnerships (PPP)**

A Public Private Partnership (PPP) is an institutional and contractual partnership arrangement between governments and private sector operators to deliver goods or services to the public with the following added values:

- The quality of a project can be enhanced through the market's creativity and innovative strength.
- PPP may enable earlier implementation of projects, due to financing that is not solely dependent on the annual scope of the national budget.
- Projects may also enjoy reduced costs as the business role is expanded, possibly creating more efficient profits.

- **Capital Markets, Insurance, and Saving Division**

On October 14, 2005, the OECD Council approved Israel's membership as a full observer in the following bodies:

1. Insurance and Private Pensions Committee – IPPC
2. Working Party on Private Pensions – WPPP

- **Insurance and Private Pensions Committee**

The Insurance and Private Pensions Committee (hereinafter called “The Committee”) will promote international co-operation to improve awareness and understanding, especially among policymakers, of major insurance and pensions issues through market and policy analysis, data collection and benchmarking good practices. This awareness and understanding will help Members and non-Members in developing efficient, open and sound market-oriented insurance and pensions systems, based on high levels of transparency, confidence and integrity.

Session 75 – The Head of the Health Insurance Department and the Head of the Pension Funds Department participated in the discussions of the Insurance and Private Pensions Committee convened in June 2005. During the discussions, reviews on the subjects of medical malpractice insurance, longevity and pension allowances, catastrophic risk, and consumer financial education were presented.

Session 76 – The Head of the General Insurance Department and a representative of the Pension Department participated in the discussions of the Insurance and Private Pensions Committee convened in December 2005. During the discussions, reviews on the subjects of financial education and insurance, the horizon of pension policy (goals and reasons for regulation), longevity insurance risk, financial management of catastrophes, and medical malpractice were presented, and a draft report was presented on the subject of taxation of insurance companies.

The Capital Markets, Insurance, and Saving Division responded to the following questionnaire:

Questionnaire on Financial Education and Insurance.

Session 77 – The Chief Actuary participated in the discussions of the Insurance and Private Pensions Committee in July 2006. The following topics were presented during the discussions:

- Liberalization in insurance.
- Hedging longevity risk.
- Catastrophe risk.
- Financial education of consumers.

Session 78 – The Head of the Information and Development Department participated in the discussions of the Insurance and Private Pensions Committee in December 2006. The following topics were presented during the discussions:

- Statistical metrics for the examination of insurance companies – more rigorous differentiation is needed between metrics relevant to companies operating in the field of life insurance and those relevant to companies in the field of general insurance. However, a method of applying metrics to companies operating in both of these major fields should be examined – as is the case in Israel.
- Surveys of topics related to longevity insurance risk.
- Financial management of large-scale natural disasters.
- Liberalization in insurance services.
- Financial education in the area of insurance – Israel gave a presentation to the participants in the discussion regarding the Division's activity in promoting public awareness of financial education and the improvement of financial literacy. The Israeli document was published as Room Document No. 7.
 - ☑ Improving Financial Education and Financial Literacy – The Israeli Perspective.

◇ **Task Force on Pension Statistics**

The mandate of the **Task Force on Pension Statistics** is to;

- Develop a thorough knowledge of the methodology used in the compilation of private pension data throughout OECD countries.
- Review strengths and weaknesses of existing data, initially through a data collection pilot project for selected OECD countries.
- Examine ways and means to improve the comparability of international pension statistics and provide recommendation.
- Carry out the data collection monitoring.
- Explore related issues and make recommendations as the task force finds appropriate.

Session 5 – The Chief Actuarial and the Head of the Pension Funds Department participated in the meeting of the Task Force on Pension Statistics held in June 2005.

Session 6 – The Head of the General Insurance Department and a representative of the Pension Department participated in the meeting of the Task Force on Pension Statistics held in November 2005.

The discussions focused on the OECD's plan to collect data and indicators related to pension funds.

Session 7 – The Head of the Information and Development Department participated in the discussions of the Task Force on Pension Statistics in December 2006. The main topic included:

- Development of comparative indices for pension funds (Funded Pension: Core Indicators) – problems in definition of indices: the proposed indices do not examine the degree of concentration; all long-term (contractual) savings channels should be examined in combination, rather than pensions alone, which provide individuals with several savings plans for retirement. The Israeli representative gave a presentation detailing the development of the long-term savings market in Israel in general, and of pensions in particular. The presentation included comparative data for OECD countries.
☑ The Pension Market in Israel – Ongoing Progress.

◇ Working Party on Private Pensions

“The **Working Party on private pensions** has the following tasks and objectives:

1. Survey and monitoring of private pensions systems in OECD Member countries and analysis of related policy and technical issues.
2. Formulation of appropriate policy conclusions and/or recommendations on the different approaches related to regulation and supervision of private pension systems.
3. Keeping abreast of OECD activities related to private pensions; co-operation and co-ordination on these issues with other relevant OECD bodies as well as with other international bodies.
4. Promotion of policy dialogue with Non Member countries on private pensions issues.

Session 13 – The Chief Actuarial and the Head of the Pension Funds Department participated in the meeting of the Working Party on Private Pensions convened in June 2005. Participants heard a review of private pension systems in OECD countries, and presentations regarding a variety of approaches to regulation and supervision of the private pension system.

Session 14 – The Head of the General Insurance Department and a representative of the Pension Department participated in the meeting of the Working Party on Private Pensions held in November 2005. During the discussions, reviews were presented on the subjects of the supervision of pension plans in the 21st century, developments in the supervision of private pension plans, and financial education. The discussions were attended by representatives of the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) adjacent to the OECD on the subject of pension protection funds.

The Capital Markets, Insurance, and Saving Division responded to the following questionnaires:

- Questionnaire on registration and licensing requirements and supervisory practices.
- Questionnaire – investment choice by members in private pension plans.

Session 15 – The Chief Actuarial and the Head of the Provident Funds Department participated in the meeting of the Working Party on Private Pensions convened in July 2006. The following subjects were raised:

- Fair value in private pension plans.
- Financial education report and guidelines.
- Global Funded Pension Statistics.

Session 16 – The Head of the Information and Development Department participated in the joint session of the Working Party on Private Pensions with representatives of the Trade Union Advisory Committee (TUAC) in December 2006. The following topics were presented during the discussions:

- Voluntary choice of investment risk in DC-type pension plans – in Israel, consumers can divide their deposits into savings, disability insurance, and survivor pensions.
- Socially responsible investment by institutional entities – institutions should be encouraged to invest in

companies that contribute to society and to the environment. However, these companies allow investments only in shares or bonds, without conservative instruments. In recent years, institutional entities have invested in sophisticated assets such as hedge funds, ABS, CDO, etc. – instruments that institutional investors cannot parse according to their inherent social contribution.

- Pension funds' investments in hedge funds – the problems that arise in institutions' investments in hedge funds are also characteristic of their investments in other product "baskets," such as CDO, CLN, and securitization; this subject should be addressed comprehensively, rather than only in reference to problems that accompany hedge fund investments.
- South Africa's application for observer status – Israel's workforce participation rate is also lower than usual in OECD countries; it seems that it would be relevant to learn from the South African experience with raising the workforce participation rate, which is expected to contribute to increasing the rate of those saving for old age.
- Financial education in pension funds.
- Development of tools to transfer longevity risk from pension saving entities to other parties.

◇ **Publication on Terrorism Risk Insurance in OECD Countries –**

The book presents conclusions regarding OECD countries' policy on the subject, and academic analyses of the issue of the management of financing of terrorism risks. The book examines the behavior and conduct of insurance markets after the September 11 attacks in the United States, and presents the way in which the financial markets have coped with terrorism risks as well as governments' role in terrorism coverage. The book includes comparative tables showing terrorism insurance plans in several OECD countries, as well as the way three non-member countries – South Africa, Israel, and India – cope with terrorism coverage. (The book was published on July 6, 2005, and has 291 pages).

◇ International Organisation of Pension Supervisors (IOPS)

International Organisation of Pension Supervisors (IOPS) –

The IOPS was established in 2004. The IOPS' primary goal will be:

- to serve as the standard-setting body on pension supervisory issues
- to promote international co-operation on pension supervisory issues (and on regulatory issues related to pension supervision) and
- to provide a worldwide forum for policy dialogue and exchange of information on pension supervision.

IOPS has already established an Executive Committee, a Technical Committee and a Budget Committee.

The Chief Actuarial participated in the meeting of the IOPS/TC which convened in July 2006. During the meeting the initial draft of OECD/IOPS guidelines for licensing was presented by the project leader and the OECD Secretariat. The proposition included restructuring of the guidelines, compatible with similar OECD WPPP requests, mainly making a clearer distinction between 'licensing' and less onerous 'registration' requirements, and explaining the context and reasons for applying the latter.

In 2005, the Manager – Pension Division answered the following questionnaire:

- Questionnaire on Utilizing Information Technologies in Off-Site Supervision of Private Pension.

- **Budget Division**
 - **Working Party of Senior Budget Officials**

The Working Party of Senior Budget Officials (SBO) aims to:

1. Improve the effectiveness and efficiency of resource allocation and management in the public sector.
2. Address the entire budget cycle, including budget formulation, budget approval (role of the legislature), budget implementation (management, organizational structure), and audit.
3. Provide a collaborative forum for policy-makers and senior officials to address major budgeting concerns. The SBO establishes separate networks for specific components of the budget cycle.
4. Support of its mission, the SBO carries out analysis and research on the full range of budgeting issues. It conducts “peer review” examinations of the budgeting systems of individual Member countries and analyzes individual aspects of the budgeting system across Member countries. The SBO also maintains a comprehensive database of national budgeting practices in Member countries.

Session 26 – The Director of Budgets participates in discussions of the Working Party of Senior Budget Officials once a year. The 26th Session was held in May 2005, and was attended by the Director of Budgets. The following subjects were raised:

- **Continuous budget management** – The government's ability to manage the budget so that it complies with its commitments regarding its present and future expenditures. Such management ensures that the state treasury does not remain empty for subsequent generations of taxpayers as a result of present mismanagement of the budget. This subject is all the more important in view of the aging of the population and the decreasing number of births in OECD countries, which creates a burden on government expenditures in the long term.
- **Communication with the general public on fiscal subjects** – As a result of demographic changes in OECD countries, future budget management may undergo significant changes that require at least a minimal understanding among the general public. One of the challenges facing governments is to hold a dialogue with the general public about future budgetary changes. The subject was presented by financial reporters at leading

international newspapers in the field (the Wall Street Journal).

- **Budget management by output** – Over the last two decades, many OECD countries have started managing budgets by output, so that management and budgeting estimates are measured by output – i.e., results – rather than inputs. A report on the subject was distributed during the discussion, which was written based on the results of a questionnaire administered to all member countries of the Working Party of Senior Budget Officials, including Israel.
 - ☑ The questionnaire surveyed the development and use of information about budget performance using output indices and estimates. The questionnaire examined the extent of use of such tools and their practical impact in the budget management process.

**Performance Information in the Budget Process:
Results of OECD 2005 Questionnaire.**

Session 27 – The Deputy Director of Budgets participated in the discussions of the Working Party of Senior Budget Officials, held once a year. The 27th Session was held in Australia in June 2006. The following subjects were raised:

- **Choosing fiscal policy rules** – Official fiscal rules have been adopted by several OECD member countries, with the aim of ensuring sustainable economic growth – e.g. rules for supervision of debt accrual. In some cases the emphasis is placed on long-term fiscal responsibility, while in other cases short-term macro-economic stability is emphasized.
- **Top-down budgeting** – Budgeting in which a rigid expenditure ceiling for government ministries is set in advance. The goal of top-down budgeting is to increase efficiency in public spending and to better reflect political priorities.
- **Use of information gathered through the output-based budget management method** – Presentation of reforms carried out in several OECD countries in anticipation of the adoption of the output-based budget management method. General indicators were formulated that were developed within output-based budget management, i.e. the integration of information regarding performance and results in the budget construction process and the use of this information in decision-making and resource distribution. The session included a lecture about the use of

information gathered using this method by the public and by legislative bodies.

