

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

A STRATEGY FOR ENLARGEMENT AND OUTREACH

**Report by the Chair of the Heads of Delegation Working Group
on the Enlargement Strategy and Outreach,
Ambassador Seiichiro Noboru**



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

FOREWORD

13 May 2004

Dear Minister,

The OECD, in its analytic work and interaction among members and with non-member countries has consistently set high standards for multilateral economic co-operation. The OECD is a leader in many substantive areas. But we live in a world that is very different from the one envisaged by the architects of this Organisation. The OECD must evolve in order to remain at the cutting edge of policy dialogue and analysis; to develop soft law instruments, and to ensure effective compliance with such instruments through peer review. This has been undertaken in the past for OECD members, but now the organisation must operate in a global context and assist members and non members in coming to grips with the challenges of globalisation.

Since the late 1990s the Secretariat has implemented numerous changes to make its own structure and operations more efficient. In 2001, I launched a new cycle of substantive reform that would require the agreement of Members. I asked the Ambassadors to grapple with issues such as committee structure and decision-making rules, better means of identifying Members' priorities, the OECD role in the global architecture and the crucial question of the future membership of the OECD and related to this, its relations with non-member countries. After considerable work, Ministers in 2003 mapped the tasks to be undertaken over the following year that would enable the Organisation to reach conclusions by their next meeting. The road map included a mandate to develop a strategy for OECD enlargement and relations with non-member economies. This report presents that strategy.

In the 1970s, the OECD was comprised of all major market economies comprising a vast share of world production and trade. That share is diminishing and long-term projections indicate that this trend should accelerate as the world economy develops and more countries share in the benefits of globalisation. In order to remain an influential actor in the global architecture of international policy analysis, dialogue and rule-making, the OECD must innovatively and selectively adjust its membership to the new global context.

This report gives us a strategic vision to engage new members in our collective efforts. A larger, more inclusive, more diverse OECD will grow in relevance, strength and in its ability to address the international economic agenda. Achieving this shared vision was a task of no small order. It was brought to fruition by all OECD Ambassadors under the able and energetic Chairmanship of Ambassador Noboru of Japan. His guidance and tireless search for consensus, and the quality of his attention to the membership requirements of a well-functioning OECD for the future, have ensured that we have a solid strategy for enlargement and relations with non-members in time for the 2004 Meeting of the Council at Ministerial Level.

Now we must build on this strategy to make the OECD the organisation that Members want for the future. I invite all Members to give close attention to the strategy and to do what needs to be done at the OECD and in capitals to implement the various elements of this report. It is a milestone in OECD history, but it represents just the first phase of our work. I am honoured to present it to you today.

Donald J. Johnston
Secretary-General

TABLE OF CONTENTS

FOREWORD.....	3
CHAPTER 1. OUR MANDATE AND CHALLENGES.....	6
<i>A. The Mandate</i>	6
<i>B. Related work in other fora of the Organisation</i>	6
<i>C. OECD enlargement: history and recent challenges</i>	7
<i>D. The strategic objectives and working assumptions of our endeavour</i>	8
CHAPTER 2. THE OECD IN THE NEW WORLD CONTEXT: THE RATIONALE FOR ENLARGEMENT.....	10
<i>Introduction</i>	10
<i>A. The OECD in the global architecture</i>	10
<i>B. Characteristic features of the OECD</i>	11
<i>C. The membership requirements of OECD's functional processes</i>	12
CHAPTER 3. A NEW ACCESSION PROCESS TO SHAPE OECD'S FUTURE COMPETENCE AND GLOBAL INFLUENCE.....	15
<i>A. Accession to the OECD</i>	15
<i>B. Overview of key criteria</i>	16
<i>C. Description of key criteria and corresponding yardsticks</i>	16
(a) Like-mindedness.....	16
(b) Significant player.....	17
(c) Mutual benefit.....	18
(d) Global considerations.....	18
<i>D. A new accession process</i>	19
<i>E. New members: how many and when</i>	19
CHAPTER 4. ENSURING THE SOUND FUNCTIONING OF A LARGER ORGANISATION.....	20
<i>Introduction</i>	20
<i>A. Organisation of work in committees</i>	20
a) <u>Working methods</u>	20
b) <u>Organisation of meetings</u>	21
<i>B. Decision-making</i>	23
<i>C. Financial implications</i>	24
(a) <u>Description of various costs of enlargement</u>	25
(b) <u>Outcome of the deliberations</u>	25
<i>D. Solving problems and the reality of enlargement: Which comes first?</i>	28

CHAPTER 5. STRENGTHENING AND RESTRUCTURING RELATIONS WITH NON-MEMBERS	29
A. OECD’s relations with non-members in the new world context	29
B. Vehicles to facilitate preparation for accession to the OECD	30
C. Relations with non-members that are not on the accession path	32
(a) Positioning the non-members	32
(b) Outreach Vehicles	33
(c) A high-level dialogue with well-targeted non-members	36
(d) Partnerships with other international organisations	36
(e) Evaluation	36
CHAPTER 6. SUMMARY: WHERE WE STAND AND WHAT TO DO TO STRENGTHEN THE ACCESSION PROCESS AND OUTREACH	37
ANNEX 1: THE CONCEPT OF THE OECD “ACQUIS”: A NOTE BY THE DIRECTORATE FOR LEGAL AFFAIRS	44
ANNEX 2: THE NEW ACCESSION PROCESS	46
ANNEX 3: ENLARGEMENT OF THE OECD: IMPLICATIONS FOR THE ORGANIZATION OF MEETINGS	47
ANNEX 4: MAPPING THE STRATEGY FOR ENLARGEMENT AND OUTREACH	54
ANNEX 5: PARTICIPATION IN OECD	55

CHAPTER 1. OUR MANDATE AND CHALLENGES

A. The Mandate

1. At the November 2002 retreat of OECD Heads of Delegation, the discussion on the OECD reform process made clear that if the Organisation was to play an increasing role in setting the international economic architecture and to enjoy greater visibility in capitals, an enlarged OECD membership was inevitable and a strategy to that end necessary. In the wake of that meeting, at the Heads of Delegation meeting on 12th December, a “Working Group on the Enlargement Strategy and Outreach” (HOD/IG4) was created.
2. The Heads of Delegation set the mandate of the Working Group as follows :
 - To review the questions related to the nature and functioning of the Organisation arising from a possible enlargement and the implications of the accession process;
 - To review how stronger relations and new processes or working methods could be established and developed with non-members; and
 - To prepare draft recommendations in time for approval at the 2004 Council at Ministerial level meeting.

The Council also decided that the OECD enlargement strategy and its relations with non-members are among the issues that should have advanced sufficiently to enable presentation of a Council report and, as appropriate, recommendations to Ministers at their 2004 annual meeting.ⁱ

B. Related work in other fora of the Organisation

3. Ambassadors at the November 2002 retreat also agreed that a comprehensive review of the present and evolving role of the OECD in the global architecture was needed. To this end, Ambassador Julin of Finland carried out a comprehensive study and reported the results to the Heads of Delegation Meeting in March 2003. The report succinctly identified the outstanding issues and gave valuable insight to this Working Group on the basic premises that should underpin its discussions. An analysis of the fundamental characteristics and role of the OECD is essential when considering an OECD enlargement strategy.
4. As noted in its mandate, the HOD/IG4 maintained close co-operation with the Committee on Co-operation with Non-Members (CCN) on issues regarding relations with non-members. In this respect, and following discussions within the Working Group and consultations with Ambassador Olivieri of Italy, the Chairman of CCN, this Working Group has focused on devising a new accession process and a mechanism to facilitate the accession of certain candidate countries. With regard to the more general aspect of outreach in a post-enlargement context, including the participation of non-members as full participants and observers in committees, deliberations in the CCN have played a very useful role. The outcome of the deliberations was received by this Working Group which took it into account in elaborating the overall strategy.

5. In addressing the possible effects that may result from enlargement, this Working Group has incorporated the outcome of discussions in HOD meetings on the reform of the decision-making system. As for the budgetary impact of enlargement, the Executive Committee discussions and the Council's decision on the scale of contributions in a pre-accession context have been taken into account in this Working Group when it discussed possible effects of enlargement on the overall budget.

C. OECD enlargement: history and recent challenges

6. Before defining a collective strategy of enlargement and outreach motivated by the imperatives of a stronger Organisation in the new global context, it is necessary to first understand the political background that led, over the past 40 years, to numerous individual requests for membership. The OECD started out with 20 member countries in 1961, and subsequently four new members joined intermittently (in 1964, 1969, 1971, and 1973). In 1973, when New Zealand joined, the OECD seemed to be comprised of all democratic societies and significant players of the global market economy at that time. The Organisation's mandate was embodied in the Convention and its identity was rooted in the characteristics of its members, making them a well-defined group. Thus, for about 20 years, starting from the mid-1970s, membership was stable. In the last ten years, however, with the end of the Cold War and the rise of emerging economies, interest in OECD membership grew rapidly, resulting in six new accessions between 1994 and 2000. At present, there are 16 countries that have expressed interest, in one form or another, in OECD membership.
7. All the countries that joined after 1990, and the majority of those wishing to join, are transition or emerging economies. Taken from a historical perspective, it is apparent that the desire for membership in the OECD reflects the respective country's wish to establish itself as a member of a community of nations committed to democratic as well as market-oriented institutions and policies. The OECD is faced with having to take a decision on how to deal with such political aspirations. In fact, it has procrastinated on this point for a number of years, sometimes delaying a response to countries that have expressed an interest in membership.
8. It became clear in the discussions of this Working Group that a considerable number of Member countries, for reasons of geographical proximity or shared membership in a community, see OECD enlargement in terms of fulfilling such political aspirations. This view has led some to argue that the enlargement strategy should not impose new obstacles to countries currently requesting membership. In particular, this view implies that it would be inappropriate to set accession standards that even some of the existing Members could not meet. In this regard, it was underlined that ten new members will join the EU in 2004. Since six of them are not members of the OECD, some delegations argued that this situation would create an imbalance that could not be politically ignored. It was also noted that the OECD has established close co-operation with Russia over the years and has recognised that the "shared ultimate aim" of this co-operation is Russia's membership in the Organisation and that Russia became an official member of the G8 in 2003.
9. At the same time, the 1990s was a period when the identity and the legitimacy of the OECD came under fire. A sense of crisis existed with regard to the diminished interest in capitals to make use of the OECD as a practical means to bring about institutional and policy change in support of economic, social and environmental progress. Some in the Working Group argued that the unique characteristics of the membership of the OECD are the very cornerstone that enables the Organisation to strengthen its competence and global influence, and hence the OECD should be more proactive than it has been in the past in selecting new members.

10. Some expressed the concern that, given the countries that have requested membership, if new accession were to proceed on a demand driven basis, membership would be concentrated in a specific region, and as a result would diminish the dynamic nature of the OECD and its legitimacy as a global organisation. It was underlined that such a development could lead to lesser interest in OECD work in the capitals of certain Member countries. This is also a political challenge that cannot be ignored.
11. Given the above-mentioned background for future OECD enlargement, most of us share the view that the issue of new membership is ultimately and fundamentally a political decision for the Council. Indeed, there is always a temptation to view enlargement purely as a matter of a political choice (“yes or no” without the need to justify the position) and to express doubts on the significance of strategic thinking. While the issue of OECD membership continues to carry a strong political element, all share the view that if the Organisation is to thrive in the future, it is essential that they agree on a collective strategy before enlargement actually takes place, ensuring that the accession process will uphold the Organisation’s integrity and enhance its competence, global influence and capacity to contribute to the development of members and non-members alike.
12. In the past, the OECD tended to deal with new membership in a demand driven, *ad hoc* manner. That was justifiable given the context of the time, and the OECD itself could cope with such an approach. However, we are all aware that the realities facing the Organisation today are different. A strategic action plan must be initiated on the basis of the Organisation’s agreed mandate and functions if the OECD wishes to overcome the challenges that it faces and enhance its competence and influence within the global architecture as well as in our capitals (see Chapter 2). Moreover, the OECD faces difficult organisational issues regarding the work in Committees, decision-making and financing. If we fail to find solutions to these problems, it is likely that enlargement will exacerbate present difficulties in the OECD, thus leading to a breakdown that would seal the fate of the Organisation.
13. We cannot let the OECD drift without a future vision based on principles and supported by a strategy, simply handling waiting lists and allowing narrow interests to prevail in the name of political realism. I believe that many Member countries and the Secretariat sense that OECD is at a crossroads and that our decision on enlargement and outreach will be of vital importance for the future of the Organisation. We know now that we must rise to the occasion and go beyond individual political interests. This awareness was given form during the deliberations at the Ambassadors’ retreat in 2002 and has progressively gained substance through the work of this Group. In discussing strategy, as I will elaborate below, it was extremely difficult to reach a consensus on a number of issues reflecting a wide range of interests. However, if we stop our train of thought or flee from difficult issues, we could certainly be accused of relinquishing our responsibility towards the next generation of stakeholders. As Chairman of the Working Group, I acknowledge not only the existence of various legitimate, individual interests but also my duty to take them into account to the extent possible. I consider however that my primary obligation is to come up with a proposed strategy to strengthen our Organisation through enlargement and outreach before the unavoidable political process begins.

D. The strategic objectives and working assumptions of our endeavour

14. Based on the above considerations, the HOD/IG4 has endeavoured to pursue the following strategic objectives:
 - To ensure that an enlargement will strengthen the Organisation’s competence and global influence and, therefore, enhance its capacity to fulfil its mandate defined by the Convention;
 - To minimise and control the possible negative effects that a larger membership may cause;

- To devise a strategy for integrating potential future members into the work of the Organisation with a view to facilitating their accession; and
- To strengthen and restructure its relations with other non-members in accordance with their ability and willingness to contribute to the Organisation's competence and global influence and OECD's ambition to be a pathfinder of globalisation.

ⁱ Council Resolution on OECD Reform [C(2003)91/FINAL].

CHAPTER 2. THE OECD IN THE NEW WORLD CONTEXT: THE RATIONALE FOR ENLARGEMENT

Introduction

1. With a view to establishing a strategy on future membership and a new accession process, the Working Group took as a starting point a sequential, deductive approach involving the following tasks: first, to identify the Organisation's role and responsibilities as well as the functional processes which support them; then, to consider what sort of membership requirements are desirable for the OECD to fulfil such a role in the new world context; and finally, to determine what criteria and yardsticks can best approximate these requirements and thus guide the selection of eligible countries for the accession process.
2. Based on this deductive approach, it is indispensable to have first a clear view of the role and profile of the OECD in today's global architecture of international organisations and of the rationale for a strategy-led enlargement, before engaging in the development of a new accession process. I have organised this fundamental logical reasoning into the following sequence: a) the OECD in the global architecture; b) characteristic features of the OECD; and c) the membership requirements of OECD's functional processes.

A. The OECD in the global architecture

3. During the Cold War, with the clear international division between opposing camps, the OECD was a stronghold of economic policy for democratic societies. As a transatlantic economic alliance, at least at the outset, the OECD strengthened the foundations of Member economies so as to ensure the political and social conditions in which democracy can exist. It also enhanced internal solidarity among the membership. The multilateral relations of OECD Members with members of the other camps (the Communist bloc and the Third World, in other words, non-members) were conducted mainly through universal fora such as the United Nations, often with the support of the OECD Secretariat in the economic area (ECOSOC, UNCTAD, etc). The end of the Cold War and the emergence of major players outside the OECD area have created new challenges for the OECD.
4. There is no longer an organised opposing force against which to unite under the OECD banner, thus making the Organisation's *raison d'être* politically less obvious. This adds pressure to prove its utility. One of the most important organisational objectives for the OECD is to improve its legitimacy and relevance within the global architecture and to strengthen its impact on policies in Member countries.
5. With the rapid spread of globalisation and the resulting interdependence of national economies, the Bretton Woods Institutions and the newly established WTO have quickly enhanced their prominence as mechanisms for managing the global economy. Those institutions, together with the OECD, share some overlap in missions, and all are part of the global architecture of international economic organisations. It is also a fact that for political and financial reasons they are competing against each other to emphasise their roles in order to gain greater support from member countries. Among them, the IMF, World Bank and WTO have quasi-universal membership, as well as operational functions such as financing (with accompanying conditionality) member States or conflict resolution (with legally binding results) between member States. These functions provide them with strong implementation tools to realise their policy principles and norms. These functions also give these institutions a strengthened presence in the capitals of their member countries.

