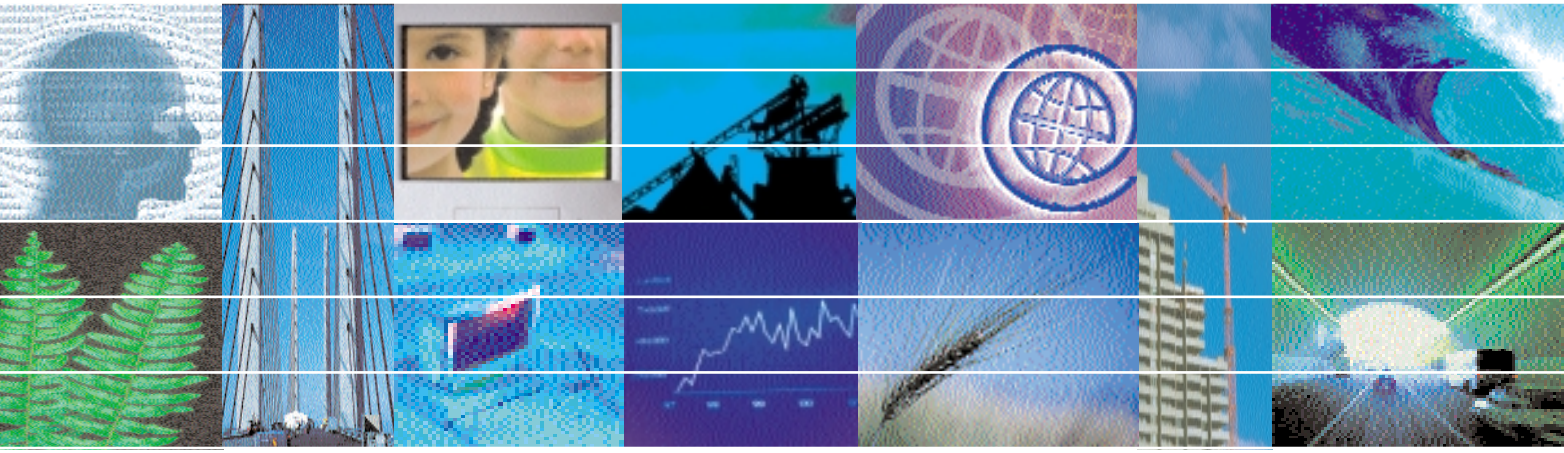


ANNUAL REPORT 2001

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

OECD
ANNUAL REPORT

© OECD 2001

THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) ANNUAL REPORT is prepared by the Public Affairs Division, Public Affairs and Communications Directorate. It is published under the responsibility of the Secretary-General of the OECD.

PREFACE 5
ABOUT THE OECD 8
REFORMING THE OECD 9
OECD IN 2000: SELECTED EVENTS 11
OVERVIEW: OECD PRIORITY ACTIVITIES 23
ECONOMIC GROWTH AND STABILITY 25
THE SOURCES OF GROWTH 26
DIGITAL DIVIDE 30
TERRITORIAL DEVELOPMENT POLICY COMMITTEE (TDPC) 32
EMPLOYMENT AND SOCIAL COHESION 33
A QUESTION OF HEALTH 36
AGEING 40
TRADE AND INTERNATIONAL INVESTMENT 41
TRADE AND CORE LABOUR STANDARDS 43
GUIDELINES FOR MULTINATIONAL ENTERPRISES 46
SUSTAINABLE DEVELOPMENT 49
SUSTAINABLE AGRICULTURE 52
CLIMATE CHANGE 54
GOVERNANCE 57
COMBATING CARTELS 60
HARMFUL TAX PRACTICES 63
BEST USE OF NEW TECHNOLOGIES 64
MANAGING RISK 65
FOOD SAFETY 68
DEVELOPMENT 71
A BETTER WORLD FOR ALL: PROGRESS TOWARDS INTERNATIONAL DEVELOPMENT GOALS 74
CLUB DU SAHEL 77
CO-OPERATIVE RELATIONS WITH NON-MEMBER ECONOMIES 78
PRIVATE SECTOR DEVELOPMENT CENTRE 80
CHINA 83
RUSSIA 84
STATISTICS 86
PUBLIC AFFAIRS AND COMMUNICATIONS 88
BIAC AND TUAC 92
FORUM 2000 93
OECD PUBLICATIONS 94
OECD OBSERVER 96
EXECUTIVE DIRECTORATE 97
REDEVELOPMENT OF THE OECD HEADQUARTERS SITE 98
HOW THE OECD WORKS 100
NUCLEAR ENERGY AGENCY 106
INTERNATIONAL ENERGY AGENCY 108
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT 110
THE INTERNATIONAL FIGHT AGAINST MONEY LAUNDERING: THE FATF 112
OECD ORGANISATION CHART 114
OECD COUNCIL MEETING AT MINISTERIAL LEVEL COMMUNIQUÉ: SHAPING GLOBALISATION 116
THE OECD SECRETARIAT 128
AMBASSADORS, PERMANENT REPRESENTATIVES TO THE OECD 129
OECD MEMBER COUNTRIES 133

PREFACE

Donald J. Johnston,
OECD Secretary-General

The year 2000 was a milestone for the OECD. Major reports were completed on biotechnology and food safety, policy implications of ageing populations and ethics management measures in the public sector. Work advanced on two cross-cutting studies, on sustainable development and on the sources of growth. Ministers gave the organisation new mandates to strengthen analysis of health policy and co-operative activities with civil society. In December, the organisation celebrated the 40th anniversary of the signing of its Convention. And on the very same day Slovakia became the OECD's 30th member country.

This year's annual report brings together the main results of the OECD's work in the year 2000, several of which I would like to highlight.

Building strong economies and societies

The OECD's 3-year project on sustainable development is being submitted to the 2001 OECD ministerial meeting, and will constitute an important contribution to the "Rio+10" summit in 2002. This work emphasises the integration of environmental, economic and social objectives in making policy, and will also give special attention to issues such as climate change, the management of natural resources, bio-diversity, and other international environmental challenges.

The project on the sources of economic growth explores the causes of differences in growth performance in OECD countries over the past decade. Our research shows that information and communications technology (ICT) is making an important contribution to productivity and growth but other factors are important too. Today's new economic environment still depends on sound macro-economic management, openness to trade and competition, and well-functioning markets and institutions. The first report on the growth project was delivered to ministers in June 2000, and the final report will be submitted to the 2001 OECD ministerial meeting.

One clear result that has emerged from the growth project is the need to place still more emphasis on human capital in the increasingly knowledge-based global economy. Countries can be awash with technology, but it takes human skills and talent both to operate it and to undertake the reorganisation of work and commercial relationships that can improve productivity and lift growth potential. Education and policies to provide opportunities for lifelong education for all have long been an OECD priority and remain so. This coupled with reinforced work on health will complement our longstanding work on the OECD's Jobs Strategy which seeks to define the policy environment that will promote higher levels of employment and social progress.

ICT holds out enormous promise for economies in the developing as well as the developed world. No sector will be left untouched by ICT in the long term. But there is a risk of a "digital divide", both within and between countries, especially access to technology for developing countries. The possibility to use these technologies to reduce and eventually close the gap between the developed and developing worlds is also

real. I am therefore pleased that the OECD is an active member of the Dot.Force created by the G8 at its Okinawa Summit to assess ways to bridge the digital divide.

Strengthening multilateral trade and investment

Delay in the launch of a new trade round has placed even greater responsibility on the OECD's extensive work in support of the WTO and the multilateral trade and investment system. The rules-based system combined with well-designed domestic institutions and policies provide the best framework for realising the promise of a new economy, and supporting poverty reduction and sustainable development. Analytical work has been advancing on the complementarities between trade policies and other policies such as the environment, core labour standards, competition and development, as well as agricultural trade and export credits.

The revised OECD Guidelines for Multinational Enterprises provide a new benchmark for international corporate behaviour, and the stronger implementation procedures should make them even more effective. They were adopted in 2000 by all OECD governments, together with those of Argentina, Brazil and Chile. The Guidelines were developed in constructive dialogue with the business community, labour representatives and civil society organisations, and represent an important initiative in addressing public concerns over globalisation

Improving systems of governance

The role of governments has not diminished with globalisation, but it has changed. In this new environment, there is an increasingly common governance agenda in both OECD and non-OECD countries as electronic government emerges as an instrument of democracy and development. Governments must ensure that domestic markets work by applying good and effective regulatory mechanisms which do not discriminate against foreign trade and investment, and they must co-operate to protect the integrity of the international financial system against corruption, money laundering and other illegal activities.

The fight against bribery and corruption is a high priority and some 30 countries have now ratified the Convention against Bribery of Foreign Public Officials. The OECD's work on harmful tax practices seeks to promote fairness and transparency in what is now a global tax environment. It is designed to bring all jurisdictions to a level of transparency and accountability which will cease to penalise honest taxpayers in developed and developing countries alike.

In addition, the OECD has developed a large number of governance instruments – codes of behaviour and guidelines elaborated through policy dialogue and consensus such as the corporate governance principles, recommendations on bank secrecy and on hard core cartels, and so on. We often refer to such instruments as "soft law". I believe that such soft law is the way forward in international co-operation and policy development in many areas, and will play an increasing role in the international arena in the 21st century. It is not subject to the difficult and lengthy negotiations of treaties, and can be more efficient and flexible, as it is in the self-interest of business and governments to adhere to such internationally accepted standards.

OECD and the broader universe

The OECD's mission is to help policy-makers tackle the economic, social and governance challenges of a glob-

alised economy. To achieve its mission, the OECD has been exploiting and expanding its unique consensus-building qualities to include more stakeholders and more countries. OECD ministers have asked us to develop new ways of involving representatives of civil society or public interest groups in our work. Although not elected representatives, many citizens' groups have an active, informed interest in important subjects that challenge governments. Dialogue with these groups puts OECD members in closer touch with public concerns. It can be an excellent way to involve the public in deliberating the difficult policy choices that almost every modern issue entails.

In our increasingly interconnected, interdependent world, OECD also has a responsibility – as well as a self-interest – to share its standards and experience with as many nations as possible. In 1991, OECD created a programme called "Partners in Transition". Through it, OECD members offered their experience and expertise, especially in the difficult but fundamental problem of building the institutions and legal and regulatory structure for a market economy, to the Czech Republic, Hungary, Poland and Slovakia. The accession of Slovakia to the OECD marks the end of a phase of expanding OECD membership in central Europe.

A wider universe of countries is now adopting OECD guidelines and best practices. OECD engages some 70 economies beyond the membership in its work and processes. The OECD has specific programmes of co-operation with Russia and China, an Investment Compact for south eastern Europe, a regional programme for the Baltic countries and activities in South America. But OECD members must do more to make this work available to others.

Developing countries have made remarkable economic and social progress over the past 30 years. Life expectancy is up from 41 to 62 years, infant mortality rates are down by half, and primary school enrolment has doubled. But extreme poverty still ravages the lives of one in every four people in the developing world, and women and girls are still the poorest. Progress towards the international goal of halving the incidence of extreme poverty by 2015 continues to be threatened by violent conflict and growing strains on the environment.

As we enter the 21st century, OECD countries still need to attack the root causes of poverty and place the world on a path of sustainable development, economically, socially and environmentally. They have developed new tools and resources – financial, intellectual and technological. But investing in early education and remaining committed to liberalised free trade and investment still represent the best means of alleviating poverty in developed countries and bringing development to the poorest regions of the globe. I am fond of a comment from the late historian Lewis Mumford who said, "I am optimistic about the possibilities, pessimistic about the probabilities!"

Not only do OECD countries have the resources, they also have recent lessons from history upon which to draw, lessons rich with successful experience. So as I begin my second mandate as Secretary-General of the OECD, I am optimistic about the probabilities as well as the possibilities although the former will not happen without strong leadership from the OECD membership.



ABOUT THE OECD

www.oecd.org/about/

The Organisation for Economic Co-operation and Development (OECD) groups 30 member countries in a unique forum to discuss, develop and perfect economic and social policies. It helps member governments identify good practice in managing their own economies, as well as helping members and non-members in drawing up ground rules for the 21st century globalised economy.

Its work includes efforts to foster prosperity and fight poverty through economic growth, financial stability, trade and investment, technology, innovation, entrepreneurship and development co-operation. Other aims include creating jobs for everyone and social cohesion, maintaining a sustainable environment, and achieving clean and effective governance.

The OECD provides governments a setting where they can compare policy experiences, seek answers to common problems and work to co-ordinate domestic and international policies. This can, on occasion, lead to formal agreements or treaties.

OECD countries produce two thirds of the world's goods and services, but the organisation is by no means an exclusive club. Non-members are invited to subscribe to OECD agreements and treaties such as the anti-bribery convention. The OECD now involves in its work some 70 non-member countries, notably Brazil, China and Russia, as well as least developed countries from Africa and elsewhere. Business, labour and civil society representatives also participate in work on issues from trade and environment to biotechnology and food safety.

Perhaps best known for its regular reports on the economies of its member countries, the OECD is also at the forefront of efforts to understand and help governments respond to new developments and concerns, such as the "new economy", electronic commerce, biotechnology and food safety, or sustainable development.

It acts as a forum for countries to exchange experiences and identify good practice, where peer pressure can act as a powerful incentive to improve policy and implement "soft law", non-binding instruments, such as the OECD Guidelines for Multinational Enterprises.

For 40 years, the organisation has been one of the world's largest and most reliable sources of comparable statistical, economic and social data. OECD databases span areas as diverse as national accounts, economic indicators, the labour force, trade, employment, migration, education, energy, health, industry, taxation, tourism and the environment.

The OECD was created in its present form in 1961, but its origins date back to 1947 when, as the Organisation for European Economic Co-operation (OEEC), it oversaw the launch of the Marshall Plan for the reconstruction of war-torn Europe. The core of original members has expanded from Europe and North America to include Japan, Finland, Australia, New Zealand, Mexico, the Czech Republic, Hungary, Poland, Korea and the Slovak Republic.

REFORMING THE OECD

The OECD has responded to the changing needs of a rapidly-evolving globalised economy by a major reform of its internal organisation and methods since ministers called in 1996 for faster structural change, better priority-setting and improved management methods.

The budget has been reduced by 18% in real terms, to around 1.2 billion francs (200 million dollars) per year, with administrative costs cut by up to 23% and staff numbers cut by 15%. The problem of rising costs to meet increasing pension obligations was resolved in 2000 with the decision to create a pension reserve fund, taking these costs out of the annual budget requirement and enabling the organisation to achieve budget stability.

The OECD's working methods have also been reformed to better meet the needs of member governments having to cope with a host of rapidly-emerging new issues, from the impact of information and communications technology to growing concern over biotechnology and food safety. Many of these issues have an impact on several areas of government and cut across the subjects covered by individual OECD directorates. The growth study and the sustainable development project, both coming to fruition in 2001, are examples of a new theme-based approach to analysis of key policy issues which have brought together OECD specialists in many areas from economy to trade and the environment. Such pooling of expertise contributes to improved efficiency and is being used for work on other high-profile issues such as electronic commerce.

The organisation has also boosted its membership to 30 and transformed its relationship with non-members, recognising that in a globalised economy developments in key areas from climate change to information technology are truly global and cannot be dealt with by one group of countries. The OECD has broadened its outreach to non-member economies, and now has a co-operative relationship with some 70 countries. Non-members are also increasingly invited to subscribe to OECD agreements, and in areas such as eliminating harmful tax practices the OECD is working with non-member economies to find solutions acceptable to all. The Centre for Co-operation with Non-Members (CCNM) was established in 1998 to provide a focal point for these relationships. It manages multi-country programmes linked to core themes of OECD work such as trade and the environment, as well as individual country programmes with major non-member economies such as China and Russia.

The OECD has reorganised its communications system to make its work visible and accessible not only to member governments but also through the media and to civil society. The Public Affairs and Communications (PAC) directorate was established in 1997 to ensure efficient communication on major issues, events and publications to all of these audiences, and this effort was further strengthened in 2000 by the creation of a PAC committee dedicated to overseeing its work. In 2000, PAC responded to the growing importance of civil society concerns with an OECD Forum where policy-makers, academics, business, labour and civil society could come together to debate issues of concern to all.

A second Forum in 2001 will debate sustainable development and the new economy.

The continuing reform process has implied changes to OECD's administrative processes. The Executive Directorate, which oversees the administrative, financial and operational infrastructure, as well as coordinating the reform programme and elaborating the programme of work and budget, was streamlined and reorganised in 2000. All support services, including budget and finance, human resources management, operations, information technology and network services, interpretation and translation were consolidated into this directorate (*see Executive Directorate chapter page 97*).

Continued reform efforts will seek to further improve priority-setting to make best use of available resources. Work is under way to draw up a long-term strategy for the OECD's headquarters site, which contains asbestos and is not well adapted to the requirements of modern fire protection legislation.

OECD IN 2000: SELECTED EVENTS

JANUARY

International jobs conference

The Finnish labour and finance ministries, with the support of the OECD and the European Commission, hold a conference to assess the contribution made by EU and OECD employment strategies to creating jobs and tackling structural unemployment.



Thorvald Moe, Deputy Secretary-General of the OECD, with Pertti Sorsa, Permanent Secretary, Ministry of Labour, Finland at the conference on jobs in Helsinki.

OECD/European Commission relations

OECD Secretary-General Donald Johnston meets the President of the European Commission, Romano Prodi, as part of his regular consultations with senior international figures.

Insurance regulation and supervision in China

At the first OECD meeting on insurance regulation and supervision in China, some 85 experts discuss solvency management, treatment of insolvency and compulsory insurance.

FEBRUARY

ICT and the quality of learning

Experts, policy-makers and practitioners from OECD countries participate in an international seminar on information and communications technology and its effect on education at the Futuroscope, Poitiers, France.

Economic survey of Russia

The OECD releases its third survey of the economic situation and propects in the Russian Federation.



Justice Vasiliy Vitriansky, Deputy Chairman of the Supreme Arbitration Court of Russia, Seiichi Kondo, Deputy Secretary-General of the OECD, and Dimitry Vasiliev, Chairman, Co-ordination Centre for the Protection of Rights and Legal Interests of Investors, Russia, at OECD/World Bank corporate governance round table for Russia.

OECD/World Bank corporate governance round table for Russia

Some 80 government and private sector representatives, investors from Russia and several OECD countries, stakeholders and international financial institution representatives discuss ways of improving protection of shareholder rights and equitable treatment of shareholders in Russia.

African prospects

The OECD and the African Development Bank launch the first International Forum on African Perspectives where some 300 experts from OECD and African countries discuss the growth prospects and policy challenges facing Africa.

GM food safety

A conference in Edinburgh on the scientific and health aspects of genetically modified (GM) foods is attended by 400 participants from more than 40 countries.



Sir John Krebs, Professor of Zoology, Oxford University, UK, Chairman of the OECD Conference on Scientific and Health Aspects of Genetically Modified Foods with The Rt. Hon. Mo (Majorie) Mowlem, Cabinet Office Minister, UK.

MARCH

International tax standards

At an informal meeting in Paris, the OECD's Committees on Fiscal Affairs and Development Assistance discuss ways of helping small economies to adjust to the new international financial environment.

Forum for the future

The OECD Secretary-General chairs an OECD conference hosted by the Nord/LB Norddeutsche Landesbank, Hannover, to discuss "21st Century Governance: Power in the Global Knowledge Economy and Society."

APRIL



Nicola Mancino, President of the Italian Senate, pays a visit to Donald Johnston, Secretary-General of the OECD.

OECD meets Caribbean governments

More than 50 participants from OECD member and non-member countries attend a conference in Santo Domingo to discuss foreign direct investment (FDI) in the Caribbean basin, current trends and prospects for FDI in the region, the investment climate, FDI policy frameworks and the role of FDI in development.

Latin American corporate governance round table

Senior policy-makers, regulators and businessmen discuss the future of corporate governance in Latin America at a meeting co-hosted by the Sao Paulo Stock Exchange, the Brazilian Securities and Exchange Commission, the Brazilian Institute of Corporate Governance and the World Bank/OECD Global Corporate Governance Forum,

Baltic regional programme

At the second annual meeting, the Baltic countries present strategic proposals for their future co-operation with the OECD, and the Organisation's Centre for Co-operation with Non-Members (CCNM) maps out the course for its co-operation with Estonia, Latvia and Lithuania.

Securities regulators in Asia

Top executives of Asian securities regulators and experts from OECD countries meet in Tokyo to discuss future initiatives for capital market reform in Asia, at the second round table on capital market reform in the region.



Donald Johnston, Secretary-General of the OECD, receives Mart Laar, Prime Minister of the Republic of Estonia.

MAY

Development co-operation

A high-level meeting of the Development Assistance Committee (DAC) identifies ways in which the international community can move from policy to action in key areas of development co-operation. This meeting marks the 40th anniversary of the Development Assistance Group, the precursor to the DAC.



First high-level meeting of the Development Assistance Committee in 1962.

Database on environmentally related taxes

The OECD launches a database that allows international comparison of environmentally related tax policies and can provide a basis for evaluating the effectiveness of green taxes.

Steel

Representatives of the Indian government participate for the first time as observers in the OECD Steel Committee.

Partnerships in governance

A high-level OECD seminar on common responses to the challenges of globalisation discusses issues such as corporate governance, enhancing ethical behaviour in business and government, and regulatory reform.



José Maria Roldan (Spain), incoming chair of the Financial Action Task Force on Money Laundering, and Gil Galvao (Portugal), outgoing chair of the Task Force, at a press conference on the report on non-cooperative countries and territories.

JUNE

Money laundering

The Financial Action Task Force on Money Laundering, which includes 31 member countries and organisations and has its secretariat at the OECD, releases its eleventh annual report and a report on non-cooperative countries and territories.



Brazil joins OECD countries' fight against cartels. Exchange of letters between H.E. Marcos Castrioto de Azambuja, Ambassador of the Federative Republic of Brazil to France, and Donald Johnston, Secretary-General of the OECD.

Anti-cartel programme

Brazil becomes the first non-member to join OECD countries in their efforts to combat cartels involving such practices as price fixing, bid rigging, market sharing and output restriction.

Social issues and the environment

At a seminar hosted by the Greek authorities in Athens, some 80 participants from OECD countries, international organisations, non-governmental organisations and industries discuss issues of public access to environmental information as a necessary component in policy formation and debate.

Harmful tax practices

Bermuda, the Cayman Islands, Cyprus, Malta, Mauritius and San Marino join OECD member countries in committing to eliminate



H.E. Anthony Hinton, Permanent Representative of Australia to the OECD, with the Hon. Peter Costello, Australian Treasurer, Chair of the OECD Council meeting at ministerial level.

harmful tax practices by the end of 2005, embracing international tax standards for transparency, exchange of information and fair tax competition. The OECD releases a report on Progress in Identifying and Eliminating Harmful Tax Practices identifying 35 jurisdictions as tax havens and inviting them to work with the OECD to eliminate harmful features of their regimes by the end of 2005. The report also identifies potentially harmful tax regimes in OECD countries. Ministers and senior officials from 60 economies, along with representatives from international organisations, review the global implications of the spread of tax havens and other harmful tax practices at an international symposium co-hosted by France and the OECD.

Small and medium-sized enterprises and globalisation

The first ministerial-level OECD conference on small and medium-sized enterprises (SMEs), organised in Bologna by the OECD and the Italian government, adopts the Bologna Charter setting out the need for a policy environment that will enable SMEs to flourish and thus contribute to employment, social cohesion and local development.



Charlene Barshefsky, United States Trade Representative, attends the meeting of the OECD Council at Ministerial level.

A better world for all

For the first time, the United Nations, the OECD, the IMF and the World Bank publish joint development goals as a common framework to guide their policies and programmes and to assess their effectiveness in the fight against poverty.

OECD ministers meet

The theme of the annual Ministerial Council meeting is shaping globalisation. Discussions focus on sustainable development and social cohesion; economic perspectives; the "new economy" and the sources of growth; maintaining momentum in trade liberalisation; governance; development co-operation; and co-operation with non-members.

OECD Forum 2000



Martin Baily, Chairman of the Council of Economic Advisers, US, and Chairman of the OECD Economic Policy Committee, attends OECD Forum 2000.

One thousand people from all segments of the economy and society attend the OECD's inaugural Forum 2000 on Partnerships in the New Economy. This public international conference and knowledge fair will be organised annually in conjunction with the OECD ministerial summit. Forum 2001 will be devoted to Sustainable Development and the New Economy.

JULY

International forum on Asian perspectives

Development resource mobilisation in the post-crisis period is the theme of the sixth international forum, jointly organised by the Asian Development Bank (ADB) and the OECD. Experts exchange views on the consequences of the financial crisis in Asia and on ways of attracting new foreign capital and of optimising allocation of resources.

SEPTEMBER

Ten years of Polish transformation

The OECD Council meets in Warsaw to mark 10 years of successful economic and political transformation in Poland.



Discussion between Sally Shelton-Colby and Hervig Schlögl, Deputy Secretaries-General of the OECD, Donald Johnston, Secretary-General of the OECD, and Aleksander Kwasniewski, President of Poland, on the occasion of the meeting of the OECD Council in Warsaw.

Centre for private sector development in Istanbul

OECD Secretary-General Donald Johnston and Ambassador Mithat Balkan of the Turkish Ministry of Foreign Affairs sign a Memorandum of Understanding at the inauguration of a new site for the OECD Centre in Istanbul.

OECD-China conference on foreign direct investment

A meeting in Xiamen, China discusses the driving forces and economic effects of foreign direct investment on China's development and future FDI plans and policies.

OCTOBER



Donald Johnston, Secretary-General of the OECD, receives Vicente Fox Quesada, President Elect of Mexico, at OECD headquarters.

President elect of Mexico

During a visit to France, Mexican President Elect Vicente Fox Quesada holds talks with OECD Secretary-General Donald Johnston.

Environmentally sustainable transport

An OECD international conference hosted by the Austrian government in Vienna discusses the options and instruments available that can lead to both significant improvements in the environmental performance of transport and important economic and social benefits.

Xenotransplantation and surveillance

The OECD, the World Health Organization and the Canadian government organise a conference in Paris on the ethical and public safety questions raised by xenotransplantation.

Poverty and social exclusion

A ministerial conference hosted by the OECD and the UK government provides an opportunity for informal discussion of new and emerging policies for tackling poverty and social exclusion, and to exchange examples of good practices.

Benchmarking industry and science relationships

The role of intellectual property rights in public research and the incentives for researchers to commercialise knowledge are discussed at an international conference jointly organised by the OECD and the German education and research ministry in Berlin.

Clean water supplies

The Kazakhstan government hosts a meeting to discuss the serious and deteriorating conditions of urban water supply and sanitation services management and investments in the Newly Independent States of the former Soviet Union

(NIS). Participants include NIS finance/economy and environment ministers, and high-level officials from OECD countries, international organisations, representatives of the private sector and non-governmental organisations.

Trade and civil society organisations

The OECD Trade Committee and some 20 civil society organisations from OECD countries discuss the role of multilateral trading arrangements and how to strengthen informed public debate about trade and its implications in the global economy.

OECD-Russia co-operation pact

At a meeting in Paris with President Vladimir Putin, OECD Secretary-General Donald Johnston urges the Russian authorities to push ahead with their programme of reforms and encourages them to reap fully the benefits of Russia's long-standing co-operation with the OECD.



Donald Johnston, Secretary-General of the OECD, holds talks with Vladimir Putin, President of the Russian Federation.

Futures project on emerging systemic risks

A new OECD steering group of 32 members from government departments, the private sector and non-governmental organisations (NGOs) meets for the first time to discuss the general framework and the thrust of the emerging systemic risks project.

Securities markets in China

An international round table gathers more than 150 participants from China, OECD and non-OECD countries and international organisations to discuss securities market reform, one of the key pillars of domestic policy in China.

NOVEMBER

Schooling for tomorrow

The OECD and the Dutch government jointly organise a conference in Rotterdam to discuss school systems and the future of schooling, and the ability of traditional school systems to respond to the challenges of the 21st century.



Rosario Green, Minister of Foreign Affairs of Mexico, and Geir H. Haarde, Minister of Finance of Iceland, at an OECD conference in Paris on gender mainstreaming.

Foreign direct investment in south eastern Europe

An OECD conference in Vienna organised within the framework of the Stability Pact Investment Compact for south eastern Europe, analyses barriers and obstacles to foreign direct investment in south eastern Europe and examines how OECD best-practice policies can contribute to the region's reconstruction.

Ways to promote healthy ageing

An OECD workshop on healthy ageing and biotechnology: research and policy issues, held in Tokyo, explores the scientific and health care policy issues facing governments as biotechnologies create new ways to detect, prevent, and treat age-related diseases and conditions.

International scientific and technological co-operation for sustainable development

The OECD and Korea host a conference in Seoul on ways to promote and facilitate international co-operation in the development and diffusion of environmental technologies, and in particular cleaner technologies, between developed and developing countries.

Conference on gender mainstreaming: competitiveness and growth

The OECD and the Nordic Council of Ministers co-sponsor a ministerial-level conference in Paris to analyse and exchange experiences of gender mainstreaming in current practice.



Aida Alvarez, Administrator, Small Business Administration, United States, at the conference on women entrepreneurs in SMEs.

Women entrepreneurs

"How can women-owned businesses become better integrated in the global economy?" is the theme of an international conference in Paris organised by the OECD and the French government.

Animal testing

OECD countries agree to abolish the LD50 Draize test to determine whether chemical products are harmful to humans and wildlife, which has been widely criticised as inhumane to animals.

Poverty and income inequality in developing countries

Civil society representatives from trade unions, agricultural interests, small businesses, women entrepreneurs, and NGO coalitions from twenty developing countries in Africa, Asia and Latin America participate in a policy dialogue on the effects of globalisation, organised by the OECD Development Centre.

DECEMBER

Online commerce

A conference organised by the OECD and the Dutch government in the Hague considers how online alternative dispute resolution mechanisms can help to settle privacy and consumer disputes in e-commerce.

Lifelong learning

Governments, experts, and social partners discuss research and policy issues at a conference, hosted in Ottawa by the OECD and Canada, on making lifelong learning an affordable investment.



Slovakia becomes OECD's 30th member country. H.E. Eduard Kukan, Minister of Foreign Affairs of the Slovak Republic, H.E. Ivan Mikloš, Deputy Prime Minister for Economy of the Slovak Republic, with Donald Johnston, OECD Secretary-General, and Thorvald Moe, OECD Deputy Secretary-General.

Slovakia

Slovakia is admitted as the OECD's 30th member on 14 December, the 40th anniversary of the signing of the Convention that created the OECD.

New term of office for the Secretary-General

Donald Johnston is invited to serve a second five-year term of office as from 1 June 2001.

ADB-OECD anti-corruption initiative

An OECD/Asian Development Bank anti-corruption conference in Seoul agrees on the creation of a regional framework for combating corruption in the Asia-Pacific region.

OVERVIEW: OECD PRIORITY ACTIVITIES

The past year marked the culmination of several major OECD initiatives in response to globalisation and the explosion of information and communications technology (ICT), notably a study of the sources of economic growth and the sustainable development project.