◇ **Symposium on the Use of Market-Type Mechanisms in the Provision of Public Services**

The Coordinator of Macro-Economics, Budgeting, and Science participated in the Symposium, which was held in Paris in March 2005. Discussions focused on types of mechanisms for the provision of public services:

- **Outsourcing** – A contract with the private market for the provision of services to government ministries and their agencies, or directly to the public, on behalf of the government.
- **Long-term public-private partnerships** – Refers to the provision of public infrastructures/products/services through the private sector, maximizing the relative advantages of both partners by efficiently allocating risks, resources, and compensations, with the aim of improving the quality of the infrastructure/product/service in cost/benefit terms. The Public Finance Initiative (PFI) is one of the key models for implementation of PPP agreements, in which the public sector transfers the responsibility for providing the public infrastructure/product/service to the private sector. These projects include all transactions in which an asset is transferred to the public sector (PFI projects include the most common construction method, called Build, Operate, Transfer [BOT]).
- **Voucher method** – This method separates the provision of the service from its financing. The financing remains in the hands of the state, which distributes vouchers to citizens that can be redeemed in exchange for the receipt of services from various suppliers. In OECD countries, the use of vouchers is mainly concentrated in the areas of education, housing assistance, childcare, and elderly care. The voucher method may cause heavy budgetary pressures, as the ability to control budgetary expenditures is limited once eligibility criteria are determined.

◇ **2nd Meeting of Senior Budget Officials from Central, Eastern, and South-Eastern European Countries**

The Head of the Macro-Economics Unit at the Budget Division participated in the joint meeting of the OECD's Working Party of Senior Budget Officials with their counterparts in Central, Eastern, and South-Eastern European countries held in Slovenia in February 2006. Participants in the meeting were asked to describe the structure of their finance ministry and work methods, including the budget approval process in their countries.

- ☑ A presentation on the structure and activity of the Finance Ministry was given during the meeting.

6. Ministry of Foreign Affairs:

- **International Cooperation Division (Mashav)**
 - **OECD Development Assistance Committee (DAC)**

The **Development Assistance Committee (DAC)** – The committee was established with the aim of enlarging the volume of donations to developing countries and improving the method of resource allocation for sustainable development. The DAC focuses on the way in which international cooperation in development can contribute to increasing developing countries' ability to participate in the global economy and the ability of citizens of those countries to contend with poverty and become full members of the life of the society in which they live.

◇ **Forum on Partnership for More Effective Development Co-operation**

The Planning and Evaluation Advisor at the International Cooperation Division (Mashav) participated in a joint conference of the OECD Development Assistance Committee (DAC) and the UN Development Programme (UNDP) on the subject of international cooperation in development, held in February 2005.

The goal of the meeting was to promote dialogue and mutual understanding among the main government aid agencies. The Forum was attended, for the first time in years, by DAC members and by several non-OECD member countries and agencies which are involved in south-south cooperation initiatives. The Forum reached the following agreements:

- To hold a dialogue on a regular basis in order to exchange information and development experience among OECD member and non-member countries.
- To converge around the development and poverty reduction targets of the United Nations' September 2000 Millennium Declaration.
- To encourage South-South aid initiatives (among non-OECD countries) and trilateral North-South-South initiatives (with the participation of an OECD country as a donor), with the assistance of the UNDP.
- To encourage non-OECD member countries to report the volume of Official Development Assistance (ODA), by geographical and sectoral breakdown, for inclusion in the annual reports published by the OECD Development

Assistance Committee (The DAC Journal Development Co-operation Report)⁶.

- ☑ During the Forum, a presentation was given on the Israeli experience in the framework of Mashav activities conducted over the last 25 years, with an emphasis on Israel's relative advantages in the various areas of development and on the existence of a pool of experts fluent in various languages. The importance of Israel's participation in the Forum lies in the exchange of information among participants, which can assist in contacts between the International Cooperation Division of the Ministry of Foreign Affairs and the aid agencies of DAC member governments.

- **OECD Development Assistance Committee (DAC)**

- ◇ **DAC Structured Briefing for Aid Managers**

The Head of the Planning and Foreign Relations Department at the International Cooperation Division (Mashav) participated in a meeting of aid managers held in September 2005.

The goal of the meeting was to respond to the requests of donor countries that are not members of the OECD Development Assistance Committee (DAC) to closely study the DAC's work, its products, and its accumulated knowledge base.

During the meeting, two main components related to joining the DAC with the status of a member were addressed:

- **Aid budgets** – DAC members (or membership candidates) are required to set aside a specified percentage of their national revenues for international aid, or alternatively, to set aside an amount of \$100 million for this subject.
- **Aid systems** – A requirement to present an aid program with a coherent operational perception, derived from a defined policy (rather than on an ad-hoc basis).

⁶ Since 2002, the OECD report on foreign aid includes data on Israel.

7. Ministry of Industry, Trade & Labor:

The Ministry of Industry, Trade & Labor participates in the activities of the following three OECD's Directorates:

- ◇ Directorate for Financial and Enterprise Affairs.
- ◇ Directorate for Science, Technology and Industry.
- ◇ Environment Directorate.
- ◇ Trade Directorate.

- **Financing Administration**

- **Working Party on SMEs and Entrepreneurship**

Working Party on SMEs and Entrepreneurship –

1. The Working Party on SMEs and Entrepreneurship is entrusted with examining the nature and scale of issues and policies at the national and international levels pertaining to SMEs (including micro-enterprises) and entrepreneurship. This task will be accomplished through discussions within the Working Party, through research projects and through horizontal co-operation with relevant bodies in the OECD, in particular in the framework of OECD horizontal projects.
2. The Working Party shall produce every second year a comprehensive report that provides an integrated assessment of trends in entrepreneurship and SME policies in Member countries, including selected thematic and quantitative analyses, as well as policy recommendations based on best practices.
3. The Working Party shall undertake a critical and comparative assessment of best practice policies for SMEs and entrepreneurship adopted by OECD countries, and where appropriate, non-OECD countries.

The Deputy Head of the Financing Administration represented Israel at the Working Party on Small and Medium-Sized Enterprises, at the following meetings:

Session 25 – During the session, held in Italy in June 2005, the following subjects were raised:

- **Statistical data** – Implementation of an action plan on the subject of the collection of statistical data about small and medium-sized enterprises, including data on industry and services, and demographic data on businesses, in order to examine market dynamics.
- **Distribution of questionnaires to participants** – a) Bankruptcy; b) Entrepreneurship education in higher education institutions. The Ministry of Justice, the Tax

Authority, and academic institutions in Israel responded to the questionnaires to the OECD's satisfaction.

- **Financing of small and medium-sized enterprises** – At the meeting of the Working Party on SMEs held in June 2004 in Istanbul, a ministerial declaration was adopted recognizing the need to create more sophisticated financing sources to benefit SMEs. At the 25th session, it was agreed to hold a global forum focusing on the difficulties of SMEs in obtaining sources of debt and credit financing at all stages of business development in the age of globalization.
- **Access to international markets for SMEs** – As part of the implementation of the Bologna Process regarding OECD policy towards SMEs, the Working Party decided to act to remove the barriers confronting SMEs' access to global markets, in cooperation with the Asia-Pacific Economic Cooperation (APEC) organization. It was agreed to hold Session 28 of the Working Party on this subject in Greece during 2006.

The (OECD) Bologna Process – In June 2000, the OECD held its first minister-level meeting on the subject of small and medium-sized business, in Bologna, Italy. The meeting focused on the formulation of a policy and strategy to increase competition for SMEs in the global economy. Public and private sectors were identified that are able to help the SME sector gain strength at the local level and enjoy the fruits of globalisation and trade liberalisation. The main product of the meeting was the publication of the basic declaration called the Bologna Charter on SME Policies.

The Bologna Process is one of the cornerstones of the OECD, which will continue to develop this subject within its working bodies and during dialogue with non-member countries and international organisations.

Session 26 – During the session, held in November 2005, the following subjects were raised:

- **SMEs and entrepreneurship from a statistical perspective** – Refers to the first draft of a report on entrepreneurship policy. The report was produced using questionnaires distributed among member countries, to which Israel responded:

Questionnaire on Bankruptcy.

- ☑ Questionnaire on Entrepreneurship – Educational – University Level.
- **Taxation of SMEs** – Refers to a joint report by the OECD's Center for Entrepreneurship and Center for Tax Policy and Administration, as part of the preparations for the International Tax Dialogue (ITD) Global Conference to be held in China in October 2007.
- **Enlarging the role of SMEs in the global value chain** – Refers to a review surveying the role of SMEs in the machinery, scientific tools, and tourism industries.
- **Draft handbook for the evaluation of SME and entrepreneurship policy and programs** – The Ministerial Declaration of the OECD Council convened in Istanbul in 2004 emphasized the need to develop evaluation tests among government ministries and agencies handling policy execution and program development related to SMEs. At the Istanbul conference, it was agreed that the OECD would write a handbook on the evaluation of SME policy and programs, which was presented for the first time at Session 26 of the Working Party on SMEs.
- **Entrepreneurship among women** – Results of a seminar on the subject, "Women immigrants and the labor market: diversity and challenges," were presented.
- **The activity of the OECD's Center For Entrepreneurship (CFE) within the MENA (Middle East North Africa)-OECD Investment Programme** – Results and recommendations of a report on the subject, "Improving the business environment for the establishment of firms and the growth of SMEs in MENA countries," were presented.

◇ **OECD-APEC Global Conference on "Removing Barriers to SME Access to International Markets"**

The Head of the Financing Administration participated at the OECD-APEC Global Conference in November 2006. The joint OECD WPSME and APEC SMEWG study *Removing Barriers to SME Access to International Markets* was presented at the Conference as the background report and set the context of the discussion. The keynote report stressed that SMEs face many barriers to their internationalisation and found that there is close agreement between SMEs and policy makers about the key barriers that hampers SMEs access to international markets. In particular, these barriers include:

- Shortage of working capital to finance exports.
- Identifying foreign business opportunities.
- Limited information to locate and analyses markets.
- Inability to contact potential overseas customers.

Two important outputs of the Conference were:

- The adoption by participants of the **Athens Action Plan** that provides a number of concrete recommendations to governments and other stakeholders to reduce barriers for SMEs about to or already engaged in internationalisation. The Athens Action Plan also recommends governments to establish evaluation frameworks for their programmes and constantly keep under review the support schemes they provide for SMEs to this end.
- BIAC launched a private sector initiative to facilitate SME access to international markets, in support of a proposal made by Mr. Dimitris Sioufas, Minister of Development for Greece, to the OECD for promoting co-operation between MNEs and SMEs. The main tool of this initiative will be the creation of an SME Web Portal to improve information flows to SMEs and provide a platform for possible cooperation between MNEs and SMEs.

The Head of the Financing Administration gave a lecture on the following subject:

- ☑ The State of Israel's treatment on removing barriers to SME Access to International Markets.

- **Chief Scientist Bureau**

- **Working Party on Innovation and Technology Policy – TIP**

The primary objective of the Working Party on Innovation and Technology Policy (TIP) is to clarify procedures and working methods in order to enhance productivity; facilitate the creation, diffusion and application of knowledge; and foster sustainable growth and the creation of a highly skilled work force. Since its founding in 1993, TIP has discussed and evaluated technology policies, focusing in particular on the National Innovation System (NIS).

The Head of the MAGNET program (generic technological research and development) participated in the semiannual meetings of the Working Party on Innovation and Technology Policy held in June and December 2005, and in the meetings of the Working Party held in June and December 2006.

Main subjects raised during the semiannual meetings include:

- Intellectual property, innovation, and knowledge leak.
 - Evaluation of R&D policy.
 - Globalization in R&D.
- ☑ The Head of MAGNET, who participates in the semiannual meetings, described the efficient and well-directed utilization of national resources allocated to industrial research and development in Israel. The Israeli example is mentioned in the Working Party's work documents.

◇ **Workshop on Evaluation of Publicly Funded Research, Berlin (Germany)**

The Head of MAGNET participated in the Workshop on Evaluation of Publicly Funded Research held in September 2005 in Berlin. Subjects raised during the workshop include:

- Objectives, methodology, procedures, and tools – new ways of planning strategic research and evaluation.
- Evaluation of multidisciplinary research and cross-institution cooperation – quantitative models for R&D investment strategies and evaluation of public/private cooperation.