6. The G8 Summit process is offering a network among heads of government of major economies to deal with various issues of global concern. Financial ministers and central bank authorities of G7 meet regularly to address worldwide macroeconomic issues from a financial management point of view. In addition, a group called G20¹ has been recently established in an attempt to create a network to cope with issues of shared concern among “systemically important countries”, including both OECD Members and non-members. The OECD is requested to seek ways to effectively co-operate with such networks and, accordingly, re-define its role and mandate in the international architecture.
7. Moreover, due attention should be paid to the increased role played in the global architecture by regional communities. The European Union has already reached an advanced level of integration with some important sovereign rights conceded by member States. Other regional communities such as APEC, MERCOSUR, ASEAN and NEPAD are emerging as mechanisms or networks addressing not a limited economic agenda but a wide range of issues including governance. And perhaps because of their regional character, these communities are usually closer to the political leaders’ mind in member countries and involve regularly heads of state and government meetings. Finally, numerous regional and bilateral trade agreements have been established or are expanding. These arrangements are increasingly driving structural reforms in relevant countries. In these circumstances, the OECD, which lacks some of the implementation tools and inducements that some other organisations and agreements have, must imperatively strengthen its significance by building on its comparative advantage.

B. Characteristic features of the OECD

8. It is a shared view that the Organisation is not a typical international organisation because it has some unique characteristics:
 - OECD’s mandate, defined by the Convention, is to achieve the highest sustainable economic growth and employment in Member countries, sound economic development of non-members and the expansion of world trade;
 - The implementation of OECD’s mandate is grounded in two unique, mutually supportive functional processes (peer learning/influencing and rule making) which are built on sound analysis, address both sectoral and cross-cutting horizontal issues and have demonstrated unparalleled effectiveness in supporting economic, social and environmental performance in Member countries;
 - OECD’s competence and global influence are rooted not only in its functional processes but, above all, in the features of its unique membership whose composition strongly affects the effectiveness of its functional processes.

While the corporate goals qualify the Organisation to be part of the global architecture of international socio-economic organisations, the last two characteristics are unique and set it apart from other organisations. This section builds on this assumption in order to enhance our understanding of the way OECD works and provides a unique contribution to better economic, social and environmental performance in Member countries.

1. G20 was established following the G7 Statement in Cologne on 18 June 1999, which expressed its countries’ “commitment to work together to establish an informal mechanism for dialogue among systemically important countries, within the framework of the Bretton Woods institutional system”. It was inaugurated on 25 September 1999. Currently this forum consists of the finance ministries and central banks of 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi-Arabia, South Africa, Turkey, the United Kingdom and the United States), representatives of the European Union, IMF and the World Bank.

9. OECD's committee structure is a unique source of public policy competence and global influence. It is a loose, non-hierarchical structure with a broadly defined mandate that allows self-organising action in response to change. OECD committees are trans-governmental communities of policy practice among distant national policy makers with similar responsibilities. These committees have elaborated norms of reciprocity (collegiality) and trust among Members and have developed unique functional processes of peer learning and influencing which can lead, as appropriate, to rule making. While the staff of other international organisations is kept at "arm's-length", OECD committees fully integrate the Secretariat. For these reasons, the transaction costs of multilateral co-operation among sovereign states are much lower in OECD committees than elsewhere. OECD committees constitute an invaluable trans-governmental social capital of public policy competence and global influence (including setting the agendas of other international organisations) in their substantive areas. This capital has been accumulated over many years and produces a continuous stream of benefits by contributing to better economic, social and environmental outcomes in OECD countries and, increasingly, in non-member economies.
10. Peer learning in OECD committees is a cognitive process providing opportunities to develop a common vocabulary; to establish an analytical framework with corresponding data; and to share insights, stylised facts, policy experiences and "thick descriptions" of what works and what does not. The resulting detailed descriptions of policy practice serve as repositories of accumulated know-how that Committees have developed. In the process, Members acquire the ability to apply this know-how as a guide for action, supporting performance in their own country and as a means to influence the policies of other Members.
11. OECD Committees are major developers of legally binding decisions and non-binding recommendations. These instruments diffuse and institutionalise norms that in turn affect performance. A key comparative advantage of the Organisation is that rule making in OECD Committees is often rooted in peer learning: if there is a strong convergence of views among Members, the detailed descriptions of policy practice are registered in an agreed decision or recommendation. This lowers considerably the transaction costs of multilateral rule making among sovereign states. Older instruments, such as the Codes of Liberalisation, limit the capacity of governments to take restrictive measures at the border and thus strengthen cross-border trade, investment or labour mobility. The Guidelines for Multinational Enterprises, however, are an example of a more recent type of instrument that considers behind-the-border measures. The need for more legally binding decisions and non-binding recommendations that govern domestic policies affecting cross-border flows has become apparent in recent years. Instruments regarding bribery and harmful tax practices are also examples of this trend. These agreements increasingly have a wide substantive scope that suggests that the multi-disciplinary nature of the Organisation confers another comparative advantage to the OECD in the area of multilateral rule-making.
12. OECD Committees are also initiators of global change. The rules, norms and standards produced by the membership have a demonstration effect on many non-members. These instruments also have an effect on the agendas of other international organisations and contribute to the shaping of the international economic order.

C. The membership requirements of OECD's functional processes

13. Each of OECD's functional processes described above has its own membership requirements in the new world context. These requirements can help us develop a collective view of the features of future membership that would best serve the mandate and needs of the Organisation and, therefore, the interests of each of its Members.

a) Strengthening the competence of OECD: membership eligibility based on the requirements of the “peer-learning/influencing” process

14. Peer learning through sharing national policy experiences and influencing other national policies in an interdependent world are critical for the performance of OECD countries. Adding new policy experiences to OECD’s peer learning would enhance the competence of the Organisation if, and only if, based on their demonstrated achievements, the new members have the necessary institutional and policy know-how to contribute significant new insights and relevant inputs to the solving of complex problems addressed across OECD’s committee structure. Like-mindedness (broadly shared values) is important in this regard because only countries where democratic principles are well-entrenched in the beliefs and values of the people and founded in formal legislation and rules are in a position to add value significantly to OECD’s peer learning process. There is little doubt that the search for solutions to some of the complex problems faced by OECD countries is inextricably linked to the values of our societies. How a society defines equity (fairness) and how much it values human life and the environment constitute critical inputs for the design of numerous policies in areas such as taxation, education, health, labour markets, transport, environment, etc.
15. Clearly, the accession of a country that can contribute significantly to the peer-learning process across OECD’s committee structure would be an asset for the Organisation, independent of its size or influence in shaping the international economic order. However, if rigour is used in assessing broadly shared values and long-term economic performance, the countries that can offer reasonable prospects for significant contributions to peer learning across OECD’s committee structure will be limited in numbers. It is important, at the same time, to underline that the Organisation needs the participation of significant players in its peer learning/influencing process not so much because members can learn “wise” policies from them but because the economic growth and environmental conditions of present Members depend to a certain extent on their capacity to influence the domestic policies of other significant players.

b) Strengthening the global influence of OECD: membership eligibility based on the requirements of the “rule-making process”

16. OECD decisions and recommendations are repositories of accumulated know-how that Committees have developed to help Members improve their economic, social and environmental performance. At the same time, OECD countries are the main initiators of change in the international economic order and they use OECD know-how for influencing the agenda setting of international organisations with quasi-universal membership such as the WTO, the World Bank and the IMF. The Organisation itself contributes to the shaping of the international economic order through the participation of non-members in OECD committees and instruments as well as outreach programmes. OECD partnerships with other international organisations also offer opportunities to pursue this aim. For all these reasons, while the Organisation has little formal power to shape the international economic order, it has influence. However, with the emergence of significant players outside the OECD area, the capacity of the Organisation to set the agendas of other international organisations is no longer as effective as it used to be. The OECD does not have today the required membership to influence the evolution of the international economic order as effectively as in the past.
17. The accession of significant players would enhance the universal credibility and legitimacy of OECD decisions and recommendations. This would also facilitate the use of OECD instruments in setting the agendas of other international organisations because new members would not only endorse these instruments but would also be inclined to mobilise support for them. On the other hand, the accession of significant players might dilute “like-mindedness” (broadly shared values) and could lead to a more time-consuming rule-making process in the Organisation. However, since “like-mindedness” is the outcome of a dynamic process of peer learning, values are likely to converge over the years.

18. To sum up, enlargement is a vital course of action for the Organisation for the sake of enhancing its competence and global influence. As argued in this chapter, OECD is unique among international organisations in that its membership directly determines the quality of its outputs as well as its ability to implement them beyond the confines of the membership. First, the competence of the Organisation will be enhanced by accepting like-minded countries that can contribute significantly to the peer-learning process across OECD's committee structure. Second, the influence of the Organisation on shaping the international economic order will be enhanced by accepting significant players. This means that OECD enlargement must be innovative and strategically selective. This view, I believe, is shared by all. In order to find a common understanding on how to be innovative and strategically selective, the Working Group engaged in long discussions, which culminated in the proposal for a new accession process described in the next chapter.

CHAPTER 3. A NEW ACCESSION PROCESS TO SHAPE OECD'S FUTURE COMPETENCE AND GLOBAL INFLUENCE

A. Accession to the OECD

1. Article 16 of the OECD Convention stipulates that “The Council may decide to invite any Government prepared to assume the obligations of membership to accede to this Convention”. In this sense, accession by a country to the OECD is not automatic, but is based on a wilful decision of the Council. As described in the previous Chapter, there is a strong argument that the strengthening of our Organisation requires that accession should be innovative and selective and that the Council should maintain a high threshold of standards when considering applicants, reflecting the membership requirements based on both peer learning/influencing and rule making. Thus, the purpose of this Chapter is to analyse the necessary tools for the Council’s decision and, with their help, to propose a new accession process that will help shape the future competence and global influence of the OECD.
2. Defining how the Organisation should be “selective” is the core, and most political, part of the enlargement strategy. As mentioned above the accession of a country to the OECD is a political decision by the Council, backed by a technical examination of the terms and conditions by the relevant Committees and Secretariat. Strategic guidelines are needed in order for the Council to have an objective and transparent basis upon which to ascertain the political will of the candidate country and to make the political decision to invite a country to engage in discussions for accession: what kind of countries should make up the membership of the OECD; what qualities should the Organisation expect from each of the new members; and what benefits should the Organisation expect to retain or acquire through enlargement in order to strengthen its competence and global influence and thus enhance its comparative advantage. This is the question of criteria and corresponding yardsticks.
3. The criteria and yardsticks serve as valuable markers guiding Council’s decisions throughout the entire accession process¹ including the pre-Article 16 discussion with potential candidates. However, it should be emphasised that the most critical phase of this decision-making comes when the Council agrees on eligible candidates for OECD membership, given that the evaluation procedure under the Article 16 is mainly focused on technical assessments by Committees and the Secretariat, leaving less room for further political considerations.
4. Once the Council decides on the desired criteria and corresponding yardsticks for new members, it will be able to squarely address future accession cases, assessing the merits of the candidate and determining to what extent a given country meets these criteria. This approach will help the Council decide whether to formally invite that country to start the pre-accession process. Although individual

1. The accession process and the Council’s role therein:
First the Council decides to invite a country to engage in discussions with a view to joining the Organisation. At the same time, the Council determines the procedure to be followed and designates appropriate Committees to examine the applicant country’s policies and regulations to ensure that it is able and willing to assume the responsibilities of OECD membership. When the Committees and the Secretariat have finished their examinations, they present their recommendations to the Council. Subsequently, the Council authorises the Secretary-General to engage with the applicant in an examination of the terms and conditions of a possible invitation to accede to the OECD Convention. Finally, the Council decides to invite or not the applicant country to accede to the OECD Convention.

Members might have implicitly used a similar approach previously, the Council has so far not explicitly conceptualised such criteria and yardsticks defining the benefits to the Organisation to accept specific countries as new members.

5. After a number of sessions, the Working Group agreed on the usefulness of a number of such concepts by which to consider new members. The definition of each criterion and corresponding yardsticks has been difficult but the discussions proved fruitful for our Working Group. Our discussions have given rise to the following definitions and use of these terms which will be applied in an appropriate, flexible manner.

B. Overview of key criteria

6. In considering the accession of a given country, it is first necessary to identify the eligibility of the candidate country by using two criteria, namely “like-mindedness” and “significant player”. I would call this the “positioning” of a candidate country. “Like-mindedness” and “significant player” cannot be easily measured with quantitative gauges and it would be difficult to definitively “rank” candidate countries. “Like-minded countries” and “significant players” are not necessarily opposite or mutually exclusive concepts. They should not be considered as “either/or” concepts. Rather, they should be seen as two components describing a country’s profile as a potential contributor to the quality of OECD’s work and its world-wide influence, thus indicating whether it is an eligible member of the OECD.
7. The positioning of countries according to “like-mindedness” and “significance” (as in player) does not by itself lead to a specific list of possible candidates for OECD membership. In order to reach a decision, it is also important to undertake simultaneously an “assessment” of the country’s possible accession in the light of the Organisation’s mandate and interests. “Mutual benefit” will be considered as a criterion with which, in addition to positioning a country based on the criteria of “like-mindedness” and “significant player”, the Council takes a more definitive decision to select the country as candidate. The criterion of “Global considerations”, which some interpret as geographical diversity, is another criterion that is included in the Council’s deliberations about membership from the standpoint of the Organisation’s global nature.

C. Description of key criteria and corresponding yardsticks

(a) Like-mindedness

8. The concept of “like-minded countries” is considered to denote those countries who broadly share values (“more-like-us”). This criterion defines a potential candidate as being able to make a substantial contribution by enhancing the competence of OECD’s work through the sharing of its high-quality policy know-how based on common values. It should not be viewed as cultural affinity. The definition of “like-mindedness” should be set out as objectively as possible. Below is a list of possible yardsticks emerging from our discussions. Although the most fundamental concepts like market-based economy and democratic principles seemed to enjoy a consensus, the rest of the listed yardsticks, conceptually considered as the outcomes or specific derivatives cascading down from the above values, were partially supported in the Working Group. I must conclude that a uniform and prescriptive definition of “like-mindedness” does not enjoy unanimity. However, all these possible yardsticks for defining “like-mindedness” are still worth recording because we must assume that when we discuss specific candidates in the future, Council Members will need to use them as a reference. It is hoped that the Council will deepen conceptually this criterion using specific cases to crystallise “like-mindedness” with the support of solid and objectively defined yardsticks.

Fundamental yardsticks:

- market-based economy
- democratic principles

Other relevant yardsticks (no hierarchy involved):

- basic economic performance (per capita income levels as an indicator of the capacity to contribute to peer learning)
- good governance and rule of law
- human rights
- active participation in other relevant international and regional organisations
- provision of development assistance initiatives
- observance of “OECD acquis”²

9. As a criterion of the future membership of the Organisation, “like-mindedness” is a key element in maintaining OECD’s uniqueness among international organisations. A high degree of “like-mindedness” is required from new members because it plays an essential role in ensuring the effectiveness of peer learning, i.e. a member should be expected to possess the policy quality that is required for peer learning. “Like-mindedness” serves to retain the present qualities of the OECD.