At the same time, the organisation laid the foundations for future work in areas of growing concern such as food safety as well as continuing its analysis of ongoing issues such as health and the ageing population.

A key thread running through all this work has been the global nature of many of the issues. OECD member countries may face similar problems in many areas, but its 30 members alone cannot resolve issues that go well beyond their borders, whether it be climate change, harmful tax practices or the rules that should govern e-commerce.

Such issues cut across departmental divisions within the OECD, but also mean rethinking the organisation's relationship with the outside world, beyond member governments to non-members but also to representatives of civil society representing interests around the globe.

In addition to the regular economic work such as reviews of OECD member countries' economies and the twice-yearly *Economic Outlook* report surveying all member states, OECD economists in 2000 continued their two-year investigation into the sources of growth, in particular whether a "new economy" is taking shape and how policies need to adjust. The final report is to be presented to ministers at their annual meeting in May 2001, but a progress report in 2000 suggested that "old economy" mechanisms and policies are still crucial to understanding the growth process and to raising levels of per capita income in the long term. The diffusion of ICT and its applications, such as e-commerce, will, for instance, require adjustments in policies ranging from competition to consumer protection. The new economic environment will also demand new skills, competences and ways of organising work, which will require changes in policies towards education, training and labour relations.

Another major initiative being brought to fruition in 2000 was the three-year sustainable development project, bringing together economic, environmental and social factors in a study of how to craft policy to enhance human welfare. Much work completed across the OECD in the past year has fed into this project, ranging from studies of sustainable agriculture and fisheries to analysis of the longer-term impact of ICT and energy use as well as the key issue of climate change. A core concern has been finding ways to ensure that economic growth does not automatically entail greater degradation of the environment.

Much time was devoted to the digital divide that is opening up between industrial and developing countries, but also between rich and poor within industrial countries, as a result of the move to a computerised, knowledge-based society. It is not just a question of money and access to computers: there is also the issue of access to the education needed to use them, and the availability of teachers equipped to provide such training. All these issues were looked at in detail during the past year, as the OECD collected relevant data

and used the figures to build a picture of trends to date that were discussed by member country education ministers in April 2001.

In the social sphere, attention turned to the growing gap between rich and poor in many OECD countries, how to avoid social exclusion and how to reverse it when it does occur. Evidence so far suggests that jobs are a key to re-integrating people into society, bringing the debate back to the problem of education and the skills needed to cope in a knowledge-based society.

Ongoing work on health and the problems of an ageing society also brought attention to work on migration trends as some member countries moved to attract young highly-skilled workers lacking in their own economies, while grappling with how best to handle an inflow of uninvited immigrants from less-developed economies.

There have been several significant steps in efforts to ensure that the regulatory framework keeps pace with developments in the global economy, particularly on the trade front. A review of the OECD Guidelines for Multinational Enterprises, offering a blueprint for corporate behaviour wherever a company operates, resulted in an up-to-date document incorporating all international core labour standards as well as guidance on environmental issues, consumer protection and governance.

The OECD also moved ahead with efforts to stamp out harmful tax practices, for the first time publishing a list of territories deemed to be tax havens and warning of measures if the territories did not offer to change their ways.

One new area of study was food safety and genetically modified (GM) food, at the request of the Group of Eight. The OECD organised a conference in Edinburgh bringing together experts and interested parties, both supporters and opponents, and carried out several studies of the available information which were presented to the G8 summit in 2000.

In relationships with developing countries, attention focused on crafting policies to reduce poverty. The OECD and other international organisations for the first time co-produced a book, *A Better World For All*, grouping development goals for the coming years and showing how far they were from being achieved on present trends.

The past year has also seen the OECD further expand its relationship with some 70 non-member countries, offering expertise and dialogue on issues ranging from education to employment, health and tax.

In addition to these relationships with governments, the OECD has also increasingly involved civil society in its work at many levels. Forum 2000, the first event of its kind, brought business, labour, academics and non-government organisations together with OECD officials and ministers to debate key policy issues raised by globalisation and the new economy.

But the OECD also involved civil society at all levels in its work, through consultation on a wide range of issues from GM food to revisions to the OECD Guidelines for Multinational Enterprises.

The end of the year brought the 40th anniversary of the signing of the convention that founded the OECD in its current form, as well as the admission of Slovakia as the organisation's 30th member.

And even as work was wound up on major projects such as the growth study and the sustainable development report, new issues were emerging for future consideration, such as the environmental impact of genetically modified organisms and renewed attention to health and immigration.

ECONOMIC GROWTH AND STABILITY

www.oecd.org/eco/eco/

The OECD conducts extensive monitoring and analysis of economic growth and stability in a variety of interconnected forms. These include comprehensive assessments of economic developments and policies in individual OECD member and a number of non-member countries, multilateral surveillance of global developments, and analysis of key cross-country structural issues. The results of these activities are published in OECD *Economic Surveys* for individual countries, the twice-yearly *Economic Outlook* covering all OECD members, economics department working papers, and occasional special publications.

In 2000, the OECD analysed and evaluated a number of risks to economic growth and stability. One was the further rise in world oil and other commodity prices. Another was the volatility in equity markets and changing conditions in government bond and foreign exchange markets. The OECD also examined the evidence on the degree to which greater use of information and communications technology (ICT) has raised productivity and reduced inflationary pressures, and looked at the widespread desire to reduce taxes and increase public spending in light of better-than-expected fiscal positions.

Tax reform, sustainability and ageing

Three structural issues figured heavily in reviews of individual countries – tax reform, policies to improve the environmental sustainability of growth, and policies to address problems associated with population ageing. The OECD is now working to synthesise the results of these country assessments. The analysis of sustainable growth is making an important contribution to the organisation's broader examination of sustainable development. An OECD-wide examination of the sources of economic growth in 2000 included analysis of the factors behind recent growth trends in OECD countries with a view to detecting evidence of "new economy" productivity gains arising from the dissemination of ICT. This work looked not only at the role of traditional determinants such as employment and working hours, physical and human capital accumulation, and research and development, but also at the contributions across OECD countries of macroeconomic policies, regulatory policies, and financial development.

Contributions to growth

The scientific and technological input to the growth project being completed in 2001 *(see box page 26)* has sparked calls for various follow-on projects in 2001 and 2002, including work on international mobility, and a more in-depth look at the determinants and measurement of productivity. Analytical and methodological contributions to the growth project included a report on patterns of growth and the first analysis across the G7 of the contribution of ICT to output growth. This analysis is being extended for the final growth report in 2001. The development of a manual on productivity measurement and the launching of a handbook on methods to account for large quality changes in the output of technologically sophisticated sectors such as ICT supported this analytical work. Methodological work is also being conducted to create a manual that

THE SOURCES OF GROWTH

www.oecd.org/subject/growth/

The OECD launched a two-year study of the causes of underlying differences in growth performance in OECD countries in response to a request from OECD ministers meeting in May 1999. Ministers also asked the OECD to identify factors, institutions and policies that could enhance long-term growth prospects. The focus of the work in the first year was to analyse the main sources of growth across OECD countries and how these account for divergences in economic performance. A first report was presented to ministers in June 2000, summarising the main findings:

- Notwithstanding its first ranking in terms of levels of gross domestic product (GDP) per capita, the United States continued to experience improvements in trend growth over the 1990s. Only a few other OECD countries, most notably Australia, Ireland and the Netherlands, registered markedly stronger growth of GDP per capita over the past decade compared with the 1980s. In addition, countries such as Korea continued to catch up to higher income levels. In contrast, growth of GDP per capita in many other OECD countries, including Japan and much of Europe, slowed down. Best-performing countries generally drew more people into employment; accumulated more capital, particularly information and communications technology (ICT), but also human capital; and often improved their overall efficiency in using capital and labour, or multi-factor productivity (MFP).
- Greater labour utilisation, i.e. lower unemployment, higher labour force participation or longer working hours, made a significant contribution to growth in several OECD countries. Countries with higher per capita growth rates typically maintained or increased employment rates over the 1990s, while employment rates stagnated or fell in those experiencing a slowdown in growth of GDP per capita. In addition, high-performing countries experienced both higher labour utilisation and improved labour productivity, suggesting that these two factors tend to reinforce each other.
- Investment in ICT has been the most dynamic component of business investment, growing by double-digit figures over the past two decades in many OECD countries. In most countries, ICT investment accelerated in the second half of the 1990s, as the prices of ICT goods fell more rapidly. Software accounted for about a third of the overall contribution of ICT to output growth.
- Improvements in the quality of labour, measured by increases in educational levels of the workforce, also made an important contribution to growth in virtually all OECD countries – although rarely more so in the 1990s than in the 1980s. These improvements were particularly important in many European countries. However, they were generally accompanied by sluggish employment growth, as productivity gains were

partly achieved by dismissing, or not employing, workers with low skills.

- Growth of multi-factor productivity improved in several OECD countries over the 1990s, notably in Australia, Canada, Finland, Ireland and Sweden. In the second half of the 1990s, MFP picked up further in several countries, including the United States. MFP reflects overall efficiency in the use of labour and capital, and is affected by a host of factors, including new managerial practices, organisational change and, more generally, improved ways of producing goods and services. Investment in research and development (R&D) is one of the important drivers of MFP. In some OECD countries, such as the United States, rapid technological progress in the production of ICT goods contributed to MFP growth. And some evidence is now emerging that the growth in MFP may also be linked to the benefits arising from the use and diffusion of ICT.

The first year produced insights into the sources of growth but also raised many new questions, in particular on the role of policies in explaining observed growth patterns. Further fact-finding work has continued, but in the second year the focus of work shifted towards the analysis of the policies and institutions that support growth.

The evidence thus far suggests that "old economy" mechanisms and policies are still crucial to understanding the growth process and to raising levels of per capita income in the long term. Indeed, the economic foundations that support growth require a cocktail of policies aimed to create an open, competitive and market-oriented environment.

In particular, sound macro-economic management and openness to international trade and competition have made significant contributions to better growth performance in the 1990s. Government spending on infrastructure and education has also contributed to the accumulation of physical and human capital. And ongoing reform of conditions in product and financial markets has helped to speed up the adoption of new technologies and, more generally, innovation and growth.

Enhancing longer-term growth prospects will also require special emphasis on a number of specific policy areas. The uptake and diffusion of ICT and its applications, such as e-commerce, will, for instance, require adjustments in policies ranging from competition to consumer protection. The new economic environment will also demand new skills, competences and ways of organising work, which will require changes in policies towards education, training and labour relations. Policy will also need to ensure that new technologies continue to emerge in the future and that innovation and technology diffusion continue to make a contribution to growth. And fostering a climate conducive to new dynamism in firm creation and entrepreneurship will require policy action on many fronts

The final report on growth, reviewing the sources of growth and the policies that drive it in the new economy, will be presented to OECD ministers at their meeting in May 2001.

improves the international comparability and the measurement of various aspects of globalisation, including foreign direct investment, trade and technology diffusion. A final draft of this manual will be completed in 2001. Work on productivity, globalisation and the analysis of structural change through the new structural analysis database (STAN), now also including services, will be included in the 2001 OECD *Science, Technology and Industry Scoreboard*.

New analytical work on the role of high-growth firms ("gazelles") was also completed in 2000 and showed the diversity that exists at enterprise level. A workshop on enterprise demography is scheduled for 2001.

The OECD also developed new measures of structural unemployment, analysing their role in the conduct of monetary policy, and assessed the impact of immigrant flows in OECD countries, focusing on possible contributions to future living standards in countries with ageing populations. Other work in 2000 examined the contribution of structural reforms to recent improvements in labour market performance, and monetary policy in a changing financial environment focused on the increasing size of financial markets relative to output and the growing importance of readily tradable assets.

OECD work shows that the distribution of income before taxes and transfers widened between the mid-1980s and the mid-1990s in nearly every OECD country. In most countries, the result was wider final income distribution, but some restructured their tax and transfer system so that this did not happen. Such a strategy carries a risk, however, if the result is a system that does not reward work and saving.

The new information on income distribution and the OECD social expenditure database have helped clarify the links between these trends and growth. Inequality cannot reliably be said to be either good or bad for growth. But there is quite good evidence that, whereas high levels of income transfers are associated with poor growth performance, higher spending on "active" social policies can be good for growth. Active labour market policies, "making work pay", helping those with children to reconcile their responsibilities, even health care, can all support participation in the market economy, while at the same time ensuring that the widest possible part of the population can benefit from the increased opportunities which economic growth brings.

Role of financial markets

www.oecd.org/daf/

Financial markets have a key role to play in economic growth and stability and are closely monitored by the OECD, both as regards structural and regulatory conditions, and with the aim of promoting liberalisation in financial services and the development of international financial best practices. The OECD also works to foster the integration of non-member countries into the global financial system.

In 2000, the monitoring of financial markets included in-depth discussions with the financial community and the participation of private representatives in OECD work on insurance and private pensions, an area of increasing importance because of the ageing population in member countries. Policy analysis focused on investment regulation of insurance companies and pension funds, the two main groups of institutional investors in the OECD area, as well as on governance of pension funds, the development of private health insurance, and the reform of insurance solvency. The OECD discussed major structural issues, including future prospects for national financial markets and trading centres, the implications of moral hazard and

contagion in international financial crises, and the role of corporate governance in collective investment instruments.

Major achievements in the past year included agreement on expanded obligations for investment abroad by insurance companies and pension funds, a framework for insurance liberalisation, and agreement on 15 Principles for the Regulation of Private Pensions. The OECD also developed a world taxonomy of pension systems, analysed the governance and investment regulation of pension funds, and created a unique international network of pensions regulators and supervisors. This now includes almost 100 supervisory and regulatory institutions from around the world. As part of OECD efforts to involve non-members in investment and pensions work, Singapore joined the Insurance Committee as an observer, after becoming an observer to the Committee on Financial Markets (CMF) in 1999, while Russia participated in some activities of both committees. These committees are also involved in e-finance issues.

The Insurance Committee is also contributing to the OECD project on health, through its private health insurance component. There was agreement in 2000 on new obligations for the insurance items of the OECD Invisibles Code, expanded obligations for investment abroad by insurance companies, and work on information exchange in the reinsurance field, risk management, indexed-linked bonds and electronic trading systems.

Work on financial statistics was expanded to cover international direct investment, funded pension schemes and privatisation and, for the first time, work on government debt, with the finalisation of a major new yearbook, *Central Government Debt, 1980-1999*. Co-operation with international organisations such as the International Monetary Fund (IMF), the World Bank, the Bank for International Settlements (BIS), the European Central Bank (ECB) and Eurostat was enlarged with projects such as ongoing discussion with the World Bank to create a joint privatisation database. New methodological work was launched in such areas as mergers and acquisitions, to keep financial statistics in line with the requirements of analysts, and the insurance statistics database was expanded to cover statistics on private health insurance that should complement the OECD's health database.

One of the major developments in 2000 was a further internal consolidation of OECD activities on financial issues, reflecting parallel trends in world financial markets. This in particular is reflected in the 2001-2002 programme of work which includes several issues of common interest related to institutional investors, financial convergence, electronic commerce and pension reform.

Industry and growth

www.oecd.org/dsti/sti/industry/

Work on industry examines how economic developments affect particular sectors, ranging from steel to electronics to business services. Trends in industrial globalisation – including cross-border mergers and acquisitions, international strategic alliances and electronic commerce – are being assessed for their sectoral and policy implications. National approaches to corporate governance, intangible investment, regulatory reform and other parameters are compared to improve government policies for creating a favourable business environment.

During 2000, business and industry policy fora brought major stakeholders together to discuss topical issues such as micro-economic drivers of the "new economy" and environmental management in industry. In 2001,

DIGITAL DIVIDE

www.oecd.org/dsti/sti/it/

The importance of information and communications technology (ICT) to both economic and social development has highlighted the need to understand and bridge the "digital divide". This covers the gap between individuals, households, businesses and geographic areas with regard to their access to ICT and their use of the Internet, but also questions of developing the competence to use the technology when it is available. It reflects differences between countries, but also between sectors of society within individual economies, and raises a number of questions. Where does it occur and why? What are its causes? How can it be measured? What are the relevant parameters? How wide is it? Where is it most critical? What are its effects likely to be in the short and in the longer term? What needs to be done to alleviate it? These questions are fairly recent and OECD work in 2000 tackled several aspects of the problem.

Data gathered so far by the OECD on telecommunications infrastructure, computer availability and Internet access were put together in a move to measure the extent of the problem. *Understanding the Digital Divide* found that the gap between households appeared to depend primarily on income and education. It also highlighted the importance of policy and regulatory reform in addressing the problem. But the OECD stressed that efforts to define and measure the extent of the digital divide are in their early stages and that this work is continuing.



The OECD also produced a major publication in 2000 looking at the way ICT is affecting learning and education. *Learning to Bridge the Digital Divide* stressed that ICT hardware and software are useless without the competence to exploit them. Nurturing this competence is in part the job of schools and colleges, where the foundations of lifelong learning and "technological literacy" are laid. But it also depends on the learning that takes place throughout life in homes, communities, and workplaces. The gaps that define the "learning digital divide" become as important as those defined by access to the technology itself, but they have yet to receive the same degree of policy recognition. The book analysed such educational and competence ICT gaps, and the strategies that have been tried in different countries to close them.

A workshop in Paris in December also looked at efforts to measure the digital divide both within and between OECD countries, and responses to the problem from governments, business, workers and individuals.

The OECD is also contributing to the work of the Digital Opportunities Task Force (Dot.force), created by the G8 countries in July 2000 to examine ways to ensure that the developing world does not get left behind in the digital revolution. It is to make recommendations on concrete global action to bridge the digital divide to the next G8 summit in Genoa in July 2001.

discussions will focus on the Internet and business performance, and on global industrial restructuring. Work on small and medium-sized enterprises (SMEs) examined venture capital, stock options, taxation and training, while a conference in Bologna clarified how small firm networking can enhance their global reach. A conference on women entrepreneurs in SMEs improved understanding of the special barriers confronting women in start-ups. Improving small firm access to financing and electronic commerce are continuing concerns.

Tourism

www.oecd.org/dsti/sti/transpor/tourism/

Work on tourism in 2000 included involvement in ongoing discussions within the World Trade Organization to further the liberalisation of tourism-related services. A manual to help OECD countries measure the role tourism plays in the economy and in employment was published. Work in 2001 will include projects related to employment in the tourism industry, to the liberalisation of tourism-related activities, and to the analysis of OECD national tourism policies

Steel

www.oecd.org/dsti/sti/industry/steel/

Despite the buoyant increase in world steel demand, production and trade to new record levels, prices remain low and trade tensions persist. Excess capacity continues to be a concern. The OECD Steel Committee plans to take a more active role in analysing developments in the global steel market, and agreed on a broad range of activities to strengthen its role as a platform for policy debate on steel issues. In 2000, a special session on international steel trading helped clarify the role of steel traders in the global steel market and, more specifically, their responsibility in regional market distortions. Non-members India and Bulgaria joined the Steel Committee as observers, which will enhance the capability of this body to address policy issues on a broader multilateral basis.

Future trends

www.oecd.org/sge/au/



For the longer term, the OECD is looking at whether the world is entering a new period of major socio-economic transition. In the past year, it completed a series on the challenges of the 21st century, grouping four titles: *21st Century Technologies; The Future of the Global Economy; The Creative Society of the 21st Century;* and *Governance in the 21st Century*. They conclude that the seeds of change are there. But a 21st century transition will not just happen on its own and governments have a strategic role to play in putting this puzzle together. The series looks at key areas for future policy and possible pitfalls.

TERRITORIAL DEVELOPMENT POLICY COMMITTEE (TDPC)

www.oecd.org/tds/

The Territorial Development Policy Committee (TDPC) is the most recent of the OECD committees, established in 1999 to provide a forum for member countries to discuss policy responses to strategic territorial development problems and to undertake policy analysis aimed at enhancing economic growth, social cohesion and effective governance. It pays special attention to the impact of globalisation and technological change on patterns of development between areas, territorial fragmentation and regional disparities, and sustainable development. It also promotes experiments and innovations at territorial level. It develops the analysis of its working parties on urban affairs, rural development and on territorial indicators and statistics.

The TDPC's main activities and products are national and regional reviews offering in-depth studies of the core spatial, economic and social policies for territorial development as well as governance issues, and studies of policy issues affecting rural and urban areas, such as information and communications technology (ICT).

A key feature of the committee's work is its multidisciplinary nature, its focus on intersectoral issues and its ability to deal with a broad range of problems. It is one of the few OECD committees that can cast light on problems from two different standpoints: a local and micro-economic one; and a national and macro-economic one, integrating the whole spectrum of socio-economic and political issues. The committee is served by three working parties addressing specific urban and rural issues as well as territorial indicators.

In June 2000, the committee endorsed a report on metropolitan governance and a set of principles of metropolitan governance to help develop better strategies for the development of metropolitan areas. This is vital if their rate of economic growth is to remain strong, but the governance structures currently in place are often outdated and ill adapted to the tasks they face. The report examines governance issues and recent policy innovations in large urban regions, drawing on the lessons of successful and unsuccessful attempts to reform metropolitan governance. It identifies how central and metropolitan governments can work better to optimise the potential of each urban region.

The committee holds an annual round table where member countries can share information about policy developments, and from 2001 a *Territorial Outlook* will make the latest surveys of territorial issues available to a wide audience.

The Territorial Development Service (TDS) was created in 1994 to bring together the OECD's activities on urban affairs, rural and regional development and its programme on local economic and employment development (LEED).

EMPLOYMENT AND SOCIAL COHESION

www.oecd.org/els/

The 2000 ministerial communiqué stressed that "enhanced social cohesion, bolstered by full employment, is crucial to cope with the range of changes" faced by OECD countries in an increasingly knowledge-based and integrated world. A wide range of OECD work seeks to help member countries define the policy environment that will promote these objectives.

Making work pay

www.oecd.org/els/employment/

"Making work pay" policies attract growing political interest as a way of extending work opportunities more widely among the working-age population. The 2000 edition of the *Employment Outlook* laid out the advantages and disadvantages of policies, such as tax credits, designed to increase monetary work incentives and to make work more rewarding. The report also examined the interactions of tax/benefit systems and minimum wages as part of a concerted policy package to better reward low-wage workers. This followed an OECD workshop on "making work pay", the results of which were published in a special issue of *OECD Economic Studies*. The remainder of the *Employment Outlook* contained detailed analysis of labour markets in new member countries, of patterns of employment and unemployment across regions, of the evolution and determinants of service sector jobs, and of eligibility criteria for the receipt of unemployment benefits. It also included an overview of self-employment and its characteristics.

The evaluation of active labour market programmes – what works and what does not work and why, including the critical role of the public employment service – remained key elements of the policy framework. A high-level conference on the public employment service was held in Prague in July 2000 to review lessons from the past decade and discuss directions for the future. Papers presented at the conference will be published in 2001. A review of the labour market and social policy in Korea published in 2000 (*Pushing Ahead with Reform in Korea: Labour Market and Social Safety-Net Policies)* commended government policies aimed at overcoming the 1997 crisis. However, it also highlighted the need for further action to create a well-functioning social safety net and strengthen basic workers' rights, in order to pave the way for a healthy, socially sustainable economic performance. The OECD began a major review of the labour market and industrial relations in Australia in late 2000 and the results will be published in mid-2001. After a decade of labour market and public employment service reviews covering 19 member countries, and the Prague wrap-up conference, this work will be reoriented somewhat. This is likely to involve reviews of specific topics, such as how best to improve the economic and social prospects of older workers.

Combating social exclusion

www.oecd.org/els/social/

The marked improvement in labour market conditions in most OECD countries has given countries new hope in their efforts to combat social exclusion and promote

social integration. This was one of the key conclusions of a joint UK/OECD conference in London in October. Representatives of 28 OECD countries, including 15 ministers, were optimistic that new approaches to the deep-rooted problems facing the most disadvantaged in society were proving effective. The central objective of policies for the excluded must be providing work, a conclusion emphasised by new OECD evidence showing much higher poverty rates among the jobless than among those in work. Intensive counselling on how best to overcome barriers to work seems to be effective, but only if the counsellors are well trained and not overstretched. "Making work pay" policies do help to pull low-skilled people out of poverty, but more needs to be done to ensure that such workers get onto the career ladder.

The problems faced by many families, particularly those headed by lone parents, in reconciling their caring responsibilities with work remain a preoccupation of many countries. A new OECD project, which will run over the next few years, will identify best practice in the design of policies for families who are poor not just in terms of financial resources, but also in the time they can devote to the care and development of their children.

OECD work on income distribution shows that the distribution of income before taxes and transfers widened between the mid-1980s and the mid-1990s in nearly every OECD country. Inequality cannot reliably be said to be either good or bad for growth. But there is quite good evidence that higher spending on "active" social policies, such as "making work pay", and helping those with children to reconcile their responsibilities can support participation in the market economy and ensure that the widest possible part of the population can benefit from economic growth.

Local solutions

www.oecd.org/tds/bis/leed.htm

Joblessness, poverty and social exclusion are highly concentrated locally and local solutions must be part of the response. The Local Economic and Employment Development Programme (LEED) identifies and analyses the local conditions that foster entrepreneurship and job creation, to help local authorities design effective and efficient policies. In 2000, LEED published a report on good practice in business incubation. LEED has also been looking closely at the phenomenon of local clusters of enterprises, which provide small firms with added competitiveness in the face of the challenges of globalisation. The OECD organised with the French government a World Congress on Local Clusters in Paris in January 2001 to deepen understanding of this phenomenon. Further work on industrial clusters and networks is under way in the transition countries in central and eastern Europe. A forum on cities and regions was also inaugurated in 2000. At a meeting in Washington in April 2000, a forum on social innovation was inaugurated which puts in place a strong network of international experts, policy-makers and practitioners. They will work together on identifying and exchanging ideas and best practices in local community building and in fostering a more inclusive society. In 2000, this forum hosted conferences on corporate social responsibility and local development, looking at how private corporations support the communities where they are located, and examining the role of non-profit organisations and civil society in fighting economic and social exclusion.

Migration

www.oecd.org/els/migration/

International migration concerns both OECD members and non-members. It contributes to reducing labour shortages in some OECD countries and accompanies economic growth. Family migration reinforces social cohesion by improving the living conditions of immigrants in the host country. In many cases, emigration eases demographic and economic constraints on the labour market in the home country and helps reduce unemployment, while transfer of funds by emigrants improves living standards for family members who remain in the home country. A seminar on recent developments in migration and the labour market in central and eastern Europe was held in Bratislava in March 2000. It concluded that eastern and central European countries need to improve the status of foreign workers, to clarify the conditions for granting and renewing work permits, and to better control public and private agencies responsible for recruiting foreign workers. Economic integration of border regions where mobility is particularly high should be encouraged. Prospects of enlarging the European Union to include the eastern and central European countries will force the latter to adopt more coherent migration policies that conform to EU practice. The working group on migration will follow up on these issues when it meets in June 2001. The annual *Trends in International Migration* report stressed that the debate on immigration has widened beyond controlling flows and the fight against irregular immigration. Two new major themes are the role immigration can play in easing the effect of ageing populations, and whether countries will need to seek more qualified immigrants to meet sectoral workforce shortages. The special chapter in the 2000 edition is devoted to a comparative analysis of legislation and procedures governing family immigration in several OECD countries. It examines the conditions required for family reunion and the entry of accompanying family members, as well as rights to work and social protection.

Work on labour market and social policy, as well as education policy, in non-member countries aims to propose measures that will combat unemployment and social exclusion while encouraging the modernisation of the economy, increasing employment and productivity, and better managing human resources. These measures ensure better social cohesion and allow governments to combat economic inequality and exclusion. A report on labour market and social policy in Romania was published in July 2000, analysing priorities for modernising the Romanian economy and setting up a minimum social safety net. A review of education policy in Romania was also published in 2000 and one on Bulgaria was started. A report on labour market and social policy in Russia is to be published in early 2001.

The role of education

www.oecd.org/els/education/

Strategies to address gaps in learning and skills remained the main theme of reviews, analyses and development of indicators of the education and training system in 2000. In preparation for a meeting of OECD education ministers in April 2001, the OECD also reviewed developments since 1996 when education ministers made a commitment to lifelong learning for all. The review found slow progress in implementing lifelong learning strategies at a systemic level. Under the theme of Investing in Competencies for All, the agenda for the 2001 meeting included how best to foster competencies for the knowledge society, how to secure the benefits of lifelong learning for all, and how

A QUESTION OF HEALTH

www.oecd.org/els/health/

Health systems are of crucial importance to OECD economies. Good health is essential for people to flourish as citizens, family members, workers and consumers. Health is also a key element of public finance, representing on average 12% of public spending, and ageing societies are likely to express a greater demand for health care. However, significant savings could be achieved by making health care systems more efficient. OECD work in 2000 to assess health care systems included a preliminary review of health system performance measurement at national level in a selection of member countries. The review included initiatives where performance measurement and management had been shown to affect performance itself. For example, the publication of surgeon-specific mortality rates in coronary artery bypass grafting (CABG) in New York State from the early 1990s has been associated with a steeper decline in CABG mortality rates in New York than in the USA as a whole.

OECD Health Data, which provides comparative analysis across all OECD member countries, was used to carry out further statistical analysis of the determining factors in mortality rates. A selection of elements of health systems such as doctor numbers was included for the first time among the variable factors. The results suggested, among other things, that a greater number of doctors per capita is associated significantly with lower rates of mortality, other things being equal.

The OECD also carried out an extensive review of recent trends in pharmaceutical expenditure, the economics of pharmaceutical markets and the way in which national policies attempt to balance public and private objectives (Pharmaceutical Policies in OECD Countries: Reconciling Social and Industrial Goals).

On the issue of health and ageing, three experts' meetings discussed the results of collaborative work for several ageing-related diseases such as breast cancer and ischaemic heart disease. The results show that for several diseases, trends in treatment and diagnosis depend on economic and institutional incentives across OECD countries. The potential implications of new technologies that promote healthy ageing for the health and social policies of OECD countries were discussed at a workshop in Tokyo. In connection with this conference, a study was initiated on whether health and social care systems can provide for the future. This study will be updated and completed in 2001 so that it can feed into the overall work on the performance of health care systems and their long-term sustainability.

The implications of disability trends in ageing populations were discussed at two conferences in Paris and Stockholm and a paper was published entitled An Inventory of Health and Disability-Related Surveys in OECD Countries. It examines the compara-

bility of methods used to measure health and disability in various OECD countries.

Moreover, the OECD has reviewed the health systems of several countries and work has begun to review the Japanese and Korean systems and their reform.

Private health insurance is expected to play a growing role as a complement to public health insurance schemes. The OECD Insurance Committee completed a review of insurance products, services and institutions in member country markets and a report will be published in 2001.

On statistics, there were further developments to *OECD Health Data* including the identification of a set of core variables and improvements to the comparability of the data in the latest published version, *OECD Health Data 2000*. A manual was published on a uniform framework and classifications for health accounts under the title *A System of Health Accounts*. The OECD also began statistical data collection for private health insurance to complete the analysis of its contribution to health economy.