◇ **Workshop on Learning and Assimilation of Innovation and Technology Policy, Stockholm (Sweden)**

The Head of MAGNET participated in the Workshop on Learning and Assimilation of Innovation and Technology Policy held in May 2006 in Stockholm.

- ☑ Within a series of peer reviews conducted to examine innovation policy in several countries, the Head of MAGNET was elected to participate in the group performing an evaluation of the national R&D program in Spain, together with representatives of the OECD countries Canada, Mexico, and Iceland. The document is scheduled for publication during 2007.

The MAGNET Program: Generic Technological R&D – the framework for aid provided by the Chief Scientist Office in the Ministry of Industry, Trade, and Labor, which handles the technological infrastructure for Israeli industry, operating since 1994.

The MAGNET program is unique as an instrument for efficient, purposive utilization of national resources allocated to industrial research and development. This advantage is achieved through genuine collaboration among industrial companies, and between these companies and research institutions, in R&D of pre-competitive technologies and their absorption.

- **Planning, Research and Economics Administration**
 - **Working Party on Statistics (SWIC)**

The **Working Party on Statistics** will:

- i) Contribute to the development of analytical and quantitative analyses that follow from concerns with such matters as:
 - a. the changing nature of the firm as its activities become progressively globalised, including the changing character of production and capital formation.
 - b. the role of innovation and its bearing on international competitiveness.
 - c. the role of small and medium-sized enterprises.
- ii) Facilitate the development and improvement of internationally comparable methodologies and the timely availability of statistical series and indicators to monitor short-term and structural change and to assess economic performance and policy outcomes.

Deputy Director of Planning, Research and Economics Administration participated in the meeting of the Working Party on Statistics (SWIC) held in 2005.

◇ **SWIC Workshop on the Globalisation of Production: Implications for Employment, Productivity and Growth**

Deputy Director of Planning, Research and Economics Administration participated in the meeting of the SWIC Workshop that followed the meeting of the Working Party on Statistics held in November 2005.

- **Committee for Industry and Business Environment (CIBE)**

As from January 2007, the name of the Committee had changed to **Committee on Industry, Innovation and Entrepreneurship (CIIE)**.

The Committee for Industry and Business Environment (CIBE) looks at economic behaviour at firm and sectoral levels to complement macro-level analyses by other OECD bodies. It examines developments in industry, issues of industrial adaptation, and trends in related policies. It holds **Business and Industry Policy Forums** to explore issues with the private sector and develop policy recommendations.

Sessions 108/109 – Deputy Director of Planning, Research and Economics Administration participated in the meetings of the Committee for Industry and Business Environment held in February and October 2006.

The following subjects were raised:

- Activities on Innovation and Intellectual Assets.
- Activities on Globalisation – Update on the activities of the SWIC Special Session on Globalisation.
- Update on the activities of the Working Party on SMEs and Entrepreneurship (WPSMEs).
- Project on Entrepreneurship indicators.
- Completion of the Project on Micro-Policies for Growth and Productivity.
- Project on Counterfeiting and Piracy – Progress report.

In the framework of the CIBE Committee the representative of the Planning, Research and Economics Administration participated in the survey on the subject 'Business support services'.

◇ **OECD project on counterfeiting and piracy**

The Economic Impacts of Counterfeiting and Piracy – In response to rising concerns in government and the business community, the OECD has launched a project that will assess the effects of counterfeiting and piracy on economies. The objective of the project is to improve factual understanding and awareness of the effects that infringements of intellectual property rights, as described and defined in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) have on governments, business and consumers in member countries and non-member economies. The project will be conducted in co-operation with organisations that are active in the counterfeiting/piracy area, including the World Trade Organization, the World Customs Organization, the World Intellectual Property Organization, Interpol and relevant NGOs. Liaison with the business community and labour will be coordinated through the OECD Business and Industry Advisory Committee (<http://www.biac.org>) and the OECD Trade Union Advisory Committee (<http://www.tuac.org>).

Deputy Director of Planning, Research and Economics Administration participated in the **OECD project on counterfeiting and piracy** and answered two questionnaires:

- Counterfeiting and piracy: country/economy survey.
- Counterfeiting and piracy: customs survey.

8. Ministry of National Infrastructures:

- **Research and Development Division**
 - **International Energy Agency (IEA)**

The **International Energy Agency (IEA)** is an independent body operating within the OECD. The IEA conducts a comprehensive program of cooperation in the area of energy among 24 of the thirty OECD countries. The program aims to develop new, improved energy technologies and introduce them into the market.

Israel is not a member of the OECD, and is therefore also not a member of the IEA. However, governments of non-IEA member countries (or agencies they appoint) may participate in programs under a particular Implementing Agreements (IA), if the governing body of the IEA is persuaded that these countries can contribute significantly to the goals of the specific program. Israel has been admitted to three programs to date – two by invitation and the third by its own initiative. Participation is based on an official agreement signed by an official within the Ministry. Participation requires payment of annual membership fees, investment of resources in joint projects, and a representative to attend meetings of the management board, as well as meetings of the sub-committees acting on the various tasks. Meetings are held twice a year.

◇ **Solar Power and Chemical Energy Systems – Solar PACES**

Solar PACES program – focuses on the utilization of direct radiation from the sun in concentrating thermal systems.

A representative of the Weizmann Institute of Science, who also serves as the Deputy Chairman of the Solar PACES program, participated in a meeting of the management board held in the United States in March 2005.

The program focuses on the utilization of direct radiation from the sun in concentrating thermal systems.

☑ During 2005, a research project was carried out using the solar tower at the Weizmann Institute.

A representative of the Weizmann Institute of Science, who also serves as the Deputy Chairman of the Solar PACES program, participated in the meetings of the management board held in Spain in June 2006 and Belgium in November 2006.

◇ Photovoltaic Power Systems – PVPS

PVPS program – concerns planning, setup, operation, and promotion of photovoltaic electrical systems (solar cells). Thanks to Israel's participation in the program, local companies that develop and install photovoltaic systems benefit from detailed practical information produced by the PVPS program.

The Deputy Chief Scientist and the Head of the R&D Division at the Ministry of National Infrastructures participated in a meeting of the management board held in Paris in October 2005. A representative of Ben-Gurion University participated in two meetings of the PVPS program held in the United States and Germany in 2005.

Task 1 – A representative of the National Solar Energy Center at Ben-Gurion University of the Negev, who represents Israel in Task 1, participated in two meetings held in Canada in March 2006 and in Austria in September 2006.

At the meetings, the representative from Ben-Gurion University reported on solar cell research activity, legislative trends, and standards in Israel.

Task 1 – The objective of Task 1 is to advance and encourage disclosure and dissemination of information regarding the technical, economic, environmental, and social aspects of photovoltaic power systems.

Task 1 activity supports the broader goals of the Photovoltaic Power Systems program:

- To reduce prices of applications of photovoltaic systems.
- To raise awareness regarding the potential of photovoltaic systems.
- To advance the removal of technical and non-technical barriers to the implementation of photovoltaic systems.
- To increase technological cooperation.

Israel is the only non-OECD member country participating in Task 1 of the Photovoltaic Power Systems program at the International Energy Agency.

Task 8 – The Head of the National Solar Energy Center at Ben-Gurion University of the Negev, who represents Israel in Task 8 – Very Large-Scale Photovoltaics Power Generation Systems, participated in two meetings held in the United States in May 2006 and in Japan in October 2006.

- ☑ At the meeting held in Japan, in a symposium on Energy Renewal, the Israeli representative won the **Best Paper Award** for a paper on the topic: "Implementing VLS-PV on a World-Wide Scale in a Cost-Effective Manner."

◇ High Temperature Superconductivity – HTS

HTS program – provides a forum for the exchange of information and joint evaluation of the effects of developments in the field of high-temperature superconductivity on the electricity sector.

A representative of Tel Aviv University, who serves as Chairman of the HTS program, participated in two meetings of the management board held in Switzerland in May 2006 and in Canada in September 2006.

9. Ministry of Science and Technology:

- **Division for International Science Relations**
 - **Committee for Scientific and Technological Policy (CSTP)**

The Committee for Scientific and Technological Policy shall be responsible for encouraging co-operation among Member countries and, as appropriate, with non-member economies, in the field of science, technology and innovation policy, with a view to contributing to the achievement of their economic, social and scientific aims, including growth and the creation of skilled jobs, sustainable development, improved well-being of their citizens and advancing the frontiers of knowledge. It shall pay particular attention to the integration of science, technology and innovation policy with other aspects of government policy, which is of increasing importance in the development of increasingly globalised knowledge economies.

Session 86 – The Senior Coordinator of the Division for International Science Relations participated in a meeting of the Committee for Scientific and Technological Policy held in October 2005. The following subjects were raised during the session:

- **Access to research data** – Access to publicly funded research data has several advantages: A. Promoting interdisciplinary research; B. Transferring information to the general public; C. Maximizing the use of computer-mediated communication technologies; D. Deriving maximum benefit from public investments in research. The Committee for Scientific and Technological Policy started to formulate general guidelines in the spirit of the Ministerial Declaration on Access to Research Data from Public Funding of January 2004 (Israel is a signatory to this declaration).
- **Science and technology indicators** – A new publication was presented on the subject of the STI Scoreboard of Indicators, which includes approximately 80 indicators and over 200 tables. The indicators refer to innovation, manpower in science and technology, patents, information and computer-mediated communication technologies, the information society, and the effect of information on productive activity.
- **Working Party on Nanotechnology** – The US delegation proposed the establishment of a Working Party on Nanotechnology. Countries whose participation is important

were mentioned, including Israel. The Ministry of Science and Technology appointed a representative to the Working Party on Nanotechnology.

- **Innovation** – A document was presented regarding the policy of improving performance in the area of innovation in OECD countries. This initiative could help in the decision-making process regarding R&D investments. Several OECD countries have already applied for a review of their innovation policy.

- **The 14th Meeting of the Global Science Forum – GSF**

A Senior Coordinator of Scientific Foreign Relations participated in the Global Science Forum held in February 2006.

The **Global Science Forum** is a forum for consultations between public servants working with science and technology policy. Mode of operation: countries propose suggestions for action; the forum discusses the proposals in depth and decides on projects (most at the workshop level). Execution of the projects is under the countries' responsibility and financed by the countries.

During the forum, reports were given on activities planned for 2006, and new proposals were discussed. A notable proposal was the Japanese suggestion to hold a workshop and activity on the subject of "Scientific Misconduct," in light of the fact that the public's confidence in science is weakening due to scientific misconduct – forgeries, fabricated results, and plagiarism; an initiative to create international guidelines in this area was proposed.

The following topics were discussed by the forum and transferred to parties in Israel with a direct interest in and relevance to the issues:

- Workshop on Earthquake Science and Its Contributions to Society – May 2006, Germany: information transferred to the Interministerial Committee on Earthquakes.
- Conference – Basic Research for Meeting Future Energy Needs – May 2006, Paris: information transferred to Chief Scientist Bureau at the Ministry of National Infrastructures.
- ☑ The Council for Higher Education, through the Planning and Budgeting Committee, transferred data to the GSF secretariat regarding the number of students working towards undergraduate and graduate degrees in scientific and technological fields. These data will be

taken into account in the final processing of data to appear in the report published by the forum.

- **Biotechnology Field**
 - **Working Party on Biotechnology**

Working Party on Biotechnology will advise upon emerging policy-relevant issues of science, technology and innovation related to biotechnology. This should be achieved by: encouraging the international harmonisation of science-based policies, principles and concepts; facilitating scientific and technological co-operation, capacity-building and exchange; taking an appropriate role in debate with society including by promoting education and the public understanding of the opportunities and risks associated with advances in biotechnology.

The Head of the Biotechnology Research Section at the Ministry of Science and Technology participated in a routine meeting of the Working Party on Biotechnology held in September 2005.

- ☑ His main contribution was a suggestion to include the subject of fetal stem cells in the subjects to be addressed by the Working Party.

◇ **Working Group on Human Health-Related Biotechnologies**

The responsibility of the **W.G. on Human Health-Related Biotechnologies** is to address the economic project, the subject of transgenic animals, and the general issue of priorities for WPB work in health care.