(b) Significant player

10. The accession of new members to the Organisation should strengthen the OECD by providing new opportunities to learn from or influence their policies and enhancing its capacity to contribute to the shaping of the international economic order. “Significant player” is thus proposed as a criterion designating a country that has the capacity to contribute effectively to peer learning/influencing across all key OECD committees or whose policies matter for Members because they have, through economic interdependence, significant impact on the economic, social and environmental performance of OECD countries as well as on the shaping of the international economic order. This term does not necessarily imply a large share of world GDP, trade, population, etc., nor does it mean specifically the so-called “Big 6”.³ This criterion also characterises potential members who will be expected to participate in the management of the OECD with a seat in the Council rather than just in specific committees.
11. The “significant player” concept derives from the idea that a member should not merely benefit from OECD work, but should be capable of significantly contributing to the competence and the global influence of the Organisation. “Significant player” derives from a strategic consideration of strengthening OECD’s relevance in the future, and involves the idea of enhancing the capacity of the Organisation to implement its mandate through enlargement and outreach. But, “significant player” is not sufficient unto itself, and does not take precedence over other criteria, particularly “like-mindedness”.

2. “OECD acquis” is a term that emerged for the first time in the discussion of this Working Group. Although there is no agreed precise definition, it is of common understanding that this concept was introduced as an analogy of “EU acquis” and includes at least the substantive instruments of the Organisation. An analytical note of this concept by the Directorate of Legal Affairs was presented to the Working Group (see Annex 1).

3. Brazil, China, India, Indonesia, Russia and South Africa.

(c) Mutual benefit

12. Beyond positioning a candidate country on the basis of the two criteria described above, the Council will also assess the candidate from the more general viewpoint of the benefit of accepting a specific country as a new member. “Mutual benefit” is a concept requiring that the accession of any country to the OECD be advantageous to both the current OECD Members and the new member. Assuming that candidates request membership in the belief that accession to the Organisation is in their own interest, this concept implies more specifically that accession should also be beneficial to the OECD. Given that the accession of a specific country should strengthen the role of the Organisation and improve the effectiveness of its functional processes, this concept serves as an umbrella criterion for deciding whether the country is “like-minded enough” and “significant enough” to be an OECD member.
13. As “mutual benefit” is a tool based essentially on a subjective judgement, it needs to be defined as concretely as possible in order to avoid tautological or arbitrary usage.
14. Bearing in mind that this definition should have a clear link to the Organisation’s role and functions, “mutual benefit” may be conceptualised as existing when a certain country has the capacity and will to commit itself to effectively contribute to OECD’s substantive activities (in Committees) and governance (in the Council), and at the same time, when its participation will benefit the Organisation in, for example, the following manner:
 - a. The country has the willingness and the capacity to contribute to the peer leaning/influencing process and has proven through, *inter alia*, its performance in the outreach activities of OECD bodies, that the latter consider that it can do so.
 - b. The country’s participation and commitment to rule making will help contribute to the quality and global influence of the outcome.
 - c. The relevant policies and achievements of the country will have an impact on the sound economic development of OECD Members.
 - d. The country’s membership will contribute to strengthening the global character of the Organisation.
 - e. The country is able and willing to contribute to the proper management of the Organisation.
15. To sum up, “mutual benefit” is an indispensable criterion for the assessment of a candidate from the overall viewpoint of the vocation and functions of the Organisation, providing the Council with the appropriate leeway to strategically assess and decide on new membership.

(d) Global considerations

16. The OECD is a global, albeit not universal organisation. The Organisation aspires to develop policies of global value (role as pathfinder of globalisation). This aspect of OECD’s identity should be reflected in its future membership. Thus, “global considerations” is also an important way to assess candidates. This is not necessarily limited to the geographical diversity. It also means that the Organisation would benefit from diversity in approaches to issues within the broad concept of “like-mindedness”. Some consider it more appropriate to use it as a yardstick for assessing “mutual benefit” rather than presenting it as a stand-alone criterion.
17. While “like-mindedness” and “significant player” focus on defining the eligibility of an individual candidate, “global considerations” concerns the overall balance of the membership. Also, while the first two criteria, together with “mutual benefit”, work as “selective” elements of the membership composition, “global considerations” is “reflective” of the overall composition of membership. In practice, it is argued that none of the criteria above should be used as a tool to negatively “filter” candidates.

D. A new accession process

18. Based on the above criteria and yardsticks, a new accession process is proposed. Instead of a conventional demand-driven and *ad hoc* practice, the Organisation would take action on its own accord in determining its future membership, while paying due attention to the intentions expressed by countries interested in joining the Organisation.
19. This new practice of considering candidates to accession comprises two simultaneous steps: “Positioning” and “Assessment”. The Council examines characteristics of a candidate country based on the two criteria of “like-mindedness” and “significant player” in “Positioning”. Simultaneously, the Council makes an assessment of the “mutual benefit” and “global considerations” of the accession. Through this practice the Council is expected to explore options to identify potential candidate countries in order to start discussions with them with a view to encouraging their accession. A programme for the pre-accession phase is developed for each candidate to facilitate and prepare their possible accession (see Chapter 5). A graphic illustration of the new accession process is presented in Annex 2.

E. New members: how many and when

20. Many Delegations consider that there must be a limit on the number of future OECD members in order to maintain the high quality and efficiency of OECD work. It is also relevant to take note of the Secretariat’s suggestion of a limit of between 40 to 45 countries for the OECD to effectively maintain its current working methods (see Chapter 4). Thus the Working Group bore in mind the rough figure of 40-45 as a reasonable working hypothesis. Practically speaking, since candidates will have to fulfil the requirements for membership, accession will inevitably be limited, but it would be difficult to say whether that limit would be 10 countries or 15 countries. As long as we do not take a passive attitude to simply process the waiting list of membership requests, it seems rather meaningless to set *a priori* a specific number as ceiling or target. For, from the point of view of having an active, goal-oriented specific enlargement strategy, it is more important to be open but selective and consider “which countries are appropriate” rather than “how many countries are appropriate”.
21. The discussions in this Working Group were based on the foreseeable evolution of the international context over the next decade or so and the OECD’s enlargement and outreach strategy within this time frame. Since it would not be realistic to establish a framework for accession beyond this period, a review of this work or an elaboration of a new strategy will be needed at that time. With this in mind, there was a convergence of views in the Working Group that enlargement should be considered over the short-term and the medium-to-long term without prejudging actual accession. It would be both technically and politically difficult to list countries for either short-term or medium-to-long-term enlargement together with the required criteria. However, it would be practical to consider that possible accessions in the near-term (for example 2 to 5 years) are explored on the basis of the new accession process, and that in the meantime, in a medium-to-long-term (5 to 10 years) perspective, countries could be identified for possible future accession for which adequate preparatory outreach programmes could be planned accordingly. In this case, extra care is needed to ensure that identified countries understand that it will be up to them to decide on the speed of preparations and that with the launching of a preparatory programme no commitment is being made on either side towards accession. New, concrete mechanisms of co-operation with relevant countries will be established within the framework of the Organisation’s strengthened and restructured outreach strategy (see Chapter 5).

CHAPTER 4. ENSURING THE SOUND FUNCTIONING OF A LARGER ORGANISATION

Introduction

1. While the decision on accession of any specific country must be based on the strategic premise that enlargement is beneficial to the OECD, a larger Organisation could accentuate several existing problems and create new ones. Enlargement should not jeopardise the sound functioning of the OECD; it must rather be an opportunity to further strengthen the Organisation by increasing its competence and global influence in the pursuit of its mandate. Identifying potential problems that arise from enlargement and finding solutions to these problems are an integral part of the development of an overall enlargement strategy.
2. In the discussions of the Working Group, the need for a solutions-oriented debate on the three issues put forward by the Secretary-General was confirmed. These issues concern the organisation of work in committees, the decision-making process, and the budget. On the question of the organisation of work in committees, discussions centred on comments by Committee Chairs, who were invited to express their thoughts and experiences, and Secretariat papers on this issue. With regard to the decision-making process, given that it is an organisational issue of a fundamental nature, it was discussed in the HOD Meeting, and this report reproduces its outcome.
3. As for the financial implications, the Executive Committee discussed issues relating to scale of contribution and this Working Group has discussed the possible effects of enlargement on the overall budget.

A. Organisation of work in committees

4. Unlike other major international economic organisations such as the IMF, World Bank or the WTO, whose key *raison d'être* is operational, OECD's relevance is judged mainly on its programme of work and the quality of its contributions to economic, social and environmental performance in OECD countries. In turn, the quality of this OECD output depends on the efficiency with which committees do their work and the nature of inputs provided by Members and the Secretariat. The Working Group considered this issue from two perspectives: the working methods and the organisation of meetings.

a) Working methods

5. OECD bodies use a number of working methods to produce their outputs. These can be divided into four major components described below. In turn, these working methods combine to form the two functional processes of the Organisation (see Chapter 2): peer learning/influencing (a, b and c below) and rule making (a, b and d). Each working method will be affected in different ways and to various degrees by enlargement. The Secretariat proposed the following observations to the Working Group in this regard:
 - a. Production of comparative statistics and policy analysis: work constituting the foundation on which all other methods are built. There are significant "integration" (non-recurrent) costs for statistics in an enlargement process and a reduction of the scope of the Organisation's statistical work would greatly endanger its analytical capacity. Also, accession by new members may result in the opening up of new substantive areas of

particular relevance to them. New members, regardless of their “like-mindedness”, might seek new substantive areas for policy analysis based on their national agenda, making it increasingly difficult to prioritise within the current budget constraints.

- b. Thematic policy dialogue: an intergovernmental thematic process whereby policy makers monitor economic and policy developments and their impact, and learn from each others’ experiences in a given substantive area. This peer learning will be enriched by adding more policy experiences if new members have the capacity to offer differing viewpoints and high-quality national experiences from which the present membership can learn. A challenge arises however from the need to meet the corresponding additional resource requirements that could arise from an increase in diversity.
- c. Country peer review: an intergovernmental country-specific process whereby policy makers inform their counterparts of their policies and “peer influencing” is used by the policy makers of other countries to underline areas where reform is needed. This work is resource intensive by nature and enlargement would imply either fewer reviews per country, increased budget or diminished quality and scope of reports.
- d. Multilateral rule-making: an intergovernmental co-operative approach to the development of legally binding decisions and non-binding recommendations containing “good practice” principles and standards to which Members agree to adhere. The global influence of OECD’s multilateral rule-making would increase if “significant players” join the Organisation. Adding new members could however make agreement more difficult or time-consuming (and therefore more costly) because of an increased number of parties, although possible dilution of “like-mindedness” does not necessarily imply a diminishing of the Organisation’s capacity to develop rules. Even if this was the case, a formal policy of “opting out” of certain instruments by which Members have different obligations has not been the preferred solution in the past because it undermines the consensus basis of the Organisation. It is to be noted that the concept of consensus implemented at the OECD which allows a Member country to abstain on an OECD Act already provides a sort of opting out.

b) Organisation of meetings

6. Regarding the impact of a numerical increase in the number of members on the quality of committees’ output, the Secretary-General has suggested that committees are at or near their limit with the current membership of 30. Accordingly, he set out three alternatives regarding the organisation of meetings: 1) to group members into several constituencies, with representatives from each making up a committee of the whole, 2) to break committees into subgroups for in-depth discussions, reserving plenary meetings for review and consolidation of results, 3) to divide the committees into subgroups or “satellite” committees, and move towards decentralisation by utilising OECD facilities worldwide. In this Working Group, there was little support at this time for formal constituencies or regional groups. Other ideas for meeting arrangements were discussed in a positive way and the result is summarised in paragraph 12.
7. In addition to flexible meeting structures, the Working Group considered that a strengthening of the role of Bureaus and of the Chair may become essential. Indicative guidelines regarding documentation and meeting procedures would also lead to efficiency gains. While Committee Chairs and the Secretariat have expressed the view that there is no replacement for frank, non-recorded discussion and in-person networking, information technology can also enhance efficiency by allowing preliminary discussions electronically, making documents and in some cases, meetings available to a larger audience electronically and including distant participants in meetings through videoconferencing.

c) Strengthening the effectiveness of committee meetings

8. In an attempt to assess the impact of enlargement on the quality of Committees' output, the Working Group heard from selected Committee chairs and came to the conclusion that enlargement can affect the quality of Committees' output in two ways:
 - The effect of greater diversity of views among members that an enlargement would entail.
 - A purely arithmetic effect due to a numerical increase in members participating in a meeting
9. **Greater diversity of views.** Since the objectives and working methods of committees differ, any impact that diversity of views among members would have will vary among them. Hearing from Committee chairs indicated that the convergence of views or "like-mindedness" among members was generally preferred at the committee level. On the other hand, the experience with the observers' participation in Committees shows that the impact of less commonality of views leads to different assessments from committee to committee, and there was no evidence of a uniform appreciation of the actual impact. Furthermore, the possible impact of the accession of a particular new member may vary depending on the characteristics of each committee.
10. As far as the area of rule making is concerned, there is not necessarily a strong correlation between "like-mindedness" and operational effectiveness, as perceptions of national interest might play a more important role. On the other hand, as indicated in a review by the Secretariat, the effectiveness of the working method in peer reviews largely relies on "shared values", an "adequate level of commitment", "mutual trust" and "credibility"ⁱⁱ.
11. If the membership of a country is beneficial in fulfilling the Organisation's mission but it does not have the required commonality of views (or "like-mindedness"), it may be worthwhile to consider establishing some kind of a programme of co-operation for such a country to strengthen its "like-mindedness" and thus facilitating its preparation for accession (see Chapter 5).
12. **A numerical increase in the number of members.** The impact of an additional new member on the effectiveness of committee meetings depends not only on the characteristics of the member, but also on the characteristics of the committee itself. It seems impossible at this point to go beyond deductive analysis in assessing the impact on committee level operations. An empirical assessment will be possible only following enlargement. On the other hand, it is certainly possible to consider measures to deal with the impact of numeric expansion of membership on the work of committees. Judging from the interviews with committee chairs, their views varied on this point depending on the nature of the committee's objectives and working methods. Therefore, it would be inappropriate for the Council to impose a uniform prescription to all committees. Furthermore, a number of committees are already looking into ways to improve the organisation of their meetings at the current level of participants, including non-member observers. Against this background, the following is proposed for consideration by the Council:
 - (i) It is neither necessary nor appropriate for the Council to take specific action to change the organisation of work of committees prior to eventual enlargement.
 - (ii) Instead, the Council should prepare and offer to Committees, on an experimental basis, a menu of several overlapping, optional approaches, based on the committees' accumulated experience and new ideas, which include:
 - ◆ Sub-groups or task forces made up of a smaller number of members that prepare a large part of the work before reporting the results to Committees
 - ◆ Break-out groups to discuss different issues and then report back to the plenary Committee meeting

- ◆ Greater use of Bureaus and Chairs, of standardisation of documentation and best practice in preparing and conducting meetings.
- ◆ Greater use of information technology to improve the efficiency of meetings
- ◆ Opting out of some OECD instruments or activities (e.g. abstention as described in Article 6, Subparagraph 2 of the Convention)

(See Annex 3 for an overview of options)

(iii) The Council should encourage committees to choose one or more elements from the menu of options, or to devise their own innovative methods for experimental implementation, and to assess their achievements in committee reviews now under consideration.

(iv) The Secretariat should collate the experiences of committees regarding meeting structures, role of Bureaus and Chairs, standardisation of documents and preparation and conduct of meeting, and create and maintain a clearinghouse where best practices can be mutually shared.

13. In line with the above, it would be appropriate to take the following into account:

- In considering the options, an experimental, action-oriented approach is required. This should be undertaken through studies and trials in Committees – “learning-by-doing” -- rather than through a deductive analysis in an HOD-level forum.
- In order to minimise constraints on committee activities within a given field, and to maximise the quantity and quality of output, each committee’s choice should be respected regarding the most effective and comfortable option, in line with its working methods and expected outcomes.
- In introducing new ways to organise committee meetings, judging from the discussions so far, we can foresee a trend towards multi-layered committee structures. This may be at odds with the efforts of streamlining committee structures, and notably with the moratorium on the establishment of new bodies. Generally speaking, from the point of view of the governance of an enlarged Organisation, decentralisation, self-organising action in response to change and greater autonomy of committees, while strengthening the Council’s authority in strategic guidance and management, would appear most desirable. However, this could create concern over the diminishing authority of the Council. Therefore, the Council will have to address this matter in the future in the light of actual experience, and preparatory discussions will be needed.

