

OECD Annual Report 2007



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

OECD

Annual Report 2007

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OVERVIEW

Preface 5
The OECD at a glance 6
Presenting the new OECD Deputy Secretaries-General
Budget and finance
Selected events
Annual Spotlight 12
Boosting jobs and incomes

KEY ACTIVITIES

Economic growth and stability

Economic growth 17
What is competition on the merits?
Medical malpractice insurance
Sustainable development
Science, technology and innovation 22
Nanotechnology
Cyberfraud
Industry 27
Closing the SME financing gap
Globalisation and the knowledge economy

Employment, social cohesion and environment

Employment and social cohesion 31
Sickness, disability and work
From immigration to integration
Education 35
PISA and immigrant students
Higher education
Future scenarios for education
Environment 40
Environmental Performance Review of China
Testing chemicals
Biosafety and transgenic crops
Health 46
Rising health costs

International trade and taxation

Trade 49
South-south trade
Time as a trade barrier
Export credits
Agriculture and fisheries 54
Fisheries subsidies
Meat to market
Taxation 58
Denying tax deductions for bribes
Forum on Tax Administration

Governance

Public governance 61
Reducing administrative burdens
An ageing public service
Competitive cities
Private sector governance 66
Policy Framework for Investment
Dangerous business
MNE Guidelines

Development of non-member economies

Development co-operation 70
Human rights and development
Aid for Trade
Global relations 74
Brazil

Statistics

Statistics 78
Societal progress indicators

Communications

Public affairs and communications 82
Human Capital – a strategic publication
OECD Centres

International Energy Agency 88
Nuclear Energy Agency 90
European Conference of Ministers of Transport 92
Financial Action Task Force 94
Africa Partnership Forum 95

ABOUT THE OECD

Images of the OECD 98
Civic activities 100
Executive directorate 102
Who does what 106
OECD directory 115
Ministerial Council Meeting 2006 116

PRACTICAL INFORMATION

The OECD secretariat 121
Organisation chart 123
Ambassadors, Permanent representatives to the OECD 124
OECD member countries 127

Preface

www.oecd.org/secretarygeneral



OECD Secretary-General Angel Gurría.

This *Annual Report* covers my first year as Secretary-General of the OECD. During that year, I have sought to emphasise the Organisation's role as a hub of globalisation – a centre for discussion where both member and non-member governments can come together to find the tools necessary to better manage globalisation. But better managing globalisation often requires making painful reforms. And these reforms frequently entail highly visible costs for some clearly identifiable groups, whereas the benefits come later and are less certain and more diffuse.

How can governments implement much needed reforms and not lose the public's support? The OECD is a strategic partner of decision-makers in the political economy of reform. At the OECD, we provide governments with analysis, comparable statistical data and policy content to help them build targeted messages that will make those benefits more evident. Indeed, we have empirical evidence that shows how countries that advanced their reform agenda improved their economic performance.

The OECD is a unique organisation because it is well placed to engage stakeholders on virtually every aspect of policy making. Over the past year, the Organisation has stepped up its work with policy makers at all levels. This is particularly true of parliamentarians. The OECD is also engaging business, labour and civil society stakeholders and has turned up the communications volume several notches, because we are convinced that pedagogy is an essential ingredient of successful structural reform. Thus, this *Annual Report* seeks to present complex issues in simple language, and invites readers to follow-up by reading OECD studies and publications.

More than ever before, the work of the OECD is relevant to many countries outside its membership. Today, the OECD works with over 70 non-member countries. Therefore, we are carefully considering enlargement.

For globalisation to work for all, it needs a hub. This is the fundamental new mission of the OECD, a global institution open to all governments and stakeholder groups where dialogue can take place in an expanding partnership – because we are all stakeholders in globalisation. ■



The OECD at a glance

www.oecd.org/about
webmaster@oecd.org

OECD share of world GNI (current USD): 76%
OECD share of world trade: 84%
OECD share of world population: 14%
OECD GDP growth in 2006: 2.6%
OECD share of world official development assistance: 97%
OECD contribution to world CO_2 emissions: 49%
OECD share of world energy production: 34%
OECD share of world electricity consumption: 60%



The OECD traces its roots to the Marshall Plan. Today, it groups 30 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations. Dialogue, consensus, peer review and pressure are at the very heart of OECD.

The Organisation's mission is essentially to help governments and society reap the full benefits of globalisation, while tackling the economic, social and governance challenges that can accompany it. It places a high priority on deciphering emerging issues and identifying policies that work in order to help policy makers.

In addition to the analysis and advice it provides on a vast range of economic issues, the OECD is 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, trade, employment, migration, education, energy, and health.

The OECD produces internationally agreed instruments, decisions and recommendations to promote rules of the game in many areas such as combating bribery in international business transactions, information and communications policy, taxation and the environment. Non-members are invited to subscribe to these agreements and treaties.

Helping ensure development beyond the OECD's membership has been part of the Organisation's mission from the start. The Organisation maintains active relationships with some 70 non-member economies, along with business, labour, civil society and parliamentarians. These stakeholders benefit from and make valuable contributions to the work of the OECD. ■

Presenting the new OECD Deputy Secretaries-General

www.oecd.org/deputysecretariesgeneral



Aart Jan de Geus

a Dutch national, was Minister of Social Affairs and Employment in the Netherlands.



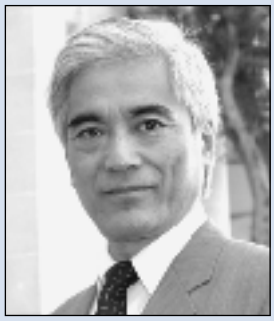
Thelma J. Askey

a U.S. national, was the Director of the United States Trade and Development Agency.



Pier Carlo Padoan

an Italian national, was Professor of Economics at the University La Sapienza of Rome. Before that, Mr. Padoan was the Italian Executive Director at the International Monetary Fund.



Mari Amano

a Japanese national, was previously Acting Executive Director of the Korean Peninsula Energy Development Organisation.

Budget and finance

www.oecd.org/about/finstatements
financeservice@oecd.org

The OECD budget and the content of its work programme are established every two years by the OECD's governing Council. The Organisation's planning, budgeting and management are organised on a results-based system. All completed results are monitored and evaluated. The budget for 2006 was EUR 336 million, and the budget for 2007 is EUR 340 million.

The OECD's financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS) – indeed, the OECD was the first international organisation to adopt them – and audited by external auditors. A Board of Auditors is responsible for independent external control of the OECD's accounts and financial management. The Board is made up of four members of national audit offices in member countries, named by the Council. It certifies the accounts and the Council then approves the Secretary-General's management.

The complete statements of financial position, financial performance and cash flow are available on the OECD website. ■

Scale of contributions, 2007

Member	% contribution
Australia	2.067
Austria	1.151
Belgium	1.402
Canada	3.364
Czech Republic	0.479
Denmark	0.965
Finland	0.783
France	6.756
Germany	9.265
Greece	0.838
Hungary	0.424
Iceland	0.172
Ireland	0.669
Italy	5.595
Japan	16.656
Korea	2.297

Member	% contribution
Luxembourg	0.216
Mexico	2.090
Netherlands	2.096
New Zealand	0.442
Norway	1.088
Poland	0.892
Portugal	0.709
Slovak Republic	0.253
Spain	3.466
Sweden	1.303
Switzerland	1.500
Turkey	0.851
United Kingdom	7.236
United States	24.975
Total	100.000

Selected events

Handover Ceremony at OECD Ministerial Council Meeting



(Left to right) Former OECD Secretary-General Donald Johnston and Greek Prime Minister Kostas Karamanlis with the new OECD Secretary-General Angel Gurría during the handover ceremony.

OECD Forum 2006



(Left to right) OECD Secretary-General Angel Gurría; Governor of the Bank of Israel Stanley Fischer; former IMF Director General and Honorary governor of the *Banque de France*, Michel Camdessus; and President of the European Central Bank Jean-Claude Trichet at the OECD Forum in May.

Visit by New Zealand Prime Minister



(Left to right) OECD Secretary-General Angel Gurría with New Zealand Prime Minister Helen Clark during a visit to the OECD in November 2006.

Visit to the Elysée Palace



(Left to right) President of France Jacques Chirac congratulates Angel Gurría on his nomination as OECD Secretary-General.

OECD Secretary-General meets the new UN Secretary-General



(Left to right)
OECD Secretary-General Angel Gurría meets Ban Ki-moon during a visit to the OECD after his nomination as UN Secretary-General.

Economic Policy Committee



(Left to right)
OECD Secretary-General Angel Gurría with the Chairman of the US President's Council of Economic Advisers, Edward Lazear, at the Economic Policy Committee meeting in May 2006.

Visit to the Spanish Royal Family



(Left to right)
Prince of the Asturies; Queen Sofía of Spain; OECD Secretary-General Angel Gurría; and King Juan Carlos of Spain during a visit to Spain in November 2006.

OECD Secretary-General meets the Japanese Prime Minister



(Left to right)
OECD Secretary-General Angel Gurría shakes hands with Japanese Prime Minister Junichiro Koizumi at Koizumi's office in Tokyo in July.

Annual Spotlight

Boosting jobs and incomes

www.oecd.org/employment
employment.contact@oecd.org

In 1994, OECD countries endorsed the Jobs Strategy, which consisted of a set of ten policy guidelines to cut high unemployment. This proved to be an extremely influential blueprint for policy makers in member countries. More than ten years later, the time had come to reassess the Jobs Strategy in light of lessons learned, new information and emerging challenges.

While mass unemployment was the key issue ten years ago, the challenge today is expanding employment and incomes. Indeed, population ageing means that increasing employment – and not just cutting unemployment – has now become the priority. Some 35% of the OECD working-age population does not have a job; yet the lion's share of these is not unemployed. Instead, it mainly consists of youths, women, early retirees and the disabled.

The task of promoting employment is also made more urgent by accelerating globalisation, which requires quick adjustment on the part of both firms and workers. The key challenge here is to ensure that people and firms are able to adjust quickly to change, the more so as adjustment pressures will intensify in the future when countries with large labour forces, such as China and India, become more integrated into the world economy.

DID YOU KNOW…
that in practically all OECD countries, the wages of well-paid workers grew faster over the past decade than those of low-paid workers?



The restated OECD Jobs Strategy proposes four main lines of action to respond to these new challenges:

First, macroeconomic policies should aim at price stability and sustainable public finances in order to bring forward the gains from reforms and minimise the risk of permanent employment losses associated with recessions.

Second, governments must reform taxes and welfare benefits so that it pays to work. Helping jobseekers search for jobs and adopting family-friendly arrangements such as child-care support are crucial requisites for promoting labour market participation. But benefit reforms do not necessarily imply benefit cuts. Well-designed benefit systems, combined with intensive job-search assistance and obligations, backed by moderate sanctions, can allow generous benefits to be maintained while achieving high employment. Minimum wages may also offer a useful complement in helping make work pay, if set at moderate levels. This "mutual obligations" approach should be extended to other non-employment benefits including sickness, disability, social assistance and lone-parent benefits.

Third, labour- and product-market regulations have an important role to play in supporting job creation and mobility. Although reforms in these areas have sometimes been perceived as a threat to job security, they can actually be undertaken in a manner which instills economic dynamism while providing workers with adequate protection.

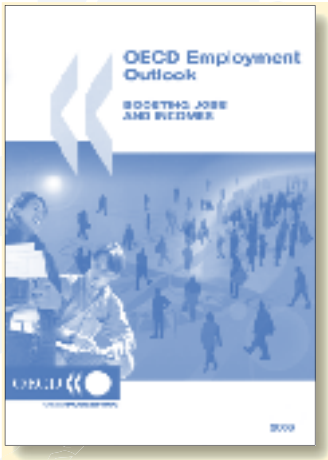
Fourth, human capital is essential. School systems which provide all young people with basic skills and promote close links between education and work, help reduce youth unemployment. Also, trained workers have much better career prospects.

There is no single road to improved employment performance. Some successful performers combine low levels of welfare benefits, low taxes and light employment regulations. Other successful countries offer generous welfare benefits but "activate" jobseekers in various ways. These countries have achieved high employment and low income inequality, though at a higher budgetary cost. But not everything goes. A common feature of the two successful packages is an emphasis on strong product market competition, adequate work incentives, public spending effectiveness and macroeconomic stability.

Ministers who gathered in Toronto in June 2006 agreed that it is crucial to move ahead with reform and welcomed the restated Jobs Strategy in this regard. While there may be strong resistance to reform, inaction is not an option. The successes achieved by some countries over the past decade show what can be achieved given sufficient political will. ■



(Left to right)
Hiroko Wada and Jasu Kano, Members of the Japanese House of Councillors, at the High-Level Parliamentary Seminar on Growth and Jobs in October 2006.



This publication provides detailed information on recent labour market developments as well as in-depth analysis of the effects of various policy measures and prospects through 2007.

KEY ACTIVITIES



Economic growth and stability

Economic growth

www.oecd.org/economics
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The OECD analyses the sources of long-run economic growth and the fluctuations around trend, with a strong focus on structural policy issues. It draws on policy approaches and experiences among member countries in order to improve the effectiveness of policies.

Recent work has been looking, among other things, at the growth potential of the services sector, at how openness and competition spur growth, and at how to tackle the challenges associated with the implementation of economic reforms.

Growth in OECD countries

www.oecd.org/growth
eco.contact@oecd.org

Growth slowed in the course of 2006 in the United States, largely reflecting the cooling of the housing market. In contrast, the pace of activity picked up in the euro area and in the United Kingdom, whilst remaining robust in Asia. OECD-wide unemployment declined further, to a low long not seen of around 6%. Economic slack is shrinking in many countries and higher energy prices have exerted upward pressures on inflation. In this context, central banks have generally tightened monetary policy. On the fiscal side, buoyant tax receipts have helped reduce deficits.



(Left to right)
OECD Secretary-General, Angel Gurría with Romano Prodi, Prime Minister of Italy, during his official visit to Italy in February 2007.

Looking ahead, OECD-wide output is projected to grow at around its potential rate, with household consumption holding up and fixed business investment continuing to play an important role, supported by healthier corporate balance sheets. However, several risks surround this outlook. One is that energy prices would rise anew. Another prominent risk concerns long-term interest rates, which have been unusually low for some time. A sharper-than-expected rise could have severe repercussions, not least *via* housing markets. Finally, current account imbalances are wider than ever and may not unwind smoothly.

DID YOU KNOW…
that US exports to China grew by 160% over the first half of this decade?

Growth in services

www.oecd.org/sti/service-sector
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Services now account for over 70% of economic activity in OECD countries. Hence, boosting productivity and growth in this sector is essential for strong overall economic performance. Current OECD work on this topic focuses

What is competition on the merits?

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Healthy competition is vital to well-functioning markets, consumer welfare and economic growth. This said, there is broad agreement that the purpose of competition policy is to protect competition, not individual competitors. While striving to protect competition, many enforcement agencies and courts have repeatedly used the phrase "competition on the merits" to explain and justify their views on how to distinguish conduct that harms competition from conduct that advances it.

While "competition on the merits" is meant to identify legal conduct by a dominant firm, both the boundaries of that concept and the underlying principles that ought to define it remain vague. This has led to a discordant and unpredictable body of case law that uses an assortment of analytical methods. Nevertheless, when courts and practitioners refer to "competition on the merits," they tend to do so in a manner that presumes a common understanding of what the phrase means.

DID YOU KNOW…
that courts in North America and Europe have occasionally reached opposite conclusions about whether identical sets of conduct violate competition laws?

Consequently, there is a growing sense that the standards for evaluating dominant firm conduct should be re-examined and clarified. The OECD has facilitated that process by explaining and analysing various tests that can help to determine in a predictable, principled manner whether dominant firm conduct is benign "competition on the merits" or harmful anti-competitive behaviour. The tests examine factors such as whether the dominant firm's conduct involves a profit sacrifice, whether it makes economic sense, whether an equally efficient firm would be likely to be excluded by the conduct, and by balancing the conduct's positive and negative effects on consumer welfare.

Most commentators agree that no single test is suitable for every type of case because each one has different strengths and weaknesses. By making the analysis explicit rather than implicit, such tests help to create a more predictable environment in which firms can compete with greater confidence in the lawfulness of their actions.

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on business services, a crucial area with impacts on all sectors. The work identifies the drivers of productivity in this sector and looks at the effects of trade liberalisation, standardisation and regulatory regimes.

Openness and competition

www.oecd.org/competition
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Over the longer run, openness and competition boost economic performance and improve overall living standards. Regulations that increase the role of competitive forces can raise GDP per capita by encouraging investment, improving productivity and increasing employment. Recent OECD analysis looks at the international diffusion of innovation and the location decisions of multinational enterprises. It shows that restrictive regulations slow down adjustment and the adoption of new technologies. This is one of the factors behind the divergence in productivity growth over the past decade, which saw the US economy reap the benefits from the information technology revolution more swiftly than most European economies.

While regulatory impediments to competition have declined in all OECD countries, a "hard core" of impediments to competition persists, and different kinds of barriers and constraints tend to be found together. Domestic restraints are stronger where barriers to foreign trade and investment are higher, and high levels of state control and barriers to competition are associated with more cumbersome administrative procedures and policies that reduce the adaptability of labour markets.