Meeting 19 – The Head of the Biotechnology Research Section participated in the meeting of the Working Group on Human Health-Related Biotechnologies held in September 2005. Subjects on the agenda included:

- Data on genetic studies.
- Access to medications for the emergency treatment of infectious diseases.
- Report on the results of a workshop on "Pharmaceutical biology and other human health-related innovations: examination of the relationship between decision makers and researchers."

◇ OECD Workshop on Pharmacogenetics

Prof. David Gurwitz of Tel Aviv University and a representative of the IBM Research Laboratories (Haifa) participated in the Workshop on Pharmacogenetics held in Rome in October 2005. The goal of the workshop:

- Analyze and raise awareness of the implications of the completion of the Human Genome Project for the health care system.
- Review and address issues and challenges arising in the context of pharmacogenetics.
- Identify relevant initiatives and institutions for developments in the field of pharmacogenetics and their implementation throughout the OECD countries.
- ☑ During the workshop, a presentation was given by Prof. Gurwitz on the subject of the health care system's evaluations regarding pharmacogenetics becoming a treatment standard: "Are health care systems ready to deliver pharmacogenetics as standard of care?"

Pharmacogenetics is a research field that combines pharmacology and genetics in an attempt to determine the hereditary factors involved in differential responses to pharmaceuticals.

• Chief Scientist Bureau

▪ Committee for Scientific and Technological Policy (CSTP)

The Chief Scientist represented Israel at the Committee for Scientific and Technology Policy, at the following meetings:

Session 87 – During the session held in Australia in March 2006, the following topics were discussed:

- **Research infrastructure planning and finance** – Presentation of the current status in several leading countries (Australia, Canada). Information on this subject is relevant to Israel in general and to the Ministry of Science in particular, with reference to priority planning and calls for research proposals.
- **Access to publicly funded research data** – The discussion summarized a workshop held in February, attended by the Head of the Materials, Chemistry, and Energy Section at the Ministry of Science. The committee will continue to discuss this issue. The Chief Scientist

recommended that the committee work with international professional associations.

- **OECD internal assessment of the Science, Technology, and Industry Division** – A high assessment of outputs and performance, although the Biotechnology group received lower marks than the other working groups. The Deputy Secretary-General of the OECD noted that science and technology are the OECD's main objective, in contrast to the past, when the main targets were metals, energy, and tourism.
- **Report on the activity of the various working groups and workshops** – The Chief Scientist recommended adding the topic of ethics to the discussions of the discussion group on nanotechnology; her recommendation was accepted.

Session 88 – During the session held in Korea in October 2006, the following topics were discussed:

- **Report on topics declared key topics for the coming years by the Global Science Forum (GSF):** Energy, earthquakes, nuclear physics, mathematics in industry.
 - ☑ The Chief Scientist was invited to participate as an expert in the organizing committee of the workshop on mathematics in industry to be organized within the GSF.
- **Investigative papers:** The problem of "brain drain" exists in many countries; the main problem is "brain drain" to the United States. In many countries, the problem is particularly severe in the field of nanotechnology, due to the high cost of setting up laboratories in this field.
 - ☑ The Chief Scientist gave a detailed report on the National Science Infrastructures (NSI) program in nanotechnology, which provides aid for the establishment of laboratories at research institutions in Israel in this innovative field.
- **Report on activity of working parties:** The report by the Working Party on Biotechnology, which recently discussed procedures related to the intellectual property of chief researchers in relevant fields, was highly valuable for Israel.

◇ **Workshop on Knowledge Intensive Service Activities (KISA)**

The Chief Scientist participated in this workshop, held consecutively to Session 87 of the Committee for Scientific and Technological Policy in Australia in March 2006.

- ☑ The Chief Scientist presented Israeli models of entrepreneurship.

Innovation and Knowledge-Intensive Service Activities – From research and development to legal and marketing services, a wide range of knowledge-intensive service activities (KISAs) enable firms and public sector organisations to better innovate. KISAs are both sources and carriers of knowledge that influence and improve the performance of individual organisations, value chains and industry clusters across all sectors of the economy.

◇ **Evaluation of Research and Development Workshop**

The Chief Scientist participated in this workshop, held consecutively to Session 88 of the Committee for Scientific and Technological Policy in Seoul (Korea) in October 2006.

The workshop dealt with evaluation methods of scientific initiatives in all stages of execution.

▪ **Ad Hoc Working Group on Steering and Funding of Research Institutions**

Ad Hoc Working Group Steering and Funding of Research Institutions (SFRI) – The main objectives of the ad hoc Working Group will be exchange information on and to review the main institutional, regulatory, and management issues facing governments as they strive to foster a diverse and mobile workforce for science and technology.

The Chief Scientist represented Israel at the Ad Hoc Working Group on Steering and Funding of Research Institutions, at the following meetings:

Session 3 – During the session held in November 2005, the following topics were discussed:

- Results of the global scientific forum held in Amsterdam in November 2005 on the subject of the lack of interest in science among adolescents aged 14-15.

- Changes in supply and demand for science and technology professions in the age of the global economy.
- Employment conditions and the degree of interest aroused by research jobs at higher education institutions and at government research institutes.

Session 4 – During the session held in April 2006, the following topics were discussed:

- **Women in Science** – OECD countries are addressing women's participation in S&T and encouraging women to pursue careers in S&T.
- **Attractiveness of Research Careers** – OECD countries need to ensure that research careers are attractive and competitive to attract young people into science and technology.
- **International Mobility of Researchers** – Across the OECD, growing importance to understand the scale, direction and drivers of international mobility.

◇ **Workshop on "Women in Scientific Careers: Unleashing the Potential"**

The Chief Scientist of the Ministry of Science and Technology participated in the workshop on women's scientific careers held in Paris in November 2005. The subject of the workshop was the discrepancy between the number of women with scientific and technical careers, and the level of demand for science and technology experts and the percentage of women with degrees in scientific professions and engineering. The discussion focused on the gap between the high rate of highly educated women who are graduates of scientific schools, and the sparse representation of women in research laboratories and institutions, in the attempt to identify a suitable policy to recruit and direct women towards scientific careers. Representatives of the public sector, academia, and the business community participated in the workshop, with the aim of formulating recommendations on this subject.

- ☑ Israel appears in the OECD report based on the Questionnaire on Women and Scientific Careers. The questionnaire collected information regarding women's assimilation into science and technology studies and the number of women in scientific careers. The objective of the questionnaire was, among other things, to identify

and cope with barriers that confront women interested in assimilation into academic and non-academic research.

◇ **Workshop on Researcher careers for the 21th century, Madrid (Spain)**

The Chief Scientist of the Ministry of Science and Technology participated in the workshop on research careers for the 21st Century, which took place nearby the session of the ad hoc working group on steering and funding of research institutions held in Madrid in April 2006.

The workshop addresses the following key issues:

- What is the emerging face of researcher careers for the 21st century?
- Can we identify different models cross nationally?
- How are researcher careers changing and do they remain attractive options for S&T graduates?
- Is the tenure system an asset or impediment to enhancing the flexibility of researcher employment?
- How can education and training policies prepare S&T graduates for more diverse and less linear career opportunities?
- Are there “good practices” at the government and institution level?

◇ **Conference on research use of patented inventions**

The Chief Scientist of the Ministry of Science and Technology participated in a conference on the research use of patents inventions held in Madrid in May 2006. The conference was jointly organised by the Spanish National Research Council (CSIC), the Spanish Patent and Trademark Office (OEPM) and the OECD, with support from the European Patent Office (EPO) through its European Patent Academy.

Conference on research use of patented inventions – The conference aimed to engage policy makers and stakeholders from OECD countries in policy-relevant discussions about the use of patented inventions and the knowledge embedded in them for research in the public and private sector.

- **Materials, Chemistry, and Energy Section**
 - **Committee for Scientific and Technological Policy, Scoping Meeting on Nanotechnologies**

Following an American initiative started in 2005, the CSTP established a nanotechnology working party, planned as an electronic working party in the first stage until budget resources for its activity could be found. Israel expressed an interest in participating in the working party, while the initiators of the idea also expressed an interest in the participation of an Israeli representative. In January 2006, the Head of the Materials, Chemistry, and Energy Section at the Ministry of Science, Culture, and Sports was appointed as the Israeli representative to this working party. The activity was primarily electronic in 2006.

Nanotechnology is an innovative technology that deals with the construction of objects from building blocks on the nanometric scale (one millionth of a millimeter), i.e. groups of molecules or even single molecules or atoms, and will allow the construction of entire systems the size of several molecules.

The range of foreseen applications includes sophisticated nanoelectric components (allowing, for example, supercomputers the size of a sugar cube), fantastically strong materials, and other extraordinary properties, as well as a possible sweeping revolution in industrial production methods.

The Head of the Materials, Chemistry, and Energy Section at the Ministry of Science participated in the meeting of the working party of the Committee for Scientific and Technological Policy in Switzerland in July 2006, held consecutively to the conference on the risks of nanotechnology – "The Risk Governance of Nanotechnology: Recommendations for Managing a Global Issue." The main topic of the conference was the global economic potential for nanotechnology, which is estimated at one trillion dollars over the next decade. The use of nanotechnology in scientific and technological fields such as physics, biology, chemistry, material sciences, and computer sciences creates immense potential for new applications, but also for risks and negative effects. However, so far reasonable resources have not been devoted to research into the dangers of nanotechnology. The consensus among conference participants was that risk control in nanotechnology must be performed as a worldwide effort and must be addressed rapidly.

◇ **Workshop on Access to Research Data from Public Funding**

The Head of the Materials, Chemistry, and Energy Section at the Ministry of Science participated in the Workshop on Access to Research Data from Public Funding, held in February 2006.

The workshop dealt with the provision of access to digital research data obtained from studies performed with public funding. A document prepared by a group of experts from twelve OECD member countries, entitled, "Principles and guidelines for access to digital data from publicly funded research: Promoting international cooperation using scientific data resources," was discussed at the workshop. During the workshop, recommended guidelines were formulated for disclosure of information obtained from publicly funded research, with each country to implement the recommendations according to its technological and research progress and according to its laws. The recommendations were submitted for approval by the CSTP.

10. Ministry of Tourism:

- **International Relations Division**

- **OECD Conference on "Global Tourism Growth: Challenges for SMEs"**

The Head of the Israeli Government Tourism Bureau in South Korea participated in the OECD conference held in September 2005.

Globalization, which has not passed over the tourism economy, affects the role of small and medium-sized enterprises (SMEs) that sell services to the tourism industry.

The conference in South Korea was held with the aim of examining an expansion of the objectives of small and medium-sized companies that provide services, within the value chain, in networks, and in collaborations with industries adjacent to tourism, with an emphasis on their contribution to growth in general and to job creation in particular.

The conference stems from cooperation between the Tourism Committee and the Working Party on SMEs & Entrepreneurship, as part of the initiative to "expand the role of small and medium-sized enterprises in the global value chain" (See Ministry of Industry, Trade, and Labor).

The goals of the conference included:

- To investigate the meaning of the term "global value chains" in industries adjacent to tourism and their contribution to sustainable growth and to employment.
- To evaluate the role of small and medium-sized enterprises in the tourism economy, against the background of globalization, while examining the structure of the value chain at the national, local, and industry level.
- To enlarge the share of small and medium-sized companies selling services to the tourism industry, by learning about these companies' needs, identifying an appropriate policy, and formulating recommendations accordingly.

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Part B

OECD

Agencies and Institutions

Agencies and Institutions

1. Bank of Israel

- **Foreign Exchange Activity Department**
 - **Working Party on Financial Statistics**

In 2005, Israel was officially admitted as an observer to the Working Party on Financial Statistics of the OECD. The Working Party deals with developing and increasing the sophistication of the financial markets, analyzes long-term market developments, and provides recommendations to countries on the subject of policy and regulation on the national and international level. Israel's participation in the Working Party will influence the establishment and implementation of international standards in the Israeli economy.

The Head of the Foreign Exchange Activity Department participated in the meeting of the Working Party on Financial Statistics held in Paris in October 2005.