14. Enlargement will also have repercussions on the work of the Council itself. The Council differs from other committees as it is the supreme decision-making body, responsible for strategic decisions and management of the OECD. If the current mode of work is to be maintained, with enlarged membership, each agenda item will require more time for debate. On matters of substance, assuming that the principle of the consensus rule is maintained, more time and energy will be required for reaching decision. If the current working practice of the Council is already not the most rational for a governing board of an organisation of the size of OECD, these shortcomings can no longer be ignored in the context of enlargement.

B. Decision-making

15. The limitations and problems associated with the current OECD practice of consensus based decision-making have been widely pointed out. Therefore, this issue does not have its origins in the debate on enlargement of the OECD. Nevertheless, if OECD membership is to be expanded, with more members involved in decision-making and with less commonality of views, the problems will be exacerbated. Consequently, it is recognised that this issue needs to be strategically dealt with when discussing enlargement.

16. Recognising that the current consensus-based decision-making practice has already reached its limits in certain areas, the Heads of Delegation, with Ambassador Brückner of Denmark acting as facilitator, studied the possibility of introducing a majority voting method for special cases.
17. After one year of intensive discussions and tireless efforts made by the facilitator, the Council reached an agreement on 22 April 2004 to introduce a new decision-making method, for a two-year trial period starting on 1 July 2004, as follows:

The chairs of the Council and concerned committees will make every effort to reach consensus, but if consensus cannot be reached in due time, a decision would be taken by a majority of at least 60 percent the Members countries, unless opposed by three or more Members representing at least 25 percent of the Part I Scale of contributions, for the following affected issues and bodies:

 - a. Continuation and abolition of committees and other subsidiary bodies.
 - b. The Organisation's Programme of Work and its Budget, within a consensus agreed envelope, and any related decisions which allocate resources down to the output area level.
18. Although the scope and the trial period of this new decision-making method is limited, it will undoubtedly make the work of the OECD more efficient, and it is expected to contribute to the sound functioning of a larger Organisation.

C. Financial implications

19. It is unrealistic to assume that enlargement of the OECD membership can occur without a corresponding increase in costs. The question then becomes: To what extent would the costs increase following enlargement, and how should such an increase be financed?
20. In the 1990s, when OECD membership increased by 25 per cent in a relatively short period, the budgetary impact was handled on an *ad hoc* basis. No long-term strategy existed to deal with this issue. The decision taken by the Council was no doubt the only possible one, given the circumstances at that time. However, there was no shared view in the Working Group that this approach was the best way to ensure the sound development of the Organisation in the future. A majority of the Working Group and the Secretariat questioned whether the current system (including the level of the budget envelope and the scale of contribution) could meet the financial demands of an enlarged OECD. In view of the current budget constraints, which enlargement may aggravate, the budgetary impact of increased membership – especially if the increase is relatively significant during the next few years -- needs to be addressed appropriately so as to permit an increase in OECD's membership that does not lead to financial difficulty or impair the ability of the Organisation to meet its responsibilities.
21. Following the deliberations in the Executive Committee in 2003 on the principles and rules for determining the scale of contributions of Members, and the resulting Council decision on 15 January 2004, this Working Group discussed three elements of the budget: (i) the increase in recurrent costs due to additional members, (ii) non-recurrent costs related to the accession of new members and (iii) possible charging of new members for the Organisation's existing assets. In addressing issues (i) and (ii), we took as starting point the recognition of a quantitative impact of enlargement on the Organisation's budget requirements, and then considered possible compensatory measures. It was also agreed that the reform of the scale of contributions for the enlarged Organisation would be addressed in the Executive Committee.
22. The discussions on these issues in the Executive Committee and in this Working Group enabled us to recognise the characteristics and magnitude of the problem, and certain basic principles have emerged as to how to finance the enlargement. However, it was not possible to confirm that current Member countries were ready at this stage to agree on any specific measures. Additional work will be needed to reach an agreement in this regard, depending firstly on the speed and the scale of enlargement and

secondly, on the capacity of specific future candidates to contribute to the budget. It is also noted that significant differences remain on key elements among Member countries, which will probably require their political will in support of flexibility on the budget. Notwithstanding the above, the Working Group has identified the key issues involved and developed a framework or baseline for future discussions in the Council and its subsidiary bodies.

(a) Description of various costs of enlargement

23. Recurrent costs Recurrent costs are related to on-going participation of new members in the work of the Organisation, notably the updating of databases, participation in Committee work, peer reviews and related operating overheads. Currently this cost is normally covered with the assessed contribution of Members and supplemented by voluntary contributions. However, as it appears unrealistic to suppose that any amendment of the scale of contributions that is politically feasible would alone solve the budgetary gap between the recurrent costs and the revenue of the enlarged Organisation, the Working Group tried to address other possible measures to the extent possible.
24. Non-recurrent costs Non-recurrent costs of accession are defined as those charges directly linked to the Council decision under the Article 16 of the Convention. These costs reflect work that include, *inter alia*, assistance for the establishment by the new member of a statistical data base which is in line with OECD standards, initial contacts and fact-finding missions, and the assessment of the ability and willingness of potential new members to comply with the obligations of membership. In addition, the Working Group is proposing a pre-Article 16 process for selected non-members (PPAP as described in Chapter 5). While the details of this programme are yet to be determined, it could have a considerable impact on the use of the outreach budget. During the latest episode of enlargement, such costs were either absorbed in the Part I Budget or a specific programme was established to manage the financing (e.g. PIT). At present, when the Organisation is under unprecedented budget constraints, the question arises as to whether the conventional practice can be continued.
25. Charging for the accumulated material and intellectual assets The Council decision of 15 January 2004 requests work to be carried out on the way new members should be charged for the Organisation's "accumulated material and intellectual capital." It is argued that new members will benefit from the intellectual and material assets which have been accumulated through investments by the present Members over many years and thus they should be charged for their access to these assets. In more specific terms, the material assets may be interpreted as being the infrastructure of the Organisation, particularly the investment for the ongoing Site Redevelopment Project. The intellectual assets could be interpreted as the Organisation's institutional and policy know-how embodied in its staff. It can be argued that the acceptance of the pension liabilities of the Organisation by a new member compensates the Organisation for its access to intellectual assets.

(b) Outcome of the deliberations

26. Recurrent costs Regarding the assessment of the recurrent costs, the Working Group examined the cost implications on the basis of the concept of marginal cost. This method was also discussed in the Executive Committee in 2003 in considering changing the scale of contributions so as to better adapt the OECD's financial structure to possible enlargement. Throughout the discussion in both fora, it was clear that the same view was not shared on the quantitative assessment of marginal costs and their effect on the budget. This was due to several reasons, among which: (a) some did not recognise the concept of marginal cost as a basis of cost-revenue analysis, (b) some questioned the assumptions for the calculation of marginal cost, (c) some expressed the impossibility of accepting further increases in the scale due to political and practical reasons, whatever the possible outcome of the assessment may be, and (d) on the other hand, some maintained that the marginal cost approach is

the only credible method to ensure a sustainable financial system and that it should be made a principle that every new member should cover its marginal cost.

27. Although the discussion on the assessment of the impact on recurrent costs and the possible measures to take were not conclusive, several major points were made clear.
28. While some doubts were expressed as to the appropriateness of relying on the method of marginal cost for assessing the budgetary impact, no other alternative method was proposed. While there was no agreement on the quantitative impact of recurrent costs, it seems that there is some, perhaps a considerable, difference between the possible recurrent costs resulting from an enlarged Organisation and the possible recurrent revenue increase that new members may contribute to the budget. It is imperative that the Council be able to share a “reasonable hypothesis” on the financial impact of enlargement and its magnitude, either on the basis of the marginal cost assessment or, if not, on some other credible analysis.
29. Regarding the basic relations between the cost of and revenue from new members, the prevailing sentiment was that the new members should, in general, provide sufficient contributions to cover their costs. As to whether this required a change in the scale of contributions, a number of delegates to the Working Group expressed their unwillingness to accept an increase in their own scale, but at the same time there was little support to establish a differentiated scale between the current and new members. It was also a prevailing view that, while they cannot accept an increased assessed contribution to support the cost of a new member, neither would they accept that the service they receive be diminished as a consequence of increased membership.
30. Since the scope for agreement on other specific measures to increase the revenue can not be foreseen at this stage, the Organisation may first have to consider financing the enlargement cost by shifting existing resources. Three specific measures were studied in the Working Group, although no convergence of views emerged to support the application of any of them.
 - i) Transferring parts of the outreach budget to the rest of the programmes would be possible, though this would be limited to a small number of non-members for which substantial outreach resources are spent within the framework of existing Country Programmes. Some expressed reservations on this possibility, arguing that the level of the resources for outreach should be maintained.
 - ii) With the increasing financial weight of country reviews rendering the budget less flexible, extending cost recovery for these reviews or transferring some of them to the Part II budget could be considered. While some argued that most of these activities are important core issues of the OECD and consequently should be kept in the Part I budget, it was noted that in some areas Members already pay for all or part of the costs of their own country or regional reviews. In this case, a different perception of cost sharing that reflects the real cost of specific outputs may have to be considered. Although this measure implies a fundamental change in the PWB structure and its basic tenets, I believe this option should not be precluded *a priori* if the OECD wishes to enlarge its membership, while at the same time respond to new policy demands in a financially sustainable way.
 - iii) Given that there was a general reluctance to take on additional contributions or to substantially change the budget structure, a classic option to deal with additional cost increase is to absorb it in the budget. This implies reallocating resources or evaluating the cost/benefit of all outputs. While the deliberation of the latter is supposed to depend on the Secretariat’s effort in the current output-based budget process, the former requires efforts by Members to streamline their demands. In any case, I observed a shared sense that this will not be the unique, sufficient solution to cover the gap between costs and revenue.
31. Regarding the impact of new accession on the budget envelope, the Working Group agreed that the budget envelope could be increased to reflect the assessed contribution of each new member, provided that a solution acceptable to all existing Members is found regarding the implications for their

assessed contributions. In addition, a few argued that the Council may take advantage of the impact of enlargement to further streamline the Organisation's budget and structure.

32. *Non-recurrent costs* Except for one or two cautious voices, there was an almost unanimous view that full, or at least a significant part, of the accession costs should be covered by the new members. As for the modality of payment, the majority expressed their preference or readiness to charge a start-up fee. The outstanding issue is what form of charging can be justified in light of the expected "mutual benefit" of a new accession. In addition, some concern has been expressed in the Working Group regarding the possibly prohibitive burden that future candidates will be requested to bear. In any case, a specific cost accounting framework and an estimate of the one-off payment for accession costs should precede the start of the accession process.
33. Some supported the reassignment of outreach country and regional programmes as a possible way of funding the accession cost, while others expressed reservations, as noted in paragraph 30 i) above.
34. In order to effectively manage the resources funding non-recurrent costs of accession and to clearly distinguish these particular costs from the Part I Budget that covers the normal activity and management costs, a separate budget scheme was proposed for further consideration. It was generally considered as appropriate to welcome voluntary contributions to supplement the financing of accession costs.
35. *Charging for the accumulated material and intellectual assets* There was general support in the Working Group to ask the newly acceding countries to contribute financially to the OECD Site Redevelopment Project. As to the extent to which new members should bear the cost, opinions were divided. One way may be the following:
 - ◆ For those countries that become members, contribution to the Site Project budget be required according to the scale of contributions, for example, for half of the years during which present Members contribute (i.e. 4 years, half of 8).
 - ◆ As regards the use of contributions by new members, they would fund the Site Project expenditures during the life of the Project, and the contributions that continue after the Project finishes might be used to finance the Capital Reserve Fund of the Organisation.
36. The Working Group shared the view that the acceptance by a new member of the pension liabilities in accordance with its assessed scale of contribution to the annual pension budget, including the pension reserve fund, compensates for its access to the present intellectual assets of the OECD.
37. Regarding the Site Redevelopment Project, it was pointed out that the Working Group should also address the issue of physical space for a larger OECD. In order to resolve technical problems in its current headquarters, the OECD is planning to renovate its buildings as well as construct new conference facilities, with a view to completion in 2009. At present, site plans are based on the assumption of a future membership of 40 countries. Bids for tender on the basic plan have already taken place, and the project is now in the design phase, making any alterations to the original plan at this stage unrealistic including from a cost perspective. However, the present design takes into account the uncertainty regarding the future size of membership and number of observers, incorporating easily moveable partitions in conference rooms, and making it possible to adjust the size and frequency of meetings. Whether the current roundtable format would be the most effective way to organise committee meetings for a considerably larger membership, however, is open to question, and final solutions must be sought in this regard through an experimental approach as described above.

D. Solving problems and the reality of enlargement: Which comes first?

38. The development of an enlargement strategy begs the question of whether solutions to problems posed by enlargement are required prior to accession of new members or whether these problems can be better addressed during the enlargement process itself. As stated, the adaptation and improvement of committee working methods should be pursued in an empirical, action-oriented manner as an integral part of the process of enlargement, and its early solution is preferred. The unanimous view is that improvements in the decision-making procedure and addressing financial implications are prerequisites for future enlargement to begin. It should be pointed out that the disadvantages of embarking on enlargement without addressing these two issues of a fundamental nature may be greater than the advantages of enlargement.

ii. Peer Review: An OECD Tool for Co-operation and Change, OECD, Paris, 2003.

CHAPTER 5. STRENGTHENING AND RESTRUCTURING RELATIONS WITH NON-MEMBERS

A. OECD's relations with non-members in the new world context

1. The OECD Convention stipulates that one of its institutional aims is “to contribute to sound economic expansion in... non-member countries in the process of economic development”ⁱⁱⁱ. The Convention indicates more specifically that Members agree that they will, both individually and jointly “contribute to the economic development of both Member and non-member countries in the process of economic development by appropriate means and, in particular, by the flow of capital to those countries, having regard to the importance to their economies of receiving technical assistance and of securing expanding export markets.”^{iv}
2. The mandate of the Organisation expressed in these Articles is not only valid today, it has also come to take on new importance in the current world situation. As former Deputy Secretary-General Kondo argued, “Under increased interdependence, this is crucially important because OECD countries’ own prosperity depends not only on the development of their own economies but also on global economic development.” As such, it is essential that the Organisation promote, on a global scale, those principles, values and policies that lead to “sound, sustainable growth and poverty reduction”.
3. More importantly, the challenges facing the OECD in the new world context, as described in Chapter 2 of this Report, call for a strengthening of the Organisation’s identity in the architecture of international economic organisations and the role that non-members should play in OECD’s functional processes.
4. The Organisation, with its limited membership and its unique functional processes (peer learning/influencing and rule-making), aspires to a global role that is not restricted to its Members. As a result, the OECD attaches considerable importance to outreach. The aim is to strengthen the Organisation’s competence and global influence by ensuring that its institutional and policy know-how are globally recognised assets from which non-members can benefit and to which they can contribute. This is the only way for the OECD to implement the non-member component of its mandate as defined by the Convention and to validate its ambition to be a pathfinder of globalisation. It is in the interest of Members to continue to support this institutional objective through a well-defined outreach strategy fully owned by all Members. At the same time, such a well-defined scope for outreach will help avoid unnecessary duplication and competition with other international organisations which are indispensable partners in OECD work.
5. To strengthen the Organisation’s competence and global influence, including by contributing to the development of non-members as mandated by the Convention, outreach is pursued as a two-way relationship between Member and non-member countries, underpinning OECD’s work among Members. It has two functions:
 - ◆ to share OECD’s policy-practice products with non-members with a view to the diffusion and promotion of the values of the Organisation – *dissemination*
 - ◆ to make OECD’s policy-practice products more relevant and globally acceptable through the participation of non-members both in the formation as well as the implementation of these policy practices – *participation*.