This study provides best practices for managing market risk, credit risk, operational risk and contingent liability risk.

Medical malpractice insurance

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Adequate coverage of health professionals' liability, together with prevention and fair compensation of medical malpractices, are vital for the smooth functioning of healthcare systems. Most OECD countries rely on a combination of tort law and medical liability insurance policies to cover health professionals in case of patient injuries. These regimes typically require proof of the medical liability or negligence through court settlements before patients can receive compensation.

Over the last few years, many of these systems have experienced difficulties. Premiums for medical liability insurance have increased by such proportions that hospitals and physicians find them difficult to afford. This surge is often due to considerable increases in the frequency and size of damages awarded by the courts. This situation has reached crisis proportions in some OECD countries, affecting healthcare quality, patient safety and costs for the overall system.

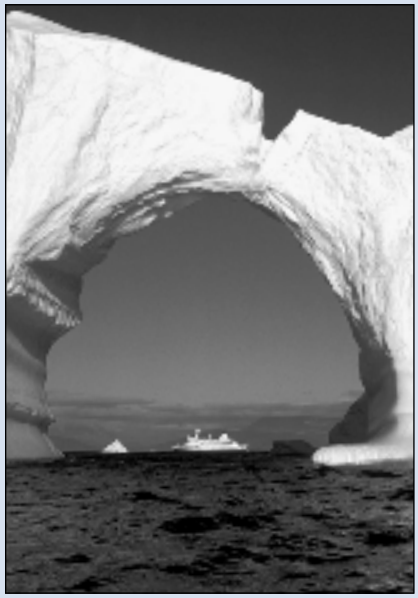
In 2006, the OECD published *Policy Issues in Insurance n°11*, a unique study of the various types of indemnification and deterrence systems of patient injuries in member countries. This report also sketches out the main challenges that many countries face covering, compensating and mitigating risks of malpractice-related injuries. It also assesses measures designed and implemented in several OECD countries.



DID YOU KNOW…
that in 2006, medical liability costs and defensive medicine accounted for 10% of medical care costs in the US?

Sustainable development

www.oecd.org/sustainabledevelopment
candice.stevens@oecd.org



Sustainable development reaches beyond economic growth to take account of environmental and social concerns and touch on virtually all fields of economic policy. In this respect, OECD multidisciplinary work on sustainable development gathers experts from a variety of disciplines behind a common objective.

Reforming harmful government subsidies remains a focus of the OECD Sustainable Development Programme. Government supports are pervasive in OECD countries and among the most powerful public policy instruments now in use. But they often introduce economic, environmental and social distortions with unintended consequences. In 2006, a fourth OECD subsidies workshop brought together experts from industry, agriculture, fisheries, energy and transport to discuss how to overcome political obstacles to reforming subsidies.

Recognising that sustainable development is a global challenge, the OECD works closely with the United Nations and other international bodies. The OECD makes an annual contribution to the UN Commission on Sustainable Development, which counts energy and climate change among its current themes. In 2006, a joint OECD/UN workshop reviewed best practices for national sustainable development strategies. New work is aimed at producing recommendations to help less-developed countries integrate sustainability principles into their development plans and poverty-reduction strategies.

Governments need ways to measure whether they are progressing towards sustainable development and how their progress compares with that of their neighbours. The OECD is working with the UN and Eurostat to create conceptual frameworks and indicators of sustainable development. Together, these organisations are developing methodologies to help governments measure the synergies and trade-offs between the economic, environmental and social impacts of policies and programmes.

In 2007, OECD projects on sustainable consumption and production, sustainable development governance, education for sustainable development, and sustainable foreign investment will be pursued. Sustainable development workshops will address sustainability strategies in Asia, sustainable production and competitiveness, and methodologies for sustainability analyses.

DID YOU KNOW…
that a number of OECD countries including France, the Netherlands and Sweden now have ministers and ambassadors for sustainable development?



This report provides an assessment of subsidies and associated taxes, and looks at country experiences with subsidy reform in the agriculture, fisheries, industry, and transport sectors.

The political economy of reforms

www.oecd.org/economics
eco.contact@oecd.org

Some of the reforms needed to unleash growth are easier to recommend than to implement. This is because the costs tend to come upfront and visibly affect certain groups, whereas the benefits, though larger, often materialise later and in a more diffuse fashion. Lessons on what it takes for reforms to happen may be drawn from the experiences of OECD countries. Being realistic and transparent about the costs and benefits of reform and maintaining sound public finances facilitate the implementation of reforms. It is equally important to communicate the costs of failing to reform.

Asset markets

www.oecd.org/daf/financialmarkets
daf.contact@oecd.org

In 2006, the OECD examined the factors behind low long-term interest rates and the relatively flat yield curves in major markets, as well as developments in credit derivative markets. It also assessed housing markets, household spending and rising household debt levels, with a focus on alternative mortgage products. Other work considered the impact of pension funds on financial markets, the role of the fast growing hedge fund industry in markets for risk capital and financial system reform in China.

DID YOU KNOW…
that the capital invested in hedge funds probably exceeds USD 1 trillion?

Bond markets and public debt management

www.oecd.org/daf/financialmarkets
daf.contact@oecd.org

Work in this area looks at public debt management operations and their interface with bond markets. The OECD has compiled an authoritative pool of knowledge on best practices, techniques, strategies, and operations in this special field of government activity and policy. Results from this work have become the *de facto* international standards in this highly specialised area of government policy. Dialogue with policy makers from emerging debt markets have made debt managers from these countries better acquainted with OECD best practices on topics such as risk management of government debt. Implementation of these leading practices, in turn, has contributed to greater financial stability. ■



(Left to right)
Netherlands Minister for Foreign Trade Karien Van Gennip; German State Secretary, Federal Ministry of Economics and Technology, Bernd Pfaffenbach; and Brazilian Deputy Minister for Foreign Affairs Samuel Pinheiro Guimaraes at the OECD annual ministerial meeting in May 2006.

Science, technology and innovation

www.oecd.org/science
sti.contact@oecd.org

How can scientific research and technological innovation best contribute to economic growth? The OECD helps governments answer this question by examining innovative performance in individual OECD countries and in specific sectors, such as biotechnology, energy and knowledge-intensive services. The OECD is also developing new approaches for assessing the effectiveness of national science and innovation systems, including business R&D, public science systems and industry-science linkages.

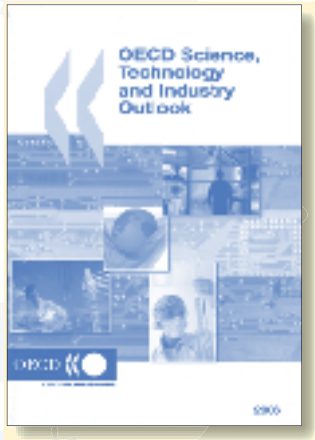
DID YOU KNOW…
that the share of global R&D expenditure by non-OECD economies increased from about 10% in 1996 to 19% in 2004?

Fostering innovation

www.oecd.org/sti/innovation
www.oecd.org/science
dirk.pilat@oecd.org

OECD's work on innovation identifies best policy practices. Country reviews of innovation policy provide more detailed recommendations. Reviews for Luxembourg and Switzerland were completed in 2006 and reviews for Chile, China, New Zealand and South Africa will appear in 2007.

The *Science, Technology and Industry Outlook 2006* provided a comprehensive review of the key trends in science, technology and innovation, paying particular attention to the growing role of non-OECD economies.



Also in 2006, the OECD completed studies that examined the process of knowledge creation, diffusion and exploitation, in three specific areas: energy, pharmaceuticals and knowledge-intensive services. These studies produced recommendations to address specific barriers to innovation. Reflecting concerns about shortages for certain high-skilled workers, studies were also released on research careers and women in science.

Work has begun on nanotechnologies (*see box page 23*) and on evaluation of science and innovation policy. The latter aims at enhancing the effectiveness of public investment in science and innovation.



A researcher at the Brandenburg Technical University in Germany checks an experiment in a anechoic room.

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Nanotechnology

www.oecd.org/env/nanosafety
www.oecd.org/sti/stpolicy
sti.contact@oecd.org



DID YOU KNOW…
that nanotechnologies are already being applied in commercial products such as self-cleaning glass, protective coatings and sunglasses?

Recently, there has been much public discussion about nanotechnologies, technologies that use particles and materials of between 1 and 100 nanometre (where a nanometre is a billionth of a metre). These technologies are set to offer a wide range of economic benefits. Though much discussion concerns applications for the future, the estimated annual public R&D expenditure already exceeds USD 4 billion and a number of products are already on the market. At the same time, they pose new policy challenges to governments.

Using its multidisciplinary approach, the OECD is working on policies and instruments that foster the development of nanotechnologies in the most efficient and effective way possible. This will require a robust framework of governance and safety.

To this end, the OECD recently launched a new programme to address the safety implication of nanotechnologies. This programme aims to promote international co-operation on the human health and environmental safety of manufactured nanomaterials, and involves the safety testing and risk assessment of manufactured nanomaterials.

This programme is complemented by work on science and technology policy, which focuses on creating supportive frameworks for innovation on nanotechnology. These coordinated and mutually supporting efforts should help provide the conditions for optimal development of this exciting range of new technologies.

Biotechnology

www.oecd.org/biotechnology
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Biotechnology continues to grow in importance as a generic technology; comprehensive evidence of this is presented in *OECD Biotechnology Statistics 2006*. However, most national data still focus on inputs to biotechnology rather than outputs and impacts. To correct this imbalance, the OECD is making increased efforts to develop macro and micro data for economic and non-economic impacts of these technologies.

Biotechnology and genetic science – sometimes converged with other technologies, such as nanotechnologies and semiconductor technologies – increasingly drive innovation. A better understanding of the genetic basis of disease, and identifying the policy choices available, will lead to innovation and better health across populations. OECD member governments adopted the first of a series of three related international "soft law" instruments on the licensing of patented genetic inventions.

Finally, the long-standing efforts to create a high quality network of biological resource centres as an underpinning part of the bioscience infrastructure has been brought to a successful conclusion.

Future studies

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The OECD's International Futures Programme (IFP) provides OECD governments with advice and analysis on long-term policy issues and helps them map strategy. The IFP currently has three major activities underway. The first, "Bioeconomy to 2030", was launched in 2006 and will explore the likely evolution of the main biotechnology sectors while assessing the possible longer-term implications for economies and societies. It will also propose recommendations to policy makers. The second is the on-going Global Forum on Space Economics, aimed *inter alia* at measuring the activities and impacts of the space economy. The third, "The Future of Global Infrastructures", is approaching completion and will provide a set of policy recommendations for improving investment in and management of infrastructures, notably in rail, road and urban transport; electricity and water.

DID YOU KNOW…
that in 2003, the United States accounted for an estimated 60% of all OECD business expenditures on biotechnology R&D?

Global Science Forum

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gsforum@oecd.org

In addition to exploring opportunities for international co-operation in specific scientific disciplines, the Global Science Forum (GSF) increasingly focuses on economic and social issues. For example, in May 2006, the GSF convened a conference on scientific challenges for energy research. The GSF also held a workshop on the "science of science policy", aimed at improving indicators and predictive models that link R&D investments with their downstream social and economic impacts. Also of direct societal interest is the GSF activity on earthquake science and its contribution to society. The creation of a "global earthquake risk map" would, for any point on the Earth, indicate the probability of damage to lives and property.

DID YOU KNOW…
that in 2004, China passed the United States to become the world's biggest exporter of ICT goods?

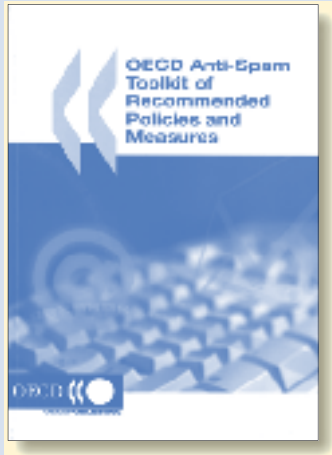
Cyberfraud

www.oecd.org/sti/crossborderfraud
andrew.wyckoff@oecd.org

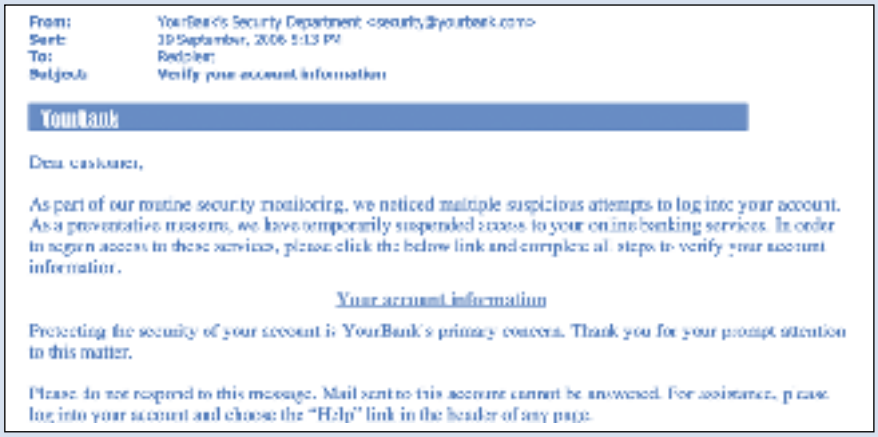
While today's Internet offers consumers more choice and easier ways to purchase goods and services, it also provides scammers with a worldwide base of consumer targets. Many scams, such as pyramid selling, are simply online variants of fraudulent practices that have long existed offline. However, we now see many new and worrying attacks relying on smart social engineering methods and sophisticated technology.

"Phishing" emails, for example, falsely claim to come from legitimate and well-known institutions or merchants. They direct users to fake "look-alike" Web sites where they are tricked into divulging personal or financial information. The past year has seen the growth of a new practice – "spear-phishing" – whereby accurate information about the recipient (*e.g.* name and home address) is included in the phishing e-mail, making it even more convincing. Recent estimates show that phishing and other Internet fraud costs US consumers USD 1.2 billion annually, while in Germany, official figures show consumer losses of more than EUR 4.5 million – and that figure only covers cases reported to and investigated by the police.

Since cyberspace does not respect national borders, law enforcement authorities need to work together to catch crooks online. In 2003, the OECD adopted guidelines to strengthen co-operation among consumer protection law enforcement authorities. A recent OECD report on the implementation of these guidelines finds that member countries have devoted considerable efforts to modernise their enforcement schemes. But challenges remain in areas such as notification and information sharing. In addition, if consumers are to have confidence in the online marketplace, they need to be able to obtain compensation from wrongdoers for the losses they incur. Developing common policy principles in this area is a clear priority for future OECD work.



This toolkit uses a broad range of instruments including regulation and enforcement, industry initiatives, technical measures, education and awareness initiatives, spam metrics, and global co-operation.


From:
Sent:
To:
Subject: Verify your account information

YourBank

Dear customer,

As part of our routine security monitoring, we noticed multiple suspicious attempts to log into your account. As a preventative measure, we have temporarily suspended access to your online banking services. In order to regain access to these services, please click the below link and complete all steps to verify your account information.

Your account information

Protecting the security of your account is YourBank's primary concern. Thank you for your prompt attention to this matter.

Please do not respond to this message. Mail sent to this account cannot be answered. For assistance, please log into your account and choose the "Help" link in the header of any page.

DID YOU KNOW…
that in 2006 in the US, victims of ID fraud spent an average of 40 hours trying to resolve their cases?

In 2007, the GSF will look at preventing scientific misconduct (*e.g.* cases of data fabrication and other abuses) and promoting research integrity. Other agenda topics include the role of mathematics in industry, the future of scientific collections in museums, and the scientific legacy of the International Polar Year 2007-2008.

Improving statistics on science and technology

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Good policy requires good data. In 2006, the Blue Sky II Forum in Ottawa examined the need for new indicators on science and technology. The Forum provided some powerful messages for further OECD work, including the need to move from the measurement and analysis of inputs into science and innovation to outputs and impacts. More could be done with existing information if better access to "micro-level" data were possible. Moreover, improved policy relevance of innovation research is required to create a stronger analytical underpinning of science and technology policy.

DID YOU KNOW…
that Denmark leads the OECD with a broadband penetration rate of 29.3 subscribers per 100 inhabitants?

ICT at a crossroads

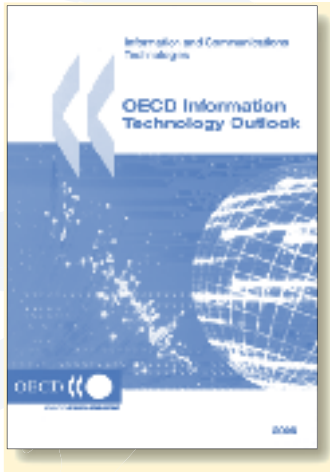
www.oecd.org/sti/ict
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As the web enters its second decade, it is approaching a crossroads of three interrelated trends: i) the convergence of voice, video and data into one platform – the Internet; ii) the emergence of the Internet as a key component of the economic and social infrastructure – a role that will grow significantly as networked devices and sensors become commonplace; and iii) the growing prevalence of sophisticated and severe security threats and fraudulent practices (*see box page 25*).