◇ **Workshop on International Investment Statistics of the OECD**

2005 – A Senior Economist at the Foreign Exchange Activity Department participated in the Workshop on International Investment Statistics held in April 2005. Subjects related to the definition of direct investments were discussed, as part of the effort to reformulate the Benchmark Definition of FDI.

Revision of the Benchmark Definition of Foreign Direct Investment – Recording statistical data on Foreign Direct Investment (FDI) is a prerequisite for economic analysis and policy making. The need for comprehensive, comparable and up-to-date data is increasing as FDI has assumed a crucial role in the internationalisation of economic activities. The OECD Benchmark Definition of Foreign Direct Investment provides operational guidance on how FDI data should be compiled to meet internationally agreed standards.

The discussions focused on the following subjects:

- **Value of direct investments** – It was decided that market value is the best indicator; there are several alternative methods to calculate this value, including market value (tradable companies), book value, and

indexed value. For non-traded companies, the book value method, despite its limitations, is the only method that allows consistent adjustment of balances and movements.

- **Definitions of indirect holdings** – A decision was made not to make a choice among the three methods presented (FCS, EU10%, or US50%⁷), and to request a coordinated discussion between the groups of experts discussing this subject and the experts discussing the subject of UBO (ultimate beneficiary owner) and UBA (ultimate beneficiary affiliate).
- **The direction principle and reverse investments** – It was decided to resume recording movements based on the principle of assets/ liabilities (like the entire financial account), according to the national accounting rules. This decision will solve the problem of negative balances, but on the other hand, it will not allow classification by investments of residents of countries abroad versus investments of foreigners in the country, since investments of residents abroad will also include loans received by residents of Israel from subsidiaries abroad.
- **SPEs** – It was decided that countries in which holding companies are established will separately present investments in them and their investments according to the existing national definitions. These will include only pure holding companies or companies for which the majority of activity is in holdings of companies outside the country. Other holding companies will be assigned a color based on the end of the activity of the local companies they hold. In addition, these companies will publish a matrix of bilateral movements, in order to allow monitoring by other countries. The influence of the existence of SPEs on classification by countries will be handled as part of the subject of UBO and UBA.
- **Investment funds** – Investment funds were divided into two types, capital funds and mutual funds (definitions familiar to us). In the first case, ownership of over 10% of a fund or by the fund will be considered a direct investment. The same is true for an investment in a mutual fund. However, it was not possible to reach an

⁷ FCS – Fully Consolidated System. US10% is a method customary in the US, meaning over 10% direct or indirect. EU50% is the European method, which mainly involves including only holdings of subsidiary to granddaughter companies over 50%.

agreement on the question of the inclusion of investments by mutual funds.

- **Investments in short-term and long-term loans** – It was decided to continue to include all of the loans, without dividing the loans based on their term to maturity.

2006 – A Senior Economist at the Foreign Exchange Activity Department participated in the Workshop on International Investment Statistics held in April 2006. Subjects related to the definition of direct investments were discussed, as part of the effort to reformulate the Benchmark Definition of FDI.

2006 – The Head of the Non-Financial Private Sector Unit in the Foreign Exchange Activity Department participated in the Workshop on International Investment Statistics held in Vienna in October 2006. Subjects related to the definition of direct investments were discussed, as part of the effort to reformulate the Benchmark Definition of FDI.

Foreign Direct Investment (FDI) – reflects the objective of obtaining a lasting interest by resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise"). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise.

- ☑ In 2006, information was submitted to the OECD regarding direct investments in Israel by non-residents and direct investments abroad by Israeli residents. The information included data concerning flows and balances, by geographical and sectoral breakdown.

2. Central Bureau of Statistics (CBS)

- **Education Division**
 - **Indicators of Education Systems Technical Group – INES**

Indicators of Education Systems – The INES Project began in 1988 in response to national policy makers' desire for information that would allow them to compare the performance of their education systems with those of other countries and thus better assess and monitor the effectiveness and evolution of their education systems.

In July 2005, Israel received an official invitation to join the Indicators of Education Systems Technical Group, with the status of a full member. Israel achieved this invitation thanks to its vigorous activity, full attendance, participation in all surveys, compliance with schedules, and compliance with additional international criteria.

As of January 1, 2006, Israel has been participating in INES groups as a full member:

- INES National Coordinators (the Head of the Education Division is the national coordinator for Israel).
- Technical Group
- INES Network C
- INES Network A
- INES Network B
- PISA

◇ **Israel Country Note for the INES Peer Review**

As part of its admission process to full INES membership, Israel was required to undergo a peer review process. INES prepared a five-section format for the review:

Section 1 – Survey of the Israeli education system.

Section 2 – Topics in current education system policy and policy reforms.

Section 3 – Presentation of the statistics system for education in Israel and its information sources.

Section 4 – Survey of the performance of the Israeli education system from a comparative perspective.

Section 5 – Peer assessment.

☑ Israel was asked to prepare the first three sections, according to INES instructions and specifications. The sections were prepared through close cooperation between the CBS and the Ministry of Education.

Section 4 was prepared by INES, based on statistical information about Israel found in OECD databases.

Section 5 will be prepared in the coming months by INES peers. The section will contain an analysis of the Israeli education system, based on criteria and tables developed by INES, in comparison to two or three other countries.

Until 2005, Israel succeeded in supplying data for OECD UOE questionnaires including the following series: ENRL, ENTR, GRAD, PERS, FINANCE, ISCMAP PROGRAMMES, CLASS, and DEM.

Additional series of questionnaires provided by Israel to the OECD until 2005 are the Attainment series (which includes the NEAC and TRANS questionnaires) and NWC.

In addition to the questionnaires listed above, Israel provided data for the Education and Earnings questionnaire for the first time in 2006, allowing Israel to be listed in most of the OECD's EAG publication boards.

The Head of the Education Division represented Israel at the Indicators of Education Systems Technical Group, at the following meetings:

Session 24 – During the session, held in Slovakia in June 2005, the following subjects were raised:

- Development of a new indicator for the cost of a graduate of the education system.
- Development of an indicator for pre-primary education.
- Change in UOE questionnaires that serve as the basis for data in the Education at a Glance (EAG) publication.
- Changes in the structure of the EAG publication.
- Comparability of expenses on ancillary services in education.

Session 25 – During the session, held in USA in November 2005, the following subjects were raised:

- Continued education and adult education.
- Development of a new indicator for the transition from high school to higher education.
- Discussion of pre-primary education.
- Development of an indicator for financial aid for university students.
- A proposal to conduct a survey on the subject of apprenticeship (work-study programs).
- Update on the International Standard Classification of Education.

Session 27 – The Head of the Education Division participated in a meeting of the Indicators of Education Systems Technical Group, held jointly with a meeting of the INES Network C group. The meeting was held in Holland in December 2006. Subjects included:

- Estimating private expenses in education.
- Planning a new indicator for "administrative costs of learning."
- Student mobility (foreign students).
- Discussion of the results of an experimental survey on the subject of Work-Based Learning (mentoring).
 - Israel participated in this survey, and its results were presented at the conference.
- Establishing historical series of indicators (trends).
- Establishing policy for updates of data in UOE questionnaires.

▪ **National Coordinators Conference**

The Head of the Education Division participated in a meeting of INES national coordinators held in France in September 2006. Subjects included:

- Development of the Program for the International Assessment of Adult Competencies (PIAAC).
- Progress report on implementation of the Teachers, Teaching, and Learning Survey (TALIS).

- Development of value-added models in educational systems.
- Development of PISA examinations for universities.
 - ☑ During the meeting, Israel's document that serves as the basis for the peer review was discussed.

- ☑ **Education at a Glance** – A publication of the INES group issued each year.

The Central Bureau of Statistics delivers the following data to INES, as of the years specified below:

1998: National education expenditure.

1999: Number of students and teachers.

2003: Educational achievements of the overall population.

2004: Learning environment and organization of schools.

2006: Education and income.

- **The 15th SENDDD Country Representative Meeting – Statistics and Indicators on Disabilities, Learning Difficulties and Disadvantages**

A representative of the Education Division participated in this meeting, held in Budapest in June 2006, for the first time. The forum was part of a joint session of INES and CERI, sponsored by the OECD. This forum is responsible for issuing the annual publication "Students with Disabilities, Learning Difficulties and Disadvantages," among other things.

The background for the CBS's participation in the forum is the development of statistics on special education in Israel. The CBS is in the process of improving statistical output in the area of special education, in order to be included in the aforesaid publication.

Subjects discussed in the forum were:

- Collection of national data on special education.
- PISA examinations for students with special needs.
- Categorization of students with special needs as groups A, B, and C, and the problematic nature of the group C classification, which also refers to students with social and cultural disadvantages.

- **Macro-Economics Division**
 - **Working Party on National Accounts – WPNA**

Working Party on National Accounts – The Working Party will undertake work to improve the quality of national accounts data in accordance with priorities established by the OECD Committee on Statistics.

In particular the Working Party will:

- facilitate the development and improvement of internationally comparable methodologies in order to allow users to better compare the growth and the levels of national accounts variables between OECD countries, including satellite accounts.
- monitor, in coordination with the Inter-Secretariat Working Group on National Accounts (ISWGNA), the changes and clarification needed in the Manual of the System of National Accounts to increase the relevance and the international comparability of national accounts statistics.

2005 – The Head of the Macro-Economics Division participated in the meeting of the Working Party on National Account held in October 2005. The meeting was attended by representatives of 46 countries, the International Monetary Fund, the World Bank, the United Nations Economic Commission for Europe (UN/ECE), and the European Central Bank, and OECD experts. Subjects surveyed at the meeting were mainly related to an update of the System of National Accounts (SNA93 Rev.1) planned for release in 2008, including financial subjects, non-financial assets, and more.

☑ Israel takes part in the effort to change the System of National Accounts via its participation in the Canberra II group and in the Working Party on Financial Services and Government Accounts.

2006 – The Deputy Head of the Macro-Economics Division participated in the meeting of the Working Party on National Accounts held in October 2006. The meeting was attended by representatives of 45 countries, as well as representatives of the major international institutions, such as the International Monetary Fund, the World Bank, the United Nations Economic Commission for Europe (UN/ECE), and the European Central Bank, as well as OECD experts. Subjects related to the construction of the new System of National Accounts (SNA93

Rev.1), planned for release in 2008, were surveyed at the meeting. Subjects discussed included:

- Capitalization method for R&D expenses.
 - Ways of measuring output of government services.
 - Handling of social security programs.
 - Methods of balancing demand and usage tables and their integration into national accounts.
 - Construction of databases.
 - Policy for collection and distribution of information by international institutions.
- During the meeting, an article by Israel on the subject of recording R&D as a fixed asset in national accounts was presented: "Capitalization of R&D in the national accounts of Israel."

▪ **The Canberra II International Working Party on Assets in National Accounts**

The Head of the Macro-Economics Division participated in two meetings of the Canberra II Working Party, in Australia and in Switzerland, in 2005.

The National Account Division in the OECD's Statistics Directorate operates several international work groups, including the Canberra II Working Party, which handles the subject of assets in national accounts (details under the Working Party of National Experts on Science and Technology Indicators).

◇ **Joint Expert Meeting: Canberra II Group and NESTI the Capitalisation of R&D**

The Working Party completed its recommendations on the subject of changes to the SNA, and is currently working on recommendations for implementation of these changes. The joint conference with NESTI was held following the adoption of the Canberra II Working Party's recommendation regarding the registration of R&D as an asset in national accounts. The aim is to publish a manual on methods of estimating intangible assets in national accounts. The decision was made to work on such a manual at this point, even before final approval of the SNA change (in the beginning of 2008), in light of the less successful attempt to implement the decision to register software as an asset in the current System of National Accounts, SNA93. The new manual is also planned to address the problem of the valuation of software in national accounts.

The Head of the Macro-Economics Division participated in a meeting of the Canberra II Working Party, held jointly with the Working Party of National Experts on Science and Technology Indicators (NESTI – see below), held in Germany in May 2006.

- ☑ Israel presented methods for mediation between R&D statistics and national accounts, including a numerical example with Israeli data.