The OECD Council has decided to extend the OECD's work on health in view of the crucial role health plays in contributing to the well-being of citizens and the complexity of the challenge faced by member countries to achieve their health systems' equity and efficiency goals.

The new health project will cover a range of issues from 2001 onwards. These include the measurement and management of health system performance, the influences on variations in performance, and further work on private health insurance and on emerging technologies. The work will address the concerns of finance ministries, insurance regulators and science and technology ministries as well as health ministries.



This manual of the System of Health Accounts provides a set of comprehensive, consistent and flexible accounts to meet the needs of government and private-sector analysts and policy-makers.

to manage teaching and learning in ways that promote learning throughout life. The 2001 issue of *Education Policy Analysis* will provide detailed analysis of these themes.

Education at a Glance and *Education Policy Analysis* will remain the main products of the Education Indicators Programme (INES), but it will broaden its work following a general assembly in Tokyo in late 2000. The new work will focus on ways to improve financial statistics, assessments of adult competencies, especially information and communications technology (ICT) literacy, and labour market and social outcomes of investment in education. Work on the ongoing Programme for International Student Assessment (PISA) meanwhile reached a critical phase with the planned publication in 2001 of the first cycle of comparative data on student achievement in reading. Most of the countries of south eastern Europe are to be integrated into the PISA programme, thanks to a grant from Finland.

Work for a review of early childhood education and care showed that policies need to address the tension between diversity in backgrounds and provision and an economic and social imperative to ensure that all young children engage in purposeful development and learning activities. The final comparative report from this review covering 12 countries will be published in June 2001.

Work on adult literacy in three domains – reading, prose, and quantitative literacy – was concluded with the publication in June 2000 of *Literacy in the Information Age* covering 20 countries. This was the third and final result from the International Adult Literacy Survey. The report found that, on average, about 20% of the adult population in OECD countries have poor skills, yet learning opportunities were insufficiently aligned with needs and circumstances of adults of different ages and with different backgrounds. The policy options needed to address these issues are being explored in a 10-country review of adult learning.

Countries are exploring new ways to ensure that people of all ages make effective use of resources for learning, but *Where are the Resources for Lifelong Learning?* published in 2000 and a conference organised with Canada found that further effort is needed. Steps taken so far, such as individual learning accounts, tax deductions, tax-advantaged earmarked savings and various deferred payment arrangements, would need to be extended and aligned with other financing channels. The final publication from this activity will explore policy options and the circumstances under which they can work best.

The Centre for Educational Research and Innovation (CERI) is at the forefront of policy research and innovation in education and learning. It is undertaking important work on developing statistics and indicators, focused particularly on human and social capital and their links to education, lifelong learning and sustained economic development, and on targeted special education programmes and spending. It produced a major report on these issues relevant to both the OECD growth project and the sustainable development project.

The Schooling for Tomorrow project has identified a set of main scenarios for schooling into the medium- and long-term future, and is analysing a range of concrete school innovations and networks. A study on What Works in Innovation in Education has been undertaken, comparing new approaches to school management in a number of OECD countries. A substantial body of work is being implemented on ICT in education and learning, focusing especially on quality assurance, markets and partnerships, and on ICT impacts on

schools and student learning. The management of knowledge in education has been extensively analysed and compared with policies and practices in other sectors. Analysis of social exclusion in childhood, and initiatives taken to combat it, has been deepened, including strategies for the inclusion of children and youth in mainstream education. New work is being launched on international developments in post-secondary education, especially cross-border "e-learning" and trade issues relating to educational services.

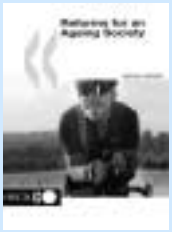
The OECD is also preparing a review of education policy that analyses reform priorities in nine countries in south eastern Europe. The report and recommendations will be translated into some languages of the region and presented at a major conference in the first half of 2001, as well as being posted on the Internet to ensure wide dissemination. The recommendations will be the starting point for renewed discussions of education reform and future priorities and the reports will play a major role in influencing the work of member countries and other donors, such as the World Bank, the European Commission and the United Nations Children's Fund (UNICEF).



The final report from the International Adult Literacy Survey, presents evidence on the nature and magnitude of the literacy gaps faced by OECD countries. It offers new insights into the factors that influence the development of adult skills in various settings - at home, at work and across the 20 countries for which comparable household assessment results are included. Findings point to large differences in the average level and population distribution of literacy skills both within and between countries.

AGEING

www.oecd.org/subject/ageing/



Within the next decade, the numbers of retired people in OECD countries will start to grow much faster than those of working age. In 2000, the OECD reviewed the progress made by its member countries towards dealing with this challenge in *Reforms for an Ageing Society*. This was based on a survey asking member countries to compare their reforms against a set of ambitious, hypothetical changes and to identify lessons from their experience that could be shared with other countries. The study was based on guiding principles for reform put forward by the 1998 report *Maintaining Prosperity in an Ageing Society*.

Reforms for an Ageing Society found that there have been many reforms affecting pensions; incentives to work; employability of older workers; the health and care needs of an older population; and the operation of financial markets in dealing with large increases in private pension savings. One critical challenge has been to slow, and eventually reverse, trends towards a shrinking portion of life being spent in employment and ever-longer periods spent in retirement. Fiscal consolidation has been a major driver of reform and the main outcome will be a more diversified system of retirement funding. The 2000 study found that these reforms may be laying the ground for a possible transformation of retirement and its financing – a major change that needs to be confirmed and monitored.

The survey was one of many OECD activities in 2000 that dealt with ageing issues. The organisation also launched an intensive review of the comparative cost-effectiveness of different national health care systems with respect to four ageing-related diseases and the Japanese authorities helped fund a workshop in Tokyo on health, ageing and biotechnology. Work in progress includes a comparative review of retirement income policies in nine OECD countries to be published in 2001, chapters on ageing in individual economic surveys of member countries, and work with participating countries and the European Union on age-related fiscal projections.

The year 2000 was also a key period for OECD work on private pensions, with the development of a broad programme of work for 2001-2002. This includes developing a comprehensive database on pension regulations and supervisory practices, a world classification system for private pensions, and policy analysis of pension fund governance, investment regulation and private annuities.

Policy dialogue with non-member countries on private pension issues has intensified significantly over the past year. The first OECD Forum on private pensions, held in Prague, attracted representatives from OECD members, Latin America and central and eastern Europe. They launched an international network of pension regulators and supervisors which is to hold its first meeting in Sofia, Bulgaria in April 2001.

TRADE AND INTERNATIONAL INVESTMENT

www.oecd.org/ech

The key objective of OECD work on trade is to ensure that liberalisation flowing from the previous round of trade negotiations moves ahead smoothly and that the multilateral trading system, centred on the World Trade Organization (WTO), functions effectively and is equipped to address major trade policy issues. OECD member countries are unanimous that broad-based multilateral trade negotiations should be launched as quickly as possible. Analytical work undertaken at the OECD seeks to support continued trade liberalisation and foster an understanding of the links between trade liberalisation and various issues of public concern. This work advances an informed debate, helping build consensus on a range of pertinent issues.

Market access

www.oecd.org/ech/index_4.htm

Two of the most significant success stories of post-World War II trade diplomacy and multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) (now the WTO) are massive reductions in tariffs, and the establishment of the principle that non-discriminatory tariffs should be the principal means of trade protection. But market access remains perhaps the single most important trading issue between OECD and non-OECD countries. The OECD, in keeping with its mandate to support the smooth functioning and deepening of the multilateral trading system, has collected and verified tariff data for all OECD countries at the most detailed level and is in the process of compiling them on a CD-ROM. *Tariffs and Trade* provides trade negotiators with an indispensable tool to help formulate negotiating objectives and strategies. It also provides policy analysts with key data necessary to define negotiating scenarios and impute the corresponding impact on trade, employment and growth. *Tariffs and Trade* will be updated by adding selected non-OECD countries to the database, and analytical tools including online calculation of trade creation/diversion effects from simulated changes in tariffs.

Non-tariff barriers provide some of the most evident areas of trade protection. One problem in addressing these barriers is the lack of good and comparable information about them. To address this issue the OECD undertook a pilot project with business during 2000 to assess the major problems faced by traders. Work continues on a generic typology of non-tariff measures that takes into account not only explicit border policies that impede trade, but also the way that policies are implemented.

Integrating developing and transition economies into the trading system

The fuller integration of developing and transition economies into the world economy ranks among the top priorities for OECD countries. The fundamental objective is to ensure that non-OECD countries' trade and trade-related concerns, interests and needs are properly addressed. While the current base for the multilateral system is solid, policy-making remains confronted with many hurdles. Some non-OECD countries are questioning whether further trade liberalisation is in their interests. They are expressing concern

over lack of effective market access in areas of export interest to them, citing difficulties in implementing some Uruguay Round agreements, and reporting an inability, in some cases, to make full use of WTO disciplines and advantages. They are also calling into question the merits of trade liberalisation and its potential impact on poverty reduction, income distribution and environmental sustainability. As the 1999 WTO ministerial conference in Seattle showed, these concerns and those voiced by civil society are contributing to undermining confidence in the multilateral trading system.

A large consensus has thus emerged regarding the need to address the specific interests and concerns of non-OECD countries in the multilateral trading system. In order to bring – and keep – these countries on the liberalisation track, the OECD Trade Committee has launched a new study, Trade and Development Issues in Non-OECD Countries. This study intends to reach a clearer understanding of the interests, needs and concerns of non-OECD countries in the multilateral trading system. It addresses the role of trade and trade policies in economic development, and examines the practical implications of trade liberalisation by analysing the contribution of the WTO to the goal of sustainable development. The OECD has already consulted with selected non-member economies on an early draft of the study and will share its findings with a wider audience, including representatives from civil society, major international and regional organisations, academia and the media.

Services

OECD work in support of services liberalisation continued in 2000 as services negotiations began in the WTO. This work aims at identifying barriers to trade in services and possible approaches for addressing these barriers in negotiations. Sectoral studies were completed for tourism and air cargo, rounding out the collection of studies on wholesale and retail trade services, financial information services and environmental services. Work on ways to address trade barriers in negotiations focused on a possible "cluster" approach to negotiating commitments for interdependent services, and on increasing transparency in domestic regulation. Work in 2001 is likely to include a study making the case for future services liberalisation; issues related to the movement of service suppliers across borders; and further work on the interface between domestic regulation and services liberalisation.

Trade via telecommunications networks, particularly the Internet, is expanding rapidly and offering new possibilities for international commerce. Challenges for policy-makers include how best to encourage the orderly development of electronic commerce and harness the considerable economic and social benefits it may bring. The OECD is examining some of the fundamental issues related to e-commerce. It has completed work on downloadable digital products that identifies the principal characteristics of online delivery compared to "packaged" delivery of digital information. A study of existing commitments under the General Agreement on Trade in Services (GATS) for services that may be supplied electronically provided an initial assessment of specific commitments in areas such as telecommunications, financial services, professional and distribution services. The next generation of work is likely to focus on other "new economy" issues that affect trade policy, such as implications of information and communications technology (ICT) applications for "old economy" industries.

Government procurement is an important non-tariff area where trade problems continue to arise. Work undertaken recently aims to develop indicators for

TRADE AND CORE LABOUR STANDARDS

www.oecd.org/els/employment/tls/



The OECD highlighted the increasing international recognition of a basic set of core labour standards in a new study, *International Trade and Core Labour Standards*. The study offered an update of the OECD's 1996 study, *Trade, Employment and Labour Standards*. The 2000 report looked at problems in applying a basic set of core labour standards and mechanisms to promote improved respect for these standards, and reviewed recent economic literature on the subject.

The 2000 study found that countries that strengthen their core labour standards can increase economic growth and efficiency by raising skill levels in the workforce and creating an environment that encourages innovation and high productivity. Those with low core labour standards do not enjoy better export performance than high-standard countries. Experience in Brazil and Mexico suggests that a subsidy to families to keep their children in school is likely to be more effective than measures such as trade intervention in curbing child labour. Trade intervention is not an optimal instrument to abolish exploitative child labour and expand human capital formation.

The increased international recognition of core labour standards was reflected in the addition of elements such as child labour and forced labour to the revised OECD Guidelines for Multinational Enterprises published in 2000, so that for the first time the guidelines include all internationally recognised core labour standards. The move to recognise core labour standards has intensified since 1996 when World Trade Organization (WTO) members meeting in Singapore renewed their commitment to internationally recognised core labour standards. They also supported collaboration between the WTO and the International Labour Organization (ILO), rejected the use of labour standards for protectionist purposes and recognised the ILO as the competent body to deal with core labour standards. The WTO's resumed discussion of this issue at its ministerial meeting in Seattle in December 1999 was inconclusive.

June 1998 saw the adoption of the ILO Declaration on Fundamental Principles and Rights at Work, which committed the ILO's member states to respect four principles and rights and stressed that labour standards are not to be used for protectionist trade purposes. These principles and rights include: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Since the publication of the first OECD study in 1996, the number of countries that have ratified all seven of the original fundamental ILO conventions has more than doubled. In addition, the new fundamental convention on the worst forms of child labour has experienced a rapid pace of ratification. But follow-up is still required to improve monitoring and to bring in non-ratifying countries. Moreover, there is a continuing gap between international recognition of core labour standards and their application.

estimating the size of government procurement markets, and the share of these markets that can potentially be opened to foreign competition. Import competition can play a crucial role in keeping downward pressure on the cost of goods and services, and in ensuring government projects are completed on time. A synthesis report will present and compare various approaches used for quantifying the size of government procurement markets and their results.

Regulatory issues are increasingly attracting attention at multilateral, regional and bilateral level as some domestic regulations pose obstacles to international trade and investment. As part of an OECD project reviewing individual countries' experience with regulatory reform, reviews were undertaken of regulatory issues affecting the international market openness of Greece, Italy, Ireland and the Czech Republic. Insights from these country reviews were shared with a number of non-member countries and they also provided input to the work on domestic regulation and trade in services undertaken in the WTO. Related future work aims to help strengthen approaches to the reduction of trade barriers on standards and testing requirements. This project will provide analysis of the information technology sector, where rapid technological progress and shortening product cycles pose a challenge to regulators.

A growing number of companies in the global marketplace are issuing codes of conduct and other voluntary commitments in areas such as environmental and labour management, competitive practices or consumer protection. Work continued in 2000 to review codes of conduct issued by companies from OECD countries. In addition, work is being undertaken to clarify the relationship between such codes and international trade and investment.

Export credits

Export credit disciplines are an important element of the international trading system. The Arrangement on Guidelines for Officially Supported Export Credits aims to eliminate trade-distorting government subsidies for export credits, so that exporters compete on the basis of the price and quality of their products rather than on who grants the most favourable financing terms. Work on priority issues during 2000 included the environment, productive expenditure in the Heavily Indebted Poor Countries (HIPCs), combating bribery, agriculture and export financing.

Members of the Working Party on Export Credit and Credit Guarantees agreed to an action statement on the environment and a comprehensive work plan to negotiate an agreement in this area. The aim is to conclude such an agreement by the end of 2001.

As to official export credit support for productive expenditure in the HIPCs, the working party agreed to make the existing voluntary reporting exercise mandatory and to enhance the information gathered. It will consider widening the scope of the agreement in 2001. The working party also agreed on an action statement on bribery setting out concrete steps to be taken by members to deter bribery and to take appropriate action if it is detected.

But the chief priority in 2000 was the effort to conclude an understanding on export credits and agricultural products, at present excluded from the export credit arrangement. The participants were close to concluding an understanding in early 2001. Another priority mandated by OECD ministers – to examine the financing issues of the export credit arrangement in relation to commercial practices and to their consistent application, taking into account WTO developments – is expected to be at the forefront of discussions in 2001.

Agriculture

www.oecd.org/agr/

The further integration of agriculture into the multilateral trading system is among the goals agreed by OECD agriculture ministers in 1998. The ministers mandated the OECD to examine agricultural trade issues and to provide analytical support for agricultural trade liberalisation. The results of this programme began to appear in 2000 with the publication of several reports. One assesses the impact of the implementation of commitments under the three "pillars" of the Uruguay Round Agreement on Agriculture (URAA) – market access, export competition and domestic support. This concludes that the immediate quantitative effects on trade and protection levels have been moderate. The challenge now facing WTO members is to build upon the foundation of the URAA to further reduce trade distortions. This requires strengthening the disciplines already established under the URAA and addressing the weaknesses identified in the current agreement. Two other reports released in 2000 provide a forward-looking evaluation of the market effects of officially supported export credits and of export subsidies. The first shows that the use of officially supported export credits has increased both in absolute terms and relative to trade. While the estimated subsidy equivalents overall are relatively low, the degree to which they are trade distorting depends upon individual country programmes. The second report estimates that the greatest impact of export subsidies would be on world dairy products and specific internal markets but would be rather modest overall. This reflects expectations that market-related use of export subsidies would already be low over the medium term and that unilateral policy- related reductions in their use in some countries would continue.

Other studies to be completed in 2001 include an assessment of the medium-term impact on domestic and international markets of further improvements in market access, and an analysis of the implications of trade liberalisation for food security in OECD and selected non-OECD countries. The AGLINK commodity projection model and a database on market access (AMAD), developed with a number of member countries and international organisations and which became operational in 2000, are supporting this work. The OECD is also analysing a range of agricultural trade policy issues of importance to emerging and transition economies, notably technical barriers to trade. The aim is to consider the policy lessons from the implementation of the URAA and to identify key interests that may arise in the course of the negotiations. A major concern for emerging and transition economies is that technical barriers to trade, such as regulations to protect plant or animal health or guarantee food safety, may be used to protect domestic production in much the same way as tariffs and quantitative restrictions.

The concept of multifunctionality – that agriculture produces a range of outputs both commodity and non-commodity, market and non-market – is often quoted in the agricultural policy debate. But the conclusions drawn about policy differ radically from country to country. The OECD is trying to develop a common terminology for multifunctionality and an analytical framework for countries to discuss domestic and international policy implications. Work to date has explored joint production relationships between commodity and non-commodity outputs of agriculture. *Multifunctionality: Towards an Analytical Framework* offers a basis to look at these issues, and a report on the implications of multifunctionality for agricultural

GUIDELINES FOR MULTINATIONAL ENTERPRISES

www.oecd.org/daf/investment/guidelines

The OECD Guidelines for Multinational Enterprises (MNEs) are non-binding recommendations to enterprises made by the 33 governments that adhere to them. Their aim is to help multinational enterprises operate in harmony with government policies and with society's expectations. The recommendations provide guidance on appropriate business conduct across the full range of MNE activities. They are supported by implementation procedures in the participating countries: all 30 OECD member countries plus three non-members (Argentina, Brazil, and Chile). The guidelines, first issued in 1976, underwent a wide-ranging review in 2000 to keep pace with the rapidly evolving international consensus on appropriate business conduct in a globalised economy.

To many people, international investment by multinational enterprises is what globalisation is all about. MNEs have become an integral part of the international economy, bringing investment and technology as well as tax revenue to their host countries. But the rise of this corporate activity has also led to increased public concern about the effect of businesses on the people and the environment in the countries where they operate. The MNE guidelines aim to address these concerns by helping forge a framework for responsible business conduct in a rapidly changing global economy. The 2000 review, the fifth since 1976, sought to ensure the guidelines' continued relevance and effectiveness. The wide-ranging changes included the addition of recommendations relating to the elimination of child and forced labour, combating corruption and protecting consumer rights.

In response to increasing public concern about the impact of globalisation on society and the environment, both in the home countries of MNEs, and in other territories where they operate, the OECD countries ensured that the 2000 review of the MNE guidelines was as transparent and open as possible. The OECD consulted with the business community, labour representatives, non-governmental organisations and non-member governments. In addition, draft revisions were posted on the Internet for public comment. These sources all provided essential input to the development of the revised text and its implementation system. The consultation process was crucially important to building momentum for the review's success.

The review was carried out by the Committee on International Investment and Multinational Enterprises (CIME), which is responsible for overseeing the guidelines in operation. While recognising the value of stability in the text and implementation procedures, the CIME also responded to the need for a thorough consideration of the guidelines to ensure their continued relevance and effectiveness. Many features of the guidelines were maintained. Observance by firms is still non-binding; the institutional structure of the follow-up procedures is broadly unchanged; and the guidelines remain an

integral part of the 1976 OECD Declaration on International Investment and Multinational Enterprises, which provides a balanced framework for international investment clarifying both the rights and responsibilities of business. However, the review made some important changes to the recommendations and clarified the implementation procedures.

In comparison with earlier reviews carried out between 1979 and 1991, the changes to the text of the MNE guidelines are far-reaching and reinforce the core elements – economic, social and environmental – of the sustainable development agenda. Major changes include the addition of recommendations on the elimination of child and forced labour; and the guidelines now cover all internationally recognised core labour standards. The environment section now encourages enterprises to raise their performance through such measures as improved internal environmental management, stronger disclosure of environmental information and better contingency planning. A recommendation on human rights has been introduced. New chapters on combating corruption and on consumer protection have been added. The chapter on disclosure and transparency has also been updated to reflect the OECD Principles on Corporate Governance and to recognise and encourage progress in enhancing firms' social and environmental accountability.

The revisions to the implementation procedure maintain the focus on National Contact Points (NCPs) in each adhering country as the key government institution responsible for furthering effective implementation of the guidelines. However, the review sharpened and clarified their role and responsibilities. The NCPs will continue to undertake promotional activities, handle enquiries on the guidelines and discuss matters related to them, including implementation in specific instances. But they will now also hold annual meetings to share their experiences in promoting the guidelines and to encourage their full implementation. Each NCP will also submit an annual report of its activities to the CIME.

The review also clarified the CIME's broad oversight role. The CIME will serve as a forum for addressing all matters covered by the guidelines and will oversee their implementation. The CIME will continue to provide clarifications of the meaning of the guidelines, as necessary, in specific instances and in response to requests or queries from adhering governments, the Business and Industry Advisory Committee (BIAC) or the Trade Union Advisory Committee (TUAC). Guidance is also provided to the CIME for exchanges of views on the activities of NCPs and for calling on experts to assist in any matter covered by the guidelines. Finally, with regard to non-adhering countries, the revised guidelines make clear that the recommendations represent good practice wherever enterprises operate, not just within the OECD area. The review recognises, however, that the particular circumstances of individual host countries need to be taken into account. It also recognises that the implementation procedures need to be adapted to the greater difficulties that arise for NCPs when looking into matters covered by the guidelines in non-adhering countries.

policy reform and trade liberalisation will be prepared by the end of 2001.

Two major core activities provide the overall background for OECD agricultural analysis and for agri-environmental and sustainable development issues. The annual report *Agricultural Policies in OECD Countries: Monitoring and Evaluation* estimates the level and composition of support to agriculture and assesses agricultural and related trade policy developments against the shared goals, policy principles and operational characteristics for policy measures agreed in 1998. The companion volume *Agricultural Policies in Emerging and Transition Economies* analyses issues arising from policy dialogue with non-OECD countries. The other major annual publication is the *Agricultural Outlook*, which analyses major forces that will shape agricultural markets for key commodities over the medium term and focuses on a number of important policy issues. Medium-term baseline projections are established for the *Outlook* and the AGLINK model is used to evaluate the market impact of changes in policies and other factors against these baseline projections. This analysis will provide input for a debate on future challenges for agricultural policy reform at a meeting of the Committee for Agriculture in September 2001.

Trade and environment

www.oecd.org/env/global/

Interest in the environmental and sustainability aspects of trade liberalisation agreements is high. Canada, the Czech Republic, the European Union, Norway and the United States have all committed to carry out assessments on the effect of trade agreements in particular environmental sectors. In 2000, the OECD began examining a methodology to assess the environmental effects of the liberalisation of trade in services given its importance in the built-in agenda of trade negotiations at the WTO. This builds on the earlier methodology developed to examine the effects of goods trade liberalisation. The various studies undertaken over the past two years were compiled in a single volume available on the OECD trade and environment website and which will be published in early 2001. Studies began in 2000 on uncertainty and precaution in relation to trade and environment, and on the interaction of the polluter pays principle with trade.

Trade and competition

The OECD's mandate for analytical work on trade and competition was extended for two years in February 2000. Ministers endorsed a report on options for trade and policy coherence. Future work will focus on development concerns, and the relationship between trade, competition and regulation. So far, discussions have started on the development dimension of trade and competition policies as well as on the relationship between intellectual property rights, trade and competition policies.

SUSTAINABLE DEVELOPMENT

www.oecd.org/subject/sustdev/

Sustainable development means development in the present which does not compromise the ability of future generations to meet their own needs, whether by exhausting resources, destroying the environment or creating untenable social and economic conditions. The OECD began a three-year initiative on this issue on the basis of a mandate from the OECD ministerial meeting in 1998 which drew upon the recommendation of a High-Level Advisory Group calling upon the OECD to "become the key intergovernmental organisation that will help governments move towards sustainable development".

In the past year, work has been completed on an analytical report and a policy report with recommendations, which will be presented to the OECD annual ministerial meeting in May 2001. This work looks at all aspects of sustainable development, complementing OECD research and analysis in specific areas such as economic growth, the new economy, the environment and agriculture.

Economic, social and environmental developments are strongly linked, and are equally important for the well-being of both current and future generations. But environmental and social dimensions often lose out to shorter-term economic considerations, while environmental and social policies are sometimes formulated without due regard for their economic consequences. One aim of the sustainable development initiative was to work towards establishing principles for policy-making which better integrate these different concerns. To this end, most OECD directorates as well as its affiliates – the International Energy Agency (IEA), the OECD Nuclear Energy Agency (NEA), the European Conference of Ministers of Transport (ECMT), and the OECD Development Centre – have been involved in this project.

One objective has been to promote sustainable development and to provide coherence, visibility and policy relevance to OECD work carried out over the years in response to specific sectoral concerns. Progress towards sustainable development will not be achieved, unless this goal receives attention at all political levels as well as broader popular understanding and support.

The project has focused on a few priority issues, to illustrate how the sustainable development perspective affects policy analysis in concrete cases. One example is climate change, an important challenge facing the international community. It is also representative of some of the general issues raised in moving towards sustainable development, because of the global nature of climate change and of its effects, the uncertainty of its impacts and of their size, and the synergies and trade-offs between policies to achieve the desired results, such as curbing emissions of greenhouse gases.

OECD work on sustainable development in 2000 included the preparation of a short progress report to the 2000 ministerial meeting, and work related to the completion of the sustainable development reports, including a meeting of the OECD round table on sustainable development in June 2000 to discuss green tax reform, trade and the environment and climate

change. Participants included high-level officials from member countries, representatives of other international organisations and members of the business community and non-governmental organisations (NGOs).

Two consultations with selected civil society representatives (business, unions and NGOs) in February and December 2000 also provided important input for the policy and analytical reports on natural resources, transport, institutions and decision-making, and technology and innovation. This interaction with civil society will provide a good basis for the discussions in May at Forum 2001, which is on the theme of sustainable development and the new economy.

The policy report

This report, prepared for the OECD ministerial meeting in May 2001, aims to raise key policy questions and provide concrete recommendations. It identifies areas where OECD member governments, working with business and NGOs as appropriate, could overcome barriers to the enhancement of economic development in a socially and environmentally sustainable manner. The main barriers to implementation will be further identified in co-operation with member countries over the coming year.

The report aims to provide recommendations of general validity, and illustrate their specific application. While there are clear limits as to the areas covered, the intention is for the policy report to lead to a set of policy principles and a strategy for their implementation that could help countries in their transition to sustainable development.

An *ad hoc* group of officials from national ministries and agencies met in early 2001 to review the policy report. The idea of seeking a single voice from member governments was to make national capitals responsible for co-ordination among ministries and agencies on horizontal issues. The report will be discussed at a joint session of ministers of finance and economy and environment at the OECD ministerial meeting in May 2001.

The analytical report

This report provides the analysis supporting the recommendations. It draws on a progress report to ministers in 1999 but includes a broader range of issues, effectively involving most of the organisation's directorates. Issues covered in the report include:

- A review of trends and prospects in the economic, social and environmental fields – both globally and in OECD countries – which may enhance or threaten the sustainability of current patterns of economic development.
- A presentation of some of the features of sustainable development. These include an emphasis on human well-being and on the resources to sustain it.
- A description of some of the approaches to measuring progress towards sustainable development pursued in national and international organisations.
- A review of trends in trade and investment liberalisation, shifts in trade and investment patterns, and the role of multinational enterprises.
- Suggestions of ways to strengthen co-operation with non-members in their efforts to develop and implement sustainable development strategies.
- A consideration of the environmental policy instruments most commonly used in OECD countries,

and suggestions of ways to improve environmental protection and cost-effectiveness.

- Findings drawn from a series of reviews of national policies to enhance environmentally-sustainable growth conducted from 1999 to 2001 as part of the OECD *Economic Surveys*.
- A discussion of how best to integrate social and environmental issues within energy policy.
- A discussion of the factors bearing on demand and supply of goods and services from agriculture, and their evolution in the long term.
- A review of the environmental impacts of several manufacturing sectors.

Environment

www.oecd.org/env

The *Environmental Outlook* report, and its accompanying proposed environmental strategy for the first decade of the 21st century, formed a key part of environmental work in 2000. The report will be presented to environment ministers and to the OECD annual ministerial meeting in May 2001. The documents identify five objectives for environmentally-sustainable development:

- Maintaining the integrity of the world's ecosystems.
- Decoupling environmental pressures from economic growth.
- Improving information for decision-making.
- Better addressing the social and environmental interface.
- Improving global governance and international co-operation.

The environmental strategy emphasises that decoupling environmental pressures from economic growth, so that environmental pressures do not increase at the same pace as gross domestic product (GDP), requires an integrated effort addressing consumption and production, and involving all economic actors. The *Environmental Outlook* shows that, while more efficient production and consumption patterns may lead to a decrease in the intensity of environmental degradation or resource use per unit of GDP, volume growth outweighs these efficiency gains.

The first cycle of OECD environmental performance reviews was completed in 2000. Overall lessons from the 32 completed country reviews, which covered OECD members plus non-members Russia, Bulgaria and Belarus, will shape the second cycle of OECD reviews. It will focus on gaps in implementing environmental policies, sustainable development and the degree of achievement of international environmental commitment. Germany and Iceland have already been reviewed.

Work on economic instruments for environmental protection made significant progress in 2000. Strategic guidelines were developed for implementing tradable permits at national level, and a major database on environmentally-related taxes was set up, based on a framework elaborated in co-operation with the European Commission and the IEA. This database is available online and will be regularly updated. A report on taxation and environment was drafted and will be submitted for final approval in early 2001.

In November 2000, the Environment Policy Committee (EPOC) approved a draft amendment to the OECD control system on transboundary movement of waste. The amendment provides for a streamlined system, harmonised with the UN Basel Convention on hazardous

SUSTAINABLE AGRICULTURE

www.oecd.org/agr/policy/ag-env/



Ensuring that agricultural production does not damage the environment is widely recognised as a desirable long-term goal, but there are often conflicting views on the environmental effects of various farming practices. In 2000, the OECD completed the first comprehensive study of progress by member countries in developing indicators to measure the environmental performance of agriculture. *Environmental Indicators for Agriculture Volume III: Methods and Results* uses standard indicator definitions and methods of calculation to show environmental conditions and trends in agriculture. It also interprets the trends and highlights the links between indicators as well as outlining their limitations and the key challenges to their future development.