The OECD has launched a multidisciplinary approach called "The Future of the Internet" to analyse this evolution and clarify how policy should adjust. A ministerial meeting will be held in 2008 and some preparatory meetings have already taken place on both digital content and "next generation networks".

Recent studies have covered the implications of new technologies, management of the Internet (*e.g.* domain names, traffic exchange), protecting critical information infrastructures and enforcing privacy rules across borders, access to public sector information, and ICT-enabled offshoring.

The *Information Technology Outlook 2006* presented analyses of the main trends in the ICT sectors and the implications of new technological developments. This included a mapping of the global reach of ICT, as both ICT production and use shift towards non-OECD economies like China and India. The OECD's ICT indicators, updated regularly, are the foundation for this analysis. ■



This volume describes recent market dynamics and trends in industries supplying IT goods and services.

Industry

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Understanding economic behaviour at firm and sector levels is a key element of government policy-making. The Organisation's work on industry complements macroeconomic analyses by other OECD bodies and helps governments formulate policies that foster the development of industry and enterprise.

Industry and enterprise

www.oecd.org/sti/measuring-ind-performance
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Improving the performance and competitiveness of industry and understanding globalisation (*see box page 29*) is of central concern to OECD governments. Against this background, the OECD has launched a number of studies examining the implications of new global business models of multinational enterprises (MNEs) for manufacturing, the changing relationship between services and industry, and the employment and productivity effects of offshore outsourcing.

Intellectual assets and value creation

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sti.contact@oecd.org

The Organisation is also leading efforts to understand better the contribution of intellectual assets (R&D, intellectual property, human capital, software, new organisational capabilities) to value creation (profits, share value, earnings, productivity and growth). The goal is to add a number of new perspectives on intellectual assets. This will involve a study of firm-level analyses on intellectual assets and their efficient management. The study will focus on disclosure and governance for small public companies that use intellectual assets intensively. The work will also carry out national account-level estimates of accumulated intellectual assets and comparable growth accounting analyses. It will consider regional or cluster-level intellectual assets within an industrial agglomeration and the implications for innovation policy. The study will be completed in 2008.

Counterfeiting and piracy

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Work on counterfeiting and piracy shows an increasing scope of infringed products. Most alarming is the spread of activity into product areas where health and safety are concerned. Equally alarming is the documented role



(Left to right)
OECD Secretary-General, Angel Gurría, with Turkish Minister of Industry and Trade, Ali Coşkun, during a visit to Turkey in October 2006.

that organised crime is playing in counterfeiting and piracy; financially, they are by far the biggest beneficiaries. On the legal side, laws exist to fight counterfeiting and piracy. Enforcement is a huge challenge to all governments. Initiatives have been taken to promote public awareness, but much more is needed in many countries. A multilateral agreement on Intellectual Property Rights (IPR) enforcement, which builds upon the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) standards and uses other existing rules as a model, has the potential of becoming a key instrument for combatting counterfeiting and piracy.

Steel

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In 2006, the OECD High Level Group on Steel (HLG) agreed that significant differences remain among participants in certain key areas rendering it impossible for the moment to conclude a steel subsidy agreement. In view

Closing the SME financing gap

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Small and medium-sized enterprises (SMEs) are essential for economic growth, job creation, innovation and social inclusion. However, lack of access to financing for SMEs in most countries means that a sizeable share of entrepreneurs cannot start or grow their businesses. In OECD countries, the problem affects mostly innovative SMEs that find it difficult to access traditional forms of SME finance, such as bank credits or government guarantees. In developing and emerging markets, the financing gap is more generalised, affecting all types of SMEs.

The OECD "Global Conference on Better Financing for Entrepreneurship and SME Growth", held in Brasilia in March 2006, brought together the financial community, SMEs and governments. A report prepared for the conference analysed the "SME financing gap" for both credit and equity financing. The report found that market failures affect SMEs more than other firms. Moreover, barriers to international financial flows, structural rigidities and inefficient regulatory systems have a proportionally larger impact on SMEs than on larger firms. These are even more present in developing countries where heavy administration, excessive bureaucracy and reporting practices reinforce income inequalities and hamper productivity gains.

Governments play an important role in closing the financing gap for the SME sector. This is particularly true in cases of market failures and incomplete markets. Measures to promote SMEs should be carefully focused and aimed at making markets work efficiently while providing incentives for the private sector to assume an active role in SME finance. Public policy should be designed and implemented, from the outset, in consultation with SMEs.

The OECD Brasilia Action Statement for SME & Entrepreneurship Financing, adopted at the Conference, requests the OECD to continue to work on improving knowledge of how countries can improve both debt and equity financing of SMEs, particularly high growth and innovative SMEs.



This report analyses the SME financing gap for both credit and equity financing in both OECD and non-OECD countries. It also recommends measures to foster an improved flow of financing to SMEs and entrepreneurs.

DID YOU KNOW…
that three-quarters of OECD countries felt an equity financing gap exists?

OECD ANNUAL REPORT 2007 – © OECD 2007

of this, the HLG decided to explore within the Steel Committee ways to develop common policy approaches on such outstanding policy issues and to resume negotiations within the HLG once agreement on these issues have been reached.

Shipbuilding

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Following the "pause" in September 2005 of the negotiations on a new shipbuilding agreement, the objective was the re-establishment of the OECD Council Working Party in Shipbuilding, which first met in its new guise in July 2006. Its main focus has been the strengthening of its partnership with non-member economies with significant shipbuilding activities, and this culminated in a Workshop attended by representatives from China, India, Vietnam and other countries in late 2006.

Fostering entrepreneurship and SME growth

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The OECD helps governments craft policies to foster entrepreneurship and small and medium-sized enterprises (SMEs), enabling them to overcome obstacles and to reap benefits presented by globalisation. In 2006, the OECD examined how governments, multinational enterprises and SMEs could

Globalisation and the knowledge economy

www.oecd.org/sti/measuring-globalisation
www.oecd.org/sti/offshoring
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In a time of ever-increasing globalisation, policy-making remains overwhelmingly national and local. The ECD helps policy makers understand how effective and coherent national policy on competitiveness can be developed and implemented in a global economy.

OECD work on global value chains demonstrates that member countries are moving toward higher value added activities while lower value added activities increasingly go to lower cost countries. Hence, globalisation of activities results in higher firm productivity. The impacts on jobs in absolute terms, while sizeable according to some studies, appear modest when compared to the overall churning in the labour market. This is largely due to technological development and changing consumer demand.

Results also suggest that, while most internationalisation of R&D still takes place within the OECD area, developing countries are increasingly attracting R&D centres. In a context of fluid and ambiguous comparative advantage, the role for government is better focused on creating a fertile environment for investment, innovation, and experimentation.

A Conference entitled "Globalisation and the Knowledge Economy" was held in co-operation with the French Ministry of Economy, Finance and Industry in October 2006. The event highlighted the links between innovation, structural change and productivity growth on the one hand, and the intensification of cross-border economic interdependencies on the other.

DID YOU KNOW…
that US multinational corporations in manufacturing earn half of their turnover abroad, and that half of their employees are located abroad?

work together to improve SME access to international markets. The conclusions of this study were presented at an OECD-Asia-Pacific Economic Co-operation Global Conference in Athens in November 2006, where the "Athens Action Plan for Removing Barriers to SME Access to International Markets" was adopted. The Plan proposes policy actions for improving SME internationalisation and articulates the future work of the OECD in this area. Also in 2006, the OECD published a two-volume in-depth study called the *SME Financing Gap: Theory and Evidence* (*see box page 28*).

Substantial progress was made on analysing how to enhance the role of SMEs in global value chains. This involved case studies in the automotive, scientific and precision instruments, software, tourism, and cinema industries. A synthesis report, highlighting the findings and policy conclusions of this study, will be presented in May 2007 at an international conference in Tokyo, organised in co-operation with the Japanese Ministry of Economy, Trade and Industry.

DID YOU KNOW…
that SMEs are significant contributors to the global economy, accounting for approximately 50% of local and national GDP and 30% of exports?

Promoting local economic growth

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sergio.arzeni@oecd.org

Regional innovation activity is a fundamental driver of economic growth. However, great disparities exist among regions. For example, the median number of patent applications in 11 European countries in 2002 was 96 per million inhabitants. But one region recorded 797 while 11 regions recorded less than 10. A new OECD study that will provide recommendations on how to develop and adapt innovation strategies at the local level is now underway.

A number of capacity-building seminars and conferences were held in 2006. These are designed to help national and local government professionals in central and eastern European countries design local development strategies. Some seminars examined the contribution of social enterprises to sustainable growth in European countries. Others contributed to the preparation of a manual for the prior assessment of local economic development strategies, which will be published in 2007.



Low-paid adults often find it difficult to access vocational training. While there are few national level policies to fill this gap, the local level has provided a fertile ground for experimentation and innovation, providing valuable lessons for government policy. In 2006, the OECD published *Skills Upgrading: New Policy Perspectives*, focusing on how countries and localities can train the young and upskill their existing adult workforce.

Tourism

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Innovation in tourism is a fairly recent and underappreciated development. The OECD report, *Innovation and Growth in Tourism*, published in 2006, shows how OECD countries can overcome growth problems by remaining competitive and developing cutting-edge products and ideas.

DID YOU KNOW…
that the tourism and catering sector as a whole represents almost 12% of total employment in OECD countries?

The economic impact of security on travel and tourism remains a concern high on OECD country policy agendas. The OECD is undertaking work to review the costs and policy implications of implementing new security measures, seeking an optimum balance between security requirements and freedom of travel. ■

OECD ANNUAL REPORT 2007 – © OECD 2007

Employment, social cohesion and environment

Employment and social cohesion

www.oecd.org/employment
employment.contact@oecd.org

Employment is the main factor input to GDP and the core source of income for households. OECD's employment analysis looks at how unemployment and employment vary by age, gender, employment status (part-time, temporary and self-employed), region, and according to working conditions such as earnings. Work on unemployment examines active labour market programmes and the public employment service.

DID YOU KNOW…
that nearly 10% of people of working age in the OECD live in households where no-one has a job?

Social policy work in the OECD covers a wide array of social, education and health policies implemented in a continuously changing environment of socio-demographic factors, labour markets and technical progress. The OECD searches for good practices that suit the changing nature of societies.

Employment and globalisation

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International trade and foreign direct investment have been powerful drivers for raising living standards worldwide. But there is concern that "globalisation" may entail job losses and wider inequalities. In some OECD countries, productivity gains have translated recently into higher profits rather than higher wages, raising the issue of whether the bargaining power of workers has declined relative to that of increasingly globalised enterprises. The 2007 edition of the *OECD Employment Outlook* will examine these issues in detail.



Unlike in the past, when it was mainly confined to agriculture and industry, globalisation today is deeper in its scope as it includes many services as well. Another key characteristic is the growing range of countries integrating into the world economy, notably large labour-rich countries such as China and India. Highly productive firms can thrive in world markets, even while paying much higher wages than those prevailing in less developed countries. However, these firms will need to be nimble, implying that workers should be prepared to move between jobs and occupations. The restated *OECD Jobs Strategy*, published in 2006, provides a useful benchmark of good practices in this regard (*see Annual Spotlight, page 12*).

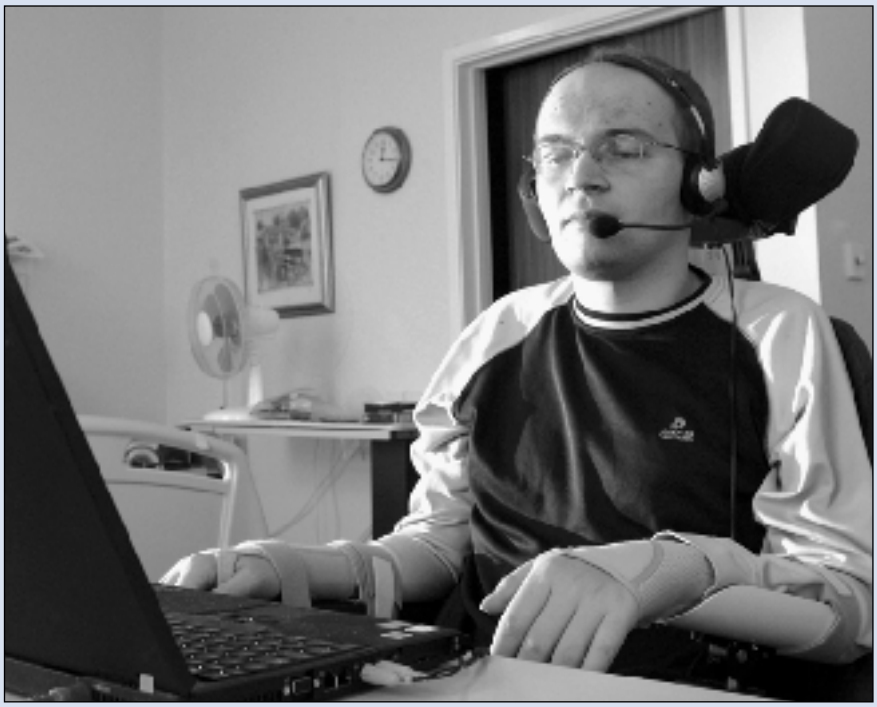
Ageing populations

www.oecd.org/els/social/ageing
social.contact@oecd.org

The challenge of population ageing is looming large. Meeting this challenge successfully requires a substantial increase in employment rates. At present, over one-third of the OECD's working-age population does not have a job. In particular, too many older workers leave the labour market prematurely. *Live Longer, Work Longer* examines the policies needed to improve employment opportunities of older workers. The report highlights reforms designed to ensure that older workers are not pushed out of the labour market through early retirement schemes, badly designed social benefits and age-unfriendly workplaces.

Sickness, disability and work

www.oecd.org/els/disability
employment.contact@oecd.org



A journalist works at his laptop computer using voice recognition equipment at a spinal injuries rehabilitation hospital in the United Kingdom.

DID YOU KNOW…
that OECD governments spend, on average, almost twice as much on sickness and disability benefits than on unemployment benefits?

Too many workers leave the labour market due to health problems. But at the same time, too many people with a disabling condition would like to work but are denied the opportunity to do so. This is a social and economic problem common to virtually all OECD countries. It is also an apparent paradox: why is it that average health status is improving everywhere, yet more and more people drop out of the workforce and rely on long-term sickness and disability benefits?

A new OECD review, *Sickness, Disability and Work: Breaking the Barriers*, explores the possible factors behind this paradox. The first report looks at Norway, Poland and Switzerland. The 3 countries spend between 3% and 5% of GDP on sickness and disability – and this figure is on the rise. In all three countries, too little is done to prevent people able to work from withdrawing from the labour market *via* sickness and disability benefits. And more action is needed to help those already on benefits go back to employment.



Many people with health problems can work, and want to work. Ensuring that these people do not withdraw from the labour market and helping them to obtain employment is a “win-win” policy. It helps people avoid exclusion and achieve higher incomes while supporting economic growth and rendering social protection more sustainable.

Improving the employment situation of young people is another key challenge. The youth unemployment rate in OECD countries is almost three times that of adults. Moreover, 12% of young people aged 20-24 are neither in education nor in the labour market, which may lead to long-lasting social and economic disadvantages. Even those who are employed often perform jobs which are disconnected from their initial education, resulting in considerable frustration among young people and a waste of human capital. To help countries improve school-to-work transitions, OECD has launched a new review entitled *Jobs for Youth*.

DID YOU KNOW…
that the OECD's average birth rate fell from 2.7 children per woman in 1970 to 1.6 in 2004?

Reforming pension systems

www.oecd.org/els/social/ageing
social.contact@oecd.org

After several years of cost-containment, social expenditures have once again started to creep up in OECD countries. One reason is population ageing. There is an increasing number of older people in all OECD countries which is leading to greater spending on pensions and other social benefits, such

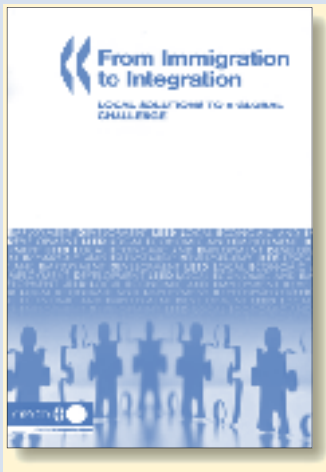
From immigration to integration

www.oecd.org/els/migration/integration
migration.contact@oecd.org

In many OECD countries, immigration is considered a cushion against the adverse consequences of ageing populations. For this policy option to work, the current stock of immigrants – many having arrived only recently – their children and future arrivals must be "integrated" into OECD societies. This issue is examined in a series of OECD country studies on the labour market integration of immigrants and their children.

The situation differs widely across countries and immigrant groups. Humanitarian and family migrants tend to fare less well in the labour market than directly selected migrants. Catching up with the native population tends to take longer or, in some cases, may never occur. Employment rates are especially low among immigrant women from countries where female participation is low. Overqualification is also a general problem, with many immigrants occupying jobs for which their education seems to make them ostensibly over-prepared. Matters are further complicated because immigrants' employment is generally more sensitive to economic conditions than that of the native-born. However, immigrants who have gained work experience early in their working lives have a more positive incidence of employment in the longer run.