6. This chapter will first consider relations with non-members from the point of view of the accession process. It will then offer suggestions regarding overall relations with non-members that are not on the accession path, on the basis of a report by Ambassador Olivieri, Chair of the Committee on Co-operation with Non-Members.

B. Vehicles to facilitate preparation for accession to the OECD

7. A situation may arise in which the OECD considers that membership of certain countries would help the Organisation fulfil its mandate, and these same countries may wish to join but lack the requisite capacity to do so. If both the OECD and the country acknowledge the potential for mutual benefit from the country's membership in the Organisation, the question arises as to how the OECD can appropriately approach the country and plan, implement and assess a goal-oriented outreach co-operation programme (committee participation, country specific programmes, etc.), with a view towards possible future membership.
8. At present, specific outreach programmes for a country or region are implemented within the Part I budget. In addition, voluntary contributions support these programmes when interested countries consider it to be beneficial to the Organisation and the country or region in question. Participation in committee activities as an observer is usually demand-driven, based on a request from the country, or in some cases, such as for certain rule-based negotiations, the OECD requests the participation of some non-members. In either case, participation is committee-specific, depending on interest in or demand for the activities of the committee concerned. In contrast, enlargement will start with the identification of certain countries as possible candidates for OECD membership. Next, an assessment is made of the particular policy areas to be strengthened for each of these countries and how the OECD could co-operate in that regard. Instead of individual committees, Council would initiate and decide the observership of possible future members comprehensively and a co-operation programme for each country would be prepared.
9. It is not unusual for the OECD to have country-specific preparatory programmes for membership candidates. In the 1990s, during the accession of six members, the OECD prepared work with the involvement of specific committees. Of the six, specific programmes were drawn up for Mexico and Korea once their intention and timeframe for accession were established. In the case of PIT countries, programmes were planned before the countries were invited to engage in accession negotiations. With regard to Russia, after announcing that OECD membership was a "shared ultimate goal", a Liaison Committee was established to conduct a comprehensive review of the co-operative relationship with high-level participation from the Russian government.
10. The OECD thus has a track record of adjusting outreach programmes with a view to possible accession. On the other hand, a pro-active accession process towards specific countries that the Organisation considers as possible members may require a review of the outreach strategy used thus far.
11. To meet the above objectives, special arrangements are proposed, in which facilitating their preparation for accession will be the common objective. The OECD would prepare for each such country a menu to help it attain the necessary qualifications as a future OECD member, including the level of compliance with the Organisation's Acts (the so-called "OECD acquis", see Annex 1) and other relevant policies. Moreover, the OECD would be expected to monitor and evaluate the progress of each country and to support its progress with decisions granting observer status in relevant committees and establishing a mutually agreed and tailor-made outreach programme that most appropriately reflects the needs of the countries. Through this process, it is expected that, with the assistance of relevant Committees, the Organisation would assist possible future members of the OECD promote reforms in order to demonstrate a sufficient degree of "like-mindedness".

12. Such a programme could be named “Programme for Partners with Accession Perspective¹” and could consist of the following procedure:
 - a. After the Council reaches an agreement on eligible countries in accordance with the New Accession Process as described in Chapter 3, the Organisation will discuss and ultimately agree with each of these countries (“Programme Partners”) a roadmap for strengthening the “like-mindedness” in various policy areas and thus facilitating the country’s preparation for accession.
 - b. For this purpose and in accordance with the agreement between the country and the Council, the Organisation would prepare a set of specific outreach activities suitable for each country (participation in a number of committees and a country programme) so as to enhance necessary reform.
 - c. In order for the Organisation to give appropriate guidance to the Programme Partners and to effectively organise the requisite outreach tools, periodic review should be encouraged. For the sake of efficiency and effectiveness, the review should be undertaken for each of the countries in the form of consultation with the Secretariat, which would then present a progress report to the CCN and the Council. The CCN and the Council would evaluate the progress and if necessary, reflect the results in the next biennium budget in order to adapt the co-operation tools to better focus on the measures most in need of support. To effectively link the review results to the planning of co-operation for the next biennium budget, the principle of one review every two years would be appropriate, although a different frequency should not be precluded, if both sides so agree.
13. The application of this “Programme for Partners with Accession Perspective” will have the following implications on the Organisation’s relations with non-members:
 - a. The programme is applied to a limited number of selected non-member countries with the agreed purpose of effectively mobilising the outreach resources/assets and monitoring progress, thus facilitating the preparation for the start of the accession process to the OECD according to Article 16 of the Convention. No modification in the OECD Convention to create a new legal status for the non-member countries concerned is envisaged; therefore the selection of these countries does not bestow on them special legal rights or obligations.
 - b. On the other hand, in selecting a limited number of Programme Partners and pro-actively proposing to apply the “Programme”, the Organisation would send a strong political message to those countries. It differentiates them from the other non-members, demonstrates OECD’s interest in having them as new members once they possess the necessary requirements and clearly expresses the Organisation’s readiness to co-operate to this end. It is anticipated that the application of this “Programme” would thus encourage needed reform in some of these countries. The Council is expected to effectively make use of this political message when it applies the “Programme” to Partners.
 - c. It should be noted however that a Programme Partner does not receive the guarantee of engaging in an irreversible process leading to future membership. While the Programme Partner is expected to reform, the Council should maintain its prerogative, and political readiness, to suspend the Programme if the result of the evaluations is unsatisfactory after a certain period.
 - d. It should also be noted that the Programme will in itself constitute from the start an enhanced cooperation based on mutual interests between the countries concerned and the OECD. Engagement can be deemed useful by Programme Partners even if they will be clearly informed that there are no guarantees that the process will irreversibly lead to membership
14. The implementation of the “Programme” would imply the following in the Organisation’s structure and functions. The Council and the Secretariat would be expected to take the necessary measures to effectively adapt themselves to these changes:

¹ It is understood that the title gives no a priori prerogative to future accession: c.f. paragraph 13 c.

- a. It is expected that the Council will take the initiative and lead in OECD enlargement, and its workload will therefore substantially increase. In order to manage this additional burden, the Council will have to consider its own organisation of work.
 - b. In order for the Council to take an effective lead in discussions with the Programme Partners, sufficient co-operation with substantive Committees and the Secretariat is indispensable.
 - c. The CCNM, in co-operation with relevant Committees and Directorates, will have to take charge of organising the roadmap and menu of observerships and activities which constitute each “Partner’s Programme”, undertake periodic reviews and help the CCN and the Council to effectively reflect the review results in resource reallocation. All this implies a considerable change in the CCNM’s mission and structure.
 - d. Depending on the formal outcome of ongoing discussions on OECD’s enlargement, establishing these “Programmes” may imply resource shifts in the Part I outreach and other budgets, including a temporary but substantial reduction in the budget allocated to the conventional outreach activities.
 - e. The preparatory process for the accession of Partners will lead to additional participants in the work of the Committees. This means that adjustments in the organisation of work in Committees, discussed in the previous chapter, will become an issue of more immediate concern and must be carried out before accession negotiations start.
15. In principle, all the countries that will accede to the Organisation must proceed through the Programme unless the Council decides otherwise. However, they could complete the Programme at variable speeds according to their ability and will to reform.
 16. The Council might consider that certain non-members, while perceived as potential future members, may need to come such a long way that it can hardly agree on a “Programme” in the immediate future. In such a case, the OECD might encourage and actively support the wider participation of such countries in various outreach activities. In such cases, a broad outline for the scope of co-operation, e.g. intensification of country programmes would be decided by mutual agreement between the Organisation and the country concerned (See paragraphs 19 and 21 of this Chapter).

C. Relations with non-members that are not on the accession path

17. Many non-members already benefit from and bear on OECD’s functional processes in a wide range of substantive areas. They do so as observers or full participants in a large number of bodies. Non-members also participate in the OECD work within the framework of the more inclusive programmes of co-operation such as Global Forums and regional/country programmes. The Committee for Co-operation with Non-Members (CCN), with the support of the Centre for Co-operation with Non-Members (CCNM), continues to co-ordinate the participation of non-members in the Organisation’s bodies and programmes of co-operation (the elements of this coherent, strategic architecture ensuring the participation of both Members and non-members in OECD work are illustrated in Annex 5). However, enlargement of the OECD is likely to lead to fundamental changes in the relations of the Organisation with non-members. Some of the present non-members will become members thus changing the characteristics of countries engaged in OECD outreach. Enlargement increases the need for a comprehensive strategy of co-operation with non-members that are not on the accession path.

(a) Positioning the non-members

18. The Organisation cannot engage all non-members, nor all selected non-members, to the same extent, especially because of resource constraints. In defining a focused strategy for outreach, the programmes for non-members shall be designed in order to maximize the effectiveness of the two functions of outreach outlined in the paragraph 5 above including by ensuring an appropriate diversity

of views and of participating countries (geographical diversity, differences in size, etc.). Non-members' ability and willingness to support OECD's policy-practice products and to participate in their formation and implementation is encompassed in two characteristics:

- ◆ the potential influence of the non-member country
- ◆ the potential impact of the OECD on the non-member country.

19. These characteristics can be used to position countries in terms of the type of outreach that will be most suitable and mutually beneficial. Positioning countries in this way would imply certain types of outreach programmes agreed with them. For example, non-members that rate highly on both factors could be invited to a comprehensive, country-specific policy dialogue. For countries that have high influence but show lower levels of receptiveness to OECD policy approaches, the outreach priority should be placed on building receptiveness. Non-member countries' receptiveness to outreach can be enhanced by co-ordinating closely with them to select mutually agreed objectives, expected outcomes and evaluation of results in substantive areas of mutual benefit. Building on the two characteristics outlined above, Annex 4 gives an overview of the different types of non-member countries.
20. If a given non-member country that does not show either of the two characteristics could enhance the relevance of a particular issue and influence global policymaking, it should be engaged on that issue-specific basis. This includes adherence of non-members to OECD instruments.

(b) Outreach Vehicles

i) Country-specific Co-operation Programmes

21. Country-specific "Co-operation Programmes" could be developed for those influential non-members of particular interest to the Organisation that are not participating in a "Partnership Programme with an Accession Perspective" (i.e., the third concentric circle of Annex 4). These tailor-made programmes will focus on substantive areas where these non-members ("Co-operation Partners") place high importance. In order for these close policy partnerships to bring the greatest benefit, a high level of commitment is required from these partners. The objective of these country-specific Co-operation Programmes with partners of particular interest to the Organisation is to build capacity and willingness to benefit from OECD best policy practice. They would therefore require a high level of commitment from these partners. This underlines the importance of co-ordinating closely with these countries on objectives, expected outcomes and evaluation mechanisms of the programme, i.e., ensuring that country-specific Co-operation Programmes are demand, as well as supply, driven. There would be limits on the number of such Co-operation Programmes that the Organisation could manage at any one time, depending in part on the number of "Partnership Programmes with an Accession Perspective".

ii) Full participation in Committees

22. To belong to the formal, institutional facet of the Organisation, non-members have to undertake commitments as full participants in those Committees. While all non-direct subsidiary bodies of the Council are open to the participation of non-members as observers, a small number of them are not open to full participation as stipulated by the Council [C(96)64/REV2/FINAL]. The list of these bodies needs to be reviewed and, if necessary, adapted in the light of the enlargement strategy. When non-members join a Committee as full participants, they have the same responsibilities and the same rights as Members in the Committee concerned, including financial obligations, albeit without representation in the Council where institutional decisions are made.
23. Some non-members participate in the formation and/or implementation of OECD policy-practice products through full participation in OECD Committees or their subsidiary bodies, including in the Governing Board of the Development Centre. This is particularly true of bodies/fora that monitor and

promote the implementation of OECD instruments (e.g., the Working Group on Bribery in International Business Transactions) or that negotiate new or revised instruments (e.g., the High Level Meeting on Steel).

24. The Development Centre has a number of non-member full participants. In order to optimize the Organisation's capacities, it is increasingly important that the Development Centre's outputs be coordinated in the framework of the overall OECD outreach programme. In order to ensure that there is full coherence with outreach in all parts of the Organisation, it is desirable that the Governing Board of the Development Centre, where Members and non-members participate with the same rights and obligations, contribute to the process of defining outreach outputs in the new, agreed framework for the Programme of Work and Budget. The CCN, the DAC and the Governing Board of the Development Centre may meet jointly on occasion to discuss the development component of outreach outputs.

iii) Observership in Committees

25. There is no "general observership" in the OECD. Non-members can become observers only in individual bodies, clearly showing that the Organisation's intention has always been to associate non-members with work in a specific substantive area rather than attributing a generic status. Observers do not have the same rights and obligations as Members or full participant non-members but their participation in the work of Committees offers the opportunity to exchange national policy experiences with peers and influence them and, in some Committees, to become familiar with OECD instruments and, in some cases, to influence their content as they are crafted. At present 15 non-members are connected with work in at least two OECD bodies. Among them, only 10 participate in a substantial number of bodies, indicating that the Organisation has a more than cursory mutual interest in their involvement in its substantive work.
26. Observership in Committees corresponds to a high level of commitment both on the part of Committees and of non-members. This vehicle should be used by Committees sparingly, particularly if the Organisation has enlarged significantly. Observership shall be more selective and strategically targeted, recommended only when strong reasons exist to maintain a durable co-operation with the country concerned covering the full scope of the Committee's mandate. When this is not the case, Committees shall pro-actively invite non-members as ad hoc observers if their agenda so requires or interact with them within other outreach vehicles.
27. Committees shall be more pro-active, develop their own objectives-based strategy for observership and have a certain degree of autonomy in deciding what their needs are. The final decision for observership will continue to reside however with the Council and overall monitoring will continue to be a CCN responsibility.
28. Evaluation of observerships shall be rigorous, regular (e.g., annual) and informal in the form of Committee Chairs reporting to CCN. Renewals shall be non-automatic, based on an assessment of the benefits of the participation of the observer country. Criteria for renewal include:
 - ◆ Observers' level of participation
 - ◆ Observers' compliance with financial obligations
 - ◆ Continuing mutual benefit, and
 - ◆ Impact on the efficient functioning of the Committee.

Renewals shall be formally agreed regularly by the Council, e.g., every two years.

29. Observership fees may be brought closer to the benefits involved: demand is deemed to be high for observerships among non-members. At present, the maximum fee that an observer may be charged is the minimum contribution by a member, but in practice how much lower than the maximum allowed

remains to be determined. Fees may be non-uniform across Committees based on such criteria as frequency of Committee meetings. The observership fee structure should send the signal that observership does not constitute a “right” but a “privilege” – and is subject to regular monitoring and renewal. A revised observership fee schedule will be discussed in the CCN and submitted to Council for approval.

30. In light of the above, CCN is expected to review the resolution of the Council concerning the participation of non-member economies in the work of subsidiary bodies of the Organisation [C(96)64/REV2/FINAL] and the resolution of the Council concerning fees for regular observer countries and non-member full participants in OECD subsidiary bodies [C(96)223/FINAL].

iv) Thematic policy dialogue on global issues

31. In a future perspective, Global Forums will constitute the main vehicle of co-operation with non-members to validate the Organisation’s ambition as a pathfinder of globalisation. Participation should however remain selective (see Annex 4). Frequent participants to the Global Forums will include:
 - ◆ Programme Partners with Accession Perspective
 - ◆ influential non-members of particular interest to the Organisation, and
 - ◆ other core countries that are willing and able to participate in the formulation and implementation of OECD policy-practice products but are not necessarily influential players.
32. The Global Forums constitute a set of specialised dialogue initiatives and networks characterised by global (although not universal) participation and flexibility to cope with evolving circumstances. They address global issues that defy resolution in individual countries or world regions. Mutually beneficial dialogue on these issues between Member and relevant non-member economies from around the world is critical to fostering consensus based on sound analytical foundations and to achieving progress in the search for solutions, provided that Members also participate actively in their work.
33. The Global Forums are established around a number of main policy themes, including many major OECD substantive areas, creating active networks of policy makers in both Member and non-member economies². Policy dialogue on each theme is developed through informal meetings of senior policy makers supported by comparative analysis and comparable data.
34. Global Forums enhance the relevance of OECD policy-practice products both through
 - ◆ their dissemination to non-members, and
 - ◆ participation of non-members in their design and implementation.