The study found that the environmental performance of agriculture in OECD countries over the last 10 to 15 years has been mixed. On the negative side, pollution levels from nitrogen and pesticides in water remain relatively high in some regions; environmental risks such as soil erosion and water resource depletion persist; and agriculture's impact on biodiversity and landscape has been harmful in some cases. But some positive developments have also occurred. Use of nitrogen and pesticides has decreased in many countries, reducing water pollution and lowering greenhouse gas emissions. Agriculture also generates environmental benefits and services, for example conserving wildlife habitat and landscapes, and absorbing greenhouse gases. The book is part of a series entitled *Environmental Indicators for Agriculture.*

The OECD also produced a report in 2000 on ways to end the gross overexploitation of many of the world's fisheries resources and to ensure long-term survival of the fishing industry. The study was produced as part of international efforts to understand the economic and policy implications of moving to more responsible and sustainable fisheries. *Transition to Responsible Fisheries: Economic and Policy Implications* identifies possible ways to move to more responsible fishing practices and assesses their likely consequences. It provides policy recommendations on how to enhance prosperity in the fisheries sector, based on the notion that fewer fishermen and vessels could do the same job. The report says the key change needed is a move to management systems that put an end to excess capacity. The report studies the use of social policies to ease the burden of moving fishers out of the fishing industry and ways to boost fish stocks and encourage sustainable consumption. The OECD's Committee for Fisheries decided to carry out the study in 1997 because, while the international community wanted to end overexploitation, little effort had been invested in measuring the likely consequences.

waste. The OECD control system covers all hazardous and non-hazardous wastes destined for recovery within the OECD area. The OECD estimates the annual value of global trade in recoverable waste at US$ 40 billion, of which over 80% takes place within the OECD.

A conference in Vienna in October marked the culmination of five years' work on sustainable transport involving more than 25 countries. The conference endorsed OECD guidelines for sustainable transport that include development of environmental and health quality objectives and criteria, quantified targets and packages of measures designed to achieve a sustainable transport future.

Agriculture

www.oecd.org/agr/

Sustainable systems of agricultural production are widely recognised as a long-term policy goal within the context of sustainable development, agricultural policy reform and trade liberalisation. Four major pieces of work in 2000 provided input for the analytical report on sustainable development.

- A report on agri-environmental indicators, published in January 2001, provides a comprehensive stocktaking of progress to date in measuring environmental performance in agriculture across OECD countries *(see box page 52)* and concludes that the environmental performance of agriculture has been mixed over the past decade.
- *Environmental Sustainability in Agriculture: Policy Options and Market Approaches*, to be released in mid-2001, highlights a number of general principles, criteria and guidelines for policy action, which can contribute to improving the environmental performance of agriculture in a sustainable way.
- Two reports on the links between agriculture, trade and the environment *(Domestic and International Environmental Impacts of Agricultural Trade Liberalisation* and *Production Effects of Agri-environmental Policies*: *Reconciling Trade and Environmental Objectives)*, released in 2000 and in early 2001, show that agricultural trade policy reform will generally benefit the environment. However, the direction and magnitude of the effect will depend on the state of the environment and on the impact of further agricultural trade liberalisation, as well as on the environmental policies in place.

Future work will focus on developing an inventory of policy measures to address environmental issues in agriculture and on developing a core set of indicators, in order to identify "good" policies and approaches that will improve the environmental performance of agriculture while minimising production and trade distortions. In particular, it will further examine the conditions under which farmers should pay for the environmental damage they cause or be remunerated for environmental services they provide.

Efforts to determine how to keep fishing world-wide sustainable culminated in the publication in 2000 of *Transition to Responsible Fisheries: Economic and Policy Implications (see box page 52)*. The *Review of Fisheries in OECD Countries*, the most recent edition of which was published in 2000, covers changes in government policies, trade, and fisheries and aquaculture production. A statistical update of fisheries and aquaculture in OECD countries for 1997 and 1998 was also published later in the year.

Science and technology

www.oecd.org/dsti/

The results of a workshop on innovation and the environment in Paris in June 2000 were published in December and are being used for the science and

CLIMATE CHANGE

www.oecd.org/env/cc/

Climate change will alter natural eco-systems and have a global impact on social, political and economic systems. The OECD is working to help its member countries, and the wider international community, to implement their commitments to reduce greenhouse gas emissions under the Kyoto Protocol and to find long-term, cost-effective solutions to climate change problems. While long-term climate stabilisation will require active participation across the world, OECD countries have a key leadership role to play in identifying and implementing long-term solutions – through government and businesses, knowledge-sharing, and socially and environmentally responsible investment at home and abroad. OECD countries also have a critical role to play through their development co-operation policies.

Limiting climate change requires global co-operation covering diverse economic activities, sectors and stakeholders. Governments need policies to influence business practices and industrial operations; to modify unsustainable farm, forestry and other land-use practices; and to shape human behaviour towards new patterns of consumption over the long term.

The Kyoto Protocol set targets to reduce greenhouse gas emissions and increase the absorption of such gases globally. But it is now becoming increasingly important to find cost-effective means of adapting to changes in climate that are already evident, such as protecting towns and villages from rising sea levels and more frequent storms.

The OECD's chief contribution is analysis of the economics of alternative climate change strategies. This includes questions such as how to design policies that will encourage changes in behaviour, coupled with technical and industrial innovation, to limit greenhouse gas emissions. Other key issues are how to capture the synergy between climate and other policy objectives and the long-term costs and benefits of various burden-sharing arrangements. The OECD also works with member countries to engage different parts of government in designing climate policy solutions. And it facilitates multilateral peer reviews of national policies and programmes to promote good practice in areas linked to climate change, such as environmentally sustainable economic growth, agriculture, environment, transport and energy.

During 2000, the OECD contributed to the debate on implementation of the Kyoto Protocol through analysis of issues including the most cost-effective ways of reaching the gas emission targets and ways to define the baseline emission levels from which the reductions will be calculated. Much of this analysis, including the OECD/IEA *World Energy Outlook 2000*, was presented at the COP 6 international climate change conference in the Hague in November.

The Kyoto Protocol sets specific, binding targets for reduction of greenhouse gas emissions by industrial countries in 2008-2012 from 1990 levels. If countries tackle the targets unilaterally, this means emission reductions of 20-30% for most OECD countries. However, the OECD analysis estimated that the overall gap may be a more modest 18%, if countries work together to achieve targets. A Multi-Gas Assessment of the Kyoto Protocol (www.oecd.org/env/cc/cop6.htm) also showed that including methane and nitrous oxide in the basket of gases targeted for reduction would reduce the estimated economic costs of implementing the protocol by approximately one third compared with earlier estimates focused on carbon dioxide. The OECD also analysed the cost implications of multiple gas reduction, coupled with full use of other mechanisms allowed for by the Kyoto agreement such as emissions trading, and with flexible adjustment in labour, product and capital markets. Such an approach is expected to limit the annual loss in real income to industrial countries of implementing the Kyoto Protocol to just a fraction of 1%. However, the OECD analysis also indicates that adjustment costs in the near term, linked to rigidity in labour and capital markets, could raise these costs several fold.

Another study prepared for the meeting in the Hague by the OECD/IEA, *Emission Baselines: Estimating the Unknown*, looked at how to set environmentally credible baseline levels for greenhouse gas reductions. The study took an in-depth look at four key sectors: electricity; cement; energy efficiency; and iron and steel.

Institutional innovation is central to effective implementation of the Kyoto mechanisms. This includes establishing internationally harmonised emission monitoring and tracking systems, credible methods for determining emission baselines, transparent reporting and review, strong national monitoring and enforcement systems, and a compliance system that facilitates good performance while penalising non-compliance. The OECD and the IEA are helping the industrial countries, including the transition economies, to share information, to better understand and to implement the changes in institutions required to support the Kyoto mechanisms.

Well-crafted national policies can ease the cost of a long-term transition to a low-carbon economy. Subsidy and tax reform, eco-taxes and emission trading schemes (both international and domestic) are the essential policy instruments. Applying these policies across sectors will improve their economic efficiency by equalising the marginal costs of abating greenhouse gas emissions. Similarly, policies that encourage both energy and materials substitution to reduce emissions may help achieve Kyoto targets in a cost-effective way.

Sectoral policies are also essential to overcome barriers to investment in energy efficiency and to other cost-effective actions to limit emissions. Multidisciplinary analyses highlight close connections between greenhouse gas limitation and other policy objectives, such as protection of human health and of natural eco-systems. OECD analyses indicate that “ancillary benefits” of greenhouse gas reduction, such as lower death and illness rates due to air pollution, may represent as much as a third of the estimated costs of mitigation.

technology aspects of the sustainable development reports. International science and technology co-operation for sustainable development was discussed at a conference co-organised by the OECD and Korea in Seoul in November 2000.

Energy

www.oecd.org/ene/

The IEA, during 2000, continued to advise member countries on how to reduce their greenhouse gas emissions and meet their commitments under the Kyoto Protocol. In June and July, the IEA organised an emissions-trading simulation, involving 17 countries, to test this aspect of the Protocol. The simulation demonstrated the feasibility of such a trading regime and indicated that trading can reduce compliance costs by 60%. The IEA has begun to study ways to engage developing countries in climate change mitigation. A joint publication by the OECD and the IEA, *Emission Baselines: Estimating the Unknown*, offers practical guidance on how to evaluate the number of emission credits a project developed under the clean development mechanism should generate.

The NEA published a report, *Nuclear Energy in a Sustainable Development Perspective*, providing data and analyses on the nuclear option, together with information on alternative options. The report does not prejudge the policies of individual member countries towards nuclear energy. Nuclear energy is seen by a large number of countries as having particular relevance in alleviating threats of climate change as it does not emit greenhouse gases. But in order to make a continuing contribution to sustainable development goals, the nuclear industry will have to maintain its high safety standards and achieve a higher level of public acceptance than it enjoys in many countries today. Broader horizontal work within the OECD on the risks and benefits of other energy sources will contribute to the establishment of a comprehensive framework for this purpose.

Statistics

www.oecd.org/statistics/

The Statistics Directorate has been responsible for co-ordinating the OECD's work on measuring sustainable development through the introduction of a compact set of relevant indicators. This work will continue to establish a robust framework linking economic, environmental and social concerns.

GOVERNANCE

www.oecd.org/gov.htm

The OECD carried forward in 2000 its work on issues central to the efficient functioning of government and the promotion of good governance in both the public and corporate sectors. The principles of good governance transform not only the relationship between governments, citizens and parliaments, but the way in which government itself functions. They are: respect for the rule of law; transparency and accountability to democratic institutions; fairness and equity in dealings with citizens; clear, transparent and applicable laws and regulations; consistency and coherence in policy formation; and high standards of ethical behaviour.

Corporate governance is also an issue for governments and policy-makers because it is not just a question of board processes and procedures. It involves the full set of relationships between a company's management, its board, its shareholders and its other stakeholders, such as its employees and the community in which it is located. Governments play a central role in shaping the legal, institutional and regulatory framework within which corporate governance systems are developed. If the framework conditions are not in order, the governance regime is unlikely to be either.

Bribery

www.oecd.org/subject/bribery/

Bribery in international business transactions raises serious moral and political concerns, undermines good governance and economic development, and distorts international competitive conditions. The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions expanded membership in the past year with ratification by nine additional countries. By February 2001, 30 of the original 34 signatories had deposited instruments of ratification. It is expected that all remaining countries will ratify the convention by the ministerial meeting in May 2001.

Now that the convention is in force, more emphasis is being placed on effective implementation. In 2000, the OECD carried out a comprehensive review of legislation adopted by 21 countries having ratified the convention. It found overall compliance with the convention's obligations in the great majority of countries and is following up recommendations that certain countries take remedial action to address deficiencies. A second, more in-depth phase of country evaluations will take place to assess the extent to which countries are effectively applying their laws.

Another challenge is responding to the growing interest from non-members in joining the convention. Political and strategic considerations need to be weighed against preserving the integrity and credibility of the convention and its effectiveness in combating international bribery. During 2000, a set of procedures and criteria were adopted for evaluating requests for accession to the convention and participation in the Working Group on Bribery in International Business Transactions. This may lead to a few additional countries being invited to become observers to the working group before acceding to the convention.

But it is important to maintain close relations with all non-members that express an interest in associating themselves with international efforts against bribery

and corruption. The OECD's Anti-Corruption Network for Transition Economies will pull together and maximise the results of different regional anti-corruption initiatives. The Asia-Pacific Anti-Corruption Initiative, jointly sponsored by the OECD and the Asian Development Bank, reached agreement in 2000 on an anti-corruption compact for the region. And an anti-corruption initiative for south eastern Europe is under way.

The OECD will continue to address other issues relating to corruption, particularly bribery in relation to political parties or candidates, the role of foreign subsidiaries in bribery transactions, and private-to-private bribery. The organisation places great stock on consultations with the private sector, trade unions and civil society, especially on matters impacting on the effectiveness of anti-corruption efforts such as curbing the solicitation of bribes or putting in place measures to protect whistle-blowers.

Countries having deposited instruments of ratification of the Convention

	Country	Date of Ratification		Country	Date of Ratification
1.	Iceland	17 August 1998	16.	Belgium	27 July 1999
2.	Japan	13 October 1998	17.	Slovak Republic	24 September 1999
3.	Germany	10 November 1998	18.	Australia	18 October 1999
4.	Hungary	4 December 1998	19.	Spain	14 January 2000
5.	United States	8 December 1998	20.	Czech Republic	21 January 2000
6.	Finland	10 December 1998	21	Switzerland	31 May 2000
7.	United Kingdom	14 December 1998	22.	Turkey[a]	26 July 2000
8.	Canada	17 December 1998	23.	France	31 July 2000
9.	Norway	18 December 1998	24.	Brazil[a]	24 August 2000
10.	Bulgaria	22 December 1998	25.	Denmark	5 September 2000
11.	Korea	4 January 1999	26.	Poland[a]	8 September 2000
12.	Greece	5 February 1999	27.	Portugal	23 November 2000
13.	Austria	20 May 1999	28.	Italy	15 December 2000
14.	Mexico	27 May 1999	29.	Netherlands	12 January 2001
15.	Sweden	8 June 1999	30.	Argentina	8 February 2001

a. These countries have not yet adopted implementing legislation.

Corporate governance

www.oecd.org/daf/corporate-affairs/

The quality of corporate governance has become increasingly important for attracting and retaining capital and increasing the value of companies to shareholders and other stakeholders. It is therefore a key priority among policy-makers to promote corporate governance practices that meet internationally recognised standards, notably the OECD Principles of Corporate Governance. The impact of the OECD principles increased significantly in 2000, as they were included in 12 International Financial Sector Standards put together by the Financial Stability Forum.

The OECD and the World Bank have set up regional round tables to help improve corporate governance in emerging markets and transition economies, using the OECD Principles of Corporate Governance as a framework. The 2000 OECD ministerial meeting encouraged each round table to produce a white paper laying out a practical agenda for reform. By the end of 2000, regional round tables had been established in Russia, Asia, Latin America and Eurasia. The Russian round table held its second and third meetings during 2000. The participants have started to develop a white paper, which is due to be completed in early 2002. The Asian round table held its second meeting in 2000 and was to discuss a first draft of its white paper in April 2001. New round tables were established in 2000 in Latin America and Eurasia and will issue the first reports on their activities in 2001. The OECD and its partners are considering proposals for similar initiatives in Africa, the Middle East and south eastern Europe.

Competition

www.oecd.org/comp_reg.htm

The adoption of domestic competition laws and the creation of competition agencies are increasingly recognised as a necessary component of growth by countries at all levels of development. The harmful effects of anti-competitive practices for consumers around the world call for convergent actions. In 2000, OECD ministers decided to embark upon an ambitious new phase of the anti-cartel programme *(see box page 60)*.

A number of new bilateral law enforcement co-operation agreements were also signed in the past year. International co-operation is especially useful in the control of international mergers. The business community participated actively in work on competition and legal policy, focusing particularly on multi-jurisdiction review of international mergers and the application of competition policy to particular sectors.

The OECD identified best practices during 2000, on such issues as mergers in financial services, joint ventures, natural gas, pharmaceuticals and local waste management. It also held its first discussion on competition issues related to electronic commerce and will likely return to the topic in 2001. Round tables are planned on transparency and price information, portfolio effects in conglomerate mergers, access to local cable TV networks, state aid and the telecommunications sector. The results of these best practice round tables are available on the Internet (www.oecd.org/daf/clp). Tough reviews of national competition policies and sector-specific regulation have become a regular feature of this work. In 2000, Greece, Italy and Ireland were reviewed. The Czech Republic, Poland, Canada, Turkey and the United Kingdom will be reviewed in 2001.

COMBATING CARTELS

www.oecd.org/daf/clp/

The OECD's programme targeting illegal cartels is a concrete means of reducing a very real multi-billion dollar drain on the global economy. In addition, by illustrating successful government action to protect against abuses by powerful enterprises, the programme can help prevent unwarranted fears of globalisation from threatening commitment to market liberalisation.

"Hard core" cartels are anti-competitive agreements by business rivals to fix prices, restrict output, submit collusive tenders, or divide or share markets. The OECD's 1998 recommendation on effective action against hard core cartels condemns them as the most egregious violations of competition law, noting that by raising prices and restricting supply they make goods and services completely unavailable to some buyers and unduly expensive for others. The recommendation urges OECD countries to improve their anti-cartel programmes and their international co-operation, and also invites implementation by non-members.

The OECD's Committee on Competition Law and Policy (CLP) reported to the 2000 OECD annual ministerial meeting on successful legal challenges to many cartels, some truly global. These cases brought important benefits but also dramatic evidence that cartels are more widespread, and causing far more harm, than expected. The distorted reality in which cartels operate was vividly expressed by ringleaders of a recent global cartel, who at a supposedly secret meeting laughed among themselves at this "famous saying" – "Our competitors are our friends; our customers are the enemy."

One example was a global vitamin cartel, where large, sophisticated firms spent millions of dollars and thousands of employee hours fixing prices and allocating market shares for the sale of certain vitamins, and keeping the international operation secret. They succeeded in operating the cartel for a decade. The fines in the US case against this cartel have exceeded US$ one billion, and in Canada the fines exceeded 85 million Canadian dollars. The European Commission and the Australian competition authorities have also both announced investigations of the vitamin cartel.

The CLP's anti-cartel programme addresses five topics of urgent concern to competition authorities in cartel cases: the extent of cartels' overcharges and other harm; the practical impact of restrictions on international co-operation; optimal co-operation; investigation tools; and optimal sanctions. Leniency programmes will be reviewed, among others.

This programme and its attention to the needs of non-members are supported by the Joint Group on Trade and Competition, which stresses cartels' pernicious effects on trade and joins in the many calls for increased competition policy outreach. This programme also supports investment liberalisation, regulatory reform and complements work in favour of good corporate governance and against corruption.

Public governance

www.oecd.org/puma/

Significant public governance work in 2000 included an examination of government budget reallocation, which is moving to the heart of the budget process, ensuring that financial resources flow to where they are valued most. Emphasis in 2001 will be given to budgeting for the future, peer reviews of individual members' budget processes, and accrual accounting and budgeting. The OECD is also finalising a set of Best Practices for Budget Transparency for use as a basic reference in member and non-member countries. Other budget work focused on increased accountability for public resources. Input controls in budgeting and financial management are being lifted throughout the OECD area in exchange for greater accountability and transparency of outputs and outcomes. In May 2000, senior budget officials approved a draft OECD manual on defining public sector outputs and decided to investigate approaches to outcome-focused management and budgeting in 2001. In November, officials from OECD member and non-member countries and international organisations exchanged experiences on the application and implementation of accruals, valuation issues, accounting standards, and the impact of accruals on transparency. The same month, experts from member countries met to exchange experiences and discuss best practices in managing large public information and communications technology (ICT) projects. Guidelines will be published in early 2001 on enhancing risk management and accountability for such projects.

The annual meeting of high-level officials from centres of government, hosted by Hungary in October 2000, addressed countries' efforts to improve policy coherence and the role of centres of government, as well as the relationship between government, parliament and civil society. Risk management will be the theme of the 2001 meeting.

Analysis of a questionnaire on the use of ICT permitted a clearer understanding of how member countries can use new tools to better inform and consult their citizens, as well as to deliver services more effectively. In early 2001, a flagship report on government-citizen relations will mark the culmination of two years of work on this issue. The next stage will focus on citizen consultation and civil society engagement in public policy-making.

A first report on relations between parliaments, administrations and civil society, as well as on the quality of certain parliamentary procedures, was presented to a plenary meeting of the European Union conference of presidents of parliaments in Rome in September 2000. Further work will be carried out in 2001 on parliamentary procedures and relations, parliamentary consultation and communication, and the evolution of their oversight role.

Good governance ultimately depends on the people who deliver it and, in 2000, the OECD revitalised its human resources management activities to help members enhance their civil service capacity. It also published a book on public sector reform in member countries, *Government of the Future*, which uses the experiences of civil service reformers and academics, as well as country case studies, to draw lessons on how to plan, implement and follow up on reform. The OECD has identified four focus areas for work in 2001: leadership, the competitiveness of public employers, knowledge management and public service ethics.

Building trust in public institutions is also a keystone of good governance. An OECD flagship report produced in 2000, "*Trust in Government: Ethics Measures in*

OECD Countries" provides a groundbreaking comparative overview of general trends, promising practices and innovative solutions, as well as policy directions for decision-makers and a tool for self-evaluation. Work in 2001 will focus on assessing vulnerability in risk areas such as the public-private and political-administrative interfaces.

The regulatory and administrative environment in which firms operate can influence a country's competitiveness, innovation, flexibility and capacity to create jobs. A survey of 8 000 small and medium-sized enterprises in 11 OECD countries analysed their views of their regulatory situation. A new project in 2001 will identify initiatives and best practices launched by OECD countries to respond to regulatory burdens on SMEs.

Better co-ordination of government policies and adaptation to local priorities identified in partnership with civil society are critical to supporting employment and social cohesion and to reinforcing representative democracy. Detailed review of the partnership experience in seven countries resulted in recommendations to help governments overcome the problems of co-ordination and accountability that can arise in such arrangements. The second stage of the work will aim at identifying mechanisms to implement the strategy.



At a time when there is a growing consensus among governments on what should constitute the essential elements of an effective and comprehensive ethics strategy, this book constitutes a unique source of comparative information on ethics management measures in OECD countries.

HARMFUL TAX PRACTICES

www.oecd.org/daf/fa/

Globalisation and new technologies can allow a proliferation of tax regimes designed to attract geographically mobile activities. Governments must take measures, in particular by intensifying their international co-operation, to avoid the world-wide reduction in welfare caused by tax-induced distortions in capital and financial flows and to protect their tax bases.

The OECD has provided co-ordinated action for the elimination of harmful tax practices since 1998 through a forum on harmful tax practices, guidelines for dealing with harmful preferential tax regimes in member countries, and recommendations for combating harmful tax practices. This work focuses on geographically mobile activities, such as financial and other service activities. Key events in 2000 included news in early June that six jurisdictions (Bermuda, Cayman Islands, Cyprus, Malta, Mauritius, San Marino) had made commitments to eliminate harmful tax practices by the end of 2005. At the end of the same month the OECD released a report on Progress in Identifying and Eliminating Harmful Tax Practices. It identified 35 jurisdictions as tax havens under the criteria established in 1998 and invited them to work with the OECD to eliminate harmful features of their regimes by the end of 2005. The OECD is confident that a significant number of the jurisdictions will choose this direction, based upon the constructive dialogue held with many of them since June 2000. Tax havens that choose not to enter into such a dialogue will be included in a list of uncooperative tax havens to be completed by the end of July 2001 and subject to co-ordinated defensive measures. The report also identified 47 instances of preferential tax regimes in OECD member countries as potentially harmful. The OECD will now develop guidance to help countries determine whether they are harmful in practice. At the end of June, France and the OECD co-hosted a high-level symposium to discuss a global response to the challenges of harmful tax practices. All OECD countries and 30 non-members took part, plus representatives from international organisations. The newly established OECD Global Forum on Taxation is a major asset to bring this dialogue forward.

The OECD has also drawn up and sent to all 35 jurisdictions identified as tax havens a framework memorandum of understanding on eliminating harmful tax practices, setting out the steps they are asked to take to demonstrate a commitment to transparency, non-discrimination and effective co-operation. In December, the Netherlands Antilles and the Isle of Man, both among the 35, made commitments to eliminate harmful tax practices. The OECD has also committed itself to participating in regional conferences on issues related to the fight against harmful tax practices. As a first step in this direction, the OECD and Commonwealth countries organised a meeting in Barbados in January 2001 attended by representatives of more than 40 jurisdictions including OECD and Commonwealth countries as well as Caribbean jurisdictions, international and regional organisations. Participants agreed to establish a joint working group which held its first meeting in London in late January, when further progress was made on developing a better understanding of the concerns of the Caribbean jurisdictions and of the OECD countries.

BEST USE OF NEW TECHNOLOGIES

www.oecd.org/dsti/

Information and communications technology (ICT) is dramatically changing how we produce things and send information. However, the ability of countries, companies and individuals to make use of these technologies differs, so the impact on industrial competitiveness and social well-being is sweeping but uneven. Other new technologies, such as biotechnology, present similar challenges. OECD countries are trying to understand how to meet these challenges and identify the most effective ways of maximising the benefits of new technology developments while minimising their adverse effects.

Measuring the impact

www.oecd.org/dsti/sti/stat-ana/

The relationship between science and technology and economic performance is a key factor in making best use of new technologies. To understand this relationship, governments need to be able to measure the impact of new technologies. OECD work during 2000 included development of new indicators in areas such as patents, research and development in the health sector, and measurement of the biotechnology sector. In 2001, this work will be further developed and new work will be launched looking at the international mobility of human resources in science and technology ("brain drain, gain and circulation"). All of these indicators will be included in the 2001 version of the OECD's *Science, Technology and Industry Scoreboard.*

The OECD also released, in 2000, the first statistics on the ICT sector using data from public statistical agencies that adhere to a common international definition. *Measuring the ICT Sector* uses a definition of ICT approved in 1998. Additional work to measure the use of ICT by businesses, households and governments, and other aspects of the information society, such as the production of "content", is under way and is scheduled to be completed by 2001 and 2002 respectively.

A framework for defining electronic commerce was also agreed in 2000, and data on e-commerce will be collected and published for the first time in 2001 as part of the *Science, Technology and Industry Scoreboard.*



This study summarises key recent developments in science, technology and innovation across the OECD area. It covers trends, provides an overview of policy developments and emphasises the roles played by science and technology in recent economic growth.

MANAGING RISK

www.oecd.org/sge/au/risks.htm

Significant changes have occurred in recent years in the nature of major risks facing the world, from environmental and natural disasters to financial crises, and further changes can be expected in the future, both in the range of risks themselves and in society's capacity to manage them. The OECD's International Futures Programme responded to this challenge in 2000 by launching a special risk management project to explore the implications of these developments for economy and society in the 21st century.

The forces at work are many and varied. Weather conditions appear to be increasingly extreme; population density in urban centres and concentrations of economic activity in certain regions are rising; globalisation in all its dimensions – economic, technological, cultural, environmental – is growing apace; and the frontiers of scientific discovery and technological innovation are expanding at breathtaking speed.

As a result, conventional risks look set to take on new forms, and new major hazards are emerging, many of them characterised by extreme uncertainty on the one hand and the possibility of extensive, perhaps irreversible, harm on the other. These trends point to a marked increase in the future vulnerability of major systems. Health services, transport, energy, food and water supplies, and information and telecommunications networks are all vital systems that can be severely damaged by a single catastrophic event or a chain of events.

New systemic risks include factors such as biotechnology and possible risks to agriculture or human life, new diseases (such as AIDS in the 1970s) and the risks related to the growing complexity of vital technological infrastructure. But old risks are also taking on new forms – diseases are re-emerging due to increased resistance to antibiotics, and natural disasters such as storms and earthquakes are causing ever greater damage because of increased urbanisation.

The risk management project is focused on assessing emerging systemic risks and the policies that may be needed to ensure full use of management tools in efforts to prevent disruptions and disasters, and in dealing with them when they do occur. The project concentrates on three major areas – natural disasters, technology-related risks, and health-related risks – and will benefit from, and complement, sectoral work on risks elsewhere in the organisation.

Participants in the project include governments, the business sector and international organisations such as the European Space Agency and the World Health Organization. A steering group of some 35 high-ranking experts will advise the OECD secretariat team in its study of emerging systemic risks; possible risk prevention strategies; improvement of crisis management; liabilities and compensation; risk communication; and implications for the future. The project is due for completion in 2002 with the publication of a final report.

Analysis of the development of information and communications infrastructures and of electronic commerce, and their impact on economies and societies, continued with a report on business to business electronic commerce and work on the digital divide. This was in addition to the regular flagship publications *OECD Information Technology Outlook* and *OECD Communications Outlook*. A paper for the OECD Development Centre published in September 2000 examined E-Commerce for Development: Prospects and Policy Issues.

Existing methodological manuals are also being revised to keep pace with change. The ongoing fifth revision of the OECD's Frascati Manual for the measurement of resources devoted to research and experimental development will be largely completed in 2001 and finalised in 2002, and will improve the quality and comparability of R&D data.

Electronic commerce

www.oecd.org/subject/e_commerce/

The OECD's work on electronic commerce in 2000, focused on implementing the seven-point action plan agreed by ministers in Ottawa in 1998, covering consumer protection, privacy protection, authentication, infrastructure, analysis of economic impacts, development of statistics and taxation. A report on how the post-Ottawa work programme is progressing was given to the 2000 ministerial meeting.

Other OECD projects on electronic commerce include small and medium-sized enterprises (SMEs), government use of e-commerce, developing country issues and international trade. Work was also further developed during 2000 in the areas of public management and government-citizen connections, security of information systems, education and skills, and competition law. But the major new issue which gained priority in 2000 was the "digital divide", referring to differences in access to telecommunication and information services both between countries and between social groups within countries. A G8 summit in Okinawa in July created a Digital Opportunities Task Force (Dot.Force), of which the OECD is a member, to draft recommendations for action to close the digital divide. The OECD's work on policy frameworks for e-commerce and the information society is being fed into the Dot.Force.

This policy work promotes coherence in analysis of various issues, as well as between e-commerce policies and policies directed towards overall economic and social goals. It stresses the dialogue among stakeholders in the new digital economy, particularly consensus-building on policy between governments, business and civil society, and an "integrated approach" to regulation and self-regulation. Consumer aspects were followed in 2000 in work on follow-up and implementation of the *OECD Guidelines for Consumer Protection in the Context of Electronic Commerce* agreed in December 1999.

The publicly visible tip of the iceberg of these analyses and policy recommendations are the e-commerce fora held yearly since 1997. In 2000, the OECD prepared an emerging market economy forum on e-commerce that was held in Dubai in January 2001. The forum brought together OECD members and non-members for the first time in a non-OECD venue, in recognition of the need for outreach on policy frameworks for the global digital economy. Governments, business, international organisations and non-governmental organisations (NGOs) were able to take stock of the first two years' achievements in implementing the action plan agreed in Ottawa, as well as of new priorities such as the digital divide and the role of ICT in development co-operation and aid.

