

Peer Review: a Tool for Co-operation and Change

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

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

Peer review has been used at the OECD since the organisation was created more than 40 years ago. It has evolved over time to take account of new developments, including the involvement of civil society, business and labour. One measure of the success of the OECD peer review process is that other international organisations have also adopted the method, although the practice has been most extensively developed at the OECD. More recently, members of the New Partnership for African Development (NEPAD) have asked the OECD to help them bring peer review to their region. This *Policy Brief* looks at the concept of peer review, and how it is used in the OECD and beyond. ■

What is peer review?

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

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

OECD peer reviews cover a wide range of topics, from economics and governance to education, health, environment and energy. One longstanding type of peer review, the OECD's regular *Economic Surveys*, covers the overall economic performance and policies of an individual country. But peer reviews can also examine several countries with respect to a particular theme, such as environmental protection or regulatory reform. Whatever the topic, such exercises are generally carried out on a regular basis, and result in a published report that assesses accomplishments, spells out shortfalls and makes recommendations. So if one review of a country's economy expresses concern about inflexible labour markets, or high budget deficits, the next will examine whether the state has acted on its peers' advice and whether the situation has improved. ■

Why is it effective?

The key to the effectiveness of peer reviews is the "peer pressure" exerted by the states carrying out the review, and the willingness of the state concerned to accept it. This pressure can make itself felt in several ways, both public and private. During the review process itself, there is the dialogue between the country under the microscope and its fellow states. But since the final results of OECD peer reviews are generally made public, the government of the reviewed country can also come under public and media pressure to accept the recommendations. By the same token, officials of the country under review may welcome advice from outside that supports unpopular policy changes, whether later retirement or reduced benefit rates, which they themselves feel are necessary for the longer term good of the country. And because peer reviews apply the same criteria to a number of countries, and may rank performance, there is also the pressure of wanting to do better in relation to one's neighbours. Successful examples include the environmental performance reviews (see Box) and the OECD Regulatory Reform series, requested by OECD ministers in 1997 and covering areas such as competition, public sector reform, and governance. At the other end of the scale is the "naming and shaming" technique which publicly singles out poor performers. This has been used by the OECD, for

example, to combat harmful tax practices. The Financial Action Task Force on money laundering and combating terrorist financing (FATF), which is housed at the OECD, also publishes information regularly on non-co-operative territories. In both cases, states are invited to become co-operative by respecting clearly defined criteria, such as transparency in tax rules and clear anti-money laundering legislation. Both the OECD and FATF publicise cases where territories offer to co-operate and are taken off the relevant list.

Peer pressure is particularly effective when it is possible to provide both qualitative assessments of performance and quantitative measures of progress. However, such methods can only produce positive results when the “rules of the game” are clear and all the countries involved accept them. ■

How does it work?

There is no standardised peer review mechanism but all peer reviews share certain structural elements: a basis for proceeding; an agreed set of principles, standards and criteria against which the country’s performance will be reviewed; designated actors to carry out the review; and a set of procedures leading to the final result (see Box 1). The OECD’s executive body,

Box 1.

THE PROCESS IN DETAIL: ENVIRONMENTAL PERFORMANCE REVIEWS

Each OECD peer review has its own procedure, but all consist of three phases: preparation, consultation and assessment. All reviews are published. This is how the process works for an environmental performance review of a given country:

The *preparatory phase* defines the outline of the report, with standard topics, such as water, and country-specific topics, such as forestry. The country being reviewed reports on its situation, covering areas such as its environmental objectives, or progress on implementing recommendations from a previous OECD review. The review team includes Secretariat members and experts from several reviewing countries. Occasionally, it includes observers from non-members or international organisations. A questionnaire is developed for use in the next phase.

In the *consultation phase*, the review team carries out an intensive dialogue with the country concerned, as well as with academics and representatives of industry and environmental NGOs. It also conducts on-site visits to places such as industrial plants or protected areas. The review team and the Secretariat prepare a draft report, examining the country’s performance against domestic objectives in environmental management and sustainable development, and in meeting international commitments, including the principal goals of the “OECD Environmental Strategy for the First Decade of the 21st Century”. The draft report includes conclusions and recommendations.

In the *assessment phase* the body responsible for the review – in this case the Working Party on Environmental Performance (WPEP), grouping all 30 OECD member countries – discusses the draft report. A delegation from the reviewed country, answers questions from the other 29 countries. The WPEP then amends the conclusions and recommendations in light of the discussion and approves the review. The report is published under the responsibility of the Secretary-General.

Publication and follow-up include a press conference on the final report and its recommendations. The report is usually presented to parliamentarians and decision-makers in the reviewed country and special effort is made to distribute the report in the national language. The reviewed government generally produces a formal response within two years of publication, specifying actions taken on each of the report’s recommendations. The next OECD review of the same country also monitors progress. To date, 58 reviews have been carried out covering 35 countries, including OECD members and some non-members such as Russia, Chile and China.

the Council, made up of representatives of all member countries, controls the development of peer review programmes through its examination of the organisation's programme of work and budget.