It is envisaged that countries included in all four inner concentric circles of Annex 4 shall constitute the core group of participants in Global Forums.

35. Participation in Global Forums could be more systemised to encourage “buy in” on the part of non-members. A global forum “membership” is being considered by the Global Forum on Competition to ensure regular and targeted participation. Regional components of Global Forums could be financed through voluntary contributions including from non-members.
36. Since the establishment of the development cluster, other development units and, through them, the community of development policy makers in OECD countries have been associated more and more closely with the dialogue activities of the CCNM programme. The Global Forums, by bringing

². Five of the Global Forum themes cut across policy sectors capitalising on the OECD’s cross-sectoral expertise: (1) Sustainable Development; (2) Knowledge Economy comprising biotechnology and the digital economy; (3) Governance; (4) Trade; and (5) International Investment. Three Global Forums are more sector-specific: Agriculture, Competition and Taxation.

together development officials and experts with colleagues from other areas, such as trade, agriculture and investment, have proved to be effective in “mainstreaming” development across the OECD. Within the outreach strategy during and after accession, it will be all the more important to build upon the institutional and policy know-how of the other units of the development cluster, especially on the research capacity of the Development Centre. There is scope for more co-ordination between all units of the Development Cluster to provide analytical input to discussions in Global Forums. In particular, it is in the interest of the Organisation to use the Development Centre’s analytical capacities in the work done in Global Forums. Global Forums should continue to be funded essentially from Part I resources complemented by voluntary contributions.

v) Targeted policy dialogue with country groups

37. Targeted policy dialogue may apply also to a few country groups which are anchored in well-functioning regional dynamics. Experience shows that dialogues with country groups are most effective in such cases. Some current examples of targeted regional dialogues are NEPAD and the Stability Pact for South Eastern Europe.

(c) A high-level dialogue with well-targeted non-members

38. A new, overarching high-level dialogue between Members and well-targeted non-members on some of the broader issues confronted in an increasingly interdependent world economy has been suggested. The proposal was intended to help identify, analyse and seek solutions for the common issues shared by Members and selected non-members and thus focus and prioritise outreach outputs of the Organisation. This idea will be explored by the CCN, with a view to its possible integration into the overall outreach strategy.

(d) Partnerships with other international organisations

39. Efficiency gains can be obtained through effective partnerships with other international organisations. While this applies to OECD work in general, it is particularly relevant in the area of outreach. Other organisations, due to their more universal or cross-cutting membership, have developed significant expertise in issues that are priorities for some OECD non-members and have extensive country and, increasingly, regional programmes in place. In order to avoid overlap and to ensure that non-members’ views (including those of lesser developed, reform-minded countries) are appropriately included in OECD outreach work, a strategic co-ordination with other organisations is essential. These include such partner organisations as the World Bank, IMF, WTO, regional development banks and organisations, and specialised UN bodies such as UNDP, UNCTAD, UNESCO, WHO and the ILO.

(e) Evaluation

40. In line with the two functions of outreach described in paragraph 5 above, it will be necessary to identify the best OECD policy practices and ground the outreach outputs in this clear comparative advantage of the Organisation. Measurable objectives should be spelled out for each outreach vehicle and progress towards these objectives should be evaluated over a three-year period. After a decade or so, the overall outreach strategy should be reviewed and, if appropriate, adapted to changing circumstances and developments in the world economy.

ⁱⁱⁱ OECD Convention Article 1 (b)

^{iv} *ibid.* Article 2 (e)

CHAPTER 6. SUMMARY: WHERE WE STAND AND WHAT TO DO TO STRENGTHEN THE ACCESSION PROCESS AND OUTREACH

*“Give me where to stand and I will move the earth”
Archimedes*

Our mandate and challenges

1. The Organisation has changed dramatically since the end of the Cold War and the rise of emerging economies, resulting in the accession of new members between 1994 and 2000, and the broad opening up of the Organisation as a whole to relations with non-members. The mandate of the Working Group reflects the common perception of the present membership that further adjustments to the new world context are imperative in order to enhance the Organisation’s competence and global influence and, therefore, relevance to policy makers in our capitals. These adjustments call for a strengthened accession path and outreach programmes. Expressions of strong interest in membership by a significant number of countries have also intensified in recent years. While accession to the OECD is ultimately and fundamentally a political decision by the Council, the Working Group has recognised that strategic objectives are essential in order to ensure that the Organisation’s enlargement upholds its integrity and enhances its competence, global influence and capacity to contribute to the development of Members and non-members alike.
2. Against this background, the strategic objectives of the Working Group were to: a) ensure that an enlargement will strengthen the OECD by increasing its capacity to fulfil its mandate defined by the Convention and enhance its global influence; b) minimise and control the possible negative effects that a larger membership may cause; c) devise a strategy for integrating potential future members into the work of the Organisation with a view to facilitating their accession; and d) strengthen and restructure its relations with other non-members in accordance with their ability and willingness to contribute to the Organisation’s competence and global influence and the OECD’s ambition to be a pathfinder of globalisation.
3. With a view to establishing a strategy on future membership and a new accession process, the Working Group took a sequential, deductive approach involving the following tasks: first, to identify the Organisation’s role and responsibilities; then, to consider what sort of membership requirements are desirable for the OECD to fulfil such a role in the new world context; and finally, to determine what criteria and yardsticks can best approximate these requirements and thus guide the selection of eligible countries for the accession process.

The OECD in the new world context: the rationale for enlargement

4. The rapid spread of globalisation and the resulting interdependence of national economies, the new and enhanced mandates of other international economic organisations together with the increased role of global as well as regional organisations, networks and agreements are putting increased competitive pressure on the Organisation as it bids for roles and associated resources in our capitals. Under these circumstances, the OECD must imperatively strengthen its significance by building on its comparative advantage.

5. The OECD's mandate is to achieve the highest sustainable economic growth and employment in Member countries, sound economic development of non-members and the expansion of world trade. These corporate goals qualify the Organisation to be part of the global architecture of international economic organisations. OECD Committees produce a stream of benefits by contributing to better economic, social and environmental outcomes. This stream of benefits originates from the unique features of its membership and its mandate; the existence of rare norms of reciprocity (collegiality) and trust among Members; and the application of OECD-specific functional processes of peer learning and influencing which can lead, as appropriate, to rule making.
6. Peer learning/influencing is a unique feature of the OECD and confers to the Organisation one of its main comparative advantages. Adding new policy experiences to this process would enhance the competence of the Organisation if the new members, based on their demonstrated achievements, have the necessary know-how to contribute effectively to solving problems addressed across OECD's committee structure. As regards significant players, their participation in this process provides opportunities for influencing their national policies which ultimately have an impact on economic growth and environmental conditions in other members.
7. A second main OECD comparative advantage is that the transaction costs of rule making are considerably lower than in other international organisations because they are rooted in peer learning, which in turn fosters "like-mindedness". Moreover, the increasing need to develop rules that govern domestic policies affecting cross-border trade, investment and migration flows confers to the Organisation another strong comparative advantage based on its multi-disciplinary nature.
8. Enlargement is a vital course of action for the Organisation for the sake of enhancing its competence and global influence. OECD is unique in the global architecture of international organisations in that its membership directly determines the quality of its outputs as well as its ability to implement them beyond the confines of the membership. First, the competence of the Organisation will be enhanced by accepting like-minded countries that can contribute significantly to the peer-learning process across OECD's committee structure. Second, the influence of the Organisation on the shaping of the international economic order will also be enhanced by accepting significant players. This means that OECD enlargement must be innovative and strategically selective.

A new accession process to shape OECD's future competence and global influence

9. Strengthening the OECD demands that accession be "selective" with a high threshold of standards reflecting the membership requirements of both peer learning/influencing and rule making. Well-defined criteria and corresponding yardsticks for such a selection are needed to ensure an objective and transparent basis for the political decision to invite a country to accede to the Convention.
10. Members agreed on the usefulness of "like-mindedness" and "significant players" as criteria evaluating candidate countries, and on "mutual benefit" and "global considerations" as important features for overall assessment. "Like-minded countries" and "significant players" are not opposite or mutually exclusive criteria, but two elements describing a country's profile. By using them simultaneously with the other two important criteria of "mutual benefit" and "global considerations", the Council will be able to take a more definitive decision, in an appropriate and flexible manner, on the eligibility of possible future members. (See Annex 2).
11. The concept of a "like-minded country" describes a potential candidate that is able to make substantial contributions through the sharing of its policy experiences based on broadly shared values. "Market-based economy" and "democratic principles" are considered to be the most fundamental yardsticks of "like-mindedness".

12. “Significant players” denotes countries that are capable of contributing effectively to peer learning across all OECD committees or whose policies matter for Members because they have a significant impact on the OECD economy through economic interdependence and the shaping of the international economic order. The “significant player” concept derives from the idea that a member should not merely benefit from OECD work, but should be capable of significantly contributing to the competence and global influence of the Organisation.
13. Given that the accession of a specific country should strengthen the role of the Organisation and improve the effectiveness of its functional processes, “mutual benefit” serves as an umbrella criterion, using its own yardsticks to decide whether the country is “like-minded enough” and “significant enough” to be an OECD member. “Mutual benefit” may be recognised when it can be concluded that a candidate country is able and willing to enhance significantly the effectiveness of OECD’s substantive work (in Committees) and governance (in the Council).
14. “Global considerations” delineates membership with a view to ensuring OECD’s global dimension. This concept is not limited to geographical diversity. The Organisation is expected to benefit from a diversity in approaches to issues within the broad concept of “like-mindedness”. While “like-mindedness” and “significant players” focus on an individual country, “global considerations” is “reflective” of the overall composition of membership.
15. Based on the above criteria, the Council might wish to take action through two simultaneous steps: “Positioning” based on the two criteria of “like-mindedness” and “significant player” and “Assessment” based on “mutual benefit” and “global considerations”. Through this practice, the Council is invited to agree in an innovative and strategically selective way on the eligibility of possible future members.

Ensuring the sound functioning of a larger Organisation

16. A larger Organisation could accentuate several existing problems and create new ones. Enlargement should not jeopardise the sound functioning of the OECD; it must rather be an opportunity to further strengthen the Organisation by increasing its competence and global influence in the pursuit of its mandate. Identifying potential problems that arise from enlargement and finding solutions to these problems are an integral part of the development of an overall enlargement strategy.

Organisation of Work

17. OECD’s relevance is judged mainly on its programme of work and the quality of its contributions to economic, social and environmental performance in Member countries. In turn, the quality of this OECD output depends on the efficiency with which the Council and Committees do their work and the nature of inputs provided by Members and the Secretariat. The Working Group considered the organisation of work in Committees from two perspectives: the working methods and the organisation of meetings.
18. OECD bodies use a number of working methods to produce their outputs: production of comparative statistics and policy analysis; thematic policy dialogue; country peer review; and multilateral rule-making. Assessing the impact of enlargement on the quality of Committees’ output, the Working Group came to the conclusion that enlargement can affect the quality of Committees’ output in two ways: i) the effect of greater diversity of views among members that an enlargement would entail; and ii) a purely arithmetic effect due to an increase in the number of members participating in a meeting

19. Since the objectives and working methods of committees differ, any impact that diversity of membership would have will vary among Committees. Hearing from Committee Chairs indicated that convergence of views or “like-mindedness” among members was generally preferred at the committee level. On the other hand, the experience gained by Committees from the participation of observers shows that the impact of less commonality of views leads to different assessments from committee to committee, and there was no evidence of a uniform appreciation of the actual impact. Furthermore, the possible impact of the accession of a particular new member may vary depending on the characteristics of each committee.
20. In the area of rule making, there is not necessarily a strong correlation between “like-mindedness” and operational effectiveness, as perceptions of national interest might play a more important role. On the other hand, in the area of peer learning, the effectiveness of the working method relies on “shared values”, an “adequate level of commitment”, “mutual trust” and “credibility”.
21. The impact of an additional new member on the effectiveness of committee meetings depends not only on the characteristics of the member, but also on the characteristics of the committee itself. Therefore, it would neither be necessary nor appropriate for the Council to try to impose a uniform prescription to all committees. Instead, the Council should prepare and offer to Committees a menu of several overlapping, optional approaches, and encourage committees to choose one or more elements from their menu, or to devise their own innovative methods for experimental implementation. This menu includes:
 - ◆ Sub-groups or task forces made up of a smaller number of members that prepare a large part of the work before reporting the results to Committees
 - ◆ Break-out groups to discuss different issues and then report back to the plenary Committee meeting
 - ◆ Greater use of Bureaus and Chairs, of standardisation of documentation and best practice in preparing and conducting meetings.
 - ◆ Greater use of information technology to improve the efficiency of meetings
 - ◆ Opting out of some OECD instruments or activities (e.g. abstention as described in Article 6.2 of the Convention)

Decision-making

22. Limitations and problems associated with the current OECD practice of consensus-based decision-making have been widely pointed out in recent years, and the problems will be exacerbated with an expanded membership. This issue therefore needs to be strategically dealt with when discussing enlargement. Bearing this in mind, the Heads of Delegation, with Ambassador Brückner of Denmark acting as facilitator, studied the possibility of introducing a majority voting method for special cases.
23. After one year of intensive discussions and tireless efforts made by the facilitator, the Council reached an agreement to introduce a new decision-making method, for a two-year trial period, as follows:

The chairs of the Council and concerned committees will make every effort to reach consensus, but if consensus cannot be reached in due time, a decision would be taken by a majority of at least 60 percent the Members countries, unless opposed by three or more Members representing at least 25 percent of the Part I Scale of contributions, for the following affected issues and bodies:

Continuation and abolition of committees and other subsidiary bodies.

The Organisation's Programme of Work and its Budget, within a consensus agreed envelope, and any related decisions which allocate resources down to the output area level.

24. Although the scope and the trial period of this new decision-making method are limited, it will undoubtedly make the work of a larger Organisation more efficient.

Financial implications

25. The enlargement of OECD's membership will involve additional costs for the Organisation. In view of the current financial constraints, it is imperative to address the financial implications of enlargement. The characteristics and the magnitude of these implications are understood and a number of basic principles that could guide the financing of enlargement have emerged from discussions in the Executive Committee and this Working Group. For a number of reasons, it was not possible to agree at this stage on specific budgetary measures that could meet the financial requirements of enlargement. Solution to this issue will depend first on the scale and speed of the enlargement, second on the capacity of specific eligible candidates to contribute to the budget, and thirdly, on the Members' political will to show flexibility on the budget. Notwithstanding the above, the Working Group has identified the key issues involved and developed a framework or baseline for future discussions in the Council and its direct subsidiary bodies.
26. Recurrent costs are related to the on-going participation of a new member in the work of the Organisation. While there was no agreement on the use of marginal costs to assess recurrent costs and on the amount involved, no alternative method of assessment was proposed. Nevertheless, it seems that there is some, perhaps a considerable, difference between the possible recurrent costs resulting from the accession of new members and the possible recurrent revenue that new members may contribute to the budget. Therefore, it is imperative that the Council share a "reasonable hypothesis" on the magnitude of the financial impact either on the basis of marginal cost assessment or some other credible analysis.
27. On the issue of how to address the financial impact, the prevailing sentiment was that the new members should, in general, provide sufficient contributions to cover the recurrent costs related to their membership but when it came to modalities, there was little support for the establishment of a differentiated scale of contributions between current and new members. However, the Working group agreed that the budget envelope could be increased to reflect the assessed contribution of each new member, provided that a solution acceptable to all existing Members is found regarding the implications for their assessed contributions. Since the scope for agreement on other specific measures to increase the revenue cannot be foreseen at this stage, the Organisation may have to consider releasing resources to cover recurrent costs of enlargement by shifting the use of existing resources. Three specific measures were considered although no convergence of views exists on their implementation: (i) transferring the part of the outreach budget presently allocated to country programmes to the rest of the budget; (ii) applying cost recovery to country reviews or transferring some of them to the Part II of the budget; and (iii) absorbing the additional costs in the budget by decreasing existing outputs and reallocating resources to finance increased membership.
28. Non-recurrent costs of accession are defined as those charges directly linked to the Council decision under Article 16 of the Convention and include the assistance for the establishment by the new member of a statistical data base which is in line with OECD standards and the contacts and fact-finding missions necessary to assess the ability and willingness of the potential new member to comply with the obligations of membership. There was an almost unanimous view that full or at least a significant part of the non-recurrent costs related to accession should be covered by the new members. As for the modality of payment, the majority expressed a preference or readiness to charge

a start-up fee based on a specific cost accounting framework and an estimate of the one-off payment for accession.