The OECD is also trying to provide greater certainty in the taxation of e-commerce. The Ottawa action plan provides a framework to address the issues. One of the guiding principles is neutrality of taxation treatment compared to taxation for conventional commerce. The OECD has established five technical advisory groups (TAGs) to discuss tax issues arising from e-commerce. They cover: consumption taxes; international tax norms; business profits; technology; and professional data assessment.

In November 2000, a TAG meeting in India finalised a consensus report on the characterisation of e-commerce payments as business profits or royalties in existing treaties. The report was published at the end of January 2001. Clarification on the application of the permanent establishment definition in e-commerce was also finalised and released in early 2001. In January 2001, the OECD Committee on Fiscal Affairs published a comprehensive report on consumption taxes and e-commerce, including analysis of options, main conclusions and recommendations, and areas for further work.

The first global conference on tax administration in an electronic world in Montreal in June 2001 will bring together more than 100 countries. It will be jointly sponsored by regional tax organisations and the OECD.

Information, computer and communications policy

www.oecd.org/dsti/sti/it/

Policy recommendations for developing information infrastructure and improving user access stressed regulatory reform and promotion of market liberalisation in the context of convergence of communication and broadcasting services, the infrastructure requirements for global electronic commerce, and the development of the Internet. Reports were prepared during 2000 on local loop unbundling, retail price regulation for local telecommunication services, and "auction *versus* beauty contest" for the attribution of licences.

Guidance was developed on how the 1980 OECD Privacy Guidelines may be applied in the online environment as part of efforts to promote user confidence in networks such as the Internet. The OECD also carried out work in 2000 on how globally recognised authentication and certification mechanisms may be developed. A major achievement was the release of the OECD Privacy Policy Statement Generator. An analysis of the use of codes of conduct was also prepared.

Fostering innovation

www.oecd.org/dsti/sti/s_t/inte/index.htm

OECD work in 2000 on policies to boost member countries' innovation performance paid particular attention to institutional and regulatory reform aimed at fostering knowledge transactions and partnerships between science and industry. An international conference on benchmarking industry-science relationships was co-organised by the OECD and the German government in Berlin in October 2000. Material prepared for this conference contributed to the OECD growth project. This included analysis of the effect of research and development investment on productivity, as well as a review of best practice policies for the management of intellectual property rights (IPRs) derived from public research, and the creation of high-tech spin-offs. Work initiated in 1999 on the review and assessment of changes in science and technology and innovation policies was completed and published in the 2000 issue of the *STI Outlook*.

The Global Science Forum (formerly the Megascience Forum) is a venue for meetings of senior science policy

FOOD SAFETY

www.oecd.org/subject/biotech/

The OECD set up an ad hoc group on food safety in response to a request from a G8 summit in 1999 to "undertake a study of the implications of biotechnology and other aspects of food safety." The group, composed of senior officials and experts with food safety policy responsibilities in OECD member countries, was asked to report on what is being done at the national and international level to address current and emerging food safety issues.

The OECD produced four reports for the G8 summit in Okinawa in June 2000, as well as organising a conference on genetically modified (GM) food safety, in Edinburgh in February 2000, to discuss the scientific issues in the assessment of GM foods. Some 400 people attended the Edinburgh conference, from OECD members and non-member countries, as well as civil society, government, industry and science, including both supporters and opponents of GM food.

The documents presented to the G8 summit were:

- A report from the OECD Task Force on the Safety of Novel Foods covering consumer safety issues addressed by governments in evaluating new GM foods.
- A report from the OECD Working Group for the Harmonisation of Regulatory Oversight in Biotechnology on environmental safety concerns associated with GM foods.
- A report from the OECD Ad Hoc Group on Food Safety on what is being done at the national and international level to address food safety issues.
- A summary report of consultations with non-governmental organisations (NGOs) in November 1999 which brought together representatives of some 50 bodies from civil society, including the scientific and business communities, to discuss consumer concerns, environmental concerns and agro-food concerns.
- The chairman's report and rapporteur's summary from the Edinburgh conference on GM food.

The ad hoc group reported that the current national systems are doing an effective job but that there was ongoing reform to improve efficiency, to incorporate new scientific knowledge and to respond to consumer concerns. All countries subscribed to a science-based, rules-based approach to food safety regulation but recognised that consumer concerns went beyond basic food safety to encompass such issues as food quality, the environment, animal welfare and ethics.

There was also recognition of the potential impact on trade of food safety regulation, and the need for greater harmonisation and continued international dialogue. Common food safety issues included the regulation of modern biotechnology, dealing with

scientific uncertainty, improving regulatory enforcement and compliance, addressing socio-economic concerns, and improving consultation and communication with civil society, although approaches often varied across countries.

The OECD also developed, in 2000, an improved product database on GM products that have been commercialised, as part of its BioTrack online information system (www.oecd.org/ehs/Service.htm).

The Programme on Biological Resource Management for Sustainable Agricultural Systems, renewed for a five-year period in 2000, provided input to the activity on Food Safety. This programme emphasises the importance of biological resources in sustainable food systems. In particular, it addresses issues of public concern such as food quality and safety, animal welfare standards, and the effect of agricultural practices on the environment (water, soil and habitats).

OECD ministers and G8 leaders asked the OECD to undertake further analytical work and to play an effective role in international policy dialogue on food safety. Preparations were launched for a major international conference on the environmental impact of genetically modified organisms (GMOs) that will be hosted by the United States in November 2001.

A proposed programme of work for 2001-2002 has been developed by the Secretariat, to be defined and implemented by the Committee for Agriculture and its subsidiary bodies. The proposed analytical activities cover issues related to trade impacts, modern biotechnology, regulatory issues and socio-economic concerns. Measures are also proposed to maintain the policy dialogue with additional emphasis on the involvement of developing countries, civil society and the agro-food industry.

officials of OECD countries. Its goal is to identify opportunities for international co-operation in basic scientific research, and to develop recommendations for action by governments. In 2000, the forum held workshops and published reports on high-intensity proton accelerators and on structural genomics. A consultative group on high energy physics, a working group on neuroinformatics, and a task force on radio astronomy and the radio spectrum have been set up under the forum and current activities include a study on best practices in international scientific co-operation.

Biotechnology

www.oecd.org/ehs/icgb/
www.gbif.org/

A key achievement in 2000 was the conclusion of multilateral negotiations on establishing the Global Biodiversity Information Facility (GBIF), an internationally-funded project that will make vast quantities of biodiversity data available to anyone who has access to the Internet. The idea of interconnecting the world's biodiversity databases was first proposed within the framework of the OECD Megascience Forum in January 1999 and endorsed by OECD science ministers in June 1999.

The OECD also broadened the scope of its biotechnology work, and organised a conference, in Edinburgh in February 2000, on scientific and health aspects of genetically modified food (*see box on food safety* page 68). Other biotechnology work in 2000 included completion of the report *Biological Resource Centres: Underpinning the Future of Life Sciences and Biotechnology*. A guidance document on safer drinking water, to be jointly published by the OECD and the World Health Organization (WHO) was also completed, and a conference in Basingstoke, UK, examined the links between drinking water and infectious diseases. A workshop in Tokyo looked at research and policy issues related to healthy ageing and biotechnology. A key new initiative was a workshop on genetic testing and policy issues for the new millennium, held in Vienna in February 2000. This marked the beginning of a major new programme of work with several sub-activities, including quality assurance, privacy and security of genetic data, licensing and intellectual property.

DEVELOPMENT

www.oecd.org/dac/

The international community reaffirmed development goals in 2000. The goal of halving the level of extreme poverty by 2015 is now a shared priority of international development co-operation. But all are aware that efforts need to be stepped up considerably if these goals are to be reached. Poverty reduction requires not only policies that generate pro-poor economic growth and lead to investment in basic social services, but also policies that address issues of equity and the risks and vulnerability the poor face.

The OECD joined with the United Nations, the World Bank and the International Monetary Fund during 2000 to produce their first joint report laying down the key challenges, entitled *A Better World for All* *(see box page 74)*. Members of the OECD's Development Assistance Committee (DAC) also reaffirmed their commitment to the goals and endorsed a number of key actions and orientations for development co-operation policies.

Development co-operation can be expected to play a major role for many developing countries for some time to come. But globalisation makes it clear that more attention must be paid to the impact on developing countries of a wider range of policies. The OECD should set an example in showing its members how to implement such policy coherence. Good progress was made in some areas, especially trade and development in 2000, and work has started to address other policy areas. A policy coherence checklist will be put to OECD ministers in May 2001 to provide an agenda for future work in this area.

The DAC's flagship publication, *Development Co-operation Report*, reviewed recent progress towards the development goals, trends in development finance, and the efforts and policies of aid donors.

Poverty reduction

As part of the global effort to reduce poverty, the DAC in 2000 formulated a set of guidelines to help its members improve the focus and impact of their activities in this area. The guidelines were developed in partnership with a broad cross-section of poverty experts from government and civil society in consultations held in Africa, Asia and Latin America.

The guidelines call for changes in the way development agencies think about poverty, plan and implement assistance, organise themselves in the field and at headquarters, enhance the coherence of their external policies, and strengthen their capacity to respond more effectively to the tasks at hand. OECD ministers are expected to endorse the guidelines in 2001.

Gender

www.oecd.org/dac/Gender/

In 2000, the OECD completed a review of progress in gender equality in development co-operation in the five years since ministers and heads of agencies adopted a policy statement on this issue. The review also tested the use of the *DAC Guidelines on Gender Equality and Women's Empowerment* and the *DAC Source Book on Concepts and Approaches Linked to Gender Equality*, both issued in 1998. The review was made available as

a collective contribution to the UN Special Session "Women 2000: Gender Equality, Development and Peace for the 21st century" in June 2000.

Knowledge on incorporating a gender perspective at both macro-economic and sectoral levels has accumulated in recent years, with a growing focus on agriculture, education and health. An overview of practical methods to introduce the gender dimension in economic and sectoral analyses, as well as into policy-making instruments, such as national budgets, public expenditure reviews and sector programme reviews, will be discussed at a workshop in 2001 and consolidated into a reference guide. Work in 2001 will focus on good practices for integrating gender issues into national budgets.

Each DAC subsidiary body has endeavoured to integrate gender perspectives in its work, in line with a gender action framework agreed in 1996. DAC peer reviews of member countries' development policies have also deepened their coverage and analysis of policies and approaches on gender equality in development assistance.

Development statistics

www.paris21.org

Work on statistical capacity-building is focused on the Partnerships In Statistics for Development in the 21st century (PARIS21). This global consortium of more than 500 policy-makers, statisticians, and users of statistical information in support of development was formed in 1999. More than two-thirds of country members are from developing countries. The consortium is a source of international expertise and encourages South-South co-operation. It facilitates lesson-learning and the sharing of best practice. It fosters more effective dialogue and co-ordination in international technical co-operation. The consortium aims to enhance statistical capacity as the foundation for effective development policies.

The first annual PARIS21 consortium meeting in June 2000 asked a series of regional workshops to raise awareness and explore the scope for regional co-operation. Two regional workshops have already taken place. These will be followed by national and regional capacity-building efforts, bringing together users and producers of statistics and civil society. Members of the consortium are now working globally to share information and best practice.



This year's Report reviews recent progress towards the goals, trends in development finance, and the efforts and policies of aid donors. There is a special focus on two policy measures with a strong potential to reduce poverty: investment in health and attention to gender equality and mainstreaming

Conflict and development

The DAC refined its policy guidance on conflict-related issues in 2000 through the Informal Task Force on Conflict, Peace and Development Co-operation. This continued the momentum generated by the 1997 guidelines on Conflict, Peace and Development Co-operation on the Threshold of the 21st century. The task force produced a policy note on conflict-peace issues for the international development community, as emphasised by the United Nations Millennium Assembly and the G8 Okinawa Summit in 2000.

The policy note builds on analytical work and consultations with partner countries in Africa, Asia/Pacific and Latin America. It identifies best practices in areas such as conflict prevention and security sector reform. It addresses issues such as the role development co-operation can play in conflict situations based on four case studies in Afghanistan, Bosnia-Herzegovina, Rwanda and Sri Lanka. It also looks at how to integrate conflict prevention into other development co-operation activities and to achieve policy coherence.

Peer reviews

Peer reviews of the relevance, effectiveness and efficiency of DAC members' development co-operation programmes are a unique part of the OECD's work on development co-operation. Their scope and reach have increased steadily in recent years. The reviews focus on overall policy guidelines and new orientations; aid volume, channels and allocations; policies and allocations for key sectors and cross-cutting areas; policy coherence; organisation, staffing and management as well as evaluation systems; country operations; and comparative and statistical reporting. The revised structure of the reports will enable stronger emphasis to be placed on effectiveness in the implementation of development goals and their measurement, as well as on results orientation in management practices among members.

Each member programme is assessed on a four-year cycle. During 2000, peer reviews were carried out for France, Italy, New Zealand, Sweden and Switzerland. In 2001, reviews are planned for Belgium, Germany, the Netherlands, Portugal and the United Kingdom. The main findings and recommendations of all peer reviews are available on the DAC website.

Development Centre

www.oecd.org/dev/

The Development Centre, created in 1962, acts as an interface between OECD member countries and the emerging and developing economies, some of which (Argentina, Brazil, Chile) are full members of the Centre. (India became the Development Centre's 27th member in February 2001). The Centre acts as a bridge-builder with countries with which co-operation is not yet fully established and as a groundbreaker on issues that are not yet ripe for policy dialogue.

The Centre undertakes comparative research and policy dialogue on issues relating to economic and social development in developing countries. It is able to address the development analysis needs of OECD member countries by facilitating dialogue with non-member countries and by adding a development perspective to dialogue within the OECD. The Centre seeks to act as a catalyst in development research and to serve as a platform for an open exchange of views.

In 2000, the Centre completed work on its 1999-2000 work programme founded on two key ideas: that sustained development in the global economy requires good governance; and that policy reform must be

A BETTER WORLD FOR ALL

www.paris21.org/betterworld/

In June 2000, the OECD joined with the UN, the IMF and the World Bank to issue the first-ever joint report by the four agencies – on measuring progress towards the seven key goals selected by the DAC in 1996 and set out in Shaping the 21st century: the Contribution of Development Co-operation.

The goals for international development address that most compelling of human desires, a world free of poverty and free of the misery that poverty breeds.

Each of the seven goals addresses an aspect of poverty. They should be viewed together because they are mutually reinforcing. Higher school enrolments, especially for girls, reduce poverty and mortality. Better basic health care increases enrolment and reduces poverty. Many poor people earn their living from the environment. So progress is needed on each of the seven goals.

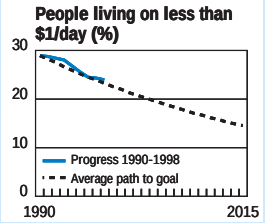
In the past decade on average the world has not been on track to achieve the goals. But progress in some countries and regions shows what can be done. China reduced its number in poverty from 360 million in 1990 to about 210 million in 1998. Mauritius cut its military budget and invested heavily in health and education. Today all Mauritians have access to sanitation, 98% to safe water, and 97% of births are attended by skilled health staff. And many Latin American countries moved much closer to gender equality in education.

The message: if some countries can make great progress toward reducing poverty in its many forms, others can as well. But conflict is reversing gains in social development in many countries in Sub-Saharan Africa. The spread of HIV/AIDS is impoverishing individuals, families, and communities on all continents. And sustained economic growth, that vital component for long-run reductions in poverty, still eludes half the world's countries. For more than 30 of them, real per capita incomes have fallen over the past 35 years. And where there is growth, it needs to be spread more equally.

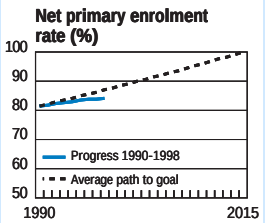
The goals can be met with a combination of effective domestic and international actions.

PROGRESS TOWARDS INTERNATIONAL DEVELOPMENT GOALS

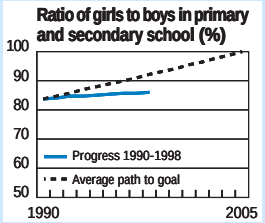
1. Reduce the proportion of people living in extreme poverty by half between 1990 and 2015.



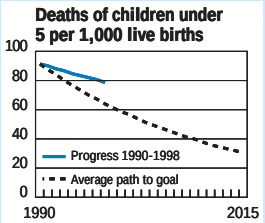
2. Enrol all children in primary school by 2015.



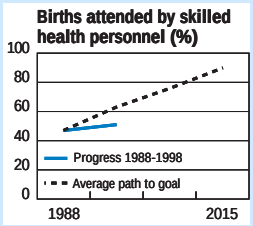
3. Make progress towards gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005.



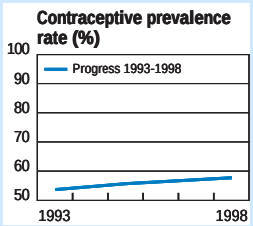
4. Reduce infant and child mortality rates by two-thirds between 1990 and 2015.



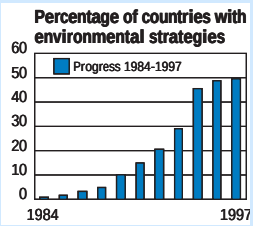
5. Reduce maternal mortality ratios by three-quarters between 1990 and 2015.



6. Provide access for all who need reproductive health services by 2015.



7. Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.



accompanied by attention to its impact on poverty, inequality and social cohesion.

The Centre underwent an external evaluation in 2000, in line with the objective of increased accountability and transparency at the OECD. Although the strategic implications are still under discussion, the results suggest that the Centre can be seen as a "guardian of diversity" at the OECD.

The Centre's 2000 research activities were grouped under eight headings: capital movements and development; global and local environmental challenges; income distribution and global interdependence; developing countries and the millennium round; fighting corruption in developing countries; corporate governance in developing countries and emerging economies; new forms of co-operation in emerging Africa; and malnutrition, education and poverty reduction.

A key feature of the Development Centre's work is dialogue with policy-makers in OECD and developing countries in the form of seminars, fora and conferences. In 2000, the Centre organised a conference that brought together 50 civil society representatives from 20 developing countries in Africa, Asia and Latin America to discuss the impact of globalisation on poverty and inequality in developing countries. The Ford Foundation, the Swiss government and the World Bank Institute helped finance the conference. The Centre also organised with the DAC a forum on "Ownership and Partnership: The Role of Southern and Northern Civil Society in Poverty Reduction Strategies".

In addition to annual fora held in partnership with the Asian Development Bank and the Inter-American Development Bank, a third regional forum was launched in February 2000 in co-operation with the African Development Bank. More than 300 people took part in the first international forum on African perspectives on the topic of "Emerging Africa", including senior policy-makers and high-level experts from African and OECD countries.

The Centre publishes some 30 studies and research papers annually, many of which can be downloaded from the website. Publications in 2000 included *Policy Competition for Foreign Direct Investment: A Study of Competition among Governments to Attract FDI* and *Waging the Global War on Poverty: Strategies and Case Studies.*

CLUB DU SAHEL

www.oecd.org/sah/

The Club du Sahel was created in 1977 to facilitate co-operation among aid donors following massive drought in the African region in 1973-74. In recent years, its focus has shifted from co-ordinating emergency assistance to assessing the effectiveness of aid, fostering West African regional co-operation and longer-term development. The Club's scope has widened beyond the Sahel to countries such as Benin, Cote d'Ivoire, Ghana, Guinea and Nigeria.

Club work in the past year has included consultation of donors, recipient governments and civil society organisations in West Africa to determine the main problems encountered in managing aid projects and programmes. Concrete proposals for a regional aid managers' network to improve practices in this area are due to be discussed in mid-2001. The Club will help the African ministerial lobby group (GMAP), created in 1999 to strengthen African leadership in development co-operation reform and regional integration, to mobilise funds to set up a secretariat to boost its capabilities. In other work aimed at improving the effectiveness of aid, the Club du Sahel, the OECD's Development Assistance Committee (DAC) and the United Nations Development Programme (UNDP) published a review of Mali's aid process. *Improving the Effectiveness of Aid Systems – The Case of Mali* evaluates aid efforts to date and aims to trigger reforms that will be effective enough to generate momentum in other countries. The review called for the creation of a system of indicators to assess the quality of aid management that would help in allocating aid and improving its effectiveness. The Club is also working with the DAC and the World Bank to develop an aid information system to help aid practitioners and policy-makers.

The past year also saw the first meeting of three regional enterprise networks set up with Club support to foster economic development through private sector growth across 31 African countries. The Millennium Conference federated the West Africa, East Africa and Southern Africa enterprise networks into the African Enterprise Network. The Club also helped establish the West African Network of Farmers' Associations and Agricultural Producers.

In local development, the Club and the Municipal Development Programme (MDP) have developed a framework for generating local economic accounts, and have produced studies of 12 sites. Local authorities, supported by outside partners, are now defining development strategies and actions to revitalise local economies.

The Club also continues its traditional role of facilitating debates on development co-operation, with a view to promoting the formulation of concrete African proposals to international fora.

It is working with civil society, governments, donors and international organisations to promote regional development initiatives. The Club has begun helping a group of West African entrepreneurs formulate their vision of regional integration and has issued a report on trade flows between Nigeria and its neighbours, examining the determining factors and the obstacles to regional trade development.

CO-OPERATIVE RELATIONS WITH NON-MEMBER ECONOMIES

www.oecd.org/sge/ccnm

The OECD maintains co-operative relations with some 70 non-member economies on topics of mutual interest in a globalised world where problems, and solutions, go beyond national or regional borders. This includes issues such as sustainable development, biotechnology, e-commerce and the digital divide, governance, harmful tax practices and competition. OECD member country officials and experts engage their non-member counterparts in policy dialogue and conduct peer assessments, while sharing each other's rich and varied policy experiences. The absence of conditionality in these discussions enables non-members to participate with the OECD in frank and open discussions on a broad range of issues. The OECD has also played an important role in assisting the transition of the former command economies to market economies, by providing valuable comparative policy analysis and advice.

Reaching out

www.oecd.org/sge/ccnm/about/country.htm

Notable developments in 2000 included the admission, in December, of the Slovak Republic as the 30th OECD member. This marked the end of the Partners-in-Transition programme, which also saw Hungary, the Czech Republic and Poland join the OECD, and began a new era of OECD co-operation in central and eastern Europe. President Vladimir Putin of Russia and subsequently Prime Minister Mikhail Kasyanov met with OECD Secretary-General Donald Johnston, providing renewed impetus to the OECD's co-operation with Russia. The OECD also launched a major study on the domestic policy implications of China's integration into the world economy. The organisation and Ukraine took the first steps to developing co-operative activities and completed an investment policy review to be released in 2001. Argentina, Brazil and Chile signed the OECD Guidelines for Multinational Enterprises. Work began on the first *Economic Survey* of Brazil, focused on the crucial aspects of stabilisation and sustainable growth. The survey is to be published in mid-2001 in English, French and Portuguese. The survey is of potential interest for future co-operation between Brazil and the OECD in more specific areas, such as strategies for reforming fiscal federal relations and financial sector development. The Centre for Private Sector Development opened new purpose-built premises in Istanbul, and *(see box page 80)* a new OECD distribution/information centre was inaugurated in Bulgaria.

In addition to special programmes for individual non-members *(see boxes page 83 and 84)*, the OECD offers the possibility of participating, to various degrees, in OECD instruments and committees. Non-members that adhere to OECD instruments agree to implement the standards and measures they lay down. Non-members participating in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, for example, establish bribery of a foreign public official as a criminal offence

and put in place adequate means for detection and enforcement. The participation of more than 20 non-member economies as observers also expands the scope of committee work. An evaluation in 2000 found that this form of co-operation contributes to policy-making in non-member governments and to the OECD's own policy analysis. In 2000, five non-members were invited to become observers in OECD bodies: Singapore in the Insurance Committee; Bulgaria in the Steel Committee; Chile in the Education Committee and the Centre for Educational Research and Innovation (CERI); and Israel and Lithuania in the Competition Law and Policy Committee.

Transition economies

www.oecd.org/sge/ccnm/about/transition.htm

In the Transition Economies Programme (TEP), the Istanbul Centre for Private Sector Development worked on promoting financial sector reform and enterprise development *(see box page 80)*. The Multilateral Tax Centres in Austria, Hungary, Korea and Turkey offered training to non-members for tax system reform and the establishment of legal and administrative frameworks. The Joint Vienna Institute (JVI), a co-operative venture among six major international organisations including the OECD, offered training in such basic governmental tools as economic policy management. The OECD chaired the JVI Executive Board in 2000. The programme offered substantial support for building the technical capacity of transition economies to compile internationally comparable statistics. The OECD led a collaborative effort between experts from member countries and international agencies to develop methods to include the "non-observed economy" more effectively in basic statistics and national accounts. The third annual meeting of the Anti-Corruption Network for Transition Countries highlighted several initial successes in improving accountability and transparency. Environmental policy work for central and eastern Europe emphasised the need to strengthen effectiveness of environmental policy implementation, environmental financing and environmental management in enterprises. A meeting in Almaty, Kazakhstan, of environment and economic ministers from the New Independent States (NIS) focused on economic, policy and financing challenges in the water sector.

Central and Eastern Europe

www.oecd.org/puma/sigmaweb/

The OECD's Emerging Market Economy Forum (EMEF) concentrated, in 2000, on promoting the integration of non-members into multilateral "rules of the game" in key policy areas.

SIGMA, a joint initiative of the OECD and the European Union, principally financed by the EU, advises central and eastern European countries on public administration reform. In 2000, SIGMA worked with the 10 candidate countries to the Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia) as well as with three Balkan countries (Albania, Bosnia-Herzegovina, and the former Yugoslav Republic of Macedonia). The main thrust of the work was on preparing the administrations for entry into the EU. A new dimension has been added to the work through involvement in financial control systems for ensuring sound management of the EU's pre-accession funds.

PRIVATE SECTOR DEVELOPMENT CENTRE

www.oecd.org/daf/enterprise-development/

The Centre for Private Sector Development in Istanbul provides a platform for co-operation on private sector development policies between OECD and transition economies. The centre encourages policy dialogue, exchanges of experience and development of best practices for market economy reform in the New Independent States of the former Soviet Union and those of the Black Sea Economic Co-operation Organisation, as well as Mongolia.

The Istanbul Centre began operations in January 1994, and by the end of 2000, more than 2 300 senior officials and policy-makers from Central Asia, Caucasus, Black Sea, central and eastern European countries, Mongolia and the Russian Federation had taken part in its more than 100 workshops and meetings. The centre has been such a success that it moved to new purpose-built premises in the historic centre of Istanbul, officially opened by OECD Secretary-General Donald Johnston in September 2000. The new premises incorporate conference rooms, updated communications facilities, a library and an OECD public information centre.

In countries where there has been heavy state involvement in the production of goods and services, the transition to market-based economies depends crucially on the development of a vibrant and sustainable private sector. Private sector development in turn depends on suitable conditions for the efficient functioning of markets and enterprises, and promotion of entrepreneurial activities. The Istanbul Centre has assisted this transition by identifying, discussing and disseminating lessons learned from private sector development in various OECD countries.

It has encouraged development of competitive markets with sound macro-economic incentives, an effective competition policy and efficient markets in products, labour and capital, promotion of good public and corporate governance, the rule of law, and promotion of entrepreneurship and effective private sector institutions.

During 2000, the centre successfully shifted its activities towards building forum-based discussions and exchanges of experience, encouraging policy-makers to adopt an interdisciplinary approach to key transition issues including enterprise development, the rule of law, anti-corruption, foreign investment and capital market development.

The centre's programme in 2001 will focus on policy dialogue and expert advice on creating a framework for market economy reforms and private sector development. It will also work on policies for regional co-operation among transition economies in matters of trade and investment, as well as pooling resources from bilateral and multilateral donors for private sector development in transition economies. The OECD Council will hold a meeting at the Istanbul Centre in June 2001.

Fostering enterprise

www.oecd.org/daf/psd/feed/

It is widely recognised in OECD member countries that small and medium-sized enterprises are a major driver of economic growth and new employment creation. The role of the Forum for Entrepreneurship and Enterprise Development (FEED) programme is to support this process by providing a structured framework for peer review and policy dialogue. The FEED programme operates at a regional level in the Baltic States, the New Independent States, Russia and south eastern Europe. During 2000, detailed guidelines and implementation frameworks were agreed with policy-makers in each of these regions, relating to central policy issues, such as administrative and regulatory frameworks for small business, taxation policies, access to finance and regional and local business support and advisory services. During 2001, new regional programmes are planned for Asia, southern Africa and the MERCOSUR countries.

The Baltic Regional Programme has been the main vehicle of co-operation between the OECD and Estonia, Latvia and Lithuania since its establishment in 1998. The programme is financed primarily through voluntary contributions from the five OECD Nordic countries, Poland and Ireland, and by the three Baltic countries themselves. Highlights in 2000 included publication of *The Baltic States – A Regional Economic Assessment*, the OECD's first combined macro-economic and structural survey of these countries, which is available in the Baltic languages. The Baltic FEED published its first guidelines and recommendations for the region, which were adopted in March 2000. The 57 specific recommendations relate to enterprise development policy, small business regulation and the informal economy, taxation policy, financial instruments, business advisory services, and regional and local enterprise development. Education policy reviews for each of the Baltic countries were completed and the Baltic labour and social policy review was launched, with publication planned for late 2001.

The OECD's contribution to the development and reconstruction of south eastern Europe is based on the Stability Pact, an EU initiative bringing international organisations and countries together with the countries of the region to help them achieve better economic integration, which hopefully will lead to lasting peace. OECD work focuses primarily on the Investment Compact and the Anti-Corruption Initiative. In 2000, the Stability Pact invited the OECD, with the United Kingdom, to lead the project team to implement the Investment Compact. Work concentrated on a diagnosis of the current conditions in such policy areas as foreign direct investment, support structures for small- and medium-sized enterprises, corporate governance, competition law and policy, privatisation, fiscal reform and accounting regimes. The OECD is also responsible for two elements of the Anti-Corruption Initiative: fighting bribery and corruption in business transactions; and promoting good governance. In addition, the OECD acts as the Secretariat of the Initiative in co-operation with the Council of Europe and the Stability Pact.

The Asian financial and economic crisis of 1997-1998 called attention to structural deficiencies and generated political support for widespread reforms. In response, the OECD created a programme for emerging Asian economies to contribute its expertise and support for these reforms. The past year has seen a number of important developments, such as the establishment of a Forum for Asian Insolvency Reform, the Anti-Corruption Initiative for Asia-Pacific, and the publication of a comparative perspective on corporate

governance in Asia. Work on the development of competition laws, fixed-income securities markets and tax regimes was continued. Many of these activities are undertaken in co-operation with the Asian Development Bank, the World Bank and others. The second Round Table on Capital Market Reform in Asia held in Tokyo indicated that it had become an established annual forum for the top executives of the securities regulators in Asia and the OECD countries.