In many European countries, the integration of the native-born children of immigrants is of particular concern. Many of these are now entering the labour market and experience greater difficulties finding employment than native youth without a migration background. This is attributable in part to both lower educational attainment and discrimination, but also to a lack of access to networks or informal contacts through which many jobs tend to be filled. Measures that establish contacts between people with a migration background and potential employers, such as mentoring and in-company training, seem to be particularly effective.



This publication highlights the major principles and factors that support local integration and provides a set of concrete local and national-level policy recommendations.

DID YOU KNOW…
that in many OECD countries, the unemployment rate of children of immigrants is much higher than that of children of native-born persons?

as those related to sickness and disability (*see box page 32*). The 2007 edition of *Pensions at a Glance* shows that many OECD countries have made strides reforming pensions. However, some countries must still take action if today's workers are ever to benefit from the pensions into which they are now paying.

Supporting families

www.oecd.org/els/social/family
social.contact@oecd.org

Many countries are trying to redirect spending towards families and children. There are a number of reasons for this. One is that fertility rates in many OECD countries, particularly in East Asia and southern and central Europe, are extremely low. Governments hope that by supporting families more effectively, they can encourage parents to have more children. Another reason is that encouraging more women to take up paid work can increase GDP and reduce poverty. A third objective is to prevent poverty and disadvantage in childhood from leading to poverty and disadvantage among adults. The OECD has launched a new database on family policies to help governments learn from other countries' experiences. These, and many other indicators of social policies and social development, are published in the 2007 edition of *Society at a Glance*.

Promoting gender equality

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Policies that seek to offset gender differences enhance growth, employment and living standards. The OECD looks at why gender inequalities occur and what can be done to develop policies which help both men and women. Gender analysis is a component of most OECD work, including that on pensions, family policies, education, trade, entrepreneurship and development aid. The publication, *Women and Men in OECD countries*, contains a range of statistics and indicators from many different OECD activities.

DID YOU KNOW…
that under one quarter of political representatives in OECD countries are women?

Managing international migration

www.oecd.org/migration
migration.contact@oecd.org

International migration remains a high policy priority for many OECD countries, particularly with regard to challenges such as unauthorised movements and the integration of immigrants into the labour market (*see box page 33*). These developments occur at a time when some labour-rich developing countries rely heavily on the remittances of their emigrants to support local consumption and development. Labour-poor developed countries also depend on these migrant inflows to help compensate for retiring baby-boomers leaving the labour market. However, there is a general reluctance on the part of most OECD countries to accept lower educated migrants. The OECD will be undertaking a significant project in 2007 and 2008 to examine how labour movements of all educational levels can benefit both source and destination countries. Movements of health personnel in particular are becoming a growing problem, with increasing demand for doctors and nurses in OECD countries sometimes being filled by persons from countries that can ill-afford to lose their scarce resources in this area. ■

DID YOU KNOW…
that long-term immigration into OECD countries currently exceeds 3 million persons per year?

Education

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Changing economic and social conditions have given education an increasingly central role in the success of nations as well as individuals, and accounts for a significant share of spending in all countries. The challenge for governments is to ensure that the learning opportunities on offer respond to the needs of a rapidly evolving knowledge-driven society. The OECD helps member countries achieve high-quality "learning for all" that contributes to personal development, sustainable economic growth and social cohesion.

Starting strong

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Quality early education and care programmes are the key to lifelong learning. In 2006, the OECD published *Starting Strong II*, the second major report resulting from the Organisation's work on early childhood education and care policy.

This publication documents longitudinal research, which follows the same individuals over time, and shows long-term benefits for children in personal, social and cognitive development. These returns benefit government investment by way of increased revenues and lower expenditures on social, health and remedial education programmes in future years.

Starting Strong II also draws on policy reviews of 20 OECD countries to illustrate innovative approaches to developing guidelines for good policy practice. The report finds that higher levels of investment can fill major gaps





(Left to right)
President, American Council of Education, David Ward; Chair, IMHE Governing Board and Professor, CHEPS, University of Twente, Netherlands, Marijk van der Wende; and French Deputy Minister of Higher Education and Research, François Goulard, at the IMHE 2006 General Conference held in September 2006.

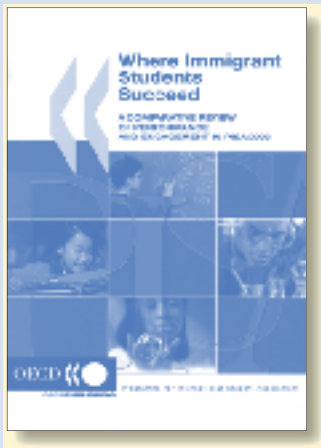
PISA and immigrant students

www.pisa.oecd.org
andreas.schleicher@oecd.org



DID YOU KNOW…
that immigrant students have much higher educational aspirations than their native counterparts and are twice as likely to expect to complete a university-level qualification?

The latest Programme for International Student Assessment (PISA) thematic report, *Where Immigrant Students Succeed*, spotlighted the challenges that education systems face integrating immigrant populations into their host societies. It showed that more than one-third of second-generation immigrant children in Austria, Belgium, Denmark, Germany, Norway and the United States perform below the point necessary to actively use mathematics, despite, at the age of 15, having completed all schooling in the host country. It also showed that, in many countries, the odds are weighted against students from immigrant families right from the start. These families tend to be directed to schools with lower performance expectations, often characterised by high shares of disadvantaged students and, in some countries, disruptive classroom conditions.



In all but four countries under review, at least 25% of second-generation immigrant children attend schools where immigrants make up more than 50% of the roll-call. By comparison, this is the case for less than 6% of native children in all but two countries. In a number of countries, second-generation immigrant children still perform as badly as their first-generation counterparts. On the other hand, in some countries with high levels of immigration, the performance of second-generation immigrant children is much closer to that of native children and close to the national average. This suggests that public policy can make a difference.

PISA also shows that immigrant children express equal, if not more, motivation to learn mathematics than their native counterparts. It demonstrates that these students have very positive general attitudes towards school and can bring with them a strong potential on which schools can build more effectively.

and inequities in quality provision. It also recommends that governments provide at least two years of kindergarten before children enter compulsory schooling and that they integrate policy and programme development into one ministry. Other recommendations include strengthening the link between early childhood years and the schooling system, exploiting participatory approaches in order to improve education quality, and using a clearly articulated but flexible national curriculum.

DID YOU KNOW…
that since 1995, tertiary enrolments soared by 49% on average in the OECD?

Higher education: quality, equity and efficiency

www.oecd.org/edu/tertiary
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In 2006, for the first time, OECD ministers of higher education met under the broad theme "Higher Education: Quality, Equity and Efficiency". The meeting was held in Athens at the invitation of the Greek government and chaired by the country's education minister.

Higher education has expanded and diversified a great deal in recent decades, and ministers shared experiences of some of the many structural reforms that have been undertaken. Higher education is not just about universities, and rankings are not reliable tools for measuring the value of an institution. Ministers agreed that there is a need to focus on the relevance and quality of provision, and on the quality of teaching. This is particularly pressing given the strategic importance of higher education for economic growth in today's knowledge societies, as well as its significant cost. Documentation from the meeting has been published in *Education Policy Analysis 2005-06*.



Getting the most out of education

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Governments rely on solid information to make decisions about their education systems. The annual *Education at a Glance* offers a statistical basis for policy debate and decisions in the world's most developed countries. The 2006 report included new material on tertiary education as well as on demographic trends, instruction time and student mobility. It also contained further analysis from the Programme for International Student Assessment (PISA) survey.

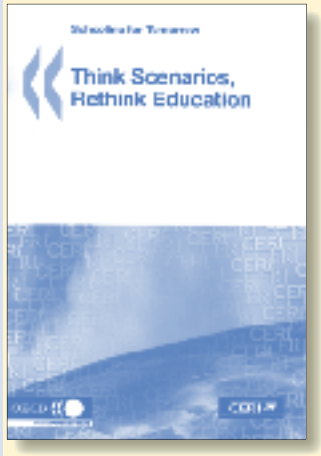
Future scenarios for education

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What happens in education today will affect the lives of individuals and the health of entire communities for decades to come. Yet educational decision-making is mostly about dealing with pressing immediate issues or doing established practice more efficiently, rather than about shaping the long term. Scenario methods are a promising means of redressing the balance.

A new publication, *Think Scenarios, Rethink Education*, offers scholarly overviews and very practical lessons for building and using scenarios. Many of the examples are taken from outside education, such as the corporate world and the field of environment policy, where decision-making is more routinely informed by considering long-term prospects. The publication also presents "futures thinking in action" initiatives in England, the Netherlands, New Zealand and Canada. These are imaginative applications that aim to broaden the horizons of educational leaders for the world of complexity and change.



In 2006, PISA completed its third triennial survey of the knowledge and skills of 15-year-olds across the world. One million students from more than 60 countries have participated to date. The results of PISA 2006 will be published in December 2007.

Further PISA assessments in 2009, 2012 and 2015 will enable countries to regularly and predictably monitor progress toward key learning objectives. They will also reveal which countries are falling behind. These surveys will help explain how school resources, policies and practices interact with students' home backgrounds and influence student performance.

The OECD participated in all preparations for the 2006 G8 education ministers meeting, held in Moscow under the title "Education for an innovative society in the 21st century".

Ministers discussed professional qualifications frameworks, integration and empowerment of migrants and immigrants, and methods of assessing basic education quality.



(Left to right)
OECD Secretary-General, Angel Gurría, and Greek Minister of National Education and Religious Affairs, Marietta Giannakou, at the Meeting of OECD Ministers of Education held in June 2006.

Equity in education

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Social cohesion remains a central issue for education policy in OECD countries, and the question of equity in education has been the subject of a major OECD study. In 2003, only 0.3% of Finnish girls were identified as very poor readers at age 15.

However, 8% of all students across the entire OECD fell into this category, suggesting that failure or dropping out from school is avoidable.

A new OECD review of equity in education, based on work in ten countries, will be published in 2007. This report looks at school failure and dropout and how they are linked to social background factors such as immigrant status. It examines school choice and tracking, resource issues, and home-school links and makes concrete proposals to improve the performance of OECD education systems.

Educational facilities

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The third edition of the *Programme on Education Building – Compendium of Exemplary Educational Facilities* was published in 2006. This publication addresses how the design, use and management of physical infrastructure can contribute to the quality of education.

With full-colour photographs, plans and descriptions, the Compendium focuses on the functionality of 65 recently completed or refurbished buildings or grounds, chosen for their innovation in the areas of safety, sustainability, alternative financing, community needs and flexibility. ■



Environment

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A healthy environment is a pre-requisite for a strong and healthy economy, and both are needed for sustainable development. The OECD provides a forum for countries to share their experiences and to develop concrete recommendations for the development and implementation of policies that can address environmental problems in an effective and economically efficient way.

While OECD countries have successfully tackled some of the environmental problems they face, many others remain or are emerging. Increasingly, the problems they face are more complex and require co-operative action at the international level (as is the case with climate change) or co-ordinated packages of policies across regions and/or sectors (as with biodiversity, agricultural pollution, transport). OECD helps its governments address these problems.

Environmentally related taxes

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Environmentally related taxes are increasingly used in OECD countries, and ample evidence of their environmental effectiveness is now available. However, these environmental policy instruments can be used more widely if they are well designed and their potential impacts on international competitiveness and income distribution are properly addressed. An authoritative review of OECD experience with environmentally related taxes, completed and published in 2006, focuses on the environmental and economic impacts of applying them. It also provides guidance on how to overcome obstacles to the implementation of such taxes, including resistance by affected industries and the public at large.



A colony of Adelie penguins settled on a rocky spur above ice melt pools in front of the Ross Sea ice shelf in Antarctica. Scientists warn that the Antarctic ice shelf is in danger of melting due to climate change.

OECD ANNUAL REPORT 2007 – © OECD 2007

Environmental Performance Review of China

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In 2006, the OECD carried out the first environmental performance review of China. It builds on over a decade of environmental co-operation between OECD and China, which includes joint activities on environmental information and indicators as well as dialogues on green tax reform and environmental financing. As a result, China has embodied OECD approaches such as "Polluter Pays" and "User Pays" Principles in its environmental legal acts, for instance through environmental charges or water pricing.



Through this partnership, OECD countries have gained insights into the major environmental challenges facing China and the measures being taken to address them. Experts from nine OECD countries (Canada, Germany, Italy, Japan, Korea, Norway, Sweden, the United Kingdom and the United States) joined the OECD review team in meetings with the Chinese authorities, industries and NGOs and visited several provinces and municipalities.

The performance review confirmed that rapid economic development, industrialisation and urbanisation have generated growing pressures on the environment, resulting in significant damage to human health and depletion of natural resources. For example, air pollution levels in some Chinese cities are among the worst in the world, one-third of Chinese water courses are severely polluted, and illnesses and injuries are associated with poor environmental and occupational conditions. At the same time, the review highlighted efforts by the Chinese authorities to encourage more balanced patterns of development by promoting concepts such as "harmonious society" and "scientific development".

The review, which will be published in 2007, offers some 51 recommendations that urge Chinese authorities to strengthen enforcement of environmental regulations, in particular at the sub-national level, mobilise financing for environmental infrastructure, and integrate environmental concerns into agriculture, energy and industrial policies. It also highlights that China has a shared interest with OECD and other countries to address environmental challenges, and has significantly enhanced its engagement in international environmental co-operation in recent years.



This book scrutinises Chinese efforts to meet environmental commitments and provides recommendations for further progress.

Climate change

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The OECD helps governments develop least-cost policies to reduce greenhouse gas emissions, and suggests ways to integrate the adaptation to climate change into all policy areas. Together with the International Energy Agency, the OECD provides analysis of key issues on the negotiation agenda of the Climate Change Convention, including on greenhouse gas emissions trading schemes, the Clean Development Mechanism, technology development and diffusion, and deforestation. In 2006, the Organisation also held an expert workshop on the benefits of climate change policies, and is releasing studies on how to measure the impacts of climate change on sea level rise and in the agriculture sector.

DID YOU KNOW…
that a tax on sulphur contents of fuels in Sweden has helped reduce sulphur dioxide emissions by 80%?

In April 2006, OECD environment and development ministers met and adopted the OECD "Declaration on Integrating Climate Change Adaptation in Development Co-operation". As follow-up, the OECD is co-ordinating the sharing of best practices on integrating adaptation into development planning and assistance, and is starting new work on the economics of adaptation.

Environment in emerging and transition economies

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The OECD, in its capacity as secretariat of the Task Force for the Implementation of the Environmental Action Programme for Central and Eastern Europe, will submit several inputs to the Environment for Europe Ministerial Conference that will be held in Belgrade in October 2007. The main OECD contribution will be a report assessing the progress that the countries of Eastern Europe, Caucasus and Central Asia (EECCA) have made towards achieving the objectives of an environmental strategy adopted at a previous Ministerial Conference held in Kiev in 2003. The report involves an ambitious process of co-ordination on environmental issues involving EECCA countries and international institutions active in the region. The OECD will also contribute additional reports on environmental finance, water supply and sanitation, the reform of environmental enforcement agencies, environmental permits and partnerships.

The OECD has carried out its first environmental performance review of China as part of the country review programme that examines member countries' and selected non-members' efforts to reach their environmental goals (*see box page 41*).

Chemical safety

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The OECD's key instrument for protecting human health and the environment from hazardous chemicals while avoiding non-tariff trade barriers is the Mutual Acceptance of Data for the assessment of chemical safety (MAD). Under MAD, test data generated in one adhering country are accepted in other member countries, leading to annual savings of USD 60 million for both governments and the chemical industry by avoiding duplicative testing. An increasing number of non-OECD countries are adhering to MAD. South Africa, Slovenia and Israel are already full adherents; India and Argentina adhere provisionally and other non-members are expected to join soon.

Safety of modern technologies

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In late 2006, the OECD launched a new programme to promote international co-operation on the human health and environmental safety of manufactured nanomaterials (*see box page 23*).

The majority of OECD countries have a system of regulatory oversight for the products of modern biotechnology (including genetically engineered organisms) which are intended for release to the environment. The OECD works on international harmonisation of such regulatory oversight, which will ensure that environmental health and safety aspects are properly evaluated while avoiding non-tariff trade barriers to products of the technology (*see box page 44*).

Environment and agriculture

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Agriculture is a major user of water and source of pollution. OECD work on agriculture and environment during 2006 focused on how to improve water management in the farming sector. Supporting market prices of farm goods

Testing chemicals: saving time, money and animals

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OECD member countries need information on the environmental and human health hazards of chemicals. While much information is obtained from testing, another promising approach involves computer simulations called (quantitative) structure-activity relationships [(Q)SARs]. The use of (Q)SARs has the potential to provide information on the hazards of chemicals while reducing some of the time, monetary cost and animal testing currently needed. While the use of (Q)SARs in chemicals regulation is currently relatively limited, the OECD is looking at how these approaches could be implemented across the member countries



DID YOU KNOW…
that the cost of safety testing for a single pesticide before it can be marketed is around USD 80 million?

The OECD has developed the "Principles for the Validation, for Regulatory Purposes, of (Q)SAR Models", as well as guidance for governments to use them in a consistent and transparent manner. An application toolbox for practical use of the models in specific regulatory contexts by governments and industry is currently under development and will be available in 2008.