■ Working Party on Financial Statistics

2005 – The Head of the Macro-Economics Division participated, for the first time, in a meeting of the Working Party on Financial Statistics held in October 2005. The meeting was attended by representatives of the United Nations' Statistical Unit, the International Monetary Fund, the World Bank, the European Central Bank, and OECD member and non-member countries.

The Working Party deals with statistics on the activity of the financial sector, financial accounts of various economic sectors, the balance of payments, external financing, interest rates, share prices, and exchange rates.

At the meeting of the Working Party, the OECD's plans for improving the financial statistics published by the organization were presented, as well as the coordination between the financial statistics as published by the OECD and the system of financial stability indicators under development at the International Monetary Fund.

2006 – The Deputy Head of the Macro-Economics Division participated in a meeting of the Working Party on Financial Statistics, held consecutively to the meeting of the Working Party on National Accounts (see above) in October 2006. The meeting was attended by representatives of the United Nations' Statistical Unit, the International Monetary Fund, the World Bank, the European Central Bank, and OECD member and non-member countries.

At the meeting of the Working Party, the OECD's plans for improving financial statistics were presented, as well as the plans for the development of financial statistics databases at international organizations.

- **Task Force on the Measurement of Financial Services**

A representative of the Macro-Economics Division participated, for the first time, in a meeting of the Task Force on the Measurement of Financial Services in May 2005. The Task Force deals with changes in the recording of the activity of banks and financial intermediaries in national accounts (SNA).

- ▣ During the meeting, an article on the subject of the handling of doubtful debts, prepared by the Central Bureau of Statistics, was submitted: "Non-Performing Loans, Interest Arrears and Financial Intermediation Services Indirectly Measured (FISIM) Estimates."

- **Working Party of National Experts on Science and Technology Indicators**

Working Party of National Experts on Science and Technology Indicators (NESTI) – The Working Party will monitor, supervise, direct and co-ordinate statistical work and contribute to the development of indicators and quantitative analyses needed to meet the requirements and priorities of the Committee for Scientific and Technological Policy (CSTP). In particular, the Working Party will: Ensure the continued improvement of the methodologies for the collection of internationally comparable data for measuring the input, output, diffusion and impact of science, technology and innovation.

2005 – The Head of the Financial Social Services Accounts Division participated in a meeting of the Working Party of National Experts on Science and Technology Indicators (NESTI) held in Iceland in June 2005. The meeting was attended by representatives of 30 countries and of Eurostat, UNESCO, RICYT (an organization of South American countries), and the OECD.

Subjects related to the improvement of statistics on R&D were discussed at the meeting:

- The improved Oslo guide to innovation surveys.
- Biotechnology statistics.
- Creating a system of indicators for careers and mobility of holders of doctoral degrees.
- The globalization of R&D and international comparisons.
- Measurement of R&D as an investment in national accounts.

- Classification by scientific field.
- Development of new indicators (mobility of R&D personnel, measurement of personnel talent and capabilities).
- ☑ Since 1998, the Central Bureau of Statistics (CBS) has reported to the OECD on national research and development expenditures. The data are included in the organization's database. As of 2002, the OECD started to include Israel's data in the Main Scientific Indicators publication as well.
- ☑ In 2002, Israel was invited to serve as the Leading Country in the Working Party on the subject of R&D and national accounts (SNA-R&D), thanks to its many years of experience in generating R&D statistics within the system of national accounts. The members of the Working Party are Australia, Canada, Holland, Sweden, the UK, the US, and the statistics bureau of the European Union (Eurostat). This group also participated in the work of the Canberra II Working Party, and prepared the infrastructure for the decision made in 2005 to include R&D in fixed assets in national accounts.
- ☑ In August 2005, the Head of the Social Services Accounts Division responded to the Questionnaire on Main Science and Technology Indicators (MSTI) and Research & Development Statistics Publication.
- ☑ In 2005, Israel, together with a representative of the OECD, prepared a paper summarizing the issue of the change in the classification of R&D in national accounts and listing the changes needed to the Frascati guide to R&D statistics in order to generate R&D estimates suitable for national accounts out of these statistics.

2006 – The Head of the Macro-Economics Division participated in a meeting of the Working Party of National Experts on Science and Technology Indicators (NESTI) held in Germany in May 2006. The meeting was attended by representatives of all OECD member countries, representatives of three observer countries: Russia, South Africa, and Israel, and representatives of three international organizations: UNESCO, Eurostat, and RICYT (an organization of South American countries).

Subjects related to science and technology statistics were discussed at the meeting:

- Measurement of human capital in science and technology – surveys on careers and mobility of doctorate degree holders.
 - Measurement and analysis of data on innovation.
 - Biotechnology and nanotechnology.
 - Statistics on patents.
 - Research and development indicators in the public sector.
 - Handling tax benefits in R&D statistics.
 - Globalization of R&D.
- ☑ In August 2006, the Head of the Social Services Accounts Division responded to the Questionnaire on Main Science and Technology Indicators (MSTI) and Research & Development Statistics Publication.

▪ **Joint UN-ECE/OECD/Eurostat meeting on National Accounts**

The Head of the Macro-Economics Division participated in the National Accounts Conference held in Switzerland in April 2006. National accounts experts' conferences are held jointly by the OECD, UN-ECE, and Eurostat every two years. Israel has participated in these conferences as a member since 1995. In recent years, Israel has been asked to present a paper in advance of each session:

- ☑ At the conference in April 2006, a paper on the subject of globalization was presented.

At the last conference, countries that are not members of the organizing organizations (such as Iraq and India) were invited to present all recommendations for change in systems of national accounts (SNA). Representatives of 52 countries participated in the conference. Also invited were representatives of international organizations that had not participated previously: the WTO, WHO ILO, BIS, and European Court of Auditors, as well as representatives of the OECD, International Monetary Fund, World Bank, Eurostat, UN-ECE, UNSD, and ECB.

An update of the system of national accounts (SNA93 Rev.1), scheduled for publication in 2008, was reviewed at the conference. In addition, special topics were presented:

- Handling of the informal economy in national accounts and coordination with ILO definitions in this area.

- Employment data and national accounts.
- Regional accounts.
- Globalization – Papers were presented by Holland, Canada, the USA, and the UK, as well as Israel, as noted above. At the end of the day, a special chapter on globalization to be added to the revised SNA was also discussed.
- ☑ At the conference planned for 2008, Israel has been asked to organize a session on the subject of research and development.

- **Government Sector Accounts Section**

- **Task Force on Harmonization of Public Sector Accounts**

The Task Force was established in October 2003 by several international bodies (the International Monetary Fund, the OECD, Eurostat, the World Bank, the European Central Bank, and the Association of International Accountants), with the goal of:

- Arriving at harmonization and convergence between the accepted accounting standards and the standards appearing in the international statistical manuals of national accounts (ESA, SNA).
- Developing frameworks and fundamental guidelines for the chapter dealing with government accounts, ahead of the update of the SNA manual in 2008.

The Head of the Government Sector Accounts Section represented Israel at the Task Force on Harmonization of Public Sector Accounts, at the following meetings:

Session 3 – During the session, held in March 2005, Israel responded to questionnaires and submitted its comments on the following subjects:

- ☑ A) Definitions and recording of tax revenues; B) Definitions and recording of tax credits; C) Government guarantees to business companies.
- ☑ In the area of public sector accounts, a paper was prepared on the subject of foreign aid granted by Israel to developing countries in 2004; the OECD questionnaire on this subject was submitted to the OECD's DAC (Development Assistance Committee) in July 2005. Data on Israel are published in the DAC's annual publication, in the section on contributing non-member countries.

Session 5 – During the session, held in March 2006, Israel responded to questionnaires and submitted its comments on the following subjects:

- A) The manner of recording indexation on principal in government debt in national accounts; B) The importance of specifically addressing the non-profit sector in the chapter devoted to government accounts in the new international manual on national accounts.
- The OECD questionnaire on aid granted by Israel to developing countries in 2005 was submitted to the OECD's DAC (Development Assistance Committee) in July 2006.

- **Balance of Payments, Foreign Trade, and Energy Section**

- **OECD International Trade Statistics Expert Meeting (ITS)**

The Head of the Balance of Payments, Foreign Trade, and Energy Section represented Israel at the OECD International Trade Statistics Expert Meeting, at the following sessions:

Session 6 – The Head of the Balance of Payments, Foreign Trade, and Energy Section participated, for the first time, in the OECD International Trade Statistics Expert Meeting held in Paris in September 2005. Subjects raised included:

- A report by OECD countries on the manner of collecting and managing trade statistics data.
- Increasing cooperation between the OECD and the United Nations Statistics Division (UNSD).
- Classification of subjects related to trade statistics (SITC and CPC).
- Congruence between trade data in commodities and the balance of payments in trade in goods.
- International trade and global economic indicators.

Session 7 – During the session, held in September 2006, the following subjects were raised:

- Report by OECD countries on the manner of collecting and managing international trade statistics.
- The joint international trade database of the major international organizations (OECD, UNSD, WTO).
- Updates of classifications related to trade statistics (SITC and CPC).

- Connections between international trade statistics and business statistics.
- Globalization and international trade indicators.

▪ **OECD-Eurostat Meeting of Experts in Trade in Services Statistics (TIS)**

2005 – The Head of the Balance of Payments Section participated, for the first time, in the OECD-Eurostat Meeting of Experts in Trade in Services Statistics held in Paris in September 2005. Subjects included:

- Treatment of the measurement of trade in products and trade in services.
- International trade and international economic indicators.
- Unresolved issues in the balance of payments related to trade in products and services statistics.
- Classification of subjects related to services in the balance of payments.
- Update of the statistics guide for international trade in services.

During the meeting, an article was presented on the handling of offshore outsourcing, prepared by the Central Bureau of Statistics – "Offshore outsourcing of production – the problem of 'Fabless Enterprises."

Questionnaire on Public Measures Linked to Offshoring – The Head of the Balance of Payments Section responded to this questionnaire in August 2005, ahead of the Meeting of Experts in Trade in Services Statistics (TIS).

2006 – The Head of the Balance of Payments Section participated in the OECD-Eurostat Meeting of Experts in Trade in Services Statistics held in Paris in September 2006. Subjects included:

- International trade by multi-national companies: total trade and trade between related companies – terms and estimates.
- Update of the Manual on Statistics of International Trade in Services (MSITS).
- Foreign Affiliates Trade in Services (FATS) – work papers by country.

- Update of the definition of foreign direct investments (FDI).
- Update of the Balance of Payments Manual (BPM).

☑ During the meeting, an article prepared by the Central Bureau of Statistics on statistics of multi-national companies was presented: "FATS and Globalization survey – CBS, Israel."

☑ The Head of the Balance of Payments Section responded to the following questionnaire in July 2006, in preparation for the Meeting of Experts in Trade in Services Statistics (TIS): "Updating of the Manual on Statistics of International Trade in Services" – Consultation Document and Questionnaire.

▪ **OECD – Special Session on Globalization**

The Head of the Private Sector, Banks, and Multi-National Companies at the Balance of Payments Section participated in the OECD conference on statistics of multi-national companies and globalization. The conference was held in Paris in November 2006. Topics in the conference included:

- Outsourcing and employment.
- Outsourcing of services and imports of services.
- International transactions in technology.

- **Consumer Prices Division**
 - **Eurostat-OECD PPP Programme – Purchase Power Parities for Non-European Countries**

Israel has participated, since 1996, in an international project to compare product and prices, due to its membership in the United Nations Economic Commission for Europe (UNECE). In the project, ongoing data are collected, and a full comparison of 3,000 comparable products and services included in the gross domestic product is carried out every three years. In January 2005, the OECD published comparison data on gross domestic product (GDP) based on Purchasing Power Parity (PPP)¹, according to 2002 data. The data were processed and generated jointly with the European Union's statistics bureau (Eurostat), and compare the economy size of 42 countries. The OECD divided the countries into four groups, according to income level. A baseline of 100 was set at the average per capita product of 30 OECD countries, as an index for comparison:

- High income (index 120 or higher): Luxembourg, Norway, US, Ireland, and Switzerland.
- Medium-high income (100-120): Austria, Denmark, Holland, Canada, Iceland, UK, Belgium, Sweden, Australia, Finland, France, Japan, Italy, and Germany.
- Low-medium income (50-99): Spain, **Israel**, New Zealand, Cyprus, Greece, Portugal, Slovenia, Korea, Malta, the Czech Republic, and Hungary.
- Low income (under 50): Slovakia, Estonia, Poland, Croatia, Lithuania, Latvia, Mexico, Russia, Bulgaria, Rumania, Turkey, the former Yugoslavian Republic, and Macedonia.