Global forum

In 2001, the structure of activities with non-members was reorganised to reflect the evolution of the OECD's non-member relations, and changing global conditions. The Global Forum brings interested members and non-members together to discuss themes of global concern, such as sustainable development, international trade, investment, international taxation and agriculture. A second layer of regional and country programmes is organised around three areas: Europe and Central Asia; Asia; and South America. They discuss issues of regional concern, as well as specific country issues for China, Russia and Brazil. The activities of the TEP and the EMEF will be implemented through the Global Forum and the regional and country programmes in 2001.

The OECD also expanded its relationship with other international organisations in 2000. The OECD and the World Bank signed a joint statement of priorities for co-operation. This identified development partnerships, the comprehensive development framework, corporate governance, combating corruption, social affairs, sustainable development, the environment and knowledge-based economies as areas of priority for 2000. The statement also identified public governance, capacity-building for development, education, tax policy and competition policy as possible areas for future co-operation. The two organisations agreed that focus areas for 2001 include the digital divide, sustainable development, governance and Russia. The OECD is currently in discussions with the United Nations Conference on Trade and Development (UNCTAD) and is exploring possible partnerships with other international and regional organisations, as well as regional development banks.

CHINA

www.oecd.org/sge/ccnm/programs/china/china.htm

This programme aims to facilitate China's integration into the world economy by bringing together OECD member country and Chinese officials to exchange expertise and experiences. Notable achievements in 2000 included a major study of the macro-economic and structural aspects of reform of the enterprise sector, a report on sources and methods of China's national accounts, and policy advice on improving the regulatory framework for attracting foreign direct investment (FDI) and on modernising the budget. Other successes to date include the use by China of the OECD's Model Tax Convention and Transfer Pricing Guidelines.

China has also participated in other OECD initiatives with non-members such as the special dialogue with non-member ministers in 1999 and the Emerging Market Economy Forum.

The programme has led to intensive working-level exchanges between OECD member country and Chinese officials, primarily through workshops held in Paris or Beijing, but also increasingly in Chinese provinces. These workshops have covered an impressive range of policy areas from reform of China's enterprise sector, taxation, budget management and statistics to agriculture and economic aspects of environmental policies. Steel, shipbuilding and maritime transport industries have also been discussed, along with education indicators, corporate governance in the state-owned sector, FDI policy, and reform of the securities markets and insurance sectors. The results of these workshops are frequently published, with selected publications available in Chinese. New topics being covered are hi-tech industries, the knowledge-based economy, and social and labour market policies.

The OECD, in co-operation with Chinese officials, has also launched a major study on a new topic, the domestic policy challenges of China's further integration into the global economy. The aim of the study is to assess the implications for China's economy and economic policies of further liberalisation of its international trade and investment. Liberalisation will lead most directly to changes in trade flows, foreign investment and domestic prices. These changes will require adjustments in major sectors of the domestic economy and impact on macro-economic performance, regional development, and financial and labour markets. Such adjustments will call for effective and co-ordinated policy responses in a wide range of interrelated areas, if the full benefits of trade and investment liberalisation are to be realised.

OECD ministers first expressed an interest in developing formal bilateral relations with China in 1994, and the country programme was launched after a mission to China in 1995 headed by the then Secretary-General Jean-Claude Paye.

The programme is supported by regular high-level discussions between the OECD and Chinese officials. Current OECD Secretary-General Donald Johnston visited China in September 1999 and several senior Chinese officials have visited the OECD.

RUSSIA

www.oecd.org/sge/ccnm/programs/russia/russia.htm

This OECD co-operation programme is designed to help the Russian government address the institutional and policy issues related to economic reform. Focused policy-dialogue meetings between Russian officials and their counterparts from OECD countries form the core of the programme. Russia also participates in the activities of some formal OECD bodies.

The relationship received new impetus in 2000 through Secretary-General Donald Johnston's meetings with President Vladimir Putin and Prime Minister Mikhail Kasyanov. Both noted the importance of the OECD in supporting market-oriented reforms and providing comparative policy analysis. Senior OECD officials also focused on Russia during a meeting of the Executive Committee in Special Session. This renewed support and visibility are expected to continue in 2001.

OECD activities have supported reforms in Russia both at the political and working level, notably through the publication of three *Economic Surveys* in 1995, 1997 and 1999. Russia included a number of OECD policy recommendations in a programme of economic and social reform priorities published in mid-2000. This comprehensive, far-reaching and reform-oriented document should provide a basis for even stronger co-operation with the OECD in the future. The OECD also continued work on fiscal federalism and regional finance and completed a review and recommendations of Russian investment policies and of social and labour market policies. Both are to be published in 2001 and follow-up work is planned. In 2001, the Russia programme will also work on developing fiscal federal relations, facilitating tax reform, fostering good corporate governance and improved competition policies, and supporting integrity in business and compliance with the OECD Convention on Combating Bribery. It will also monitor the status of intellectual property rights and implementation of the OECD's *Environmental Performance Review* of Russia.

In addition to the economic surveys, the OECD has produced policy reviews of Russian education, agriculture, environment, and science and technology since the programme began in 1992. The surveys and reviews stimulate awareness of the need for reform, enrich the dialogue between the OECD and Russian officials, and help the latter to set goals and priorities for reform. The OECD and Russia have worked together on a broad range of other issues, such as developing a modern tax system and improving the coverage of economic statistics. Other work has looked at reinforcing the rule of law through strengthening the judiciary, improving public governance, and fighting fraud, corruption and money laundering. The OECD has also looked at how Russia can extend trade liberalisation as a prelude to full integration in the international trading system.



Third meeting of the Russian Corporate Governance Round Table, Moscow, November 2000. Left to right, Igor Kostikov, Chairman, Russian Federal Commission on the Securities Market; Sally Shelton-Colby, OECD Deputy Secretary-General; Veniiamin Yakovlev, Chairman, Supreme Arbitration Court, Russian Federation; Mikhail Morotin, Deputy Minister, Ministry of Finance, Russian Federation.

The relationship entered a new phase in May 1996 when Russia asked to become an OECD member. The OECD emphasised that while accession to membership was indeed a shared goal, much work would be required to bring it about. A Russia-OECD Liaison Committee was established and, since 1996, the co-operation programme has evolved along with Russia's changing circumstances, including setbacks encountered on the road to reform.

STATISTICS

www.oecd.org/statistics/

Statistics are a key element of the OECD's work and the organisation has a high reputation for the quality of its statistical output. The OECD secretariat and committees require a wide range of reliable statistics to monitor developments in member countries and in key non-member countries. The OECD also produces an extensive range of specialist statistical publications and databases for government agencies and the public. These range from annual and historical data to a "hot file" of key economic indicators for the 30 member countries updated weekly on the OECD website.

To ensure comparability and reliability of these statistics, the secretariat also promotes the adoption of international statistical standards and best methodological practice.

The Statistics Directorate has also been responsible for co-ordinating the OECD's work on measuring sustainable development through the introduction of a compact set of some 20 relevant indicators. This work will continue to establish a robust framework linking economic, environmental and social concerns.

The OECD has published composite leading indicators since the mid-1980s as a useful tool to help predict turning points in economic activity. In 2001, the organisation will review its leading indicator series. This will entail examining the methodology used in their compilation; looking at the component indicators used to calculate the leading indicator for each member country; and improving the presentation of the leading indicators in paper and electronic products to make them accessible to a wider audience.

During 2000, the OECD also resumed collection of economic input-output data from member countries, using the new national accounting framework (System of National Accounts, 1993) implemented by most OECD member countries during 1999.

Co-operation with other international organisations such as the International Monetary Fund (IMF), the United Nations, the World Bank and the European Union statistics office, Eurostat, covers a number of areas. The first is co-ordinated collection of data to minimise the reporting burden on national agencies. Thus the OECD collects unemployment rates and national accounts with Eurostat, industry statistics with the United Nations Industrial Development Organization (UNIDO), and foreign trade statistics with the United Nations Statistics Division (UNSD). The second major area is the development of international statistical standards. During 2000, work was completed on developing international standards for trade in services as well as for tourism satellite accounts. The latter was undertaken in co-operation with Eurostat and the World Tourism Organization and will enable national governments to build a database for measuring tourism's role in a national economy that is comprehensive, internally consistent and balanced. Manuals for both these areas are due to be released during 2001. In addition, the OECD has been involved with other agencies in the revision of the international consumer price indices manual, a manual on income distribution statistics and a manual on environmental accounting. The OECD has also worked with the European Central Bank (ECB) and Eurostat to expand the publication of

data series for the Euro zone that are consistent between the three organisations.

The OECD hosts and provides the Secretariat for the PARtnerships In Statistics for development in the 21st century, or PARIS21 (www.paris21.org/). This consortium is a UN, OECD, World Bank, IMF and European Commission venture launched in late 1999 to provide developing countries with the resources to develop the reliable statistical bases they need to build sustainable capacity in the longer term. Statistical organisations world-wide have been invited to join the consortium and to become members of its task forces.

The OECD attaches high importance to making the statistics it publishes as transparent as possible, to make it easier for analysts to use the data. To achieve this objective, the organisation produced a number of methodological publications in 2000. These included *Main Economic Indicators: Sources and Definitions* and *Measuring the Role of Tourism in OECD Economies: the OECD Manual on Tourism Satellite Accounts and Employment.* During 2001, the OECD will update its co-ordination strategies for the collection and dissemination of statistics, both for internal use and for government, business and academic institutions.

The OECD also collects key economic statistics on non-member countries for monitoring economic and financial developments outside the OECD. At the same time, it has an extensive programme of technical co-operation with non-members, which focuses on national accounts, price statistics, purchasing power parities, business tendency surveys and composite leading indicators. Highlights of the work programme in 2000 included workshops on business tendency surveys in Asia and Latin America. A report was also published on the extensive network of business tendency surveys that has been established in Russia with OECD encouragement and advice. A major workshop was held in Russia on the measurement of the "underground" or "hidden" economy. A manual on how to measure this part of the economy is now being finalised in collaboration with country experts and other international organisations.

Publications in 2000 included *National Accounts for China - Sources and Methods*, the first detailed explanation in English of how GDP is compiled for the world's most populous country.

Work in 2001 will include a workshop in Singapore to review a draft manual on consumer price indices. A workshop is also planned for European transition countries on price indices for construction output. The poor quality of price statistics in this area is a major problem for national accounts statistics.

Calculation of purchasing power parity for China will be entering its final stages towards the end of 2001. When this becomes available in 2002 it will provide the means to draw the most accurate picture yet of the relative size of the Chinese economy.

PUBLIC AFFAIRS AND COMMUNICATIONS

www.oecd.org/about

As an intergovernmental organisation, the OECD is keen to communicate with transparency and openness with a broad range of stakeholders, whether policy-makers, academics, business, labour, civil society organisations or the media. Activities with these stakeholders make an important substantive contribution to the OECD's work. Transparency and openness are important for building trust in public institutions and for promoting greater public understanding of the benefits and challenges of globalisation.

An increasing amount of information is being made available on the OECD website, which has been used to invite public comment on certain projects, as well as enabling the results of the organisation's work to be made available to the public in a timely manner. The OECD continues to pioneer in electronic publishing, building on its important role as a print publisher.

Publishing

www.sourceoecd.org

Publishing on line…

In November 2000, the OECD became the first intergovernmental organisation (IGO) to launch a dedicated information portal, which the Journal of Government Information hailed as "the beginning of a new trend in the dissemination of IGO publications". Aimed at information-hungry institutions like universities, corporations, consultancies and research institutes, this service offers the entire range of OECD publications and databases dating back to January 1998. Free at the point of use, SourceOECD enables institutional access to the wealth of knowledge published by the organisation. In just three months, usage had reached over 40 000 visits per month.

A major development was the launch of the OECD's statistical databases online, as part of SourceOECD. Previously the statistics were only available in printed form and on CD-Rom or diskette. Now users can build their own tables, online, from the latest available data.

The OECD's online bookshop (www.oecd.org/bookshop) continued to expand in 2000 and introduced another new service, Browse_it. This service allows visitors to browse the full text of most publications, online and free of charge. Purchases continued to grow, and reached a monthly average of around 900 sales by the end of the year. There was also significant growth in the number of e-books purchased and these now make up 30% of all book purchases via the online bookshop.

… And in print

The OECD publishes around 250 new titles a year in English and in French. Selected titles are also translated into other languages such as Italian, German, Japanese, Russian and Spanish. Around 40% of all printed copies are distributed free of charge to readers via OECD delegations and directorates. One copy of each publication is also sent to a network of depository libraries in OECD member countries. The major specialist libraries of the world, in universities, corporations, governments and consultancies buy most of the remainder, making them accessible to a wide range of end-users.

In 2000, a new cover design was introduced and extended to all new titles published by the OECD. This has given the list a new, co-ordinated and authoritative feel. Feedback has been positive and a visit to the Paris bookshop graphically emphasises the strength of the new design.

The free email alerting service, OECDdirect (www.oecd.org/oecddirect) continued to prosper in 2000, and by the end of the year had more than 10 000 registrants. To cope with the increased demand the service was relaunched in early 2001 with many more options added.

Media relations

www.oecd.org/media/

The OECD's involvement in such high-profile areas as electronic commerce, fiscal policy and GM foods continues to attract growing interest in its activities on the part of the news media. The organisation's work in other areas from economic analysis and education policy to development and labour and social affairs has also received extensive media coverage. Contacts have been improved and extended with journalists around the world to ensure that the OECD's message reaches as wide an audience as possible. The result has been an enhancement of the OECD's image with the media that provides a solid foundation for continued efforts to raise public understanding of the organisation's role and activities.

Media coverage of the OECD's work and objectives will play an essential role in enabling the organisation to improve its communications with civil society. This requires a commitment to mainstreaming communications both externally and internally.

On the internal front, the introduction of OECD TV, a closed circuit system that re-transmits to an internal audience video clips of broadcast interviews with OECD officials, has helped secretariat staff gain a broader view of the scope of the organisation's activities. The OECD's Media Review and related products have also been rendered more accessible and useful through innovations including the development of a computerised retrieval system for archive material.

Externally, new procedures for electronic release of OECD publications to the media have sharply reduced the time lag between production and public availability, thereby enhancing their profile and relevance. A regularly updated Calendar of Events, issued by email to journalists and published on the OECD website, has further augmented media and public awareness of the OECD's work. The geographical reach of OECD communications has been broadened by the organisation of media events outside OECD headquarters, in locations from Brussels and Berlin to Tokyo, Washington and Mexico and by more effective use of Internet technology and the OECD's website. Building on what has already been done, new initiatives will concentrate on further developing the dynamic and outward-looking culture needed for the organisation to communicate effectively.

Internet

www.oecd.org

The Internet site is the most prominent of its type in terms of the volume and quality of the information provided as well as the number of visits to the site. It offers access to OECD work organised by theme such as trade, transport or sustainable development, and in the past year was used to post draft documents such as

the revised Guidelines for Multinational Enterprises for public comment.

Special sites have been created for particular events such as Forum 2000 (www.oecd.org/forum2000/) and the annual ministerial meeting (www.oecd.org/subject/mcm/).

Policy Briefs

www.oecd.org/publications/Pol_brief

Part of the task of communicating the OECD's message involves tailoring information in a form that can convey the organisation's analysis and policy conclusions to non-specialist audiences. OECD Policy Briefs are capsule (8-12 pages) treatments on major elements of the organisation's work. Written for a general audience, each Brief explores a different issue in a question and answer format. The series was initiated in the fall of 1997.

In addition to briefs covering country economic surveys, themes in 2000 included labour and social policy in Korea, fighting bribery and corruption, the role of science and innovation in the new economy, development and prospects for agricultural policy reform, and the role of small and medium-sized enterprises.

The OECD Centres

www.oecd.org/centres/

The OECD Centres in Germany, Japan, Mexico and the United States disseminate OECD information through the sale and distribution of books and electronic products. In addition, the centres provide information to the media and parliaments as well as to business, labour and other non-governmental organisations. They also organise press conferences and other events as part of wider OECD programmes to disseminate a particular message or publication.

Business, labour and civil society

www.biac.org/
www.tuac.org/

The OECD has undertaken close consultation and dialogue with civil society since its creation in 1961. For many years, this was primarily with the business and labour sectors, through the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC). But over the past decade the OECD has undertaken increasingly extensive dialogue and consultations with



Opening ceremony of OECD's new centre in Mexico, April 2000. Left to right: Enrique Berruga, Executive Director, IMEXCI; José Angel Gurria, Mexican Finance Minister; Donald Johnston, OECD Secretary-General; Gabriela Ramos, Head of the OECD Mexico Centre.

other civil society organisations (CSOs) in areas such as the environment, development co-operation, combating bribery and corruption, electronic commerce, trade, education and social policy.

BIAC and TUAC

During 2000, both BIAC and TUAC took an active part in the work of various OECD committees and workshops. Both also participated in the review of the OECD's Guidelines for Multinational Enterprises concluded during the year and in consultations on the three-year sustainable development project being completed for the 2001 OECD ministerial meeting.

Consultative meetings were held during the year under the OECD's Labour/Management Programme (LMP) on the following subjects: human resources in the new economy: challenges and opportunities for education and training; climate change; trade and labour standards; and the economic effects of and social responses to unfair tax practices and tax havens.

BIAC and TUAC also have annual liaison committee meetings with the OECD Council as well as consultations ahead of ministerial meetings.

Civil society

www.oecd.org/subject/civilsociety/

In recent years, OECD ministers have recognised the important role of the organisation in assisting governments to improve communication and consultation with civil society, and in 2000 they asked the Secretary-General "to develop options for strengthening the process and structure of its consultation and dialogue with civil society".

The year 2000 saw an important strengthening in the OECD's co-operative activities with CSOs alongside its traditional partnerships such as with BIAC and TUAC.

CSOs made an important contribution in the area of biotechnology and food safety, notably at the Edinburgh Conference, while ANPED, Friends of the Earth, Oxfam and the World Wide Fund for Nature all played a particularly active role in the updating of the OECD Guidelines for Multinational Enterprises alongside BIAC and TUAC.

The Trade Committee had its second annual consultation with CSO representatives, building on the decade long consultations held by the Joint Working Party on Trade and Environment and CSOs have been consulted regularly in the preparation of the report to OECD ministers on sustainable development.

CSOs also participate in a wide range of activities in the governance area, from corporate government, combating bribery and corruption, and promoting ethical behaviour in business and government.

In addition to these consultations, a major initiative was the OECD Forum 2000 which brought together a large range of stakeholders to debate policy issues under the broad theme of Partnerships in the New Economy (*see box page 93*). Both BIAC and TUAC made major contributions to the organisation of the Forum. And the OECD Visits Programme welcomes some 4 000 people a year, from all branches of civil society in both OECD and non-OECD countries.

Business and Industry Advisory Committee to the OECD (BIAC)

Executive Board

Chairman:

Mr. Jaakko IHAMUOTILA, Member of the Board, Fortum Corporation (Finland)

Vice-Chairmen:

Mr. Serge GRAVEL, Associé, Gravel, Otto & Associés (Canada)
Mr. Masaharu IKUTA, Chairman of the Board, Mitsui O.S.K. Lines, Ltd. (Japan)
Dr. Bruno LAMBORGHINI, Chairman, Olivetti Tecnost and member of the Olivetti Board of Directors (Italy)
Dr. Ungsuh K. PARK, President & CEO, KOHAP Ltd. (Korea)
Mr. Jacques SAMPRÉ, Ancien Directeur Délégué, SANOFI (France)
Dr. Josef SIEGERS, Member of the Executive Board, BDA (Germany)
Mr. Edwin WILLIAMSON, Partner, Sullivan & Cromwell (United States)

Secretary General:

Mr. Douglas C. WORTH

13-15, Chaussée de la Muette, 75016 Paris.
Tel: + 33 (0) 1 42 30 09 60 - Fax: + 33 (0) 1 42 88 78 38
E-mail: biac@biac.org - Internet: http://www.biac.org/

Trade Union Advisory Committee to the OECD (TUAC)

Administrative Committee

President:

Mr. John SWEENEY, President of the AFL-CIO (USA)

Vice-Presidents:

Mr. Luc CORTEBEECK, President of the Belgian Confederation of Christian Trade Unions (CSC-Belgium)
Mr. Etsuya WASHIO, President of RENGO (Japan)
Mrs. Evy BUVERUD-PEDERSEN, Secretary of the Norwegian Confederation of Trade Unions (LO-N-Norway)

General Secretary:

Mr. John EVANS

26, avenue de la Grande-Armée, 75017 Paris
Tel: + 33 (0) 1 55 37 37 37 - Fax: + 33 (0) 1 47 54 98 28
E-mail: tuac@tuac.org - Internet: http://www.tuac.org

FORUM 2000

www.oecd.org/forum2000/

The OECD's first international public conference and knowledge fair, Forum 2000, was held in June alongside the annual ministerial meeting. It brought together 1 000 participants from government, business, labour and civil society to debate the forces driving the "new economy" and how policies can be fine-tuned to ensure the greatest benefit from a free and fair multilateral trading system. The forum provided an open platform for innovation, consultation and reflection on how to harness the benefits of globalisation through partnerships, while also keeping a check on the risks.

OECD Secretary-General Donald Johnston and Australian Treasurer Peter Costello launched the debate which covered themes ranging from "Are We Living in a New Economy?" to "Reaping the Full Benefits of Global Trade for Development", as well as food safety, corporate responsibility, sustainable development and more.

Leading private sector figures such as Microsoft Europe Chairman Bernard Vergnes and Enron Chairman Kenneth Lay debated alongside ministers from a dozen OECD countries during some 20 panel discussions and keynote presentations.

At the panel on the new economy, Bill Emmott, Chief Editor of *The Economist* magazine, cautioned participants that, as in the past, determining permanent efficiency gains in the economy would require analysis over a longer period of time.

World Trade Organization Director General Mike Moore argued that free trade is a powerful force for lifting people out of poverty, but Martin Khor of the Third World Network warned that the benefits of free trade are limited for developing countries whose export mix is ill adapted to the global economy. Some participants said that the OECD has perhaps not gone far enough in its dialogue and consultation with civil society, and offered constructive solutions. In a debate on "Partnerships for the 21st century", UN Deputy Secretary-General Louise Fréchette and Amnesty International President Pierre Sané put the case that business should take more responsibility for ensuring that the fruits of commercial success are not borne at the expense of human rights.

OECD ministers paid tribute to the forum in the final communiqué from their annual meeting as a major step forward in the organisation's openness towards non-members and civil society. As a result, a second Forum will be held alongside the 2001 ministerial meeting in May. Forum 2001 on the theme of "Sustainable Development and the New Economy" will include a series of round tables that will provide major input to a special session on sustainable development at the ministerial meeting (www.oecd.org/forum2001/).

OECD OBSERVER

www.oecdobserver.org/



The OECD *Observer* is the organisation's magazine. It offers concise, up-to-date and authoritative analysis of crucial world economic, social and scientific issues. The *OECD Observer* was launched in November 1962 and has been revamped several times over the near-40 years of its existence. In addition to the magazine, the *Observer* family includes *OECD in Figures.*

The OECD *Observer* is available in print and on the web, with articles appearing in both English and French. A limited Japanese edition also exists. The *Observer* is a window for the work of the OECD secretariat and a platform for articulating clearly the thoughts and ideas of the organisation's experts. But over the past two years the magazine has also increasingly positioned itself as a forum of debate for political personalities, senior officials, experts and opinion leaders from a range of backgrounds such as World Trade Organization Director General Mike Moore or UN High Commissioner for Human Rights Mary Robinson. Guest articles have appeared from civil society organisations such as World Vision, Third World Network, Green Alliance and Oxfam.

Observer.org, the portal website of the OECD *Observer,* has enjoyed great success since it was launched in August 1999. Traffic is rising by 15-20% per month and the *Observer* is the organisation's most visited website, outside the OECD's main homepage. The French version of the site is the organisation's most visited French site and is in the top five sites for the entire organisation, English or French. Visitors come from all over the world, not just from the member countries, with visits from Russia, China and Latin America being significant. Nonetheless, 15% of the visitor traffic comes from US dot.coms, which are mostly businesses and the United States is the biggest source of visitor traffic, followed by the United Kingdom, Canada, Australia and France. For the French site the most frequent source countries are France, United States, Canada, Belgium, Switzerland, Poland, Italy, Spain and Portugal.



OECD in Figures

www.oecd.org/publications/figures/

OECD in Figures is a pocket-sized statistical databook for OECD member countries covering everything from macro-economic trends to key facts about health, education and science. It is a primary statistical source and is one of the organisation's most popular publications. In 2000, *OECD in Figures* was published in Spanish for the first time.

EXECUTIVE DIRECTORATE

www.oecd.org/about

The executive directorate (EXD) oversees the OECD's administrative, financial and operational infrastructure, as well as co-ordinating the OECD's reform programme and elaborating the organisation's programme of work and budget. The directorate was streamlined and reorganised in 2000, aiming to conform to best international and member country practice, as part of the organisation's ongoing reform programme (*see Reform chapter page 9*). All support services, including budget and finance, human resources management, operations, information technology and network services; interpretation and translation were consolidated into this directorate.

Internal reform in 2000 focused on ways of improving programme performance and output management, better integrating work across the organisation, improving financial policies and procedures and establishing links between staff performance and remuneration. The guiding principles of reform are greater responsiveness to member country needs, ensuring efficiency and cost effectiveness and a commitment on the part of the secretariat to professional and managerial excellence.

Programme of work

The programme of work and budget is the basic charter of the organisation's activities, staffing and financing. It is normally approved at the end of each year by the governing body, the Council, and covers the subsequent calendar year.

Changes were introduced in 2000 to both the programme of work and the budget process. The programme of work for 2001-2 drawn up in 2000 was based around broad themes rather than directorates. At the same time, a resource reallocation system was introduced and the organisation agreed to introduce a capital budget from 2002. These reforms are part of a major exercise aimed at improving the way the OECD takes decisions about resource allocation and how it presents information to member countries.

Human resource management

www.oecd.org/hrm/

Human resource management implements and consolidates human resource functions and policies, as well as providing staff and managers with high standard administrative, medical, recruitment, training and counselling services. Main achievements in 2000 and priority activities for 2001 include:

- New employment policy, including a programme for converting fixed-term appointments and the introduction of an improved contractual framework for temporary staff.
- Continued focus on management development, including management training.
- Complete revision of the organisation's remuneration policy.
- Review of staff rules to provide a more coherent and simplified framework.

- Improved international recruitment and gender balance.
- Improved health care, new contracts with management and insurance contractors, new strategies for cost containment policies and extended health care networks; the introduction of new preventive health care programmes, which proved highly successful in 2000, will continue in 2001.
- Development of the human resources computer system, notably the implementation of a new payroll system.
- Review of the pensions scheme for new entrants.

Support services

Reorganisation of support services in 2000 included restructuring of the language and conference services. The operations service was reorganised to better address the urgent need to redevelop the organisation's headquarters site (*see box below*). A new structure was also established to develop information and communications technology (ICT) for OECD conferences. In 2001, the directorate is launching a review of its trans-

REDEVELOPMENT OF THE OECD HEADQUARTERS SITE

The OECD has launched a major programme to redevelop its headquarters site at La Muette in Paris. This is required in particular to renovate one of the main site buildings (the New Building), which contains asbestos and is not well adapted to the requirements of modern fire protection legislation. The project will also address the need to modernise and expand the organisation's conference centre, a key facility for OECD activities.

The redevelopment will involve finding temporary office and conference facilities for the staff who will be moved out of the affected buildings and for the conferences that will take place during the redevelopment period. Several possibilities have been identified, but a final decision has not yet been made.

Planning of the general construction programme for the La Muette site, which maps out the asbestos-removal operation, the building renovation, and the installation of new, permanent conference facilities, is in its final phase. The OECD expects to complete the redevelopment project in 2005.

lation services and will examine the optimal structure for managing and co-ordinating OECD meetings and conferences.

The operations service is responsible for managing the infrastructure of the headquarters site and for providing a wide range of related services to support the daily functioning of the organisation. The main activities of the service include facilities management, documentation resources, safety and assistance and procurement. The ageing buildings and technical installations, the geographical dispersion of annexes, where more than 40% of staff are located, and the particular problems of asbestos and fire safety, create a difficult operational environment. There have been continued gains in efficiency and quality of services over the past few years, but further progress tends to be limited by the inherent inefficiencies of the present site.

In 2000, efforts continued to improve working conditions for staff and to raise the quality of services provided to the organisation (such as new cleaning contracts, with emphasis on quality control and waste recovery; opening of a convenience shopping centre; and other facilities to support leisure activities). Particular steps were taken to contain the asbestos problem and to improve fire safety in the New Building. New site surveillance and technical plant monitoring systems were introduced, as well as automated access controls and improved conference welcome facilities.

Information technology and network services

The role of information technology and network services is twofold: to deliver the information and communications technology (ICT) systems and services that underpin the daily work of the organisation, and to identify and implement innovative uses of ICT to help achieve the medium-term strategic objectives of the organisation.

In 2000, EXD in co-operation with the Public Affairs and Communications Directorate expanded the Internet, Intranet, and specialised Extranet services for member countries and delegations. An online service was launched to make OECD statistics easily and widely available.

Important tasks for 2001 will include the construction of a new central computer and telecommunications facility; conversion of all systems to the Euro; rollout of a new OECD website; and development of an online management system for OECD meetings and conferences.

Interpretation and Translation

The executive directorate also manages the organisation's operational resources in translation, interpretation and conference logistics. In 2000, conferences totalling 2 000 days took place at headquarters and elsewhere (including three meetings at ministerial level) and more than 75 000 standard pages were translated.

HOW THE OECD WORKS

www.oecd.org/about

The secretariat in Paris carries out research and analysis at the request of the OECD's 30 member countries. The members meet and exchange information in committees devoted to key issues, with decision-making power vested in the OECD Council.

The Council is composed of one representative for each member country plus a representative of the European Commission, which takes part in the work of the OECD. Each member country has a permanent representative to the OECD and these representatives meet regularly in the Council. The OECD Council meets at ministerial level once a year when ministers from member countries raise important issues and set priorities for OECD work over the coming year. The specialised committees meet to discuss ideas and review progress in particular areas of policy.

There are about 200 committees, working groups and expert groups in all. Some 40 000 senior officials from national administrations come to OECD committee meetings each year to request, review and contribute to work that is undertaken by the OECD secretariat.

The sectoral committees are: Economic Policy Committee; Economic and Development Review Committee; Committee for Monetary and Foreign Exchange Matters; Environment Policy Committee; Chemicals Committee; Development Assistance Committee; Public Management Committee; Trade Committee; Committee on International Investment and Multinational Enterprises; Committee on Capital Movements and Invisible Transactions; Insurance Committee; Committee on Financial Markets; Committee on Fiscal Affairs; Committee on Competition Law and Policy; Committee for Scientific and Technological Policy; Committee for Information, Computer and Communications Policy; Committee on Consumer Policy; Industry and Business Environment Committee; Maritime Transport Committee; Steel Committee; Tourism Committee; Employment, Labour and Social Affairs Committee; Education Committee; Committee for Agriculture; Fisheries Committee; Territorial Development Policy Committee.