Biosafety and transgenic crops

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Governments are increasingly facing the challenge of how to deal with the safety aspects of genetically engineered crops which are increasingly cultivated worldwide. At the same time, human food and animal feeds derived from such crops are widely marketed.

The OECD has worked on biosafety issues since 1986. The aim is to help countries evaluate the potential risks of these products, foster mutual understanding of the regulatory systems in different countries and reduce the potential for non-tariff barriers to trade.

Currently, the focus is on ensuring that information used in safety assessment is harmonised amongst countries, thereby avoiding duplicative work. Much of the effort is geared to the compilation of common sets of scientific data that can be used by regulatory authorities.

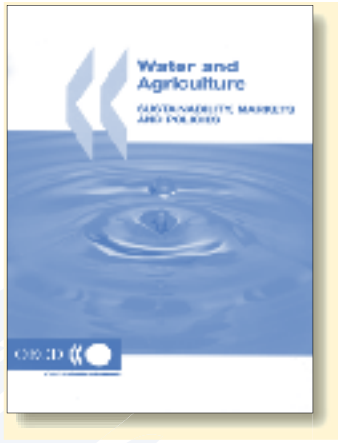
These data sets are published as "consensus documents". They focus on major crop plants such as maize, oilseed rape and rice. Some address environmental safety by describing, for example, whether a given crop has the potential for cross-breeding with related species. Others address food safety by identifying key nutrients and toxicants which are typically present in major crops.

By the end of 2006, the OECD had published 54 such consensus documents.

DID YOU KNOW…
that 8.5 million farmers in 21 countries planted 90 million hectares of approved transgenic crops in 2005, up from 81 million hectares in 2004?

encourages the expansion of agricultural production, while subsidising irrigation systems and lowering water charges paid by farmers also undermines the efficient use of water. Moreover, providing lower pumping costs to agriculture accelerates the depletion of ground water aquifers.

With demand for water increasing from agriculture, industry and households alike, governments are giving a higher priority to water resource and environmental management. However, there is still a misalignment between this priority and the overall set of policies, resulting in conflicting incentives to farmers. This exacerbates water overuse and pollution. A central conclusion of OECD work is that institutional structures are needed to allow for more market-based solutions to increase resource efficiency and reduce pollution. These solutions include "getting the prices right" for water. But there is a lack of knowledge regarding the level of subsidies provided to water use in agriculture, which policies best achieve sustainable water use in countries with different property rights and conditions, and the appropriate level of governance of water management. The OECD is currently working on these issues.



Round Table on Sustainable Development

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The Round Table on Sustainable Development at the OECD brings together ministers, senior management from international organisations, NGOs, the private sector and academics to discuss targeted issues on the sustainable development agenda and explore practical ways forward.

In June, the Round Table considered R&D priorities and programmes for future energy technologies capable of meeting energy demand in more secure and less polluting ways. It met again in January 2007 to discuss the economics of illegal logging. At this meeting, the Round Table explored ways of reinforcing international efforts against illegal actions in the forestry sector and strengthening sustainable forest management. ■

DID YOU KNOW…
that up to half the total ODA to Nepal is directed at activities potentially affected by climate risks?



(Left to right)
Secretary-General of the European Environmental Bureau, John Hontelez, and Swedish Environment Minister, Lena Sommestad at the press conference following the Environment / Development Ministerial held in April 2006.

Health

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Good health is necessary for individuals to flourish as citizens, family members, workers and consumers. Improving health is a key concern of OECD societies, as it can contribute to higher economic growth and improved welfare.

The OECD studies health policies, health outcomes, healthcare systems and their financing. It also examines environmental issues such as the implications of chemicals on health, evaluates the application of bio-technologies to healthcare and looks at health issues relevant to non-OECD countries.

Monitoring and evaluating health-system performance

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Healthcare expenditure accounted for about 4% of GDP when the OECD was founded in 1960, but the average across OECD countries is now 9%, and it is above 11% in several of the large economies (*see box page 47*). Advances in the capability of medicine to treat and prevent health conditions are one major factor driving health cost growth. Recent developments in imaging, biotechnology, and pharmacology suggest that this trend is likely to continue.

Advances in healthcare and health systems have contributed to improvements in longevity and better health, but performance challenges remain. Patients are demanding healthcare that responds to their needs and preferences. Shortfalls in healthcare quality result in unnecessary deaths, disability, poor health, and higher costs. Furthermore, disparities in health status and access to care across socio-economic groups persist within many countries.

DID YOU KNOW...
that life expectancy at birth exceeds 80 years in Australia, France, Iceland, Japan, Spain, Sweden and Switzerland?



In light of continued cost pressures and strains on public finances, health systems across the OECD are striving to increase value for money. Yet efforts to do so are complicated by gaps in information and in the technical ability to assess and compare performance. Countries need reliable international benchmarks if they are to improve their performance across a range of dimensions. The OECD's work offers improved tools for measuring and evaluating health systems in order to enhance performance across the OECD.

DID YOU KNOW…
that in most OECD countries, between a third and a half of all deaths are attributed to cardio-vascular diseases?

Improving the performance of health systems

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OECD health systems remain, to a remarkable extent, cottage industries, relying on apprenticeship for training, on personal contacts for diffusion of best practice, and on uncoordinated files and information systems to convey information. Special challenges lie, too, in developing and implementing sound health policies in today's increasingly linked global economy (in which, for example, one country's health workforce training and

Rising health costs

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Health spending continues to rise in OECD countries and, if current trends persist, governments will need to raise taxes, cut spending in other areas or make people pay more out of their own pockets in order to maintain their existing healthcare systems.

According to *OECD Health Data 2006*, between 1990 and 2004, health spending has grown faster than GDP in every OECD country except Finland. On average, it accounted for 7% of GDP across OECD countries in 1990, but reached almost 9% in 2004. At 15.3% in 2004, the United States devoted the greatest share of GDP to health.

In most OECD countries, the bulk of healthcare costs is financed through taxes and compulsory social contributions. Ensuring sustainable financing of health systems is critical for governments given that costly new medical technologies and population ageing are expected to push up health spending even further.

Although the share of health spending that is publicly financed has fallen in countries such as Poland, Hungary and the Czech Republic, which had a relatively high public share of health spending in 1990, it has risen in countries where it was once low (*e.g.* Korea, Mexico, Switzerland and the United States). In Korea, for example, the public share of health spending rose from 38% in 1990 to just over 50% in 2004. In the United States, it increased from 40% to 45% over that period. Although the private sector continues to play the dominant role in health financing in the United States, public spending *per capita* is still greater than that in most other OECD countries. This is because overall spending on health is much higher than in other countries.



This edition offers the most comprehensive source of statistics on health and healthcare systems available for OECD economies.

DID YOU KNOW…
that, on average, 73% of health spending in OECD countries in 2004 was publicly funded?

recruitment policies affect another country's ability to meet future health needs). Similarly, domestic pharmaceutical pricing and reimbursement policies may also have implications for the affordability and availability of medicines outside national borders, as well as on the global public good of innovation in medicine.

Improving efficiency through better co-ordination of healthcare service delivery and increased use of information technology, ensuring a sufficient supply of health and long-term care professionals needed for the future, orienting public policy to prevent unnecessary illness and establishing well-formulated policies on the pricing of medicines: these are elements of dynamic, responsive and efficient health systems.

The OECD addresses these key health issues and challenges that have been identified by member countries as important priorities for policy attention which can benefit from focused economic analysis and consideration in an international context. Current OECD work includes co-ordination of care in OECD countries and its contribution to efficiency, the economics of preventive care with a special focus on obesity, pharmaceutical pricing policies, health workforce policies and the role of migration of health professionals, and the role of information technology in supplementing health system performance. Information on good practices will allow policy makers to include these in guidelines for national administrations.

Environment and health

Environmental conditions have an important influence on human health, and health concerns are one of the main motivations for the introduction of environmental policies in OECD member countries. One particular concern is the health of children who frequently face greater levels of exposure to air pollution and other environmental pressures, and who are also more susceptible to ill-health from such pressures. However, frequently, the specific needs of children are not reflected in the studies used to determine policy priorities, and the OECD has been working to fill this gap. Another project has been completed on the co-ordination of environmental and health policies, in an effort to better address environmental health issues. ■



This book analyses the strengths and weaknesses of the Swiss health system and provides policy recommendations to address the challenges facing the Swiss authorities.

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DID YOU KNOW…
that the rate of influenza vaccination among elderly people is over 70% in Australia, Korea, the Netherlands and the United Kingdom?

International trade and taxation

Trade

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Trade and investment liberalisation contributes to economic growth and helps an expanding number of countries integrate into the global economy. OECD work on trade provides analysis to support continued trade liberalisation and a better understanding of key trade policy issues.

OECD trade policy analysis in 2006 continued to demonstrate the benefits of further liberalisation and identify ways to ease the transition to a more liberalised market.

Trade and structural adjustment

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A follow-up to the 2005 study on *Trade and Structural Adjustment: Embracing Globalisation* was conducted for the agriculture, telecommunications and chemicals sectors. The report found that multilateral commitments and rules can facilitate structural adjustment by "locking in" trade and investment liberalisation, acting as a trigger for reform and promoting good regulatory practice. The report also reviewed the effect of domestic regulation and subsidies. Current work examines adjustment experiences in selected non-member countries. A project on globalisation and structural adjustment, to be completed in 2007, will examine the overall effects of globalisation, business support services and innovation, and how trade and foreign direct investment affect labour market adjustment.



(Left to right)
WTO Director General, Pascal Lamy; OECD Secretary-General, Angel Gurría; and US Trade Representative, Susan Schwab, at the annual OECD ministerial meeting in May 2006.

South-south trade

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Trade between developing countries, or "south-south trade", offers wide scope for benefits. Yet, the impediments to such trade tend to be greater than those experienced among other trade partners.

Tariff barriers for south-south trade in goods are estimated to be almost three times higher on average than those faced by north-north trade. Additionally, south-south trade is severely constrained by distance-related trade costs. For example, while a 10% increase in distance tends to reduce north-north trade by about 10%, the comparable figure for south-south trade is 17%. OECD research suggests that reducing south-south tariff barriers can have a major impact on trade flows.

Services trade between developing countries is predominantly regional and may reflect an increasing tendency to liberalise services trade in regional agreements. It is estimated that cross-border south-south exports represent around 10% of world exports of services. There is further scope for increasing developing countries' services exports in general and services trade between developing countries in particular. OECD analysis points to the importance of policy barriers and implies that countries could increase trade in services across all sectors by relaxing restrictions on foreign companies that wish to establish a commercial presence in another country. The analysis also suggests that improving performance will require a major liberalisation effort in cases where service sectors are currently closed to foreign competition.

Overall, OECD estimates indicate that the potential benefit from freer south-south trade may be at least as large as the gains that developing countries can obtain from better access to OECD markets. This underscores the importance of active engagement by developing countries in the WTO's Doha Development Agenda negotiations aimed at multilateral trade liberalisation.

DID YOU KNOW…
that, on average, tariffs imposed on trade among developing countries are more than double those that developing countries' exports face in the industrial markets?



Trade in services

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The OECD continued its work and dialogue to foster liberalisation of trade in services. In June 2006, a workshop held in Geneva showcased the joint OECD-United Nations Conference on Trade and Development (UNCTAD) project on managing the request-offer process in the General Agreement on Trade in Services negotiations. It addressed developing countries' concerns and contributed to greater insights into key issues surrounding the services talks.

In October 2006, the OECD released the publication *Liberalisation and Universal Access to Basic Services: Telecommunications, Water and Sanitation, Financial Services and Electricity*. The volume explores whether and how liberalisation can contribute to achieving universal service goals as well as the types of complementary policies that may be required. The book was launched in Geneva in November 2006 at a special meeting on universal access to services. A groundbreaking study on logistics services and time as a barrier to trade was also completed in 2006 (*see box below*).



Time as a trade barrier

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While modern retailers require suppliers to deliver at one week's notice or even less, in some African countries, it takes over 15 weeks from the time goods leave the factory gate until they are loaded on the ship taking them to market. The problem is twofold for exporters that make use of imported inputs. At worst, lead-time can be up to 6-8 months due to lengthy administrative procedures, weak infrastructure and inadequate transport and logistics services. This adds to the trade costs of entrepreneurs in developing countries who are often unable to tender for contracts since they do not fulfil delivery reliability requirements.

Given today's modern supply-chain management, a broader range of products is becoming time-sensitive. Competitiveness in labour-intensive products such as clothing and consumer electronics increasingly requires short lead-time as well as on-time delivery. Time sensitive products are also the products that obtain a premium in the market. Failing to satisfy timeliness requirements therefore represents a lost opportunity for entrepreneurs in developing countries.

Time for imports and exports can often be reduced substantially at relatively low costs through reforms of customs services, port services and logistics and transport services. However, since these services constitute part of a logistics chain, reforms must be part of an overall package.

DID YOU KNOW…
that on average, it takes 10 days to export goods from OECD countries, but 40 days from sub-Saharan Africa?

Emerging economies

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The OECD recently completed a report on China's trade and growth. The report, which is part of a trade analysis project on large non-member economies, describes the country's evolution of trade liberalisation and compliance with WTO commitments. It also analyses China's role in international processing activities, its move up the global value chain and its impact on world prices. The report finds that substantial gains for China, and a rather limited impact on OECD economies, would result from China's full implementation of its WTO commitments, or under a scenario of complete liberalisation in goods and services in China.

Trade analysis of the Russian economy has highlighted the potential for this country to gain from WTO accession and deeper integration into the global economy. At the same time, this work has underscored the existence of Russian barriers to optimal economic integration, especially with respect to market access, services liberalisation, standards and intellectual property rights.

DID YOU KNOW…
that China is likely to become the world's number one exporter by the beginning of the next decade?

Two studies currently underway on Brazil and India will assess key challenges and opportunities for these countries' economies and trade regimes, as well as their further integration into the global economy and the impact this will have on OECD countries.

Export credits

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OECD work on export credits has traditionally included two dimensions: a system for exchanging information on export credit systems, and forums for establishing and monitoring disciplines. While these core activities continue, the export credits community faces new challenges; these include developing market-based export finance products, engaging with new providers of officially supported export credits in major emerging economies and ensuring debt sustainability in and responsible lending to low-income countries. The response to these challenges requires enhancing current guidelines and disciplines and an open approach to outreach.

A review of the OECD Recommendation on Common Approaches to Export Credits and Environment is underway in the light of experience since its introduction. A new OECD recommendation on measures to combat bribery in official export credits was adopted at the end of 2006. The 1986 disciplines applicable to the aircraft sector are also under review; Brazil, one of the worlds' major players in this sector, is a negotiating party. Consultation with civil society is an integral process in all these reviews.

The OECD is also emphasising outreach to non-OECD economies, many of which participated as *ad hoc* observers to the November 2006 OECD export credit meeting. The aim is to establish a long-term dialogue and permanent engagement which would lead to a more level playing field for all export credit players.



This report provides a detailed description of officially supported export credit systems in OECD countries and some non-member economies.

Trade and development

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The OECD continued its work on how to harness trade as a tool for development and finalised its contribution to the WTO Task Force on Aid for Trade (*see box page 72*).

It also released the publication *Trading Up: Economic Perspectives on Development Issues in the Multilateral Trading System*, which underscores the economic value of further ambitious multilateral liberalisation and the potential for the trading system to deliver mutually beneficial outcomes for both developed and developing nations.



A major project on south-south trade, that is trade between developing countries, was completed (*see box page 50*), and was one of the subjects discussed at a Global Forum on Trade on the Multiple Dimensions of Market Access and Development held in Mexico City in October 2006.

Trade facilitation

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The OECD organised a regional forum titled "Maximising the Developmental Benefits of Trade Facilitation" as part of the Organisation's ongoing work on facilitating trade through simplified and harmonised trade procedures.

The meeting, which was held in Cameroon in September 2006, provided a forum for national and regional dialogue on issues related to WTO negotiations and capacity building in this area. It brought together 150 participants from 10 countries in western and central Africa as well as from relevant organisations. ■

DID YOU KNOW…
that Chile and Russia are the only two developing economies where domestic long distance prices are higher today than they were in 1998?

Agriculture and fisheries

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Many governments intervene actively in the agriculture, food and fisheries sectors, but not always in the most efficient and effective ways. The OECD offers information, analysis and advice on practical and innovative options for policy reform and development through trade liberalisation.

Throughout 2006, the OECD continued to provide timely support to the Doha Development Agenda (DDA) negotiations at the World Trade Organization, as well as to policy makers throughout the OECD as they seek to identify efficient and equitable policy solutions to the problems facing the sector. With the setbacks that occurred in the negotiations during the year, the OECD's role as a forum where difficult technical and policy issues can be discussed out of the glare of publicity surrounding the talks proved particularly important.

DID YOU KNOW…
that in the last decade, Australia has halved the amount of water used on each hectare of irrigated land yet farm production has increased?

Trade and agriculture

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Outreach events featured prominently in the OECD's work on trade and agriculture during 2006. These events are designed to bring together officials and researchers from OECD and non-OECD countries to promote dialogue and improve mutual understanding. Such events were held in Senegal and in Argentina in 2006. These meetings have proven extremely fruitful avenues for debate on issues that are important in the DDA negotiations and have attracted large numbers of high-level officials from the regions in which they have been held.