Peer reviews are generated in a number of ways. OECD committees or working parties dealing with a particular issue can decide to undertake peer reviews as part of their activities, or to carry out a one-time peer review at the request of the country being examined. Non-OECD members can also request peer reviews. OECD countries that are not members of its Development Assistance Committee, for example, may request a special review which can help them in considering and preparing for DAC membership. For far-reaching review programmes, a mandate may be needed from the OECD Council.

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

But the most common form of peer review is to assess a country's performance in implementing policy recommendations and guidelines. Perhaps the best-known are the OECD's Economic Surveys of individual economies, carried out on a regular basis for every OECD member (and some non-members, such as Russia, China, India and Brazil) by the OECD's Economic and Development Review Committee (EDRC). These reviews assess a country's performance in relation to broad economic guidelines. Peer reviews by the OECD's Development Assistance Committee, which groups

Box 2.**PEER REVIEW IN
ECONOMIC SURVEYS:
THE ROLE OF THE EDRC**

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

Each economy is reviewed about every 18 months. The results are published as a survey of the country's economy, aimed at promoting better understanding of its economic situation and the key challenges facing the authorities, and pointing towards ways of improving the country's overall economic performance.

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

The surveys generally include a detailed analysis of a specific structural topic. Recent topics have included education, innovation, fiscal federalism, housing, migration and competition, and these have been based *inter alia* on cross-country analysis carried out in the Economics Department and in the specialised directorates at the OECD.

the world's major official aid donors, assess performance in development co-operation in areas such as poverty reduction, conflict prevention or policy coherence. Specific indicators and benchmarks, such as reduction in carbon dioxide emissions, are used in areas such as environmental performance review and in regulatory reform reviews.

The same peer review can include assessments against a number of different measures. Environmental performance reviews assess the country against its own domestic objectives and international commitments, as well as benchmarks and national and international legislation and regulations.

Peer review is a joint operation involving the reviewed country, the examining countries and staff from the OECD Secretariat. The entity responsible for a peer review can be part of the OECD's decision-making structure such as the EDRC (see Box 2), or a working party. The frequency of reviews varies; economic surveys on individual member countries are carried out on average about every 18 months or so, while environmental performance reviews are on a five-to seven-year cycle and those of the DAC on an approximately four-year one.

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

Who takes part?

As the term peer review implies, the review will be carried out by the committee, working party, or other body which has decided to undertake it; officials in the relevant policy field from other countries will be involved in the evaluation process. Generally a few countries are chosen as lead

Box 2. (cont.)

PEER REVIEW IN ECONOMIC SURVEYS: THE ROLE OF THE EDRC

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

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

The Committee uses a draft survey prepared by the Secretariat as the basis for their examination. The Secretariat then revises the draft survey in consultation with the country under review, to take account of comments and recommendations made by the Committee. The Committee then approves a final version for publication under its own responsibility. A key element in this process is that all 30 members agree on the final report. It is not solely the responsibility of the Secretariat, although obviously its judgements are an important input, nor does it simply accommodate the views of the country under review. This process means there is a government "buy-in" to the economic policy advice offered and hence a common ownership of the product.

examiners, while the rest of the group participates actively in the final discussion. The choice of lead examiners is usually based on a system of rotation among member states, although particular knowledge of a country relevant to the review may be taken into account.

The individuals representing the reviewed country may include civil servants from ministries and agencies and at different levels of government, in some cases ministers. The examiners represent the collective body carrying out the review and provide guidance in the collective debate. Their work includes examining documentation, taking part in discussions with the reviewed country and the Secretariat, and taking a lead speaker role in the debate in the collective body. The examiners may also participate in missions to the country. Lead examiners have a duty to be objective and fair, and free from any influence of national interest that would undermine the credibility of the peer review mechanism.

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

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

Why does it work?

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

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

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

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

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

At the same time, a peer review can function properly only if there is an adequate level of commitment by the participating countries – and that means not only supplying enough resources to carry it out, but also being fully engaged in the process, whether reviewing or being reviewed.

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

And last, but by no means least, the *credibility* of the peer review process is essential to its effectiveness, and to its added value in comparison with government reports or consultants' recommendations. There is a strong link between the credibility of the process and its capacity of influence. An independent Secretariat, designated examining countries and a multilateral committee process all help ensure this credibility. The involvement of the reviewed country in the process and its ownership of the outcome is the best guarantee that it will ultimately endorse the final report and implement its recommendations. However this involvement should not go so far as to endanger the fairness and the objectivity of the review. For example, the country under review should not be permitted to veto all or part of the final report.

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

For further information

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For more information on *Environmental Performance Reviews*, please contact Christian Avérous, tel.: +33 (0) 1 45 24 98 19, e-mail: christian.averous@oecd.org
For more information on *DAC Peer Reviews*, please contact Karen Jorgensen, tel.: +33 (0) 1 45 24 94 61, e-mail: karen.jorgensen@oecd.org
For more information on the *Peer Review Process* in general, please contact Nicola Bonucci, tel.: +33 (0) 1 45 24 80 77, e-mail: nicola.bonucci@oecd.org



For further reading

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

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