The International Energy Agency (*see box page 108*) and the OECD Nuclear Energy Agency (*see box page 106*) deal with energy issues.

Work mandated by the Council is shared out across the OECD secretariat's various directorates, which work closely together on the many issues that cut across several areas of expertise such as trade and environment or sustainable development.

Economics Department (ECO)

The Economics Department examines economic and financial developments in OECD countries and in certain non-member countries. This mission, under the auspices of the Economic Policy Committee, is carried out in part through the individual country examinations of the Economic and Development Review Committee (EDRC). In addition, the Economic Policy Committee (EPC) and its subsidiary bodies – the Working Group on Short-Term Economic Prospects, Working Party No. 1 on Macro-economic and Structural Policy Analysis, and Working Party No. 3 on Policies for the Promotion of Better International Payments

Equilibrium – conduct multilateral and structural surveillance. In 2000, the department also joined other directorates in work on economic growth, sustainable development, and regulatory reform.

Twice a year the OECD *Economic Outlook* presents analysis of recent macro-economic developments and forecasts near-term prospects, highlighting key policy issues. These forecasts serve as a basis for the economic policy recommendations made by ministers at the annual OECD Council meeting. Additional special themes addressed by the *Economic Outlook* in 2000 include: recent growth trends across OECD countries and the role of policy, labour market performance, measures of structural unemployment, monetary policy in a changing financial environment, e-commerce and immigration. Major themes for 2001 will include the causes of economic growth at the firm level, interaction between labour and product markets, environmentally sustainable growth, tax reform, public expenditure, ageing and the development of human capital.

Statistics Directorate (STD)

The Statistics Directorate collects economic statistics from across the OECD. These are standardised to make them internationally comparable, and are published in both printed and electronic form. The monthly publication *Main Economic Indicators* is one of the principal publications of the directorate. Other specialised publications cover foreign trade, national accounts, employment and unemployment and there are also regular releases of updated figures, including monthly unemployment rates and changes in consumer prices. Other parts of the OECD publish indicators for specialised sectors. In collaboration with statisticians from member countries and other international organisations, the OECD has played a major role in developing new data systems to respond to new policy concerns such as national accounts, energy supply and use, research and development, environment, and service industries.

Environment Directorate (ENV)

The Environment Directorate examines issues such as how to manage natural resources in a sustainable way, the interplay between the environment and trade policy, energy and agriculture, as well as analysing the economic aspects of climate change. It works with other directorates on some issues, such as trade, and is a key contributor to the OECD-wide sustainable development project.

The Environment Directorate keeps a permanent watch on environmental performance and compiles environmental data in a regular publication, *The State of the Environment*. It also produces environmental assessments of member countries, which are published. The Environment Directorate is also responsible for looking at issues of pollution prevention and control through sensible waste management, less polluting transportation and clean technology. Its work on environmental safety and health includes work on chemical products: standardising chemical testing and hazard assessment procedures, co-ordinating data and laboratory practice standards.

Development Co-operation Directorate (DCD)

The Development Co-operation Directorate provides secretariat support to the Development Assistance Committee (DAC), the principal body through which the OECD deals with issues related to co-operation with developing countries. The DAC provides a forum

for major bilateral donors to work together to increase the effectiveness of their common effort to support sustainable development. The DAC meets at least 15 times a year and the chair is based at OECD headquarters. It also differs from other committees in that it has the power to make recommendations directly to countries on the committee, as well as to the OECD Council, and produces an annual report on the efforts and policies of DAC members. The DAC monitors aid budgets, how they are spent, and whether they conform to the agreed priority of economic growth that embraces the full population and is sustainable, in terms of the environment and population growth. The DAC produces regular statements on its peer examinations of member countries' aid records and it compiles all its findings on levels, donors, recipients and effectiveness of aid in an annual report of the DAC chair on issues, trends and statistics in assistance to developing countries.

Public Management Service (PUMA)

The Public Management Service, under the auspices of the Public Management Committee, deals with how governments work day to day, how they manage their own public sectors in areas such as human resources management, regulation, budgeting and financial management. PUMA looks at how these areas can be reformed to promote efficient functioning of government and the promotion of good governance.

PUMA is also responsible within the OECD for the SIGMA (Support for Improvement in Governance and Management) programme. This is a joint venture with the European Union to help the newly democratised countries of central and eastern Europe reform their public administration systems by drawing on the experience and networks of the PUMA.

Trade Directorate (ECH)

The work of the Trade Directorate supports a strong, open and rules-based multilateral trading system. Its objective is to ensure that the liberalisation flowing from the previous round of multilateral trade negotiations moves ahead smoothly and that the multilateral trading system, centred on the World Trade Organization (WTO), functions effectively and is equipped to address major trade policy issues.

The analytical work undertaken by the Trade Directorate under the auspices of the OECD Trade Committee seeks to support continued trade liberalisation and foster an understanding of the linkages between trade liberalisation and a range of issues of public concern. This work advances an informed debate, helping build consensus on a range of pertinent issues. The Trade Directorate will be involved in analysis and preparations for future trade negotiations that will cover whole new categories of trade rules, such as the environment, competition policy, industrial policy and technology. At the same time, its analysis of trade patterns and policies can help forestall problems that emerge under the pressure of ever-intensifying competition. And its unique work in export credits steers countries away from distortive trade.

Directorate for Financial, Fiscal and Enterprise Affairs (DAF)

The prime objective of the Directorate for Financial, Fiscal and Enterprise affairs is to promote the efficient functioning of markets and enterprises in a globalised economy. Its work is dealt with by six committees – the Committee on Capital Movements and Invisible Transactions; the Committee on Financial Markets; the Committee on Fiscal Affairs; the Committee on International Investment and Multinational Enterprises; the

Competition Law and Policy Committee; and the Insurance Committee.

In addition to tax and international investment issues, the directorate's work covers anti-corruption efforts and corporate affairs, as well as enterprise development. The directorate encourages policy convergence in the areas of competition, taxation, financial markets, international investment and trade in services. Benchmarking, establishing best practices and providing policy guidelines are the typical instruments in developing frameworks for the rules of the game in each of these areas.

This directorate also encourages sound competition policies and co-operation among national competition law enforcement agencies, and supports policies to protect and inform consumers.

Directorate for Science, Technology and Industry (STI)

The Directorate for Science, Technology and Industry and its committees seek to help OECD member countries adapt to the challenge of the "knowledge-based" economy. The Directorate provides analysis to underpin government policies on emerging scientific, technological and industrial issues, and offers a forum for policy dialogue.

The Committee on Industry and Business Environment examines framework conditions for industrial competitiveness in the context of globalisation and the shift towards knowledge-based economies; it addresses policies that affect the performances of economies at sectoral and firm levels. The Committee for Scientific and Technological Policy examines how to stimulate innovation and effectively fund and manage science systems; biotechnology, and especially its application to human health and sustainable development, is part of the agenda for intense discussion. The Committee for Information, Computer and Communications Policy addresses the many issues involved in promoting the effective and socially beneficial application of information and communications technologies, including electronic commerce, in particular in areas such as telecommunications policy, Internet governance, information security and privacy. The Committee on Consumer Policy focuses on consumer protection in the online marketplace.

In areas such as shipbuilding, steel and tourism, the STI works with member countries to monitor developments and encourage the adoption of OECD-wide standards or "rules of the game".

Directorate for Education, Employment, Labour and Social Affairs (ELS)

This directorate oversees work on the many interrelated policy areas that can prevent social exclusion. Its activities are focused on five main areas: education and skills, employment, health, international migration and social issues. Lifelong learning, from early childhood to adulthood, is considered a key to social integration and a tool in the battle against exclusion, both from society and the labour market. The issue of health, given the impact it can have on society's well-being as well as its cost to governments, is also a priority for ELS.

Education and training systems are analysed and the picture of progress in education is presented in an annual compendium of facts and figures, *Education at a Glance*. The directorate watches employment and earnings patterns, and the annual *Employment Outlook* offers analysis of key labour market trends and policies. The flows and effects of how and why people move

between countries are studied and summarised in *Trends in International Migration*. The directorate also looks at the effectiveness of health care and social welfare programmes, the role of women in the labour force and how technology affects workers.

Through the Centre for Educational Research and Innovation, the directorate focuses on work in new teaching and learning approaches.

Directorate for Food, Agriculture and Fisheries (AGR)

The Directorate for Food, Agriculture and Fisheries assists member countries in achieving the shared goals and in adopting the policy principles and operational criteria for agricultural policy reform identified by OECD agriculture ministers in 1987 and again in 1998. It also aims to help member countries implement economically efficient, sustainable fisheries. Its work covers six broad areas: monitoring and evaluating agricultural policies; assessing future developments in agricultural markets and trade; evaluating and strengthening the process of trade liberalisation; assessing the challenges to further trade liberalisation; enhancing the environmental sustainability of agriculture; analysing the interface between domestic and international policies; and fisheries sustainability and market liberalisation.

The directorate carries out its work programme under the guidance of the Committee for Agriculture and its subsidiary bodies, the Working Party on Agricultural Policies and the Working Party on Markets and Commodity Groups. Two Joint Working Parties on Agriculture and Trade and on Agriculture and Environment direct the co-operative work involving other Committees and Directorates. The mandates of these joint bodies were updated in 2000.

The directorate reports on agricultural policy reform and market trends in its annual *Monitoring and Outlook of Agricultural Policies*. It also establishes and manages codes for international quality of fruits and vegetables, seeds, forest products and tractors in order to promote trade.

This directorate is also responsible for monitoring policies for aquaculture and coastal zone management.

Territorial Development Service (TDS)

The Territorial Development Service considers how urban, regional and rural policies and local initiatives can generate employment, raise living standards and the quality of life, assist structural change and protect the environment. Its work is overseen by the Territorial Development Policy Committee (TDPC), which was established in 1999 to integrate the work on territorial issues. The committee is served by three working parties addressing the specific issues of urban and rural issues as well as territorial indicators. One of the major contributions of the TDPC is to demonstrate how economic competitiveness and sustainable development go hand in hand.

The Territorial Development Service aims to give practical assistance to governments, encouraging the creation and development of locally driven initiatives for economic development, and combining the best elements from a variety of complementary territorial development strategies.

Public Affairs and Communications Directorate (PAC)

The Public Affairs and Communications Directorate contributes to transparency and openness by making information about the OECD's work and its results

available to the public in a timely manner. PAC also presents "work in progress" on the Internet to elicit public comment. It is responsible for media relations and handles the publication and marketing of some 250 books a year, as well as managing a fast-growing online bookshop and offering access to OECD publications and information via the Internet.

PAC also produces the Policy Briefs series of brochures on key policy issues, the *OECD Observer* magazine and the annual *OECD in Figures* compilation of key data for all member countries.

The directorate manages the OECD's relations with the Business and Industry Advisory Committee (BIAC), the Trade Union Advisory Committee (TUAC), the Council of Europe, and the Economics and Security Committee of the NATO Parliamentary Assembly, and is increasingly involved in policy dialogue with civil society. It organises the annual OECD Forum, which brings together representatives of OECD countries with business, labour, academics and other civil society organisations to debate significant policy issues for the globalised knowledge economy. PAC is also responsible for OECD centres in Berlin/Bonn, Mexico City, Tokyo and Washington, and serves as a point of contact with other international bodies, parliamentarians, non-governmental organisations and the general public.

Executive Directorate (EXD)

The Executive Directorate oversees the OECD's administrative, financial and operational infrastructure. It is responsible for support services, including budget and finance, human resources management, operations, information technology and network services, interpretation and translation. The directorate also co-ordinates the OECD reform programme and is responsible for the elaboration of the programme of work and budget.

Centre for Co-operation with Non-Members (CCNM)

The Centre for Co-operation with Non-Members serves as the focal point for the development of policy dialogue between the OECD and non-member economies. It manages a number of programmes linked to key themes of OECD work such as trade and investment, as well as specific programmes with major non-member economies such as China and Russia. It is responsible for the Emerging Market Economy Forum (EMEF) and the Transition Economy Programme (TEP).

Development Centre

The OECD Development Centre is a research-oriented semi-autonomous body that aims to help OECD countries better understand the economic and social problems of the developing world. Through publications as well as analysis and dialogue, experts and policy-makers from the developed and developing worlds exchange ideas and experiences, and work toward constructive policy changes and action-oriented conclusions.

NUCLEAR ENERGY AGENCY

www.nea.fr

The Nuclear Energy Agency (NEA) is a semi-autonomous body within the OECD. It assists its 27 members in maintaining and developing, through international co-operation, the scientific, technological and legal bases required for the safe, environmentally friendly and economical use of nuclear energy.

The NEA acts as a forum for the exchange of information and experience, and for developing consensus views on key issues. It is also a centre of nuclear competence and a contributor to nuclear policy analyses. One of the NEA's strengths is its organisation and co-ordination of autonomous co-operative research projects among interested countries on particular topics. The NEA programme of work covers nuclear safety, nuclear regulation, radioactive waste management and radiation protection, as well as nuclear science, economic and technical development, and nuclear law.

Confidence building

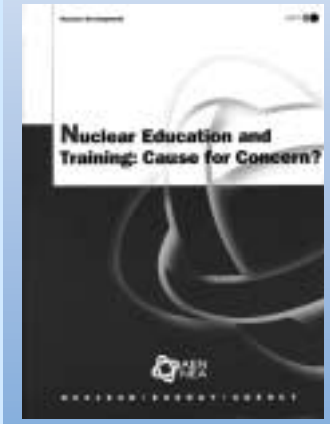
The NEA gave high priority in 2000 to addressing nuclear energy's role in society, exploring means to ensure an effective dialogue with the public, and considering ways to strengthen confidence in nuclear energy decision-making processes. It launched an International Forum on Stakeholder Confidence in the Area of Radioactive Waste Management to facilitate the sharing of member country experience in this area. The forum also considered the common search for novel approaches to effective and efficient decision-making, emphasising public participation, transparency and accountability. A workshop on Investing in Trust: Nuclear Regulators and the Public concentrated on ways in which nuclear regulatory organisations could improve their relationship with the public to foster greater trust and confidence. As part of the OECD's three-year project on sustainable development, the NEA issued a report *Nuclear Energy in a Sustainable Development Perspective*. This analysis shows that, to the extent that identified concerns are addressed successfully, this sector can represent an asset for present and future generations.

The NEA also published new studies as part of its work on nuclear infrastructure: *Nuclear Power in Competitive Electricity Markets*, and *Nuclear Education and Training: Cause for Concern*? The latter aimed to raise awareness of the need to maintain the quality and numbers of competent people within the nuclear sector. Implementation of the recommendations in this study and the extension of its scope will be pursued in the next phase of this programme.

Some 400 people attended a meeting in Japan to discuss technical and regulatory issues related to enhancing the safety of the nuclear fuel cycle, following the Tokai-Mura accident of 1999. A report was also published on *Assuring Nuclear Safety Competence into the 21st century*.

Waste disposal

Efforts in the area of the safe management of high-level, long-lived radioactive waste, including spent nuclear fuel, were aimed notably at promoting common understandings and approaches among member countries and confidence building with respect to the geological waste disposal option. This involves disposing of long-lived radioactive waste in underground repositories several hundred metres beneath the surface. The report *Geologic Disposal of Radioactive Waste in Perspective* took stock of the progress achieved in recent years in developing and implementing this concept.



This publication conveys the results of a pioneering survey on nuclear education and training in almost 200 organisations in 16 countries. It presents the current situation and examines causes for concern.

INTERNATIONAL ENERGY AGENCY

www.iea.org

The International Energy Agency (IEA) is the forum for energy co-operation among 25 OECD member countries. It maintains an emergency system for dealing with oil-supply disruptions and an information system on international oil markets. The IEA promotes rational energy policies, the development of alternative energies and increased energy efficiency. It works to strengthen the link between environment and energy policies, especially in relation to climate.

The Czech Republic, joined the IEA in February 2001. Korea, Poland and the Slovak Republic are actively engaged in membership negotiations.

In 2000, the IEA published in-depth reviews of the energy policies of Canada, France, Luxembourg, the Netherlands, Portugal and Sweden. The 2000 edition of the *World Energy Outlook* featured a new reference scenario which takes into account climate change abatement policies already being applied in OECD countries. In this scenario, world energy use will rise by 57% between 1997 and 2020, at an average annual rate of 2%, while CO_2 emissions are likely to increase by 60%, or 2.1% each year.

Oil industry and markets

In a year of unprecedented market volatility, the IEA's monthly *Oil Market Report* interpreted the complex and rapidly changing situation, confirming its position as the authoritative analytical source in the field. The report tracked oil prices and stock levels, warning that stocks of gasoline and heating oil were especially low in early 2000, leaving the market vulnerable to even slight movements in supply and demand.

The IEA continued to monitor developments in the oil market, though it saw no need for any collective drawdown of strategic oil stocks. Agency member countries said on several occasions that they were prepared to intervene in oil markets in the event of a real shortage.

The IEA stressed that developing countries suffer more from high prices than industrialised countries. Industry in developing countries tends to be more energy intensive, using more than twice as much oil to produce one unit of economic output as OECD countries.

The IEA prepared an exhaustive report on oil supply security and member countries' readiness to respond to major supply disruptions. The report showed emergency oil stocks well above the minimum 90 days of net oil imports which members are pledged to hold.

Energy and climate change

The agency continued to advise member countries on how to reduce their greenhouse gas emissions from energy and meet their commitments under the Kyoto Protocol. In June and July, the IEA organised

an emissions-trading simulation involving 17 countries to test this vital aspect of the Protocol. The simulation demonstrated the feasibility of such a trading regime and indicated that trading can reduce compliance costs by 60%.

The IEA has begun to study ways to engage developing countries in climate change mitigation. One option consists of developing alternatives to the fixed, binding quantitative targets adopted by industrialised countries under the Kyoto Protocol. Another is the Clean Development Mechanism which encourages investment in climate-friendly projects, notably in developing countries. A joint publication by the OECD and the IEA, *Emission Baselines: Estimating the Unknown* offers practical guidance on how to evaluate the number of emission credits a project developed under the mechanism should generate.

Energy diversification

Analytical work on market reform and its implications continued in 2000. An IEA seminar on mergers and acquisitions was held in March. In the short term, the group concluded that the mergers have adversely affected energy security because they have eliminated duplication of storage facilities leading to a reduction in oil stocks. In the longer term, however, larger companies will have more resources with which to develop new oil and gas supplies.

Regulatory Reform: European Gas analyses the key elements of reform and how security of supply can be sustained in a region heavily dependent on imports from a few large producer countries. Another study *Business as Usual and Nuclear Power* reviews the issues facing nuclear power within the broad context of energy policy and summarises the findings of a meeting organised jointly by the IEA and the Nuclear Energy Agency.

Relations with non-member countries

IEA representatives attended the International Energy Forum in November in Saudi Arabia, where oil-producing and consuming nations agreed to examine a Saudi suggestion to create a small permanent secretariat for the seven-year-old Forum. The need to improve the supply and quality of oil-market data was also stressed.

The agency continued to intensify its relationship with Russia. It is working on an in-depth review of Russian energy policies. In March, the IEA organised a conference in Moscow on the oil market.

The publication, *China's Worldwide Quest for Energy Security* detailed China's rapid growth over the past two decades and the consequent surge in demand for energy. Within the next decade, China's oil imports are expected to grow rapidly and it is seeking a more prominent position in global energy markets.



EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

www.oecd.org/cem/

The European Conference of Ministers of Transport (ECMT) is an intergovernmental organisation where ministers responsible for inland transport co-operate on policy development. There are 40 full member countries, six associate member countries and two observer countries. The ECMT is administratively part of the OECD and contributes to many horizontal activities within the organisation.

Road transport

The annual ECMT ministerial meeting in May 2000 in Prague endorsed a strategy for sustainable development of transport, based on the integration of transport and environmental policy. It would involve transport ministers having a stronger voice in matters for which they are not normally directly responsible, such as regional development, urban planning and taxation.

Ministers also adopted a declaration on safety in road traffic for vulnerable users, which recommended a series of measures to improve safety for cyclists, pedestrians, moped riders and motorcyclists.

They also adopted a resolution on rules for international freight transport by road, covering conditions for becoming an international road freight haulier, market access for international road freight transport services, and social and fiscal provisions.

Another resolution on efficient transport taxes and charges called for a move towards more territorially-based charges and increased transparency.

The fuel price protests in 2000 made it clear that finance ministers need to consult with transport ministers and environment ministers to develop a more transparent and predictable system of taxes and charges. The ECMT Council of Ministers agreed a common position on their approach to developing efficient transport taxes and charges.

Ministers also defined guidelines for the future work of the ECMT with the aim of promoting greater social harmonisation, such as improving working conditions, safeguarding the health of workers in the sec-

tor, and improving road safety in international road freight haulage.

Railways

The Prague meeting agreed on the importance of deregulating rail transport and ensuring complete management freedom for railways. All ministers agreed that ensuring safety is the overriding priority. The debate also revealed the importance of recognising the fundamental differences between national railways and the markets they operate in. In the end, there was wide agreement that there should be room for some flexibility in the models followed for regulatory reform at national level in developing an efficient and truly pan-European railway market.

Transport future

The highlight of the year's ECMT research activities was the 15th International Symposium on Theory and Practice in Transport Economics, held in Thessaloniki, Greece, which had as its main theme "Key Questions for Transport Beyond 2000". Three topics were discussed: scenarios, forecasts, data collection; transforming economic and institutional structures and technological trends; and peripherality and pan-European integration.



THE INTERNATIONAL FIGHT AGAINST MONEY LAUNDERING: THE FATF

www.oecd.org/fatf/

The Financial Action Task Force on Money Laundering (FATF) is an intergovernmental body that develops and promotes policies to combat money laundering. Its primary goal is to generate the political will needed to bring about national legislative and regulatory reform in this area. It is an independent international body; its Secretariat is housed at the OECD. The FATF fosters the establishment of a world-wide anti-money laundering network, monitors its members' progress in implementing anti-money laundering measures, and reviews money laundering techniques and counter-measures. In performing these activities, the FATF collaborates with other international bodies involved in combating money laundering.

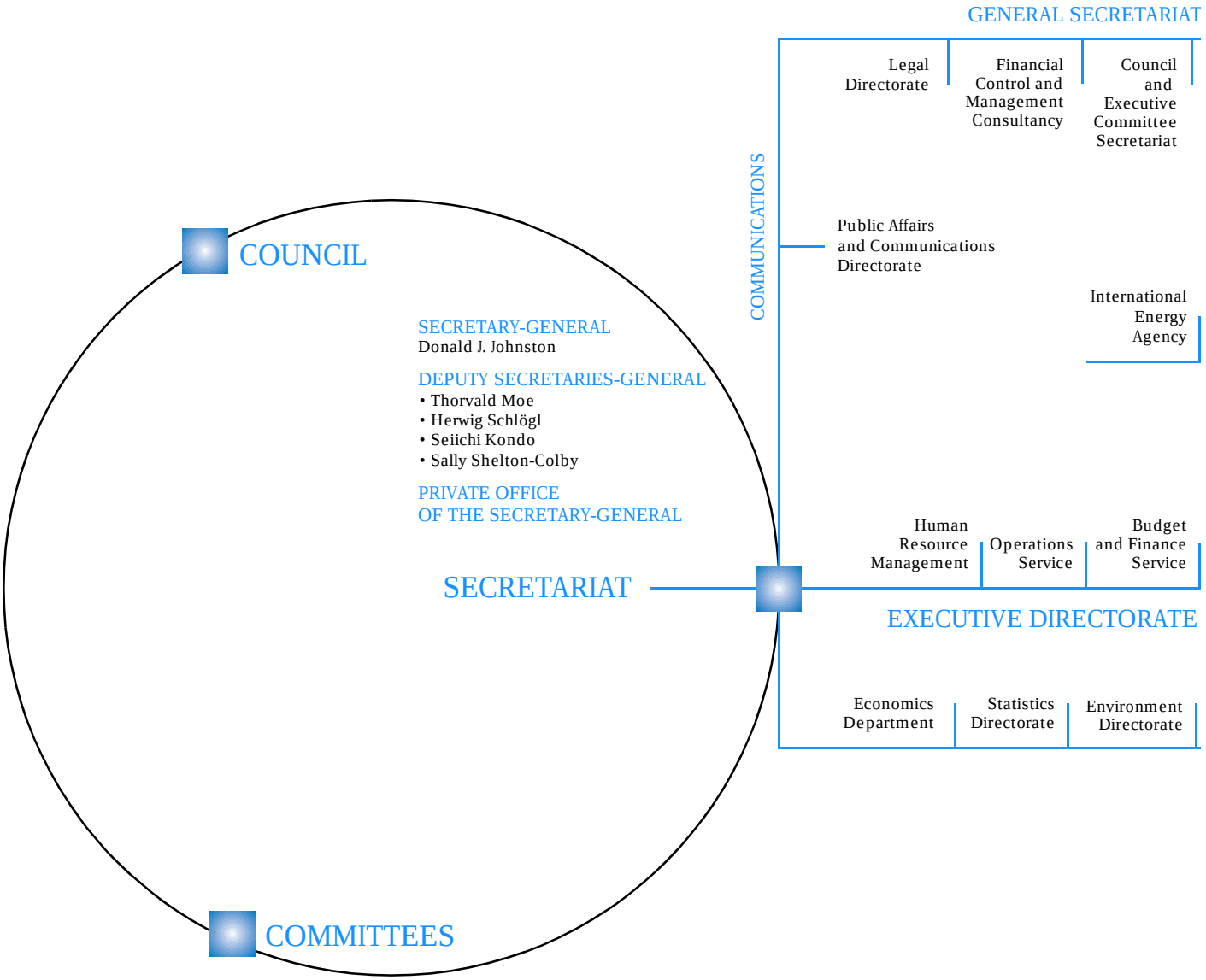
Much of the FATF's work in 2000 was focused on efforts to reduce the number of territories which were not co-operating in the fight against money laundering. A report in February laid down criteria for determining whether a jurisdiction was non-cooperative and, in June, the FATF identified 15 jurisdictions as non-cooperative. It warned that they could face counter-measures if they did not make progress in the following year. By February 2001, the FATF was able to report that seven of the 15 had made significant progress and had enacted most, if not all, of the legislation needed to remedy deficiencies identified in the June report. The FATF is working with these and other jurisdictions on the list to improve their anti-money laundering regimes. An FATF plenary meeting in June 2001 will decide whether to remove any jurisdictions from the non-cooperative list, and whether to take counter-measures against those jurisdictions which have not made adequate progress. At the same time, FATF members want to continue dialogue with the identified jurisdictions, in co-operation with FATF-style regional bodies, and are ready to provide technical assistance, where appropriate, to assist jurisdictions in the design and implementation of their anti-money laundering systems.

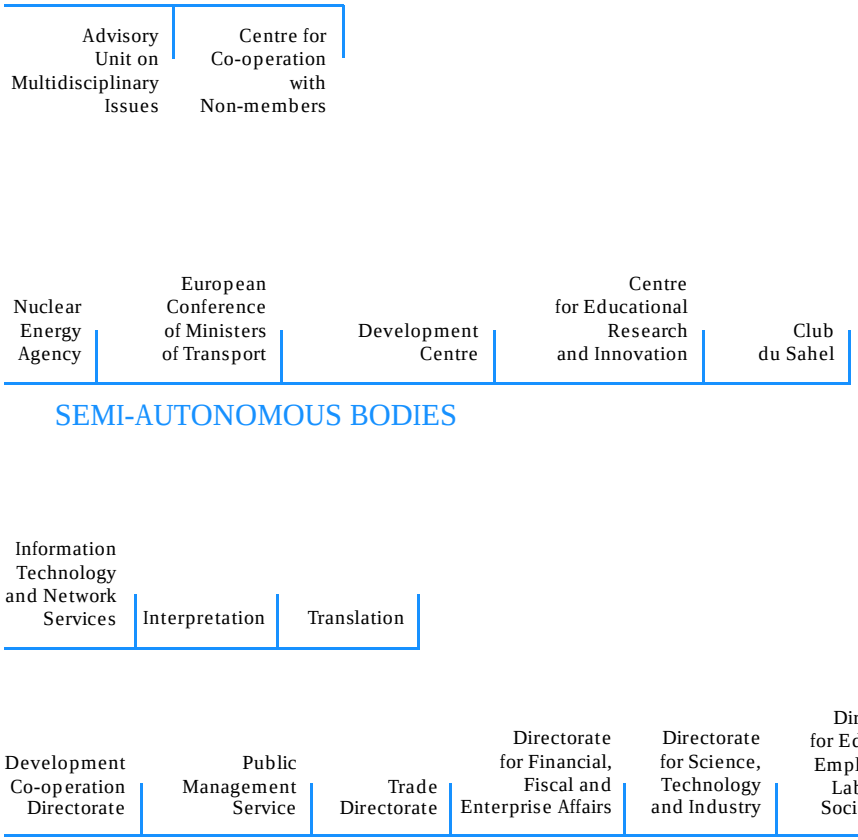
The FATF also produces an annual report on current and threatened vehicles for money laundering. Its

report for 2000-2001 examined online banking and Internet casinos, the use of trusts and other non-corporate vehicles to launder money, the use of lawyers, notaries, accountants and other professionals, and terrorist-related money laundering.

The FATF was established by a G7 summit in Paris in 1989 to examine the money-laundering situation and identify measures that still needed to be taken to combat it. In April 1990, the FATF issued Forty Recommendations, a comprehensive blueprint of the action needed to fight against money laundering. Since then the FATF has continued to examine the methods used to launder criminal proceeds and has completed two rounds of mutual evaluations of the anti-money laundering systems of its members. It has updated the Forty Recommendations to reflect changes in money laundering and has sought to encourage other countries around the world to adopt anti-money laundering measures. The FATF's mission is reviewed every five years, so, when its current mission expires in 2004, member governments will have to decide whether it should continue.

The Task Force's 31 members are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council, Hong Kong China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.


GENERAL SECRETARIAT
Legal Directorate
Financial Control and Management Consultancy
Council and Executive Committee Secretariat
COMMUNICATIONS
Public Affairs and Communications Directorate
International Energy Agency
COUNCIL
SECRETARY-GENERAL
Donald J. Johnston
DEPUTY SECRETARIES-GENERAL
• Thorvald Moe
• Herwig Schlögl
• Seiichi Kondo
• Sally Shelton-Colby
PRIVATE OFFICE
OF THE SECRETARY-GENERAL
SECRETARIAT
Human Resource Management
Operations Service
Budget and Finance Service
EXECUTIVE DIRECTORATE
Economics Department
Statistics Directorate
Environment Directorate
COMMITTEES



OECD ORGANISATION CHART - MARCH 2001

OECD COUNCIL MEETING AT MINISTERIAL LEVEL COMMUNIQUÉ: SHAPING GLOBALISATION

www.oecd.org/subject/mcm/2000/

The OECD Council at Ministerial level met on 26-27 June 2000, under the chairmanship of the Honourable Mr. Peter Costello, Treasurer of the Commonwealth of Australia, assisted by the vice-chairs from Canada, Mr Pierre Pettigrew, Minister for International Trade and Mr Jim Peterson, Secretary of State (International Financial Institutions), and from Finland, Mr Kimmo Sasi, Minister for Foreign Trade. Consultations were held with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD.