The Head of the Consumer Prices Division participated in the meeting of the Eurostat-OECD PPP Programme on product and price comparison held in June 2005.

◇ **Seminar on Inflation Measurement – Inflation Measures: Too High – Too Low – Internationally Comparable?**

The Head of the Consumer Prices Division participated in the Seminar on inflation measurement held near the Eurostat-OECD Program meeting in June 2005. Subjects included:

- Developments in the measurement of the consumer price index (CPI) since the Boskin report.
- International comparisons of the consumer price index.
- Preservation and establishment of reliable official CPIs.

- Identification of subjects important to future work on the international level.

- **Business-Economics Division**

- ◇ **OECD Biotechnology Statistics – 2006**

The 2006 edition of the OECD Biotechnology Statistics publication includes the most up-to-date available data on the subject of biotechnology and innovation. The publication includes extensive information about biotechnology, which can be useful to decision makers, academics, and business managers.

- Israel's biotechnology data are provided by a Senior Section Head in the Business-Economics Division.

3. Council for Higher Education

- **Planning and Budgeting Committee (PBC)**
 - **Indicators of Education Systems Technical Group – INES**

Since 1996, a representative of the Planning and Budgeting Committee of the Council for Higher Education has participated in the meetings of the Indicators of Education Systems Technical Group who develops indicators on educational participation, access, human and financial resources, and school completion.

As of January 1, 2006, Israel has been participating in INES groups as a full member. The changing status of Israel from observer to full member enables the participation of an Israeli representative in the sessions of the National Coordinators who decide jointly with the OECD the programme of work for the entire Working Party.

The PBC is taking part in the current activities of INES and in the ad-hoc meetings regarding different aspects of the higher education system.

In 2005-2006, as in the previous years, the PBC* delivered data for the UOE questionnaires which jointly serve the three international organizations – UNESCO, OECD and the European Union. The UOE is a detailed questionnaire referring to various subjects at the different levels of education including the higher education system.

The annual report to the OECD enables the calculation of the international indicators for Israel and the inclusion of the education and the higher education data of Israel in the publication 'Education at a Glance', published by the OECD each year. The EAG is the most important information source in the world for international comparisons of the education sector, which enables the examination of the level of education and higher education systems through an international perspective.

* This action is done in cooperation with the Education Division of the CBS and the Economics and Statistics Division of the Ministry of Education.

- **OECD Global Science Forum: Conference on Declining Student Enrolment in Science & Technology**

The Deputy Director-General of the Planning and Budgeting Committee participated in the conference organized by the Global Science Forum, held in Amsterdam in November 2005.

At the ministerial meeting of the Science and Technology Policy Committee held in January 2004, the decision was made to grant high priority to the subject of declining

enrolment in science and engineering studies in OECD countries.

The committee established to advance this issue examined and analyzed the problem of declining enrolment in science and engineering studies from a quantitative perspective, based on a questionnaire sent to all countries, including Israel. During the conference held in Amsterdam, sponsored by the Dutch Ministry of Education, Culture, and Science, the results of the study based on the questionnaire were presented, with the aim of providing an update on the existing situation, identifying key factors, formulating implications on the national level, and proposing recommendations for action.

- ☑ Israel presented data regarding students eligible for matriculation in science and technology subjects and quantitative data about the number of students in higher education institutions, prepared based on the structured questionnaire sent by the OECD.
- ☑ The official OECD publication issued in May 2006 contains comparative data, including Israel, on the following subjects: 1) Percentage of female students in science and technology departments, 2) Percentage of female graduates of science and technology departments. The publication is entitled: Evolution of Student Interest in Science and Technology Studies Policy Report.

- **Programme on Institutional Management in Higher Education (IMHE)**

The Programme on Institutional Management in Higher Education (IMHE) is adjacent to the OECD. The IMHE program is aimed at developing and disseminating information related to the management of higher education institutions. According to data for 2005/6, some 200 institutions are members of the IMHE, including 160 universities. The program conducts a variety of activities, including conferences for officials at institutions of higher education, comparative international surveys and studies, publication of professional literature, and more. All of the topics as well as the conferences relate to subjects important to the higher education system in Israel.

Program membership is open to institutions of higher education and entities with a strong affinity to educational institutions in OECD member countries and in other countries. The PBC has been a member of this organization for many years. The program has a management board comprised of representatives of various institutions in OECD member countries. The PBC / Council of Higher Education has participated with the status of an observer in the discussions of the management board, which convenes twice annually in Paris, since 2002.

◇ **Values and Ethics: Managing Challenges and Realities in Higher Education, IMHE 2006 General Conference**

The Director-General of PBC/CHE and the Deputy Director-General of Budgets at the PBC participated in the conference on values and ethics, within the series of general IMHE conferences, in September 2006.

The conference focused on questions of ethics and values that arise in the higher education system due to technological changes, changes in research, and societal changes.

Ideas examined were freedom, responsibility, control, truth, and boundaries related to government policy and higher education institution management policy, including in research and teaching.

Examples were presented of the different ways in which different countries define and implement values, how to cope with clashes between values (e.g. academic freedom versus the obligation of accountability and accepting criticism of actions and outcomes). Also discussed were different approaches to imparting values and the goals of the university (e.g. different requirements regarding independence and conflicts of interests of board members and institutions), different values related to research, and a different definition of the moral and social goals of institutions, beyond financial objectives.

◇ **Funding Systems and their Effects on Higher Education Systems: OECD Seminar – Paris**

A delegation representing the PBC, headed by the Deputy Chairman of PBC and the Director-General of PBC/CHE, participated in the seminar on budgeting policy in the higher education system, as part of the seminars organized by IMHE, in September 2006.

Higher education systems and budgeting policies of 11 countries were presented at the seminar: Norway, Denmark, Portugal, Germany, Latvia, the Czech Republic, Slovakia, Ireland, Belgium, Brazil, and Austria.

The goal of the seminar was to review changes and developments in higher education systems and their budgeting: new government models for the budgeting of higher education systems, developments in the independence of higher education institutions, strategic

management methods, quality assessment methods, and reporting methods.

Country representatives presented the results of an international study on the budgeting system and its effect on higher education. Main topics addressed by the study were:

- The relationship between the budgeting system and higher education policy.
- Direct and indirect effects of the budgeting system on higher education in general and on teaching and research objectives in particular.
- The effect of the budgeting system on the conduct of higher education institutions.
- Advantages and disadvantages of the existing budgeting system and proposals for its improvement.

In general, most countries seemed to be coping with the same questions confronted by Israel in the area of higher education – the division between teaching and research, excellence and quality assessment in higher education, the distribution of the burden of financing higher education between the private and government sectors (issues of tuition fees and faculty remuneration), and the status of higher education budgeting systems.

One of the countries that presented a budgeting system similar to the Israeli model was Ireland. The socio-economic profile in this country as well as the commitment to increasing access to higher education are also similar to issues faced by Israel. In contrast, Denmark, for example, presented a budgeting style and higher education system focused solely on excellence in research; this country maintains universities engaged exclusively in research, while students do not pay tuition at all.

4. Israel Antitrust Authority

The Israel Antitrust Authority (IAA) is an independent government enforcement agency which was established in 1994 under an amendment to the Restrictive Trade Practices Act, 5748-1988 (Antitrust Law). The IAA is mandated to prevent market power through merger control and anti-cartel enforcement, to restrain abuse by dominant firms of their positions and to preserve competition in the various markets. It is thus vested with powers to initiate civil and criminal proceedings and also has the power to order monopolies not to act in a manner which constitutes abuse of dominant position. While the IAA has an important enforcement function, the Antitrust Law also provides for any person to independently seek a remedy from the Court.

In 2005 and 2006 the Israel Antitrust Authority was represented at the meetings of the following OECD bodies:

- ◇ Competition Committee.
- ◇ Working Party No. 2 on Competition and Regulation.
- ◇ Working Party No. 3 on Enforcement and Co-operation.
- ◇ Global Forum on Competition.

■ Competition Committee

The **OECD's Competition Committee** is the world's premier source of policy analysis and advice to governments on how best to harness market forces in the interests of greater global economic efficiency and prosperity. Bringing together the leaders of the world's major competition authorities, the Committee is the chief international forum on important competition policy issues.

From highly industrialised nations to the poorest developing countries, the Committee promotes market-oriented reform by actively encouraging and assisting decision-makers in government to tackle anti-competitive practices and regulations.

The Israel Antitrust Authority was invited to participate as an observer in the Competition committee in 2001. In 2006 the Council decided to renew Israel's participation as observer until December 2007, reflecting the world's positive view of Israel's Antitrust Authority.

As in every year since 2001, the Israel Antitrust Authority has submitted and presented to the Competition Committee a review on the development of the Competition policy in Israel as part of its annual statement:

- ☑ Annual Report on Competition Policy Developments in Israel – 2004.
- ☑ Annual Report on Competition Policy Developments in Israel – 2005.

◇ **Working Party No. 2 on Competition and Regulation**

Sessions 30-31 – The Antitrust Commissioner participated in a meeting of Working Party No. 2 held in February and May 2005. Israel presented the following three documents during the sessions:

- ☑ Structural Separation in Regulated Sectors.
- ☑ Effective Actions Against Hard Core Cartels.
- ☑ Resale Below Costs.

Session 33 – The Antitrust Commissioner, the Authority's legal advisor, and a team leader in the Legal Department participated in a meeting of Working Party No. 2 on Competition and Regulation held in February 2006. A roundtable was held during the meeting on the subject: "Ensuring Access to Key Capacity for New Entrants." The following topics were discussed:

- Removal of barriers.
- Non-discrimination.
- Transparency.

The Authority presented a position paper to the roundtable in which the law relevant to this issue was reviewed, including a real-life example from the Authority's experience in the transportation field:

- ☑ Ensuring Access to Essential Transportation Structure for New Entrants.

Session 34 – The Antitrust Commissioner and a team leader in the Legal Department participated in a meeting of Working Party No. 2 on Competition and Regulation held in June 2006. During the session the Israel Antitrust Authority submitted the following document:

- Competition and Efficient Usage of Payment Cards.

Session 35 – The Antitrust Commissioner and the Authority's legal advisor participated in a meeting of Working Party No. 2 on Competition and Regulation held in October 2006. During the session the Israel Antitrust Authority submitted the following document:

- Competition and Regulation in Retail Banking.

◇ **Working Party No. 3 on Enforcement and Co-operation**

Session 94 – The Legal Advisor and the Head Economist of the Israel Antitrust Authority participated in a meeting of Working Party No. 3 of the Competition Committee held in October 2005. The meeting dealt with the work of prosecution authorities with competition authorities.

The Legal Advisor of the Antitrust Authority headed a panel jointly with the Brazilian Authority, which focused on gathering evidence. During the panel, she gave the following presentation:

- Presentation on difficulties in gathering evidence, particularly in relation to the investigation of computers, wiretaps, and handling surplus information.

During the session a report on a questionnaire basis regarding the cooperation between the Antitrust Authority and the Public Prosecutors was submitted:

- Questionnaire on the subject: Hard Core Cartels: Cooperation with public prosecutors in criminal cartel investigations.

- **Global Forum on Competition**

The Global Forum Competition (GFC) provides an opportunity for policy dialogue between OECD member countries and non-members. The discussion benefits from the input of the Competition Committee whose work has already generated substantial results in many countries, such as the voluntary adoption of 'best practices,' substantial analytical convergence, the establishment of strong networks of enforcement authorities, and enhanced co-operation in international merger reviews, cartel investigations and other cases. The GFC provides a venue in which these important issues can be debated with competition authorities and other representatives of the developing world. At the same time, given its broad focus on development, the GFC promotes a wider dialogue that encompasses the linkages between competition policy and other cornerstones of economic development.