Canadian wheat grows in a field near Teulon, Manitoba.

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Fisheries subsidies

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Environmental activists hold up cut-outs of Southern Bluefin Tuna during a protest demanding an end to fishing of the endangered species.

World Trade Organization negotiations on fisheries subsidies have come a long way since their launch in 2001. Discussions have focused on disciplining subsidies that contribute to overcapacity and over-fishing. This focus reflects the international community's resolve to address the negative impacts of subsidies. The discussions have also recognised the importance of the fisheries sector to development priorities, poverty reduction and food security concerns. Key issues in the negotiations include the form that subsidy disciplines should take and the nature of special and differential treatment under any resulting agreement. It is important to succeed in this area, as disciplining subsidies is vital to trade and for the sustainability of the world's fisheries.

The importance of reducing and better targeting subsidy programmes was highlighted in a recent OECD report, *Financial Support to Fisheries: Implications for Sustainable Development*. Financial support of USD 6.5 billion was provided to OECD fisheries in 2003, representing around 21% of the gross value of marine capture fisheries production.

The report concludes that some types of transfers play an important, but limited, role in managing fisheries. While expenditure on research, management, enforcement and some types of general infrastructure are generally needed to promote sustainable and responsible fisheries, other types of transfers tend to create perverse economic incentives for fishers, even in fisheries that are considered to be well-managed. It is therefore important to improve the transparency of subsidy programs, and to take an integrated and holistic approach to assessing the full potential range of costs and benefits as an integral part of the fisheries policy process. The experience of several OECD countries demonstrates that the profitability, resilience and sustainability of the fishing sector can be increased through reductions in financial support, accompanied by appropriate management changes.



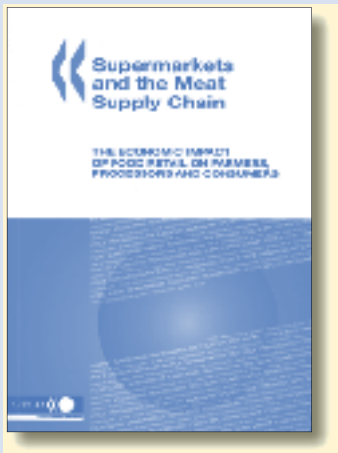
DID YOU KNOW…
that aquaculture now accounts for 16% of total OECD fisheries production and 38% of total world production?

Meat to market

www.oecd.org/agr/market
linda.fulponi@oecd.org



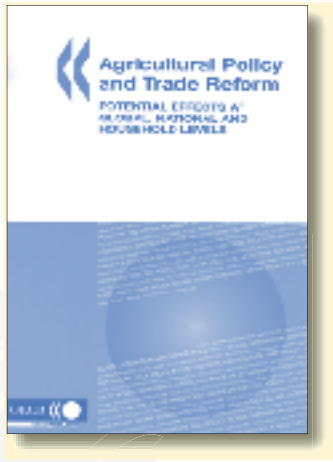
DID YOU KNOW…
that food safety concerns are the single most important reason why private industries engage in the setting of standards for food products?



The OECD's work on food economy issues highlights changes that are taking place in the behaviour of the food value chain. Such changes are reflected in rapid industry concentration, more elaborate pricing mechanisms and the substitution of spot markets by a variety of contractual arrangements. These developments suggest that the organisation and management of the different stages in the food supply chain are being modified. In this setting, a key question is the extent to which increased concentration, and thus market power, imply lower returns for the relatively weaker market partners.

In *Supermarkets and the Meat Supply Chain*, these issues are addressed through case studies in four countries: the Netherlands, Canada, France and the Czech Republic. The study shows that food retailers make, in general, little profit on meat sold and that, while prices are transmitted between the different stages in the chain, the degree to which this happens differs across countries and types of meat.

Also in 2006, OECD member countries continued their discussions on issues such as tariff preferences, preference erosion and the policy implications that may arise from the continuing proliferation of bilateral and regional agreements. An important study entitled *Agricultural Policy and Trade Reform: Potential Effects at Global, National and Household Levels* was finalised and published. This report has helped clarify the nature and distribution of the gains that might be expected from reform. It has acknowledged and identified the circumstances under which net losses might result for particular types of households. It has also initiated reflection on policy interventions that could mitigate these losses, clearing the way for the significant gains that are likely to accrue.



Work on domestic policy issues continued to focus on identifying efficient and equitable measures that are compatible with growing integration of world trade. More specifically, work has looked at the costs of implementing the narrowly targeted and decoupled policies that are most likely to be both cost-effective and trade friendly, in pursuit of environmental, rural, income and other objectives. A study on this topic was published towards the end of the year. Recent work has continued to define the adjustment and compensation measures needed to accompany and facilitate reform efforts.

Tracking support and protection

There were significant developments concerning the measurement of support and protection (Producer Support Estimates (PSE) and derived indicators) in agriculture during 2006. A new classification was adopted that will, in time, improve the depth and relevance of the analysis that can be undertaken. The PSE by commodity was discontinued in favour of an alternative commodity indicator (the Commodity Specific Transfers or CST) that, reflecting policy developments in recent years, includes a more narrow range of policy instruments. Support indicators were updated for a large number of non-OECD countries including China, Brazil and Russia. Finally, an in-depth review of Mexico's policy directions was undertaken at the request of the Mexican government. The review provides recommendations for a continuation and strengthening of agricultural policy reform efforts in that country. ■

www.oecd.org/agr/support
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DID YOU KNOW…
that at current crude oil prices the production of biofuel is economically unviable in most OECD countries?

Taxation

www.oecd.org/taxation
ctpa.contact@oecd.org

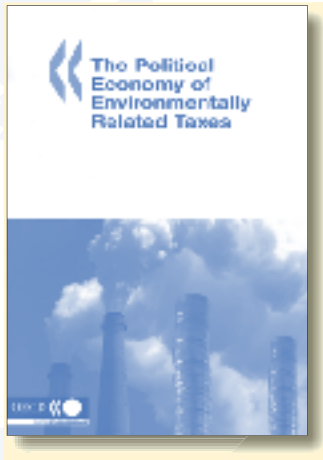
Policy makers look to tax systems to help solve social and economic problems as well as to raise tax revenues. OECD work on taxation covers a broad range of activities, including tax evasion, harmful tax practices, electronic commerce and environmental taxes. The OECD produces internationally comparable statistics and engages in monitoring and assessment of policies. National tax systems are analysed as are their effects on labour, capital and product markets.

Business tax reform

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Corporate tax revenues have remained buoyant despite steep cuts in tax rates; however, there are concerns that current corporate tax systems favour debt-finance over equity. This threatens macro-economic stability by increasing the risk of bankruptcy and opening up opportunities for international tax avoidance. The issue has recently moved up the political agenda following interest in the United States and moves in Belgium which seek to extend the current deduction for debt to equity capital, thereby achieving "neutrality" between the two. An alternative is to achieve neutrality by removing the deduction for debt.

OECD analysis suggests that such fundamental reforms have likely advantages, but also potential costs. The main advantages are increased use of equity finance and reduced incidence of cross-border loans for tax avoidance. However, nobody has yet devised a corporate tax system that is immune to tax avoidance. Such significant changes can produce important transitional problems including loss of government revenue (if deductions are extended to equity capital) or the threat of bankruptcy for highly-indebted firms (if the interest deduction is removed). This implies that the choice of whether to make such reforms and, if so, which one to choose, is a difficult one to make. Moreover, answers are likely to vary from country to country.



This book assesses the effectiveness of environmentally related taxes, the recent research on their environmental and economic impacts, and their potential for wider use.

Progress in combating harmful tax practices

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The elimination of harmful tax practices is a difficult challenge, but two OECD reports released in 2006 demonstrate that progress is being made. One recent progress report on this topic shows that, of the 47 potentially harmful preferential tax regimes identified in OECD countries in 2000, 19 have been abolished, 14 have been amended to remove potentially harmful features, 13 were found not harmful and only 1 was found to be harmful. After the publication of that report, the harmful regime was abolished. The 2006 assessment by the Global Forum on Taxation, *Tax Co-operation: Towards a Level Playing Field*, sets out transparency and exchange of information practices in 82 economies. This report is the first of its kind and will be updated annually. It will serve as a valuable reference for countries to assess the level of transparency of their trading partners.

DID YOU KNOW…
that despite falls in tax rates in OECD countries, corporate tax revenues increased from an average of 2.6% to 3.4% of GDP over the last 20 years?

Resolving international tax disputes

www.oecd.org/ctp/tt
www.oecd.org/ctp/memap
ctpa.contact@oecd.org

International tax disputes arise where two tax administrations disagree on the tax treatment of particular cross-border transactions. Unresolved disputes and the resulting double taxation can be a significant barrier to cross-border trade and investment. While existing dispute resolution procedures under the "Mutual Agreement Procedure" (MAP) provision of tax treaties have been effective in settling the vast majority of cases, there has been an increase in unresolved disputes.

In response to these growing concerns, the OECD is proposing improvements to the existing MAP process and a Manual on Effective Mutual Agreement Procedures (MEMAP). These will highlight best practices, common roadblocks and solutions, and help taxpayers participate in the MAP process. The Organisation also recommends a mandatory arbitration procedure for cases that remain unresolved after two years.

DID YOU KNOW…
that over 2,500 bilateral tax treaties worldwide are based on the OECD Model Tax Convention?

Value added taxes

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Value added taxes now operate in about 140 countries and account, on average, for over 19% of tax revenues across the OECD. However, it has become increasingly difficult to apply these taxes internationally, especially for services and intangibles. In 2004, an OECD report highlighted problems

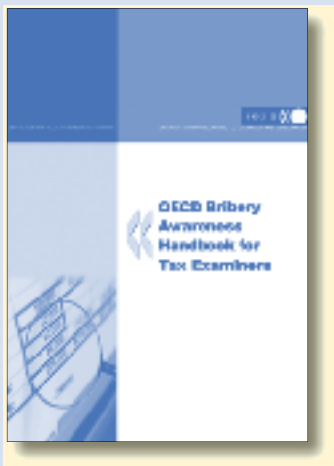
Denying tax deductions for bribes

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The OECD Recommendation on the Tax Deductibility of Bribes to Foreign Public Officials seeks to put an end to claiming bribes to foreign public officials as tax deductible expenses. This Recommendation has been very successful since its introduction in 1996, and the vast majority of Parties to the OECD Anti-Bribery Convention now prohibits the deductibility of bribes to foreign public officials. In many cases, countries have gone one step further and have prohibited the deductibility of all bribes.

The implementation of the Recommendation has sent a clear message that bribery will no longer be treated as an ordinary or necessary part of doing business, but rather as a criminal offence subject to serious penalties. To ensure effective detection, the OECD issued the *Bribery Awareness Handbook for Tax Examiners*, which is now available in 14 languages. The *Handbook* helps tax authorities identify suspicious payments likely to be bribes so that these are not deducted, but reported to authorised law enforcement authorities instead. The *Handbook* also helps countries strengthen their internal audit guidelines on bribery awareness and detection.

The OECD promotes implementation of the Recommendation as well as the *Bribery Awareness Handbook for Tax Examiners* through its extensive network of tax partnerships with non-OECD economies throughout the world.



DID YOU KNOW…
that not all countries prohibit tax deductions of all bribes?

such as double taxation, unintentional non-taxation and uncertainties for both governments and business. In 2006, the OECD began a major project, the OECD International Value Added Tax/Goods and Services Tax Guidelines, with a view to minimising these problems. The Guidelines will cover issues such as which country has the right of taxation on a transaction, refund schemes for business, and supplies made under complex global contracts. It will also cover specific sectors such as financial services and telecommunications. The Guidelines will be published electronically as each section is completed. The first, a set of high-level principles, was published in 2006. ■

Forum on Tax Administration

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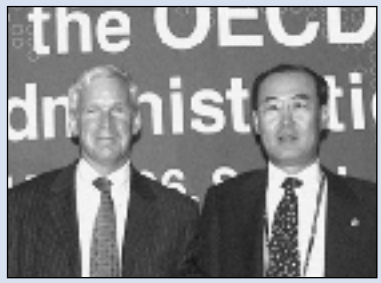
The Forum on Tax Administration (FTA) held its third meeting in Seoul in September 2006. The meeting brought together the heads of revenue bodies and other senior officials from most OECD member countries as well as Chile, China, India and South Africa. Among the main discussion items were the challenges presented by international non-compliance with tax laws and options for strengthening the response of revenue bodies, including enhanced co-operation.

FTA participants in Seoul committed to using national, regional and multilateral initiatives to achieve better compliance with the tax laws while working within the existing framework of bilateral agreements. They also agreed to explore the need for new tools to assist in the detection of international non-compliance.

In this context, they identified four areas in which existing work would be intensified or where new work would be initiated under the auspices of the OECD:

- further developing the directory of aggressive tax planning schemes so as to identify trends and measures to counter such schemes;
- examining the role of tax intermediaries (*e.g.* law and accounting firms, other tax advisors and financial institutions) in promoting compliance (a study on this topic should be completed by the end of 2007);
- exploring the application of the principles in the 2004 Corporate Governance Guidelines as they relate to the linkage between tax and good governance;
- improving the training of tax officials on international tax issues, including the secondment of officials from one administration to another.

FTA participants will review progress in each of these areas at their next meeting, to be hosted by South Africa, in January 2008.



(Left to right)
Commissioner, US Internal Revenu Service, Mark Everson, and Commissioner, Korean National Tax Service, Jeon Goon-pyo, at the OECD Tax Forum.

DID YOU KNOW…
that in the Nordic countries, 90% of taxpayers receive pre-populated tax returns and that 90% of these returns are accepted by the taxpayers as correct?

Governance

Public governance

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Building and retaining public trust is one of the key challenges of modern governments. Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, and enhance environmental protection and the sustainable use of natural resources. It can also help deepen confidence in government and public administration. Over the past several decades, OECD countries have been working to improve government efficiency, accountability, transparency and responsiveness to citizens' needs.

Engaging citizens

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Fostering a transparent, accessible and responsive government is crucial for strengthening public trust in institutions. Countries have various tools for involving the public in the policy-making process, but risks of capture by some interest groups and exclusion of some segments of society remain. In 2007 and 2008, the OECD will be exploring the means governments can use to better engage citizens and make the policy-making process more open and inclusive.

Indicators of good government

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Governments need access to good-quality comparative information to analyse and assess public management reforms and to learn from other countries. Such data are rare. To address this gap, the OECD is gathering comparative data on core areas of public management based on clear, consistent definitions. These datasets will be continuously expanded over the coming years.



(Left to right)
OECD Secretary-General, Angel Gurría, Chairman, Vodafone Group, UK, John Bond, and Mayor Han Zheng of Shanghai, at the 18th International Business Leaders Advisory Council (IBLAC) Annual Meeting in Shanghai, China, in November 2006.

Transparency and integrity

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Transparency and integrity in the public service are essential for building public trust. The OECD has developed guidelines on how to set up frameworks for ensuring integrity, and particularly for managing conflict of interest to prevent corruption. A 2006 report shows that countries have been applying these guidelines to review existing conflict-of-interest policies and update them where needed. The OECD is also looking at how good governance principles can be used to combat corruption in public procurement while balancing the need for transparency, integrity and accountability with concerns about efficiency.

DID YOU KNOW…
that only 5 out of 30 OECD countries have legislation requiring lobbyists to provide information on their contacts with public officials?

Budgeting and public expenditures

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Fiscal discipline, resource allocation and increased efficiency in government operations are all crucial for good national economic performance. In 2006, OECD peer reviews of budgeting systems were conducted for Austria, Bahrain, Hungary and Singapore. In 2007, work will include country reviews of Turkey and Ukraine as well as comparative reports of and guidelines for performance budgeting, tax expenditures and citizens' involvement in budgeting.

The OECD budgeting database, redesigned in 2006, carries standardised and comparative information on budgeting institutions and practices in more than 45 countries.

DID YOU KNOW…
that the administrative cost to businesses of complying with regulation has been estimated by some OECD countries to be in the range of 2%-4% of GDP?

Reducing administrative burdens

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Reducing administrative burdens, or cutting "red tape", is a political priority in many OECD countries. Red tape is particularly burdensome to smaller companies, and may inhibit entrepreneurship. What can governments do to ease the burden on citizens and businesses?



Strategies include setting quantitative targets to reduce administrative burdens, reviewing and codifying existing regulations, better co-ordination across levels of government and transforming the back office with information and communications technology tools to reduce reporting burdens for citizens and businesses.

Comprehensive government programmes can improve cost efficiency and enhance transparency and accountability. A 2006 survey of policies and programmes in OECD countries, *Cutting Red Tape: National Strategies for Administrative Simplification*, highlights this overall approach as a major change in recent years. The OECD is also developing instruments for measuring administrative burdens that go beyond perception-based measurements and strengthen evidence-based decision-making.