Ministers welcomed the participation of the Slovak Republic in their meeting as an observer. They recognised the willingness and ability of the Slovak Republic to join the OECD. They agreed that the accession procedure of the Slovak Republic should be completed as soon as possible.

OECD countries are undergoing the most profound transition in decades, to an increasingly knowledge-based and interdependent world. *Globalisation* and the impact of rapid advances in technologies are presenting new opportunities and new challenges to all countries, regions, societies and citizens. Fast changing information and communications technologies (ICT) are transforming markets, including financial markets, and require new methods of organising work, business and trade to harness the benefits of globalisation. However, Ministers recognised the serious concerns felt by many at the economic and technological changes under way, and the importance of addressing these concerns locally, nationally and internationally.

Globalisation presents *governance* with new questions. Governance, at all levels, establishes the conditions whereby individuals singly and collectively seek to meet their aspirations in society. Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration. Building trust in public institutions is a keystone of good governance. OECD's report *Public Trust: Ethics Measures in OECD Countries* provides a comprehensive overview of ethics management measures in all member countries. Enhanced openness, transparency and accountability, through strengthened processes of consultation and a better understanding of the changing relations among government and civil society, are fundamental elements of governance. Information and communications technologies provide important new ways for governments to interact with citizens.

Sustainable development and social cohesion

Achieving *sustainable development* remains a major overarching goal of OECD governments. In 2001, OECD's *Policy Report on Sustainable Development* will be complemented by the analysis of the *Growth Study* and the *Environmental Outlook and Strategy* to provide a mutually supportive and consistent policy framework for better integrating economic, social and environmental considerations. Climate change, conservation of biodiversity and sustainable management of natural resources remain among the most serious global policy challenges, and OECD will continue to advise governments on how best to meet their commitments under the Kyoto Protocol. OECD will make a significant contribution towards advancing the international agenda on sustainable development for the "Rio+10" meeting in 2002, and will have a key role in advising governments with policy analysis and recommendations.

OECD economies are adjusting to a wide range of changes, with profound effects on work and society. *Enhanced social cohesion*, bolstered by full employment, will facilitate this adjustment. Policies to enrich human and social capital are needed to enhance the ability of economies and individuals to adapt to these changes, and to ensure that the benefits extend to all groups in society, particularly the disadvantaged. OECD's work in the following areas will assist governments to promote social inclusion:

- *Employment*: Recent developments in several countries illustrate that full employment is realisable, if disincentives to work are removed and employment opportunities expanded through mutually supportive micro- and macro-economic policies. Comprehensive country-specific implementation of the recommendations of the *OECD Jobs Strategy* remains essential.
- *Education and training*: The growing importance of new technologies in the workplace, especially information and communications technologies, requires the continuous updating of skills. Strategies for investment in education, and effective opportunities to renew knowledge and competencies throughout life, are necessary for individual fulfilment and economic success. OECD education ministers will make recommendations on these issues at their meeting next April.
- *Inclusion*: Maintenance of social cohesion through policies that promote a high level of inclusion is an essential element in a knowledge-based society. Social cohesion can be further strengthened by appropriate family and community support strategies; these can also help to produce long-term economic and labour market benefits.
- *Ageing*: Ministers welcomed the follow-up to OECD's report *Maintaining Prosperity in an Ageing Society*. They renewed their commitment to create an environment in which older people can play an active role in society and be given more flexibility over their retirement decision. Policy reform should aim at phasing out incentives for early retirement.
- *Health:* Good health should be accessible and affordable to all. All countries need to improve the performance of their health care systems in order to achieve their equity and efficiency goals. Both the costs and impacts of ageing and

health care financing require greater attention across OECD countries. Ministers support an enhanced strategic focus on health issues by the OECD and looked forward to the results of its work.

- *International migration* is of increasing importance: policies are needed to facilitate the better integration of migrants in receiving countries. Migration also helps meet the changing needs of the labour market.

Economic perspectives

The *world economy* is developing more favourably than it has for some time. Nearly all OECD countries are enjoying stronger rates of growth – overall the fastest pace since 1988 – with low inflation and falling unemployment. Outside the OECD area, many emerging market and transition economies are recovering vigorously from the 1997-98 crises and should continue to see rapid growth; key factors have been macro- and micro-economic reforms in those economies, strong growth in trading partners, particularly the United States, and the maintenance of open world markets. However, considerable uncertainty surrounds prospects for commodity and financial markets and their implications for the world economy; the durability of growth in some countries remains in question. A number of least developed countries are not yet benefiting from globalisation.

The *United States* is undergoing the longest period of expansion on record. Productivity growth has accelerated, unemployment has declined considerably and real incomes have grown across the board. New technologies and structural changes have raised the economy's non-inflationary growth potential. Notwithstanding some recent signs of slowdown, demand may still be running ahead of supply with the risk of increasing inflation. The current account deficit has risen sharply, primarily reflecting the relative strength of the US economy. The challenge for monetary authorities is to maintain a sustainable pace of demand growth consistent with low inflation. Fiscal policy should not be relaxed and national saving should be increased.

In the e*uro area*, and elsewhere in *Europe*, growth and employment prospects in the near term are better than at any time since the late 1980s. Unemployment has fallen steadily without generating inflation in the area as a whole. There is a limited risk, however, that despite recent positive supply-side developments in labour, product and financial markets, inflationary pressures may emerge. Monetary policy should continue to focus on price stability, in order to contribute to the maintenance of favourable conditions for a lasting, non-inflationary economic expansion. Given current output prospects, any easing in fiscal policy in Euro countries should be avoided and unanticipated higher revenues should be used to lower public debt. In those countries where tax burdens are high, tax reductions should be directed at enhancing supply capacity and accompanied by cuts in spending, thus preventing deterioration in underlying fiscal positions. The goal now is to transform the current expansion into a long-lasting one. Further progress on structural reforms would assist European economies to move onto a path of higher sustained growth, by raising productivity and employment and by deriv-

ing greater benefits from innovation and the potential offered by new technologies.

In *Japan*, the economy is showing positive indications of recovery, but its durability is uncertain. Policy should aim at sustaining the recovery in the short term without compromising the long-term health of the economy. Accommodative monetary conditions should be maintained. Fiscal consolidation is not appropriate in the short run but a credible medium-term strategy needs to be drawn up and implemented to address high and rapidly growing gross public debt levels once the economy is on a full recovery path led by private demand. The speedy implementation of comprehensive structural reforms, including continuation of ongoing reform of the banking sector, and corporate restructuring, are needed to foster dynamism in the economy. Regulatory reform continues to be important for the economy.

The "new economy" and the sources of growth

OECD has begun a major study on *the sources of growth* to be completed in 2001, in particular to identify whether a "new economy" is taking shape and how policies need to adjust. There have been wide differences in growth performance between member countries in recent years. Better performance has been most striking in the United States with GDP growth per capita moving ahead of the OECD average. Other OECD economies (notably Australia, Denmark, Ireland, the Netherlands and Norway) are identified in the *First Report on the OECD Growth Project* as having achieved rising trend growth in GDP per capita in the 1990s compared with the 1980s. These countries were relatively successful in mobilising potential labour resources over the 1990s. Some recent OECD members, including Poland, have also sustained vigorous economic growth over that period. The recent performance of some other OECD economies has also been very good. The causes of these better performances differ, but strong records of economic reforms are a common factor.

There is increasing evidence of the role played by *innovation, research, knowledge and information and communications technology (ICT)* as drivers of productivity, employment and growth. Evidence of a "new economy" is clearest in the US, with its strong non-inflationary growth linked to a rising influence of ICT and strong growth in labour productivity in the late 1990s. Signs of positive effects from growing ICT investment have increasingly emerged through the 1990s in many other OECD countries.

OECD's work will assist member countries to deepen their understanding of the strong economic performance in these countries, the emerging role of ICT and the potential for a "new economy", and thus better shape their policies. Ministers stressed that sound growth- and stability-oriented macroeconomic policies, open and flexible domestic and international markets, and regulatory and administrative frameworks that encourage entrepreneurship are vital to good economic performance. All countries in OECD and beyond have the potential, within their own social contexts, to participate in the opportunities offered by the "new economy" dynamic. The risk of a "digital divide", both within and between countries, especially access to tech-

nology for developing countries, must be seriously considered.

Electronic commerce is rapidly increasing its impact on productivity and growth. International co-operation to formulate coherent policy approaches to this global phenomenon is essential. Consumer trust in electronic commerce is vital if its potential is to be fully realised. *OECD Guidelines on Consumer Protection* adopted in December 1999 are a significant contribution to this process; follow-up work on implementation is needed. OECD will co-sponsor a conference in December 2000 on alternative dispute resolution mechanisms applicable to online commerce. Greater confidence in authentication and privacy protection is also required. OECD will pursue its work in these areas, and engage with the private sector and other stakeholders to develop effective policy responses to other urgent Internet security issues such as hacking and viruses. OECD will hold a conference in January 2001 on the key electronic commerce policy issues, including the dangers of a "digital divide", in which a broad range of economies outside the OECD area, business, labour and civil society interests will participate.

Small and medium sized enterprises are central to the vitality of our economies. Ministers welcomed the *Bologna Charter* adopted at the Conference on 14-15 June 2000 which sets out the need for a policy environment that will enable SMEs to flourish and thus contribute to employment, social cohesion, and local development. OECD will work to deepen member countries' understanding of the issues set out in the Charter and their policy implications, and will share the results of this work with countries outside the Organisation.

Maintaining momentum in trade liberalisation

The rules-based multilateral trading system provides the best framework for global growth and prosperity. To this end, enhanced multilateral liberalisation, based on strengthened multilateral rules and combined with well-designed domestic institutions and policies, will help realise the promise of a "new economy" and support poverty reduction and sustainable development. Ministers are determined to work towards the launch as soon as possible of an ambitious, balanced and broad-based WTO round of multilateral negotiations reflecting the needs and aspirations of all WTO members. The lessons of the WTO ministerial meeting in Seattle are clear. Ministers agreed that strong political will and greater flexibility on all sides are needed if we are to build consensus for a new Round; more must be done to address the particular and varied concerns of developing countries and there must be a broader engagement with our societies to establish a constructive dialogue on the benefits and challenges of trade liberalisation. In that respect, ministers stressed the need to accelerate the ongoing process in WTO to improve its functioning.

Ministers reaffirmed their commitment to constructive negotiations under the built-in agenda and will work together to seek progress in these negotiations. Beyond this built-in agenda on agriculture and services the new Round should also strengthen further the WTO system and open up opportunities for a more inclusive range of interests for all WTO members to be addressed in a manner responsive to the challenges of the 21st century. Ministers reaf-

firmed their commitment to continue preparatory work to this end.

The *interests and concerns of developing countries* are a particular priority in the preparations for and conduct of a new Round. The recently agreed short-term confidence-building measures regarding implementation of Uruguay Round undertakings, increased market access for the least developed countries and technical assistance for enhanced capacity-building must be pursued expeditiously. Ministers recognised the need to go further in this area. They welcomed the work of OECD on trade and development issues.

Ministers welcomed the *expansion of WTO membership* and progress in accessions, including that of *China*, and thus the fuller integration of new members into the multilateral trading system.

Public interest in globalisation has focused on the multilateral system. Enhanced openness and transparency of that system is central to the task of demonstrating the benefits that flow from open markets. Public understanding of the linkages and complementarities between trade liberalisation and the range of issues arising in other policy areas must be deepened if the multilateral trading system is to be strengthened and gain broad public support. Enhanced co-operation among relevant international bodies – such as the WTO, IMF, World Bank, UNCTAD, ILO, WHO, UNEP – and OECD is essential. OECD's analytical work in support of the multilateral trading system, including its work on investment, trade and environment, trade and core labour standards, and trade and competition, together with its contributions to international understanding of governance issues, remains relevant.

Ministers strongly regretted the failure of the Participants to the *Export Credit Arrangement* to reach agreement on an Understanding covering agriculture as mandated in the Uruguay Round. They called for the negotiations to be resumed and successfully concluded by end of July if possible and by the end of 2000 at the latest. The work on the financing issues of the Export Credit Arrangement should examine its disciplines in relation to commercial practices and to their consistent application, taking into account, inter alia, recent developments in the WTO. Good progress has been made in the OECD's Export Credit Group on strengthening common approaches on environment and export credits. Ministers urged completion of the Work Plan by the end of 2001, and requested a report on progress at their next meeting. The Export Credit Group should also strengthen measures towards ensuring that export credit support to Heavily Indebted Poor Countries (HIPCs) is not used for unproductive purposes.

Ministers noted with concern that the *OECD Shipbuilding Agreement* had not yet come into force and that the industry continued to face serious difficulties in certain regions. OECD will continue its work on shipbuilding, including to improve transparency, particularly in view of the need to establish normal competitive conditions in the industry. OECD will enhance contacts with major non-OECD shipbuilding countries.

Support to farmers in the OECD area as a whole, as measured by the Producer Support Estimate, has returned to the high levels of a decade ago. Low world commodity prices and the resulting pressure on farm incomes have led many countries to intro-

duce new measures or to provide additional support to farmers. In many cases measures have been implemented in ways inconsistent with the principles of agricultural policy reform, whereas in some other cases countries have introduced decoupled support measures consistent with these principles. Ministers reaffirmed, in conformity with Article 20 of the Uruguay Round Agreement on Agriculture, their commitment to the long-term objective of substantial, progressive reductions in support and protection, resulting in fundamental reform. Ministers agreed to continue their efforts to implement the broad set of shared goals and policy principles for agricultural policy reform, and recognised the multifunctional characteristics of agriculture, and the need to ensure that policies should be targeted, transparent and cost-effective, maximise benefits, and avoid distorting production and trade. Food safety, food security, viability of rural areas and protection of the environment, as well as the economic efficiency of the agro-food sector, are common concerns. Policies to address these concerns need to respect the principles and criteria, noted above, as agreed in OECD. OECD work is of great value for the reform of agricultural policies and as support for ongoing WTO trade negotiations.

Effective and sustainable management of fisheries resources and the relationship between resource management and trade are important areas for international action. Overexploited fish stocks must be rebuilt to sustainable levels. Policies should address the causes of overfishing and short-term social and economic adjustment costs without distorting trade or detracting from the global objective of sustainable resource use. OECD's recent study, *Transition to Responsible Fisheries*, together with new work initiated on fisheries market liberalisation, the costs of managing fisheries and fisheries sustainability indicators, including government financial transfers issues, will be valuable contributions to policy development. Aquaculture issues should be an integral part of this work.

Governance

There is an increasingly *common governance agenda* in OECD and non-OECD economies. Approaches to governance must adapt if the benefits of globalisation are to be fully realised and shared, and take account of each country's circumstances. Ministers called on OECD to continue to make its vital contribution to policy-making and implementation on governance issues, in dialogue with economies outside the Organisation's membership through its developing *Governance Outreach Initiative*, in partnership with other international and regional organisations, and in broad and open consultation with civil society. OECD will report progress on its *Governance Outreach Initiative* in 2001.

Ministers welcomed the updated *Guidelines for Multinational Enterprises* adopted by OECD governments together with those of Argentina, Brazil, Chile and the Slovak Republic. The Guidelines provide a robust set of recommendations for responsible corporate behaviour world-wide consistent with existing legislation. They are part of the *OECD Declaration on International Investment and Multinational Enterprises* which provides a balanced framework to improve the international investment climate and encourage the positive contributions multinational enterprises can make to economic, social and environmental

goals. The Guidelines have been developed in constructive dialogue with the business community, labour representatives and non-governmental organisations and represent an important step in addressing some of the public concerns over globalisation. Effective implementation will depend upon the responsibility and good faith of all concerned: governments, business and labour organisations and other interested parties all have a role to play.

OECD will continue its analytical work in the field of *investment policy*, including work on maximising the benefits of investment liberalisation, its social and environmental dimensions and on harmful forms of policy-based competition to attract investment. OECD will encourage non-members to adhere to the Declaration on International Investment and Multinational Enterprises.

OECD has made important progress towards eliminating *harmful tax practices*. As a follow-up to the 1998 Council Recommendation on Harmful Tax Competition, 47 potentially harmful preferential tax regimes of OECD member countries have been identified. Ministers having approved the 1998 Report reconfirmed the commitments of their countries to remove by April 2003, following development of further guidance on the application of the 1998 criteria, any features of their preferential tax regimes found to be actually harmful. On tax havens, the OECD initiated a review of a number of jurisdictions. Ministers welcomed the commitment by six jurisdictions[1] to eliminate harmful tax practices, and they are not identified in the Report[2*] issued today, even if they presently meet the tax haven criteria. Of the remaining jurisdictions, 35 have been identified as having met the technical criteria for being tax havens. The OECD will develop by 31 July 2001 a List of Uncooperative Tax Havens. This list would be used as the basis for the development of defensive measures as foreseen in the 1998 Report. The OECD will assist co-operative jurisdictions to meet international standards as they move away from using harmful tax practices, and will initiate a dialogue with non-member economies to eliminate such practices.

Electronic commerce raises new issues for *tax policy and administration*. Business, consumers and governments need a predictable environment if the full potential of e-commerce is to be exploited. Ministers confirmed the lead role of OECD to achieve the successful resolution of these issues: progress has been made toward implementing the *Ottawa Taxation Framework Conditions for E-Commerce*. Ministers welcomed the constructive contribution by business and countries outside the Organisation's membership to this work and looked forward to a progress report at the next meeting on both the direct and indirect tax issues raised by electronic commerce. OECD will co-sponsor a global conference in 2001 on "Tax Administrations in an Electronic World".

The fight against *corruption* is a high priority. Considerable progress has been made in the ratification, implementation and monitoring of the *Bribery Convention* which came into force in February 1999. Twenty-three countries have completed their inter-

1. Bermuda, Cayman Islands, Cyprus, Malta, Mauritius, and San Marino.
2. Progress in Identifying and Eliminating Harmful Tax Practices.

nal process, 21 of which have had their implementing legislation reviewed by the Working Group on Bribery. Ministers commended these countries and urged that deficiencies identified in current implementing legislation be remedied as soon as possible. Ministers were encouraged that a number of countries are on the verge of completing their internal process and it is urgent that all signatories ratify and implement the Convention. Ministers called on the Working Group to begin monitoring of enforcement of the implementing legislation as soon as possible. Anti-bribery legislation must now be effectively applied in practice, and work advanced on further issues relating to corruption[3]. To strengthen the fight against corruption, bribery of foreign public officials should be made a serious crime triggering the application of money laundering legislation. OECD will continue to seek to engage countries outside its membership in its work. Work should continue regarding the potential anti-corruption effects of international trade rules pursuant to the 1999 Ministerial mandate.

The Financial Action Task Force has also made significant advances in spreading the *anti-money laundering* message throughout the world, notably in its report on improving the policies of non-co-operative countries and territories.

Hard core cartels are a multibillion dollar drain on the world economy. Governments need to demonstrate to consumers around the world that they will be protected effectively against such abuse. OECD's 1998 Recommendation has been a catalyst for tougher anti-cartel laws and new enforcement programmes; more countries now need to join this effort. Bilateral and multilateral law enforcement co-operation needs to be enhanced and efforts undertaken to eliminate unjustified obstacles to appropriately safeguarded information exchange between and among countries.

Further progress on *regulatory reform* is necessary in member countries. High-quality regulation, in open and competitive markets, will remove inefficiencies without jeopardising high standards in areas such as health and safety, and the environment. The multi-disciplinary work of the OECD on regulatory reform and the current reviews of progress in member countries are a valuable contribution to promoting good regulatory practices, and should continue with other member countries.

OECD and the World Bank have successfully initiated joint activities to promote corporate governance reform world-wide, using the *OECD Principles of Corporate Governance* as a framework for dialogue. The two institutions will further their efforts over the coming years through a series of white papers addressing specific corporate governance issues in Russia, Latin America and Asia. In order to further promote financial stability and corporate transparency, the OECD will conduct analytical work on the misuse of corporate entities.

Corporations are responding to public concerns through adoption of *codes of conduct*. More analytical

3. Bribery acts in relation with foreign political parties; advantages promised or given in anticipation of a person becoming a foreign official; bribery as a predicate offence for money laundering; and the role of foreign subsidiaries and offshore centres in bribery transactions.

work is needed to understand the implications of this development.

Biotechnology is of growing importance to our societies because of its far-reaching consequences for, inter alia, human health and health care, agro-food production and sustainable development. Deepened international understanding and co-operation in managing the benefits and risks are necessary if the potential economic, environmental and social benefits are to be realised and new regulatory issues resolved. Public confidence, in particular, needs to be retained and enhanced through transparent policies. OECD will continue to contribute to this process of understanding across the broad range of biotechnology issues, and will seek to engage countries outside its membership in this work. Ministers invited OECD to consider holding a conference in 2001 to address the environmental impacts of genetically modified organisms.

Food safety is a fundamental objective for all governments. Ministers affirmed their commitment to a science-based and rules-based approach. How precaution should be applied to food safety in circumstances of scientific uncertainty is being discussed to promote understanding of the various view points on the subject and to achieve greater global consensus on this issue, in particular in the Codex Alimentarius Commission. OECD has undertaken substantial work on biotechnology and other aspects of food safety, including work requested by the G8, contributing to international understanding on different policy approaches. Consultation with interested parties, notably with NGOs and the Edinburgh Conference on GM foods in February this year, has been very successful. The OECD will continue to undertake analytical work and to play an effective role in international policy dialogue on food safety, maintaining its engagement with civil society and seeking to share its work in this area with countries outside the Organisation's membership. Drawing on its comparative advantages, the work of the OECD will effectively complement, without duplication, the activities of other international organisations, in particular the FAO and WHO.

Development co-operation

Development co-operation has a crucial role to play in promoting the inclusion of developing countries in the process of globalisation in order to sustain growth and reduce poverty. The Development Assistance Committee Policy Statement *Partnership for Poverty Reduction* signals the key importance of comprehensive country-level development frameworks integrating anti-poverty strategies. The internationally-agreed development goals set for 2015 for poverty reduction and social and environmental progress provide a reference point and performance-monitoring tool for both international action and domestic development strategies. Real advances have been made in most regions during the 1990s, but many countries, particularly the poorest, will not achieve the goals without major domestic efforts and international support. Commitment to respect for human rights, including gender equality and the empowerment of women, is an integral part of development co-operation, and vital for sustainable poverty reduction.

Poverty reduction strategies and partnership are the basis for the significantly increased debt reduction effort for HIPC countries agreed last year. Member

countries' contributions to finance agreed multilateral debt reduction, based on the principle of fair burden-sharing, should be made as soon as possible to avoid delay in implementation. Resources freed by debt reduction and foreign assistance must be used effectively for development and poverty reduction, and unproductive expenditure avoided. OECD will develop guidelines on poverty reduction as well as further guidance on implementing partnership principles in ways that improve public governance in partner countries. Improved policy coherence within OECD countries is also necessary if developing countries are to take full advantage of the opportunities of globalisation: OECD will develop a Checklist on Policy Coherence to assist its member countries in this area. The OECD will also deepen its analytical work on the linkages between trade liberalisation, economic growth and poverty reduction.

Aid flows to developing countries have increased significantly for the second year running. OECD governments welcome this development. They will work to ensure that this recovery continues and will increase their efforts to make additional funds available. In doing so, most members are guided by the 0.7 per cent ODA/GNP target. OECD governments will seek to mobilise private domestic and external resources as recommended in the new Development Finance Agenda. Ministers regretted that DAC members were so far not in a position to reach a consensus on a recommendation on untying aid to the least developed countries as mandated by the DAC High-Level Meeting in 1998. In order to increase the effectiveness of aid, Ministers urged that discussions continue aimed at reaching agreement as soon as possible.

Co-operation with non-members

Ministers endorsed OECD's continuing programme of *co-operation with non-member economies*. They welcomed the Special Dialogue conducted at high levels, and recognised the important contribution that such meetings make to the enrichment of policy dialogue, and to mutual understanding on global issues, between the OECD countries and non-members. The global reach of the OECD programme of co-operation with non-members reflects the growing interdependence of the world economy. The Organisation must deepen and extend its relations with non-OECD economies, in the fields where it has a comparative advantage, toward the development of a rules- and values-based world economy. Furthermore, ministers reiterated that OECD must remain open, on the basis of mutual interest, to membership by countries sharing the same values, while being selective and pursuing the Organisation's tradition of high standards for membership as well as efficiency and relevance to its members.

Building a democratic, peaceful and prosperous *South Eastern Europe* requires a strong determination by the countries in the region to reform their economies and societies, and a sustained commitment by OECD countries to co-operate with them. Ministers pledged the continuing active support of their countries to OECD's efficient work in South Eastern Europe, particularly its contribution to the design and implementation of the Stability Pact's Compact

for Reform, Investment, Integrity and Growth, and Anti-corruption Initiative.

Progress has been made toward the *financial stability* of the Organisation, in particular through the decision to establish a pension fund for its staff. Ministers encouraged the Organisation to strengthen its current work on priorities and financial and management reform. The implementation of a long-term strategy for OECD's headquarters site is essential to the Organisation's effective and efficient functioning.

Ministers welcomed the *OECD Forum 2000*, which marks a major step forward in the Organisation's openness toward economies outside its membership and to civil society. In this context, they asked the Secretary-General to develop options for strengthening the process and structure of its consultation and dialogue with civil society.

THE OECD SECRETARIAT

MARCH 2001

SECRETARY-GENERAL
Donald J. Johnston

DEPUTY SECRETARIES-GENERAL
Thorvald Moe
Herwig Schlögl
Seiichi Kondo
Sally Shelton-Colby

HEAD OF THE PRIVATE OFFICE OF THE SECRETARY-GENERAL
Carolyn Ervin

HEAD OF THE COUNCIL AND EXECUTIVE COMMITTEE SECRETARIAT
Roger Harmel

EXECUTIVE DIRECTOR
Pierre-Dominique Schmidt

FINANCIAL CONTROLLER
José Soromenho-Ramos

PUBLIC AFFAIRS AND COMMUNICATIONS
Christopher W. Brooks

ADVISORY UNIT ON MULTIDISCIPLINARY ISSUES
Wolfgang Michalski

LEGAL DIRECTORATE
David Small

CENTRE FOR CO-OPERATION WITH NON-MEMBERS
Eric Burgeat

ECONOMICS DEPARTMENT
Ignazio Visco

STATISTICS
Enrico Giovannini

ENVIRONMENT
Joke Waller-Hunter

DEVELOPMENT CO-OPERATION
G. Michael Roeskau

PUBLIC MANAGEMENT
Anthony Hutton

TRADE
Jean-Marie Metzger

FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS
William Witherell

SCIENCE, TECHNOLOGY AND INDUSTRY
Risaburo Nezu

EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
John Martin

FOOD, AGRICULTURE AND FISHERIES
Gérard Viatte

TERRITORIAL DEVELOPMENT
Bernard Hugonnier

HUMAN RESOURCE MANAGEMENT
Pierre Lebleu

OPERATIONS
David Johnson

BUDGET AND FINANCE
Normand Saucier

INFORMATION TECHNOLOGY AND NETWORK SERVICES
Guido Maccari

INTERPRETATION
Thomas Afton

TRANSLATION
René Prioux

****

INTERNATIONAL ENERGY AGENCY
Robert Priddle

NUCLEAR ENERGY AGENCY
Luis Echavarri

DEVELOPMENT CENTRE
José Braga de Macedo

CLUB DU SAHEL
Jacqueline Damon

CENTRE FOR EDUCATIONAL RESEARCH AND INNOVATION
John Martin

EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
Gerhard Aurbach

AMBASSADORS, PERMANENT REPRESENTATIVES TO THE OECD (MARCH 2001)



AUSTRALIA
His Excellency
Mr. Anthony Hinton



AUSTRIA
His Excellency
Mr. Karl Schramek



BELGIUM
Her Excellency
Ms. Régine De Clercq



CANADA
Her Excellency
Ms. Suzanne Hurtubise



CZECH REPUBLIC
His Excellency
Mr. Jaromír Prívratský



DENMARK
His Excellency
Mr. Flemming Hedegaard



FINLAND
His Excellency
Mr. Jorma Julin



FRANCE
Her Excellency
Ms. Joëlle Bourgois



GERMANY
His Excellency
Mr. Werner Kaufmann-Bühler



GREECE
His Excellency
Mr. Spyros Lioukas



HUNGARY
His Excellency
Mr. Béla Kádár



ICELAND
Her Excellency
Ms. Sigridur Asdis Snaevarr



IRELAND
His Excellency
Mr. Patrick O'Connor



ITALY
His Excellency
Mr. Alessandro Vattani



JAPAN
His Excellency
Mr. Mutsuyoshi Nishimura



KOREA
His Excellency
Mr. Duck-soo Han



LUXEMBOURG
His Excellency
Mr. Jean-Marc Hoscheit



MEXICO
His Excellency
Mr. Javier Arrigunaga



NETHERLANDS
His Excellency
Mr. Frans Engering



NEW ZEALAND
His Excellency
Mr. Richard Grant



NORWAY
His Excellency
Mr. Per Ludvig Magnus



POLAND
His Excellency
Mr. Jan Woroniecki



PORTUGAL
Her Excellency
Ms. Ana Martinho



SLOVAK REPUBLIC
Mr. Dusan Bella,
Counsellor



SPAIN
Her Excellency
Ms. Elena Pisonero



SWEDEN
His Excellency
Mr. Anders Ferm



SWITZERLAND
His Excellency
Mr. Wilhelm Jaggi



TURKEY
His Excellency
Mr. Uluç Özülker



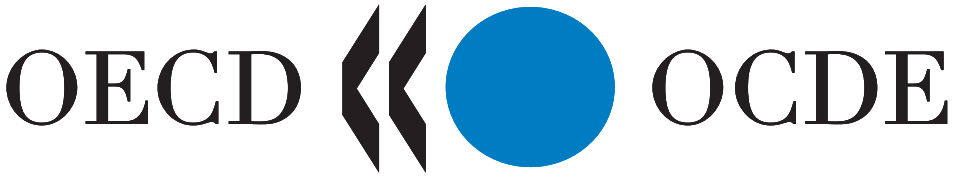
UNITED KINGDOM
His Excellency
Mr. Christopher Crabbie, CMG



UNITED STATES
Her Excellency
Ms. Amy Bondurant



EUROPEAN COMMISSION
His Excellency
Mr. John Maddison



OECD MEMBER COUNTRIES

AUSTRALIA
AUSTRIA
BELGIUM
CANADA
CZECH REPUBLIC
DENMARK
FINLAND
FRANCE
GERMANY
GREECE
HUNGARY
ICELAND
IRELAND
ITALY
JAPAN
KOREA
LUXEMBOURG
MEXICO
NETHERLANDS
NEW ZEALAND
NORWAY
POLAND
PORTUGAL
SLOVAK REPUBLIC
SPAIN
SWEDEN
SWITZERLAND
TURKEY
UNITED KINGDOM
UNITED STATES

OECD PUBLICATIONS, 2, rue André Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE (01 2001 011) N°81283 2001