The Antitrust Commissioner, the Authority's legal advisor, and a team leader in the Legal Department participated in the Sixth Global Forum on Competition held in Paris in February 2006. The forum included three sessions:

Session I: Roundtable on concession.

Session II: Roundtable on prosecuting cartels without direct evidence of agreement.

Session III: Cartel case studies.

The Israeli representatives participated in all the sessions and took a particularly active part in the third session where they were able to contribute based on their experience with investigations of cartels.

☑ According to the Competition Committee's request, the Israel Antitrust Commissioner together with the Swiss Commissioner served as controllers during the writing of a report on the competition regime in Taiwan, which included a review of competition law in Taiwan, institutions enforcing the law, and proposals for improvement and enforcement of competition law – "Peer Review on Competition Law and Policy in Chinese Taipei." The report was presented at the Global Forum.

5. Israel Laboratory Accreditation Authority

Israel Laboratory Accreditation Authority – As part of the infrastructure for quality that enables international trade, Israel has established the Israel Laboratory Accreditation Authority (ISRAC), with clear criteria that comply with what is being done around the world. Working according to international criteria in harmony with the other countries encourages trust in the Israeli measurement and testing systems, and non-tariff borders (NTB) have been removed on the basis of this trust.

The government of Israel signed a Mutual Recognition Agreement with European community and the OECD countries (Organization Economical Cooperation and Development) on the subject of GLP (Good Laboratory Practice).

- **Key Clients & GLP Division**
 - **Working Group on Good Laboratory Practice**

Working Group on Good Laboratory Practice – The objectives of the Working Group on Good Laboratory Practice (GLP) are to facilitate and support the implementation by Member countries and interested non-members of the Council Acts (i) concerning Mutual Acceptance of Data in the Assessment of Chemicals [C(81)30(Final)], (ii) on Compliance with Principles of Good Laboratory Practice [C(89)87(Final)], and (iii) concerning the Adherence by Non-Member Countries to the OECD Council Acts related to the Mutual Acceptance of Date [C(97)114/Final]. This should be done by promoting a common understanding of, and harmonised approaches to, technical and administrative matters related to Good Laboratory Practice and monitoring of compliance with the GLP Principles.

2005 Meeting – The Head of the key Clients and GLP Division participated in the meeting of the Working Group on Good Laboratory Practice during the international conference on quality assurance held in Florida in February 2005.

The meeting included a discussion of various professional topics and an examination of the process for admission of new members to the Working Group. Highlights:

- A decision was made to construct a monitoring programme for all monitoring units in member countries of the Working Group that are signatories to the Mutual Acceptance of Chemical Safety Data – MAD agreement (details under the Ministry of Environmental Protection). The goal of the

project is to foster trust between OECD countries and additional members that supervise research facilities and to ensure harmonization in standards and rules that govern the activity of the various supervisory bodies.

- It was decided that new countries joining the European Union would not be automatically admitted to the MAD agreement and to the activity of the Working Group. These countries are required to undergo the process, as is any country applying for membership in the Working Group.
- A review of monitoring authorities in the various countries was presented; some customarily used to divide responsibility among different entities according to groups of materials. Today, the OECD encourages countries to unify supervisory bodies. This unification is in effect in Belgium and in Italy.

As part of the international conference, under the sponsorship of the Working Group on Good Laboratory Practice, the Israeli representative gave a lecture on the following topic:

- ☑ The monitoring programme in Israel, with an emphasis on differences between requirements for recognition of research facilities operating in compliance with OECD-GLP principles and accreditation requirements according to ISO/IEC 17025.

2006 Meeting – The Head of the key Clients and GLP Division participated in the meeting of the Working Group on Good Laboratory Practice held in April 2006.

Main topics discussed:

- Report on control tests conducted at a new supervisory body in Poland, and the routine control and examination process in Canada.
- A decision was made to adopt a guideline document on the subject of archive management, based on OECD GLP directives. This document will obligate all countries where archive services exist for preclinical product safety testing research.
- Representatives of the monitoring authorities in Holland, Belgium, and Germany are working to set up an international database of all test facilities recognized worldwide, by field and supervising country. The database will provide current information on the status of the test facility (recognized/ unrecognized, date tested).

◇ **OECD Inspector Training Course – Edinburgh (UK), September 2006**

- ☑ The Israeli representative was invited to join the faculty members of a course attended by some 70 representatives of OECD-member and non-member countries. Israel's monitoring programme was presented, and lectures were given on professional topics.

◇ **OECD Inspector Training Course – Israel, 2008**

It was proposed that the next inspector training course following OECD-GLP requirements would be held in Israel in 2008.

Is

Part C

OECD

Private Sector

The Private Sector

1. The Hebrew University of Jerusalem

- **The Leonard Davis Institute for International Relations**
 - **OECD Development Center**

The OECD Development Center was founded in 1962 with the aim of providing a venue for non-OECD member countries and a bridge connecting information accumulated at the OECD to the rest of the world.

Objectives of the OECD Development Center

- **Political dialogue forum** – assimilation of non-member countries (no more than twelve) into the OECD based on the following criteria:
 1. Major international player – BRICS countries (Brazil, Russia, India, China, and South Africa).
 2. Major regional actor – Israel.
 3. Countries with low per-capita income undergoing interesting reforms (Vietnam, Mozambique).
- **Policy research** – studies on various subjects, with the participation of member countries and a professional OECD team.
- **Networking of think-tank institutions** – creating working relationships between think-tanks and universities in member countries through a peer learning process.

Work plan of the Development Center

The board of directors of the Development Center adopts two-year work plans. The work plan for 2007/8:

- **Policy coherence** – within the formulation of coherent development policy, the aim is to create interaction between trade, investments, immigration, and official development assistance (ODA) policy.

- **Business development.**

- **Finance development.**

These objectives will be carried out according to the following geographical breakdown:

- **Africa.**
- **Latin America.**
- **Caucasus, central Asia** (following strong interest from Turkey – a full member since January 2006), and Rumania.

- ◇ The Head of the OECD Development Center visited Israel in March 2006. During the visit she met with representatives of several government ministries and gave a lecture at the International Institute adjacent to the Hebrew University of Jerusalem. In meetings with representatives of the Ministry of Foreign Affairs and the Ministry of Finance, she noted that if Israel expresses an interest in joining the OECD Development Center as a full member, this will involve payment of annual membership fees in the amount of €25,000, which will automatically be considered part of Israel's ODA.

The Head of the Development Center highlighted Israeli experience in the following areas:

- Development of infrastructures in Africa (emphasis on the private sector).
 - Absorption of immigration from Ethiopia.
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- ◇ As part of a series of workshops on the topic of World Governance organized by the International Relations Institute at the Hebrew University, a workshop devoted to the OECD was held in December 2006. A senior Development Center economist gave a lecture on the topic: "Managing Globalization through Peer Reviews – the Role of the OECD."
 - ◇ The Head of the Leonard Davis Institute for International Relations participated in the OECD Development Center as a visiting research fellow in 2005.

2. Manufacturers Association of Israel (MAI)

- **Foreign Trade and International Relations Division**
 - **Business and Industry Advisory Committee (BIAC)**

Business and Industry Advisory Committee (BIAC) – Founded in 1962 as an independent organization; received official recognition from the OECD as a representative of the OECD business community.

Industry and employers' organizations from 30 OECD member countries participate in the BIAC as full members, and industry organizations from **Israel**, Russia, China, India, Brazil, Rumania, and Latvia participate as observers.

The BIAC covers all economic policy subjects discussed by the OECD through 34 committees and policy groups.

The BIAC's main objectives include:

- Address guidelines and action recommendations formulated by the OECD from the viewpoint of the business community.
- Determine the needs of the business and industry community, within the framework of the tools made available by the OECD in implementing its policy.
- Deliver advance information about new OECD initiatives and their implications for the business community.

- ◇ In January 2006, the Head of the International Business Cooperation Department met with the Policy Director of the Advisory Committee (BIAC) adjacent to the OECD. The goal of the meeting was to examine the integration of the Manufacturers Association of Israel in the activity of the Advisory Committee, by identifying the BIAC working bodies relevant for industry sectors in Israel.
- ◇ In June 2006, the Director of the Foreign Trade & International Relations met with Directors from the Advisory Committee (BIAC) to finalise the modalities and financial obligations in which the Manufacturers Association of Israel will be invited to participate in the work of the Advisory Committee.
- ◇ In July 2006, the Manufacturers Association of Israel (MAI) has become the latest member of the BIAC Observer group, adding Israel to the list of non-member OECD countries which participate in BIAC activities.

Since its establishment in 1921, the **Manufacturers Association of Israel (MAI)** is recognized as a central force in the Israeli economy as a whole, and in the industrial sector in particular. It is strongly aware of its obligation to promote national goals such as economic independence and security. The MAI constitutes a powerful force in all decision-making at the macro-economic level, including subjects such as labor and foreign trade – both at the level of proposed parliamentary legislation, as well as the execution of laws.

- The MAI is the sole representative body of all industrial sectors in Israel: private, public, kibbutz and government industries.
- More than 2000 companies are either direct or affiliated members of the MAI.
- As a united body, the MAI's members comprise the leading economic force in the Israeli economy.
- The MAI – the single body representing this force – is a full partner in all decisions made by leaders of the economy at the macro-economic level.
- The MAI is Israel's largest employers' association, representing them in all matters concerning labor agreements vis-à-vis the Histadrut (Trade Union) and the government in particular, and heads labor relations in organized sectors generally.

Part Four

OECD

Bodies/Groups sorted by Member and
Observer

Annex I

Bodies/Groups sorted by Member

1. Chemicals Committee
2. Plenary Meeting of the OECD Scheme for the Application of International Standards for Fruit and Vegetables
3. Programme for International Student Assessment Governing Board (PISA)
4. Scheme for Cereals
5. Scheme for Crucifer Seed and other Oil or Fiber Species
6. Scheme for Grass and Legume Seed
7. Scheme for Maize and Sorghum
8. Scheme for Vegetables
9. Working Group of National Co-ordinators of the Test Guidelines Programme (WNT)
10. Working Group on Good Laboratory Practice (WGGLP)
11. Working Party of the Investment Committee
12. Working Party on Chemicals, Pesticides and Biotechnology
13. Working Group on Indicators of Education System (INES)

Annex II

Bodies/Groups sorted by Observer

1. Ad Hoc Working Group on Steering and Funding of Research Institutions
2. Committee for Information, Computer and Communications Policy
3. Committee for Scientific and Technological Policy
4. Committee on Industry, Innovation and Entrepreneurship (CIIE)
5. Competition Committee
6. Education Policy Committee
7. Groups of National Experts on Special Needs Education
8. Institutional Management in Higher Education Governing Board (IMHE)
9. Insurance and Private Pensions Committee
10. Network of Parliamentary Budget Committee Chairpersons
11. Network on Early Childhood Education and Care
12. Network on Financial Management
13. Network on Organisational Structures
14. Network on Performance and Results
15. Network on School Violence and Bullying
16. OECD Global Science Forum
17. Task Force on Biotechnology for Sustainable Industrial Development
18. Task Force on Pension Statistics
19. Task Force on Pollutant Release and Transfer Registers
20. Working Group on Human-Related Biotechnologies
21. Working Group on Pesticides
22. Working Group on Waste Prevention and Recycling
23. Working Party No. 2 on Competition and Regulation
24. Working Party No. 3 on Co-operation and Enforcement

25. Working Party of National Experts on Science and Technology Indicators (NESTI)
26. Working Party of Senior Budget Officials (SBO)
27. Working Party on Biotechnology
28. Working Party on Chemicals, Pesticides and Biotechnology
29. Working Party on Communication Infrastructures and Services Policy (CISP)
30. Working Party on Debt Management
31. Working Party on Financial Statistics
32. Working Party on Indicators for the Information Society (WPIIS)
33. Working Party on Information Security and Privacy (WPISP)
34. Working Party on Innovation and Technology Policy
35. Working Party on National Environmental Policies
36. Working Party on Private Pensions
37. Working Party on SMEs and Entrepreneurship
38. Working Party on Statistics (SWIC)
39. Working Party on Information Economy (WPIE)