Public employment and management

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Public services have been under great pressure to decrease costs and adjust to changes in society. In this context, the OECD has studied countries' efforts to adapt their workforces to the ageing challenge (*see box below*). Similarly, governments are decentralising pay-setting and rethinking relations between the political level and the civil service as part of a greater focus on public sector performance. Member countries are seeking to assess the impact of the major changes they have made to the way public servants are managed. The OECD has launched a new series of human resources management country peer reviews, starting with a review of Belgium in late 2006.

E-Government

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E-government is a tool for transforming the public sector to improve transparency, accountability, efficiency and effectiveness. In particular, the sharing of information and services helps make the relationship between government on the one hand, and citizens and businesses on the other, less bureaucratic. The OECD is looking at the impact of such sharing on service delivery, administrative burdens for users, and back office efficiency. Next steps include taking stock of the use of e-services and developing ways to measure the impact of e-government. In 2006, OECD country studies of e-government were carried out for Hungary, the Netherlands and Turkey; studies of Belgium, Portugal and Ireland will be carried out in 2007.

An ageing public service

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Ageing populations force governments to review the functioning of their public sectors. An increasing ratio of older, economically inactive people per worker requires a reallocation of human resources across sectors and an increase in government productivity.

Government workforces are ageing even more rapidly than the wider labour market, increasing the fiscal burden while decreasing their capacity to maintain levels and quality of public services. Yet, this situation also represents a strategic opportunity to downsize the public sector workforce where needed, make structural changes to the conditions of employment – including increasing flexibility – and reallocate human resources to areas with growing needs (*e.g.* social and long-term care services for the elderly).

DID YOU KNOW…
that, on average, 40% of the public sector workforce will retire over the next 15 years?

The OECD strongly encourages countries to review the impact of ageing on the delivery of public services as well as on the wider financial and labour market contexts. However, few OECD countries are prepared to face the challenge. The Organisation recommends that countries choose ways to increase productivity and decrease overall costs in the public service, while taking advantage of restructuring opportunities presented by the retirement of large numbers of public servants.

Competitive cities

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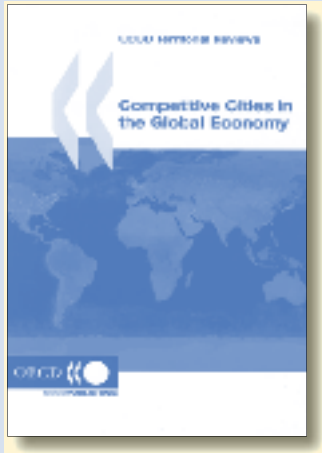


(Left to right)
OECD Director for Public Affairs and Communications, Chris Brooks; Chair, Prime Minister's External Advisory Committee on Cities and Communities, Canada, Michael Harcourt; and Mayor, City of Madrid, Spain, Alberto Ruiz-Gallardón on the Cities and globlisation panel at OECD Forum 2006.

DID YOU KNOW…
that of the world's 25 wealthiest cities, only 3 are not in the United States (London, Paris and Dublin)?

Urban areas are now home to more than half the population of OECD countries. Megacities like Tokyo and Mexico, and large agglomerations such as Helsinki, Madrid, Montreal and Stockholm are often called "engines of national growth". They represent an important part of the national economy (up to 50% for Budapest, Helsinki and Seoul) and feature higher GDP per capita and productivity levels than their national average. But cities also harbour large pockets of unemployment and poverty and suffer from problems such as congestion, pollution and crime.

Policy makers are rethinking the strategies for balancing cities' economic advantages with their accompanying problems. *Competitive Cities in the Global Economy* is a synthesis report drawing from OECD metropolitan reviews. Based on a unique international database of 78 metro-regions, it provides indicators on large cities' performance within their respective countries. The report also addresses key dilemmas, including competitiveness and social cohesion, intergovernmental relationships and urban finance.



Territorial development

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Regions are the building blocks of the national economy. The OECD looks at how governments can improve the performance of different regions and ensure economic and social cohesion and balanced development across the nation. Published in 2006, *The New Rural Paradigm* emphasises the policy imperatives brought about by the decline of agriculture as a source of employment in rural regions and emerging opportunities in non-traditional sectors, as well as how the public sector can ensure high-quality public services in remote areas. Reviews of France and Finland confirmed the increasing importance of innovation-led regional policies in these two countries.

A study of how regional approaches can help integration and development in the Mesoamerica region was also published in 2006. Future work will examine how governments can strengthen regional economies and improve policy co-ordination between the centre and regions.

Sharing expertise

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The Middle East and North Africa Good Governance for Development Initiative has established a unique regional Arab/OECD network to discuss key public governance reform issues. As a result of policy dialogue with their peers from OECD countries, the Arab countries' policy practitioners have designed a set of national governance reform action plans that were endorsed at ministerial level in Sharm el-Sheikh in May 2006.

Increasingly, China's reforms call for a regulatory structure compatible with that of a market economy. An upcoming OECD regulatory reform review of China will focus on capacities, tools and institutions for high-quality regulation.

The OECD has also recently initiated co-operation with China in the field of regional development. Major challenges include balancing growth across the territory, arresting the growing gap between urban and rural areas and reviving the competitiveness of declining regions.

In 2007 and 2008, the Organisation will further enhance its co-operation with China as it analyses regional trends, regional development policies and governance mechanisms. Other major activities, undertaken with Brazil and Russia, focus on public sector modernisation and regulatory reform. ■

DID YOU KNOW…
that in about half of the OECD countries, the legislature is restricted in its ability to amend the budget proposed by the executive?

Private sector governance

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OECD work on private sector governance looks at institutional and policy frameworks for companies. The efficiency and integrity of companies, financial institutions and markets is essential to the health and stability of our economies.

Investment

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During 2006, the OECD completed work on a number of tools designed to facilitate international investment. Working with non-member partners, the OECD completed the Policy Framework for Investment, a novel instrument for helping reform (*see box page 67*). The Organisation also adopted the OECD "Risk Awareness Tool" designed to promote responsible investment in weak governance zones (*see box page 68*). Finally, the Organisation developed a set of principles for international investor participation in infrastructure during 2006. These will be tested in a number of critical areas including the water sector.

The 2006 *Investment Policy Reviews* of China and Russia provided support for greater policy transparency and openness. OECD work also looked at investor-state dispute settlement and how to improve international standards of foreign direct investment statistics.

Building on decades of experience with investment instruments and peer surveillance, the OECD is now addressing the risk and cost of a resurgence in protectionism stemming from rising security and other strategic concerns. Through an inclusive dialogue process, it will help governments develop a shared view of least-restrictive practices which serve their respective national interests.



DID YOU KNOW…
that, in 2005, the United Kingdom was the world's largest recipient of foreign direct investment and France the most active outward investor?



(Left to right)
OECD Secretary-General, Angel Gurría, and Governor of the Bank of Italy, Mario Draghi, at the 16th Financial Stability Forum held in September 2006.

Anti-corruption

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The OECD Anti-Bribery Convention is an international legal instrument that makes it a crime to bribe foreign public officials in order to win contracts. A group of representatives from each of the Convention's 36 signatory states evaluates countries' anti-bribery laws and practices and recommends improvements that spark significant progress. Currently, 28 countries have undergone evaluation, and reviews of all participating countries will be completed by March 2008.

The OECD continues to build ties with major emerging economies in order to generate greater momentum in the global fight against corruption. The Organisation also works to strengthen anti-bribery legislation and institutions in many countries, including in Asia-Pacific, eastern Europe and central Asia and now Latin America.

DID YOU KNOW…
that, since the entry into force of the OECD Anti-Bribery Convention, there has been a marked increase in the number of investigations and prosecutions of foreign bribery?

Enhancing corporate governance

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The OECD is taking several steps to support active use of the OECD Principles of Corporate Governance. One important step is the release of an assessment methodology that national authorities can use to gauge how effectively the Principles are implemented. The efficiency of regulatory framework is also an issue of growing concern that will be taken up by both the OECD's membership and the Regional Roundtables on Corporate

Policy Framework for Investment

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The Policy Framework for Investment (PFI) aims to support development, fight poverty and promote the responsible participation of all governments in the global economy. It is the most comprehensive multilateral effort ever made to improve investment conditions around the world. The PFI addresses some 82 questions to governments in 10 policy areas critical for good policy and for attracting and maximising investment.

The PFI is based on the common values of rule of law, transparency, non-discrimination, protection of property rights, government and corporate integrity, and international co-operation. OECD ministers endorsed the PFI in 2006 when they called on the Organisation, non-member governments and other inter-governmental organisations to promote its use.

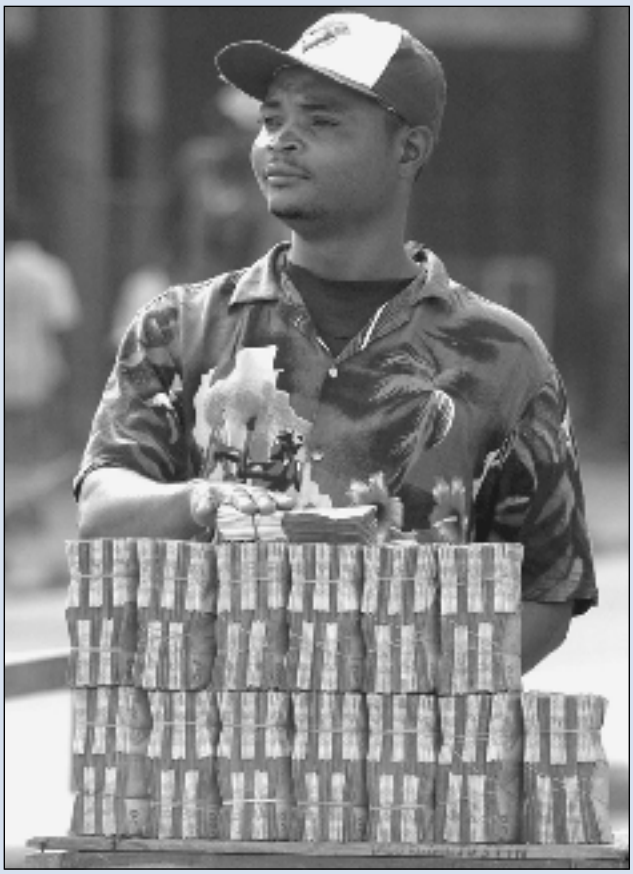
Many countries are now using the PFI at all levels of government for self-evaluation, peer reviews and reform prioritising. It forms an organising principle for OECD investment co-operation with regional initiatives in Africa, the Asia-Pacific region and South-East Europe. It can also be used in synergy with the OECD's policy guidance for donor countries to promote private investment for development. It will serve as a reference point for dialogue between governments on the one hand and business and civil society on the other.



DID YOU KNOW…
that about 60 OECD and non-OECD economies worked together with the World Bank and other international institutions to create the PFI?

Dangerous business

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The OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones was developed through extensive multi-stakeholder consultation and adopted in June 2006. It provides the only multilaterally endorsed guidance for companies operating in countries where governments are unable or unwilling to assume their responsibilities.



Multinational enterprises investing in such countries confront high risks of corruption and human rights abuses, together with ethical dilemmas not usually encountered in countries with stronger governments. The OECD Risk Awareness Tool is designed to help companies identify these risks and dilemmas and consider how best to respond to them.

The Risk Awareness Tool, which poses non-prescriptive questions for companies, is consistent with the objectives and principles of the OECD Guidelines for Multinational Enterprises. It draws on the work of the OECD in other areas, notably public governance and development assistance for conflict prevention. In the next phase of work, business and other stakeholder groups will join the OECD to share practical resources at the disposal of companies to use the Risk Awareness Tool.

Governance. The new methodology will provide a fresh tool to inform this inquiry. It will also be useful for work on hedge funds and private equity as well as issues that arise when share voting rights are not proportional to economic interests. The OECD is also working with the private sector to develop a practical boardroom guide for use of the Principles of Corporate Governance. This guide will enhance their dissemination in both member and non-member economies.

Growing interest in corporate governance has led to more ambitious expectations from the state-owned sector, including from companies which have been, or are in the process of being privatised. The OECD is responding to these challenges by increasing its work on the transparency of state-owned enterprises (SOE) and the process of privatisation. This work builds on the OECD Guidelines on Corporate Governance of State-Owned Enterprises, which also stresses the need for a level playing field in markets where state-owned enterprises and private-sector companies compete. A number of regional networks were recently launched to help non-OECD economies implement value-creating SOE reforms.



Financial education

www.oecd.org/daf/financialeducation
daf.contact@oecd.org

The OECD participated in the 2006 G8 finance ministers meeting held in Saint Petersburg in June. Ministers welcomed the OECD's ongoing work on financial education and called for further development of financial literacy guidelines based on best practices. ■

MNE Guidelines: six years on

www.oecd.org/daf/investment/guidelines
pierre.poret@oecd.org

The OECD Guidelines for Multinational Enterprises provide a global framework for responsible business conduct. While observance of the Guidelines is voluntary for businesses, adhering governments are committed to promoting them and encouraging their observance by companies operating in or from their territories.

The Guidelines have established an impressive track record. The "specific instances" procedure – a mediation facility maintained by National Contact Points (NCP) – has contributed to reducing tensions and building trust between international business and host societies. Thus far, 130 such "specific instances" have been mediated by NCPs since the Guidelines were last strengthened in 2000. Government agencies increasingly use the Guidelines as a tool for communicating expectations to business. For example, 24 countries made use of the Guidelines in the context of export credits and investment guarantees as well as in trade and investment promotion campaigns.

In 2006, a number of countries in the Middle East, East Asia and South America submitted applications to adhere to the OECD Declaration on International Investment and Multinational Enterprises, of which the Guidelines are a part. A new OECD project to promote responsible business conduct in China was also launched.

Development of non-member economies

Development co-operation

www.oecd.org/development
dac.contact@oecd.org
dev.contact@oecd.org

Over 90% of worldwide official development assistance comes from OECD donor countries. The OECD's Development Assistance Committee (DAC) is a key forum where major bilateral donors work together to increase the effectiveness of their common efforts to support sustainable development. The OECD Development Centre carries out comparative analysis of development issues and acts as an interface between OECD member countries and emerging and developing economies.

Development in Africa

www.oecd.org/dev/africanoutlook
www.africapartnershipforum.org
dev.contact@oecd.org
apf.contact@oecd.org

Changes in the world economy brought about by the growing influence of the Asian giants, particularly in relation to Africa, were the subject of intensive work, culminating in the study *The Rise of China and India: What's In It for Africa?* The annual *African Economic Outlook*, jointly published by the Development Centre and the African Development Bank, continued its monitoring of economic progress in African countries. It featured a spotlight on transport infrastructures that also highlighted the presence of China and India as significant partners for African countries.

In October 2006, the Africa Partnership Forum brought together high-level political representatives from African and OECD countries to assess Africa's development progress against Partnership commitments (*see APF, page 95*).

DID YOU KNOW…
that, even if donors meet their commitments by 2010, aid will only be slightly more generous than it was throughout the 1970s and 1980s?



(Left to right)
OECD Secretary-General, Angel Gurría, and South African Minister of Transport, Jeffrey Thamsanqa Radebe at the 6th International Forum on African Perspectives in June 2006.

Policy coherence

www.oecd.org/dev
www.oecd.org/development/policycoherence
dev.contact@oecd.org

Aid alone cannot address the needs of the developing world. OECD countries recognise the need for greater coherence in policies across sectors that affect developing countries. A number of OECD studies, completed in 2006, examined the relationship among trade, migration and aid policies in OECD countries and their impact on developing countries. While many OECD countries are committed to supporting mutual development goals, much work remains to ensure a policy coherence that can maximise the benefits for developing countries.

Governance

www.oecd.org/dev
www.oecd.org/dac/governance
dev.contact@oecd.org
dac.contact@oecd.org

The OECD works together with other international institutions, such as the World Bank and Transparency International, to improve governance standards throughout the world, including in developing countries. Published in 2006, *Uses and Abuses of Governance Indicators*, shows that governance indicators must be carefully applied by the decision makers who use them.

Human rights and development

www.oecd.org/dac/governance
dac.contact@oecd.org

Human rights and development issues have been converging in recent years. Not only is there a growing recognition of the crucial links between human rights violations, poverty, exclusion, vulnerability and conflict, there is also increasing acknowledgement of the vital role human rights play in mobilising social change, improving state-society relations and facilitating access to services.

The OECD is promoting a better understanding of how to integrate human rights more strategically into development policy and practice. *Integrating Human Rights into Development*, published in 2006, reviews the approaches taken by aid donors and their rationales for working on human rights.

The DAC is considering new opportunities for the integration of human rights in view of the ambitious reforms currently underway in the international aid system. It is also promoting dialogue and cross-disciplinary collaboration between human rights specialists and other development practitioners. The OECD-hosted "Metagora" project is developing assessment tools that will help policy-making and evaluation.



Scaling up aid

www.oecd.org/dac
dac.contact@oecd.org

In 2005, DAC donors agreed to increase aid from USD 80 billion to USD 130 billion by 2010, and to double aid to Africa. How are they doing? Aid in 2005 passed the USD 100 billion mark for the first time, but most of the increase went to exceptional debt relief for Iraq and Nigeria, and for reconstruction in Iraq and Afghanistan. Aid to Africa has increased, but so far donors' plans fall well short of target.