29. The Working Group shared the view that the acceptance of the pension liabilities of the Organisation by a new member compensates for its access to the present material and intellectual assets of the OECD. There was general support in the Working Group to ask new members to contribute financially to the OECD Site Redevelopment Project.

Solving problems and enlargement

30. The development of an enlargement strategy begs the question of whether solutions to problems posed by enlargement are required prior to accession of new members. While the adaptation and improvement of committee working methods should be pursued in an empirical, action-oriented manner as an integral part of the process of enlargement, disadvantages of embarking on enlargement without addressing the improvements in the decision-making process and the financial implications may be greater than the advantages of enlargement.

Strengthening and restructuring relations with non-members

31. The challenges facing the OECD in the new world context call for a strengthening of the Organisation's identity, competence and global influence in the "architecture" of international economic organisation, including through the well-defined role that possible future members and other non-members should play in OECD's work. To that end, the Organisation will engage in a new phase in its relations with non-members, with the view to ensuring that its institutional and policy know-how are globally recognised assets from which non-members can benefit (dissemination) and to which they can contribute (participation). This is the only way for the OECD to implement the non-member component of its mandate and to validate its ambition to be a pathfinder of globalisation.
32. In the first case, a situation may arise in which the OECD considers that membership of certain countries would help the Organisation fulfil its mandate, and these same countries may wish to join but lack the requisite capacity to do so. If both the OECD and the country acknowledge the potential for mutual benefit from the country's membership in the Organisation, the question is how the OECD will plan, implement and assess a goal-oriented outreach co-operation programme, with a view towards possible future membership. Such a programme will be named "Programme for Partners with Accession Perspective", and the Council will designate those candidate countries as "Programme Partners". No modification in the OECD Convention to create a new status for the non-member countries concerned is envisaged; therefore the selection of these countries does not bestow on them special legal rights or obligations. The purpose of this programme is to facilitate preparation for the start of the accession process to the OECD in pursuance to Article 16 of the Convention but the programme does not guarantee accession. In principle, all the countries which are considered by the Council as eligible for accession will proceed through this Programme unless the Council decides otherwise.
33. The Programme for Partners with Accession Perspective will be implemented according to the following procedure:
 - ◆ After the Council reaches an agreement on eligible countries in accordance with the New Accession Process as described in paragraphs 9 to 15 above, the Organisation will agree with each of the Programme Partners on a roadmap for strengthening the "like-mindedness" in various policy areas.

- ◆ For this purpose the Organisation will prepare a set of specific outreach activities suitable for each country (participation in a number of committees and a country programme) so as to enhance necessary reform.
 - ◆ The review of the Programmes will be undertaken normally every two years under the oversight of the CCN and the Council. The results of the reviews will be reflected in the next biennium budget.
34. Enlargement of the OECD is likely to lead to fundamental changes in the relations of the Organisation with non-members. Some of the present non-members will become members thus changing the characteristics of countries engaged in OECD outreach. Enlargement increases the need for a comprehensive strategy of co-operation with non-members that are not on the accession path. Non-members' ability and willingness to participate in the formation and implementation of OECD's policy-practice products will be encompassed in two characteristics: (i) the potential influence of the country; and (ii) the potential impact of the OECD on the country. These characteristics will be used to position countries (see Annex 4) and determine the types of outreach that will be most suitable and mutually beneficial.
 35. In particular, Country-Specific Co-operation Programmes will be appropriate in the future for influential non-members of particular interest to the Organisation. The objective of these programmes with these non-members is to build capacity and willingness to benefit from OECD best policy practice. This underlines the importance of co-ordinating closely with non-members on objectives, expected outcomes and evaluation mechanisms of the programme.
 36. Observership shall be more strategically targeted, recommended only when strong reasons exist to maintain a durable co-operation with the country concerned covering the full scope of the Committee's mandate. Committees shall be more pro-active, develop their own objectives-based strategy for observership and have a certain degree of autonomy in deciding what their needs are, although maintaining the role of the Council and CCN as for the final decision for observership and overall monitoring. Evaluation of observerships shall be rigorous, regular and informal in the form of Committee Chairs reporting to CCN. Renewals shall be non-automatic, based on an assessment of the benefits of the participation of the observer country. Observership fees may be brought closer to the benefits involved, be non-uniform across Committees and be subject to regular monitoring and renewal. In light of the above, CCN is expected to review the resolution of the Council concerning the participation of non-member economies in the work of subsidiary bodies and the resolution of the Council concerning fees for observers and non-member full participants.
 37. A new, overarching high-level dialogue between Members and well-targeted non-members on some of the broader issues confronted in an increasingly interdependent world economy has been suggested. The proposal was intended to help identify, analyse and seek solutions for the common issues shared by Members and selected non-members, and thus focus and prioritise outreach outputs of the Organisation. This idea will be explored by the CCN, with a view to its possible integration into the overall outreach strategy.

ANNEX 1: THE CONCEPT OF THE OECD “ACQUIS”: A NOTE BY THE DIRECTORATE FOR LEGAL AFFAIRS

1. Several Delegations expressed the view that the concept of OECD “acquis” requires further clarification. This brief note provides information in this regard.

2. In the past each applicant has been considered on its own merits and according to a procedure adapted to the particular case.

3. However there are points that have always been considered in previous accession processes and are likely to be included in future accession procedures.

What could be the meaning of OECD acquis?

4. In the past applicants have always been requested to position themselves vis-à-vis a number of legal instruments adopted within the OECD framework prior to their joining the Organisation. This is what could be considered the OECD *acquis* in the strict sense of the term.¹

5. On the other hand the accession process has also focused on the examination of policies in a certain number of areas in which there are few or no OECD instruments. Thus, EDRC has been requested by Council to carry out reviews of the applicants’ economic situation and policies even though there are no OECD acts concerning macro-economic policies. A degree of convergence (some would say like-mindedness) with policies carried out by existing OECD members in a number of key areas could then also be considered as part of the *acquis* in a broader sense. In addition the OECD has developed specific working methods (e.g. peer reviews) that could also be seen as part of the OECD *acquis*.

6. For the purpose of this paper it seems preferable to focus on the OECD *acquis* in the narrow sense.

What could constitute the OECD acquis?

7. **First**, the *acquis* includes, on top of the acceptance of the obligations contained in the Convention on the OECD, acceptance of all the internal rules of the Organisation.

These are:

1. In the context of the European Union the *acquis* “means essentially, “the EU as it is” - in other words, the rights and obligations that EU countries share. The “acquis” includes all the EU’s treaties and laws, declarations and resolutions, international agreements on EU affairs and the judgments given by the Court of Justice. It also includes action that EU governments take together in the area of “justice and home affairs” and on the Common Foreign and Security Policy. “Accepting the *acquis*” therefore means taking the EU as you find it. Candidate countries have to accept the “acquis” before they can join the EU, and make EU law part of their own national legislation” (language extracted from the EU website). While there is no agreed definition of what could constitute the OECD *acquis* one could apply a *mutatis mutandis* reasoning.

- the Financial Regulations and Rules,
- the Staff Regulations, Rule and Instructions applicable to officials of the Organisation,
- the OECD Rules of Procedure, and
- any other internal decision adopted by Council.

For completeness one would also add acceptance of all the judgments of the OECD Administrative Tribunal.

8. All the elements mentioned above are the basic pillars of the *acquis* in that they are non-negotiable and have to be accepted without reservations.

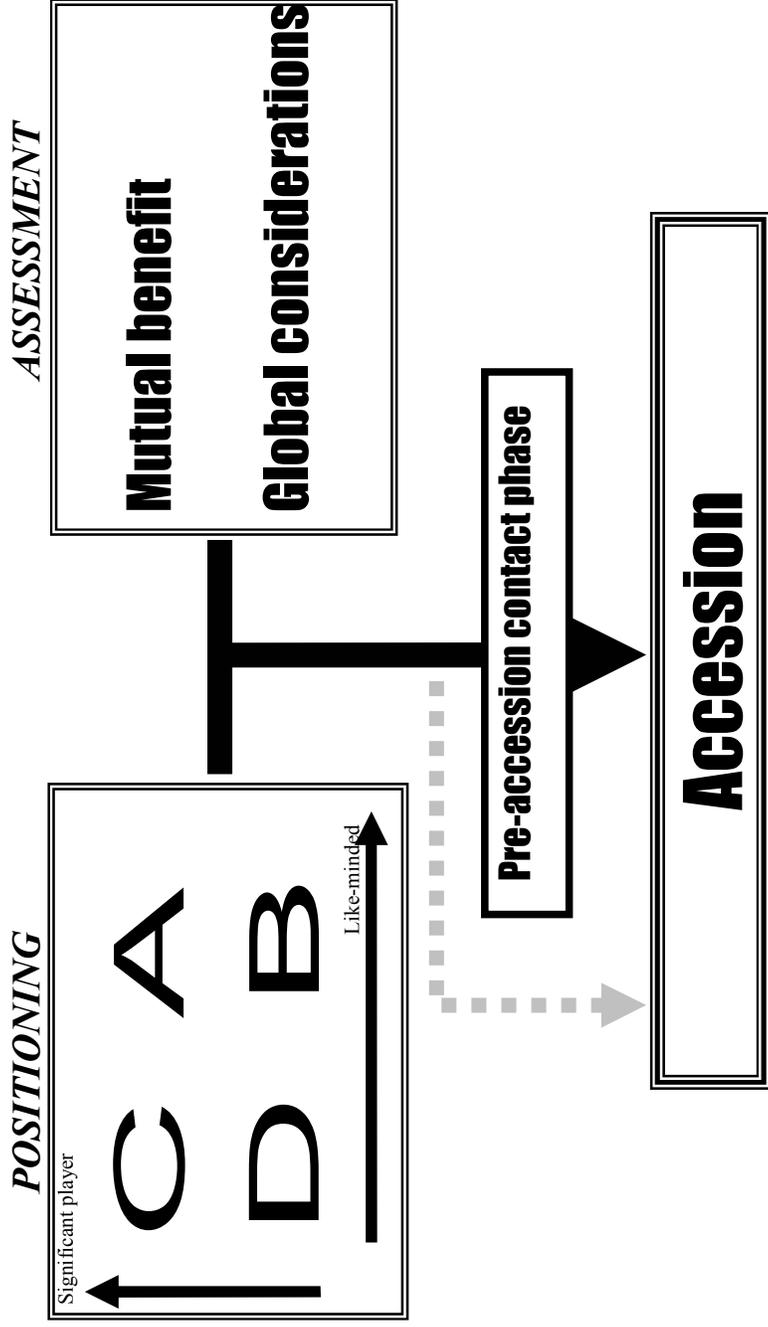
9. The **second** component of the OECD *acquis* is represented by all the substantive OECD instruments.

10. The *acquis* goes beyond the review of the applicant position vis-à-vis OECD Decisions and Recommendations as applicants have also been requested to position themselves vis-à-vis Declarations adopted within the OECD framework. Indeed some of them, like the *Declaration on international investment and multinational enterprises*, reflects important political commitments and contain substantive disciplines.

11. The review of OECD instruments, with a view to determining to which extent the applicant is prepared to accept these, has always been considered an essential component of the accession process. However, in this context the applicant is not faced with a “take it or leave it” situation and it can lodge reservations or observations to any of these instruments provided that such reservations are accepted by the OECD Council.

12. **Third**, while this cannot be considered as being strictly part of the OECD *acquis*, the position of applicant countries vis-à-vis other major international agreements can and has also to be subject to a review during the accession process. Thus, EPOC has always considered its duty to carefully examine the position of the applicant with respect to multilateral environmental agreements, in particular those that contain specific obligations for OECD countries (e.g. the Basel Convention, the UN Framework Convention on Climate Change and the Kyoto protocol). Similarly one would imagine that WTO membership would be an essential requirement for the review by the Trade Committee.

ANNEX 2: THE NEW ACCESSION
PROCESS



ANNEX 3: ENLARGEMENT OF THE OECD: IMPLICATIONS FOR THE ORGANIZATION OF MEETINGS

An informal Secretariat overview of options

Introduction

1. One of the most important challenges of the OECD's enlargement, and a key determinant of its success, will be to ensure and enhance the quality of the output of its Committees within an enlarged membership. Adding 10 to 15 new voices and policy agendas will stretch the efficiency of the organization of meetings.
2. The impact of an additional new member on the activities of a committee depends not only on the characteristics of the member, but also on the characteristics of the committee itself. Some OECD bodies meet twice per year and others more often (up to 5-6 times per year). Some bodies are mainly devoted to peer reviews; others have mandates with a strong rule-making component (negotiation of legal instruments or follow up to existing ones) whereas others are more focused on thematic policy dialogue.
3. Therefore, it might neither be necessary nor appropriate for the Council to develop elaborate views on changes in the organisation of committee meetings. Instead, the Council might wish to offer to Committees a menu of several optional approaches. Committees should be encouraged to choose alternative meeting structures and combine them, as appropriate, with the use of procedures and information technologies which can enhance the efficiency of meetings; or to devise their own innovative methods for experimental implementation.
4. This paper addresses three issues related to the sound organisation of meetings in a larger Organisation. First, alternative meeting structures are described in the next section of this paper.
5. Second, there may be a need to impose more rigour and harmonization of meeting procedures following a review of standards and best practices. Processes of organizing meetings have remained much the same in some committees despite the addition of six new members and a strong increase in observerships in Committees in the last decade. Some processes may need to be standardized and best practices reviewed and disseminated in order to improve the quality of meetings. Some suggestions for standardization of processes and use of best practices are touched on in the second section of this paper.
6. Third, the way meetings are organized and documentation is disseminated have undergone significant changes in technology. How technological advancements can be harnessed to improve the efficiency of meetings is examined in the third section of this paper.

7. The conclusion suggests measures to ensure and enhance the quality of OECD output in a larger Organisation.¹
8. This annex attempts to address the issue of inefficiencies or necessary changes in ways of working that are brought on by the numeric increase in members. It does not address the question of integrating potential members who are less like-minded. Although the latter issue would be addressed during the pre-accession/accession process, it should be noted that the overall like-mindedness in a larger OECD will nonetheless be diluted.

I. Alternative meeting structures

9. This section outlines alternative meeting structures that could be used to increase the efficiency and quality of meetings within enlarged membership. Many of these alternatives are already used in some committees or their subsidiary bodies.
10. One way to take pressure off plenary committees is to create *sub-groups or task forces* made up of a smaller number of delegates that prepare a large part of the work before plenary meetings. Results from sub-group discussions may be presented to the plenary once consensus has been reached by the small group or when all main issues have been reviewed. Sub-groups may be particularly useful for detailed or technical discussions but would probably not be appropriate for highly sensitive issues where all members would want to participate. At any point of time, the Committee on Fiscal Affairs, for example, has between 10 to 15 small task forces preparing reports for the subsidiary bodies of this Committee.
11. The process by which members participate in sub-groups would need to be agreed. *Self-selection* may lead to the most dynamic, concerted participation since members would elect to participate in sub-groups only if they have a strong interest in the topic. *Directed selection*, i.e., reserving places in a sub-group for big/small countries, countries from different regions, etc., may best allow for inclusion of differing interests and perspectives. The Chair or the Bureau of the higher-level body which sets up the smaller group could make the selection. Directed selection may be particularly useful when launching a new topic.
12. Self-selection in task forces has been tried in the European Council of Ministers of Transport (ECMT). ECMT added 24 new countries to its activities in less than 12 years. ECMT now counts 43 members, 7 associate members and one observer. Some issues do not concern all members and task forces with self-selected participation are created to review those questions with delegates from interested countries. Indeed, ECMT has been balancing i) items on its work program that are of interest to its newer members who are “catching up” with ECMT standards on best practice with ii) items that are more state-of-the-art issues of interest to its traditional members.
13. Bringing potential new members “up to speed” has also implied changes in structures in some European Commission bodies. In Eurostat, some 3-day plenary sessions have been substituted with one day meetings of members only, one day with members and candidate countries, and one day with candidate countries only. This system was instituted to deal with the different issues facing members and candidate countries.

1. Many of the ideas in this note were expressed by participants in an informal Secretariat brainstorming session on alternatives to the present organisation of work and meetings, held on site on 18th November 2003.

14. A possible pitfall of sub-groups or task forces may be that discussion in the sub-group would then be repeated in the plenary. The quality of the reporting to the plenary of discussions, the existence of a strong Committee Bureau which could organise work in a way that avoids such problems, and consensus or lack of consensus will influence the efficient functioning of sub-groups.
15. In order to cover multiple issues simultaneously, plenary sessions may be complemented by *break-out groups* during which participants break into two or more groups to discuss different issues, and then report back to the large group. Break-out groups already exist and may be appropriate on a larger scale after enlargement. The Environment Policy Committee (EPOC) has used this organizational tool effectively. Concerning the organization of the meeting, EPOC found it was important to distribute the agenda well in advance so Delegations that want to attend more than one concomitant session can send more than one Delegate.
16. As in the case of sub-groups, high quality reporting to the plenary is essential in order to make this a viable alternative. This alternative works well when the agenda includes items that are not inter-dependent. One potentially unresolved issue: if this method is used extensively, conference facilities will be needed to accommodate. Extensive use of break-out groups is costly not only in terms of space but also interpretation.
17. Alternative meeting structures may prove to work efficiently for Committees according to their working methods. For peer-review committees, particularly, breaking an existing committee into two *parallel groups* may be considered. Peer reviews are perhaps the working method that will be most influenced by enlargement: the quantity of peer review work and meetings will be increased by about 50 percent in the case of enlargement to 15 additional members (in other words, the marginal cost of adding an additional member is close to the average cost). The Economic and Development Review Committee (EDRC), for example, is thought to be near its limit: a significant number of new members could not be integrated under the present structure and schedule. Creating two parallel committees may become necessary in order to retain the quality and frequency of country reviews. In order to avoid the development of two different standards and practices over time, participation in the parallel committees could be revolving. Agreement would have to be reached beforehand on the process of participation in the two parallel committees, or the process of rotating membership.
18. A formal policy of “*opting out*” of certain **instruments** by which members have different obligations vis-à-vis OECD instruments has not been the preferred solution in the past because it undermines the consensus basis of the Organisation. Furthermore the concept of consensus implemented at the OECD which allows a member country to abstain from an OECD Act already provides a sort of opting out.
19. Allowing future (and current) members to opt out of participation in certain **committees**, i.e., increasing the share of Part II programmes could also be considered. If this was implemented, however, members would have to agree on a significant share of “core committees” to which members could not opt out in order to maintain coherence across the Organisation.
20. In addition, a form of “natural selection” may develop that would be advantageous to the efficient functioning of meetings. “Natural selection” exists when some delegations do not participate strongly in all committees, possibly due to low levels of interest in some areas. This “natural selection” is in fact an informal version of “opting out” but may help efficiency across the board without compromising the cohesiveness of the organization. Processes by which this “natural selection” can be encouraged are outlined in section two below.
21. In some international organizations with a larger membership, committees are organized by *constituencies*. In this way, a representative of a group of countries expresses a common point of

view of the group. This is difficult to envisage within the existing OECD working methods, often based on the sharing of national policy experiences.

22. Finally, some committees may continue to *work under their present organization*. The Development Assistance Committee (DAC), for example, now includes 22 members. After enlargement, it may number a few more. Given sufficient resources, the present methods of work may be adequate to absorb additional peer reviews.
23. In this context, the example of the Council of Europe is relevant. The Council of Europe has enlarged significantly from 23 members in 1989 to 45 members today, with 10 regular observers. This enlargement happened without increasing the number of Committees or sub-Committees. Indeed, the major Committees reporting to the Parliamentary Assembly were reduced in number from 13 to 10 over the 14 year period, for reasons unrelated to enlargement. No overhaul of organisation of meetings related to enlargement was performed, despite the significant increase in membership. The staff numbers, however, have roughly doubled over the period to reach approximately 2000 today. This reflects staff from wider membership, but also more activity areas covered by the Council of Europe.
24. Many Council of Europe committees are created on an ad hoc basis to accomplish a specific task or work program, and are created with a sunset clause. Since creation and dissolution of committees is more frequent than in OECD, structures change easily in response to changing needs.
25. Some of the above alternative meeting structures involve the creation of new sub-groups. This may not be coherent with strategies discussed elsewhere (HOD/IG2) to limit the number of subsidiary bodies. Sub-groups and task forces take pressure off the plenary sessions, however, and may prove to be necessary in the face of enlargement. In order to ensure that any new subsidiary bodies are indeed useful, it may be helpful to attach mission statements to them against which their progress can be clearly measured, include regular assessments and attach sunset clauses to all new subsidiary bodies.

II. Contributions of standardization and best practice to meeting efficiency

Committee Bureaus and Chairs

26. One example of multi-layered organization of meetings in use in the Organisation today is the Committee Bureau. Bureaus consist of the Committee Chair, Vice-Chair(s) and often 3-6 other Delegates who, with the Secretariat, guide the work of the Committee. Bureaus are used to organize meetings and agendas and, sometimes, to take strategic decisions or provide guidance to the Secretariat on issues that cannot be deferred until regular Committee meetings.
27. Once membership is enlarged, strengthening the Bureaus may become essential. Bureau members may be encouraged to liaise with or even represent some neighbouring countries in order to informally represent the views of an entire region within the Bureau. In this way, Bureaus may be used to start substantive discussions, to build consensus at an early stage, or to identify possible problems which may block consensus. There have been instances of joint Bureau meetings on related issues. Extended Bureaus, i.e., inviting key members not represented at the Bureau to discuss issues of importance to them with Bureau members, is another tool that has been successfully used. Creative use of Bureaus therefore may help Committees gain in flexibility without creating new structures.
28. If Bureaus take on a greater importance, however, some unresolved issues may arise in some Committees. One is the procedure for rotation in the Bureau. As the OECD enlarges, the issue of geographical mix may become increasingly important, as well as mix of new and traditional members represented on the Bureau. New technologies may make participation of some Bureau members

easier. Teleconferencing and videoconferencing lend themselves particularly well to frequent, flexible Bureau meetings and may help to strengthen Committee Bureaus in the long term (see section III below).

29. Another issue that will arise if Bureaus take on more importance is that Committee Chairs will have key responsibilities in the organization of meetings. Chairs rotate relatively often, however, and may not be particularly in tune to the “corporate culture” of the OECD. A pamphlet on “Meeting Efficiently at the OECD” could be updated, giving clear ideas to Committee Chairs on their role, the role of the Bureau, and how best to use the process.² This would help to communicate “corporate” culture and disseminate best practices. It could complement an updated version of the *Manual for the Guidance of Chairmen of Subsidiary Bodies of the Organisation* and could be distributed to new Committee Chairs and Bureau members when they are elected. Best practice could be collected on
- The relationship between the Chair and the Bureau, the Committee, and the Secretariat.
 - Use of mission statements of committees and how to assess progress against objectives
 - Best practice on agenda-setting: identifying minimum time constraints in terms of document distribution, use of IT for preparation of meetings, distinguishing between items for decision and those for information, guidelines on the number and length of documents, etc.
 - Best practice on briefing books, e.g., inclusion of background material, contentious issues, etc.

Standardization of documentation and meeting practice

30. Standardizing documentation could afford efficiency gains to readers of an increasing number of documents. Indicative guidelines as to a standard format could be harmonized throughout the Organization. These could include, for example, the format of the executive summary, follow up envisaged, what decisions or guidelines to the Secretariat are required of Delegations, etc., as well as document length and the amount of time given to Delegations to review documents before a meeting. These guidelines exist in some Directorates and Committees but could probably be extended. Standardized guidelines could be drawn up as “best practice” or could represent limits (maximum/minimums).
31. Indicative guidelines could also be envisaged for meeting procedures. Guidelines governing the amount of speaking time accorded to each speaker, or the “traffic light” system, may become essential with more members. Longer statements could be made available in written form at the meeting or on an electronic discussion group (EDG). Guidelines for meeting practice would be targeted to encourage interactive, spontaneous discussion on clearly specified themes. Standardized guidelines could also include best practice in the area of meeting assessment inasmuch as it is not already in place.
32. More rigour could be requested of Delegations in preparing meetings, thereby encouraging an element of natural selection. The experience in the Competition Round Table is relevant in this context. The Chair of the Round Table prepares a scenario for discussion, based on written contributions submitted and circulated prior to the meeting. Typically, the Chair selects some striking elements from each contribution to structure and feed the discussion: this avoids unfocused and repetitive presentations. This scenario is circulated shortly before the meeting to prevent overly formalised speeches. The Chair manages the time of these opening speakers as appropriate using “traffic lights”. In order to be

2. *Meeting Efficiently at the OECD: Some Guidelines*, published in the mid-90s, was an early attempt to give best practice ideas to Committee and subsidiary body Chairs.

included on the “lead speaker” list, Delegations must submit in advance a paper with their main ideas. General discussion in which all Delegations may participate follows the pre-staged discussion.

33. This procedure forces Delegations to commit to preparing significantly for an event. It also helps to ensure appropriate levels of participation from Delegates. In a way, this procedure leads to a form of “natural selection”. Experience has shown that Delegations feel this approach raises their visibility, and they are thus eager to contribute through written procedure. Delegations who have strong positions on issues prepare them in advance; those who do not may refrain from participating in the discussion.

III. Contribution of information technology to meeting efficiency

34. Available information technologies have changed the way Committees function over the past decade. Lessons learned seem to indicate that use of new technologies increased the efficiency of physical meetings rather than substituting them. Virtual meetings will probably not replace physical ones. Both Delegations and the Secretariat have expressed the view that there is no replacement for frank, non-recorded discussion and in-person networking. There is however a significant role for IT in ensuring the sound functioning of Committees in a larger Organisation. Effective use of IT may lead to efficiency gains in meetings by conducting preliminary discussions electronically; making documents and in some cases, meetings, available to a wider audience electronically through electronic discussion groups and web pages as well as web casts; and including far-away participants in meetings through videoconferencing.
35. After enlargement, it will be crucial to rely on written procedure whenever possible. One medium for structured, electronic written procedure is the electronic discussion group (EDG). An EDG is an electronic forum for the exchange of information in the form of documents or written dialogue. EDGs are already used in most Committees. In a larger OECD, agendas will necessarily be more succinct and preliminary comments and negotiations will increasingly need to be dealt with through electronic written procedure. EDGs, when used as a complement to meetings, allow more time to process initial comments and material, preparing for a more efficient, substantive discussion during the physical meeting. They can be used effectively to share data and information, to receive comments on technical issues, and to have a first round of interventions which help in identifying controversial points or those items that are best dealt with in specialized small-group discussions to resolve difficulties. In some cases, email distribution lists of Committee members are used in place of EDGs. Distributions lists offer less structure but more flexibility in terms of access.
36. Videoconferencing is another tool that may be used to increase efficiency and participation in meetings, particularly if the Organization includes more geographically distant members. Videoconferencing could be used more widely in both Committee meetings and meetings of Committee Bureaus.

Conclusions

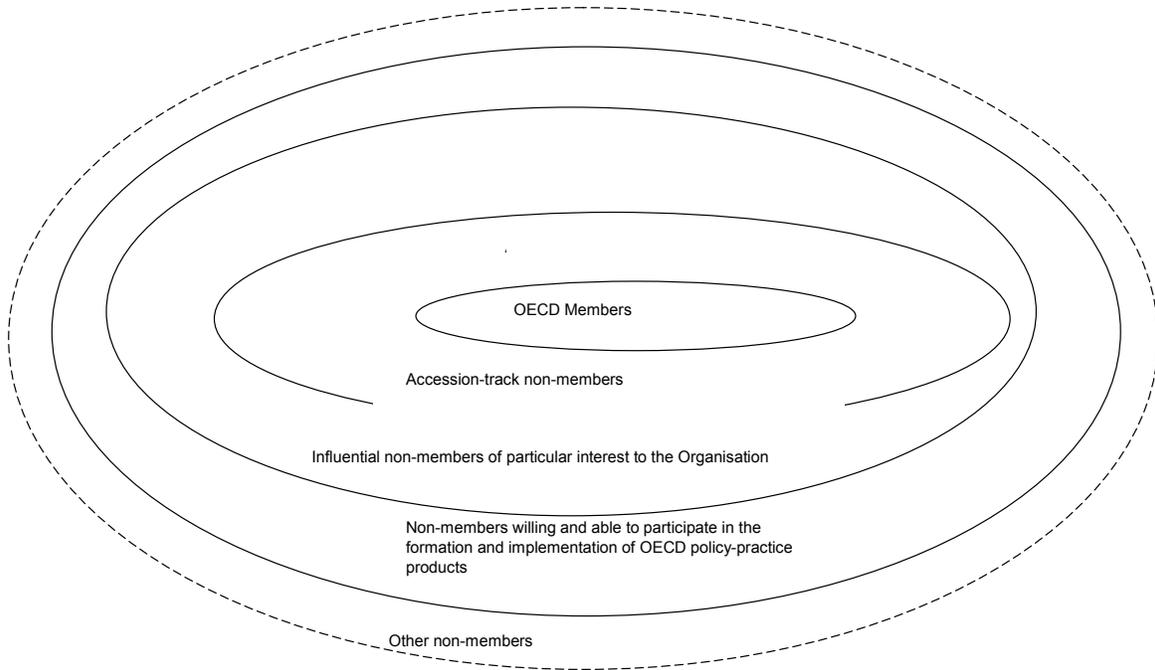
37. In order to minimise constraints on committee activities, and to maximise the quantity and quality of output, it would be appropriate to allow each committee to choose the most effective and comfortable option regarding its meeting structure and procedures (including the role of Bureaus) and the use of information technology, in line with its working methods and expected outcomes.

38. In support of this decentralized, experimental approach two measures could be taken at the outset:

(i) In order to develop information on the efficiency of each alternative meeting structure, a call for candidates could be launched among Committees to try structures on the above “menu”, or to innovate by introducing new procedures and information technologies. They could report to the Council after a trial period of, for example, one or two years.

(ii) A clearinghouse function would permit dissemination of information to all Committees on the experiences in implementing different meeting structures, including those on the “menu”.

ANNEX 4: MAPPING THE STRATEGY FOR ENLARGEMENT AND OUTREACH



N.B. The list of each non-member category is to be determined once the list of non-members on the accession path will be decided by the Council.

ANNEX 5: PARTICIPATION IN OECD