OECD work suggests that donors' preference for grants over loans may be misplaced, as loans promote fiscal responsibility and can contribute more to future stability and growth. Many countries are developing sound policies and national development strategies; donors need to fund these to help them achieve the Millennium Development Goals by 2015.

DID YOU KNOW…
that the West African population, estimated at 300 million in 2006, is expected to reach almost 430 million by 2020?

Aid for Trade

www.oecd.org/dac/trade
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The 2005 World Trade Organization (WTO) Hong Kong Ministerial Declaration called for the expansion of aid for trade to help developing countries, and in particular the least developed, build the supply capacity and trade-related infrastructure they need to benefit from WTO agreements and trade expansion.

Donor support to build trade capacity, or "aid for trade", is not new. Nevertheless, it must become more effective if gains from more open trade are to be shared by all countries. OECD case studies emphasise that aid for trade should act as a catalyst to stimulate both domestic and foreign investment in developing countries.

An OECD publication finds that in 2004, nearly USD 23 billion were dedicated to improving trade capacity in developing countries. This equals 24% of total official development assistance, excluding debt relief. With total aid flows projected to increase by an extra USD 50 billion by 2010, those resources are likely to increase even further. Most evaluations, however, suggest that aid for trade programmes are a poor value for money. The WTO Task Force Recommendations on Aid for Trade highlight the Paris Declaration on Aid Effectiveness as the guiding principle in setting out the challenges and roles for recipients and donors; yet, the Paris Declaration is far from being systematically applied.

In November 2006, the OECD organised a policy dialogue in Doha with non-member countries. Participants discussed experiences supporting policy reform, eliminating bottlenecks in private sector development, improving trade facilitation and designing aid for trade programmes. In conclusion, the OECD reaffirmed its engagement to improve the monitoring of aid for trade commitments, but also to integrate trade issues more effectively into aid programmes, strengthen expertise in the field and in capitals, and develop tools for results-based management of aid for trade programmes.



This book sets out the amount of aid OECD countries provide towards trade-related activities in developing countries and advocates mutual accountability at the local level to enhance the impact of Aid for Trade.

DID YOU KNOW…
that since the Uruguay Round, discounting debt relief, the share of "aid for trade" has averaged around a quarter of total ODA?

Aid effectiveness

www.oecd.org/dac/effectiveness
dac.contact@oecd.org

More than 100 countries have put aid effectiveness on the top of their development agenda by endorsing the Paris Declaration on Aid Effectiveness. The DAC was responsible for brokering the agreement and monitoring its implementation in more than 34 developing countries in 2006. This has helped deliver the commitments agreed in Paris and increase the impact of aid on development.

Capacity development

www.oecd.org/dac
dac.contact@oecd.org

Delivering on Paris Declaration commitments entails a fundamental, systemic change in the ways donors and partners approach capacity development. No longer can they view it as a simple technical or organisational knowledge transfer, mainly from north to south. It must be an endogenous process, strongly led by the partner, with donors in a supporting role. After examining 40 years of experience, the DAC Network on Governance published *The Challenge of Capacity Development: Working Towards Good Practice*. This analytical framework guides and helps customise future efforts of partner-led capacity development.

Assessing aid efforts

www.oecd.org/dac/peerreviews
dac.contact@oecd.org

The DAC carries out regular reviews of each member country's development co-operation policies and programmes. These reviews help governments improve policy making, adopt best practices and comply with agreed standards and principles. They also emphasise opportunities to learn from other countries' experiences. In 2006, reviews for Portugal, United Kingdom, Netherlands, Greece and United States were completed.

Beyond the DAC

www.oecd.org/dac
dac.contact@oecd.org

The OECD increasingly reaches out to the growing body of donors who traditionally have not participated in the Organisation's development action. This outreach aims to foster good practice and knowledge-sharing in priority development areas such as aid effectiveness, aid harmonisation and alignment (including aid untying) and statistical reporting and monitoring. The DAC Heads of Information group, co-ordinated by the OECD, reinforces links between aid agencies and strengthens their ability to reach out both to domestic audiences and to the wider donor community.

The Sahel and West Africa Club (SWAC)

www.oecd.org/sah
sahel.contact@oecd.org

As a facilitator, moderator and leader of open constructive exchanges, the Sahel and West Africa Club (SWAC) aims to play a bridging role between West African and OECD countries. In 2007, the main areas of concentration will be on medium- and long-term development perspectives, migration and cross-border cooperation, rural transformation and food security, and peace and human security in West Africa. ■

Global relations

www.oecd.org/ccnm
ccnmcont@oecd.org

The OECD's global relations strategy is based on mutual benefit, partnerships, and the sharing of OECD methods and knowledge. Co-operation with non-members forms an integral part of the Organisation's regular work on various topics from economic growth and agriculture to investment and governance. The Framework for OECD Relations with Non-Members aims to ensure coherence between the Organisation's substantive work and the needs of the global community.

The Framework recognises that the OECD's relationships with non-OECD economies are even more fundamental in today's interdependent world than they were when the Organisation was founded. Throughout 2006 and into 2007, OECD countries have been actively preparing for the future enlargement of the Organisation. This includes adopting a mechanism to help identify potential new members. Relations with non-members are and will remain an OECD priority regardless of changes to Organisation's membership.



(Left to right)
Pakistan Minister for Commerce, Humayun Akhtar Khan, and WTO Director General, Pascal Lamy, at the OECD annual ministerial meeting in May 2006.

Global strategy

www.oecd.org/ccnm
ccnmcont@oecd.org

The OECD's global relations are structured through regional approaches, country programmes and global forums on specific topics. In addition, many non-members are directly involved in the work of various formal OECD Committees as full participants or observers. The strategic framework for the OECD's global relations is built around three key objectives: contributing to the harmonious functioning of the global economy, promoting shared prosperity and encouraging knowledge-sharing for better public policy.

The OECD promotes worldwide policy coherence as part of its contribution to the harmonious functioning of the global economy (*see Development co-operation chapter, page 71*). This means ensuring that policies that achieve one aim, such as universal access to drinking water, are not undermined by other policies, such as a ban on importing or exporting water filtering equipment. The OECD also engages major emerging market economies

Brazil

www.oecd.org/ccnm/brazil
ccnmcont@oecd.org

The highlight of OECD-Brazil co-operation in 2006 was the publication of the *Economic Survey of Brazil*, which was presented at a press conference in Rio de Janeiro in November 2006. The *Survey* points out that Brazil has made considerable progress in recent years towards macroeconomic stability and economic restructuring. Productivity has risen, but Brazil's GDP growth performance (about 2.5% annually since 1995) needs to improve if the widening income gap with the OECD area is to be closed. Key actions include consolidating macroeconomic adjustment, boosting innovation in the business sector and stepping up formal labour utilisation.

The report identifies three main policy challenges for raising Brazil's growth potential:

- the quality of fiscal adjustment will need to improve in support of macroeconomic consolidation and should be based predominantly on a retrenchment of current expenditure, including on pensions, rather than further revenue hikes;
- the business sector will need to become more innovative – the fact that Brazil's R&D intensity would have to rise by a factor of four to reach the OECD average of about 1.6% of GDP illustrates the scope for action in this area;
- the use of labour inputs will need to improve through human capital accumulation, on and off the job, and by reducing informality; education attainment in particular has lagged that of Brazil's main trading partners.



This edition finds that Brazil has made good progress towards macroeconomic stability and good growth prospects and makes recommendation for realising these prospects.

and other significant players in its work in specific policy areas, such as investment or agriculture, and uses its comparative research and policy dialogue to help reduce tensions and prevent conflicts.

The OECD promotes shared prosperity by helping non-members integrate into the global economy. It also helps to enhance the economic prospects and living standards of these countries by enabling them to co-operate in and benefit from policy dialogue and related activities.

Finally, the Organisation draws on the varied experiences of economies outside its membership in order to anticipate the emergence of significant new issues relevant to the OECD's mission. It also ensures the dissemination of good practices that are relevant beyond its membership.

Regional and country programmes

www.oecd.org/ccnm/regional
ccnmcont@oecd.org

Work with non-OECD economies is organised in regional approaches and through individual programmes.

Regional initiatives include Europe, the Caucasus and Central Asia, Asia, Latin America, Middle East and North Africa (MENA), and Africa in support of the New Partnership for Africa's Development (NEPAD). A sub-regional programme in south-eastern Europe supports the aims of the Stability Pact for that region. Co-operation with Brazil, China and Russia is carried out through individual country programmes.

Global Forums

www.oecd.org/ccnm/globalforums
ccnmcont@oecd.org

Ten OECD Global Forums provide a framework for dialogue on global issues that cannot be resolved by a single country or region. These include forums on sustainable development, knowledge economy (biotechnology and e-commerce), governance, trade, international investment, international taxation, agriculture, competition and education. The tenth Global Forum was launched in July 2006 and will focus on development. Its first event, an informal experts' workshop, brought together a core group of about



(Left to right)
President of China's international institute for multinational enterprises, Wang Maolin; and Secretary-General of the organising committee of the "World Economic Development Declaration Conference", Zhang Xiaoyu, with former OECD Deputy Secretary-General, Kiyotaka Akasaka, during a visit to the OECD in December 2006.

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100 experts to identify major policy themes for the Forum's first three-year thematic cycle on development finance. The workshop also served to launch DEFINE, a global network of think tanks working on development finance which will help provide substantive inputs to the Global Forum process.

Partnerships with other international organisations

www.oecd.org/ccnm
ccnmcont@oecd.org

Partnerships with other international organisations help the OECD share its institutional and policy know-how with non-members and ensure that non-members' views are included in the Organisation's global relations programme. Partnerships also help avoid the duplication of work. Currently, the OECD has partnership agreements with the World Bank, the United Nations Conference on Trade and Development, the Inter-American and Asian Development Banks and the World Health Organization.

Sigma Programme

www.oecd.org/gov/sigma
sigma.contact@oecd.org

The Support for Improvement in Governance and Management Programme (Sigma), a joint European Union (EU)/OECD initiative mainly funded by the EU, supports the reform of central management systems in new EU member states, EU candidate countries and western Balkan countries. Major activities in 2006 included peer assistance to public internal financial control and assessment of regulatory management capacities, legislative and institutional support to public procurement, civil service reform and strengthening of policy-making and co-ordination. Sigma conducted country governance assessments as an input to the European Commission's regular progress reports. A governance assessment of Ukraine was financed by grants from Sweden and the UK. ■



(Left to right)
OECD Secretary-General, Angel Gurría, and Indian Minister of Finance, Palaniappan Chidambaram, during his visit to Paris in June 2006.

Statistics

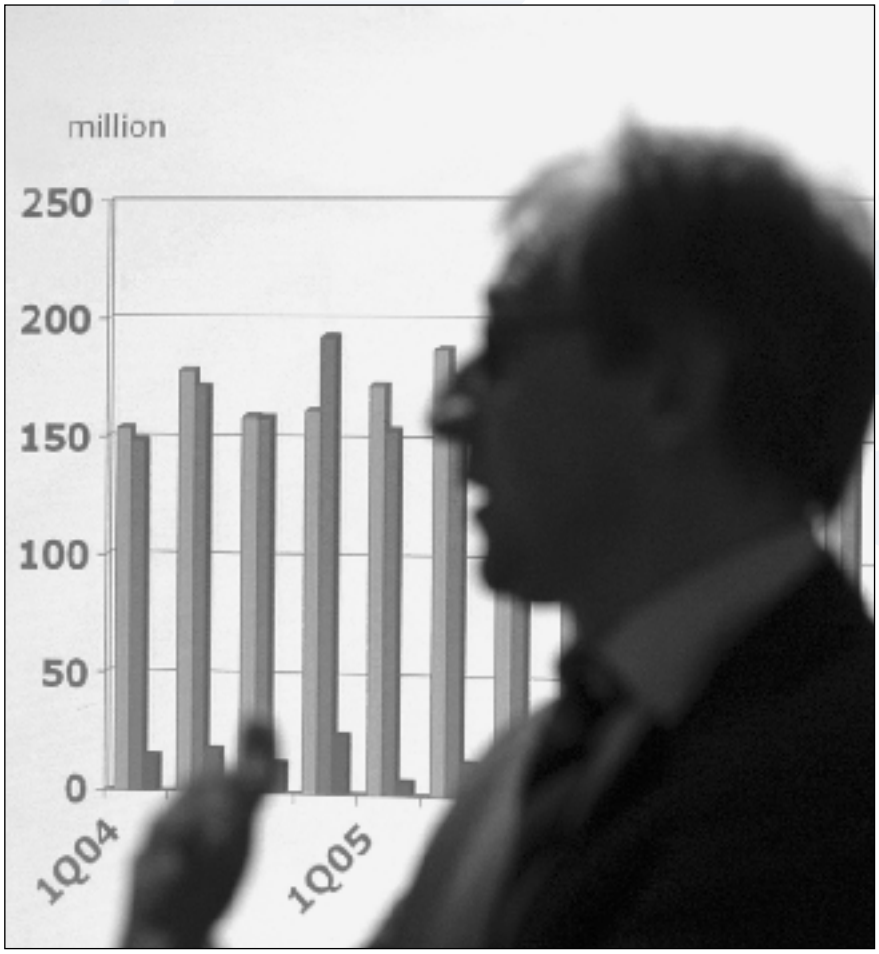
Statistics

www.oecd.org/statistics
stat.contact@oecd.org

Informed decisions require reliable information. High-quality statistics underpin the fabric of the OECD's analytical work, so their accuracy and timeliness are vital to the Organisation's reputation for quality.

The OECD compiles statistics for the 30 member countries and selected non-member economies. These statistics include indicators for areas ranging from output and inflation to health and development. This information is made public in a range of statistical publications and databases.

In addition to collecting and disseminating data, the OECD works with member countries and other international organisations to develop international standards for statistics and improve the quality and comparability of the statistics it receives.



Short-term indicators

www.oecd.org/statistics/indicators
www.oecd.org/std/research/timeliness
www.oecd.org/std/cli-ts
stat.contact@oecd.org

The OECD publishes monthly and quarterly economic indicators for national accounts, production, composite leading indicators, retail and producer prices, finance, international trade and balance of payments. The indicators are available online, on CD-ROM and in print. The OECD's principal short-term indicator database is the monthly *Main Economic Indicators* (MEI), which includes statistical series for all member countries

Societal progress indicators

www.oecd.org/statistics
stat.contact@oecd.org

Quality of life is a concern common to all societies. A consensus is now growing around the need to develop a more comprehensive view of progress – one that takes into account social, environmental and economic concerns. A country's advancement is often measured mainly by economic indicators like GDP, which is an important measure of economic activity but was not developed to be the sole measure of a nation's progress.

There is now a broad recognition that developing cross-cutting, high quality, shared, accessible information about how a society is doing is crucial to ensure that decision-making is both responsive and responsible at all levels. But, in an age of unprecedented and overwhelming information flows, the common understanding necessary for informed public discourse is often inadequate.



In response, organisations all over the globe are developing comprehensive measures of a society's progress, sustainability, well-being or quality of life. Work is being done at the sub-national, national, and international levels, undertaken by the public, private and citizen sectors, academia, and the media.

Many challenges are emerging as this work unfolds. Globalisation is making measuring and assessing a country's overall progress an issue requiring approaches that go beyond national borders. And civil society is increasingly taking the lead in calling for – even building – sets of progress measures. These challenges are putting pressure on all parts of society to find new ways of working with one another to improve their understanding and assessment of societal progress. Until now there has been no "global" discussion about how to do this.

DID YOU KNOW…
that around the world, there are hundreds of initiatives to measure societal progress?

The OECD, in cooperation with the European Commission, the Organisation of the Islamic Conference, the United Nations and the World Bank, and in partnership with Paris 21 (Partnership in Statistics for Development in the 21st Century) has embarked on a global project to measure and foster the progress of societies. The work is built around regional conferences culminating in a second "Statistics, Knowledge, Policy" World Forum, which will take place in Istanbul in June 2007 (see *www.oecd.org/oecdworldforum*).

and indicators for other economies such as Brazil, China, India, Indonesia, Russian Federation and South Africa.

GDP figures, composite leading indicators, unemployment rates, consumer prices and international trade figures are released monthly. Several improvements were made to the MEI database in 2006 to ensure the continued quality of the statistics. These changes include the provision of more detailed methodological information describing how the indicators in the MEI database are compiled by national agencies.

The OECD helps develop international guidelines and recommendations in several areas of short-term economic statistics. In 2006, the Organisation launched the online Original Release and Revisions Database. This database enables economists to perform real-time data analysis of econometric models and helps statisticians study the magnitude and direction of revisions to key short-term economic statistics published by national agencies. The OECD also works with the European Commission to develop international standards for business and consumer opinion surveys.

National accounts and financial statistics

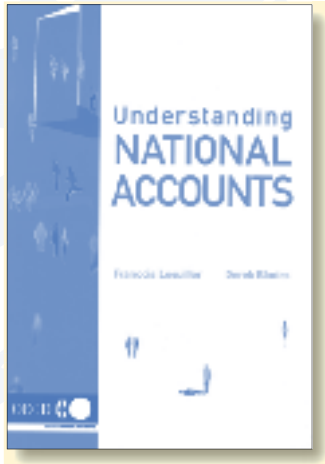
www.oecd.org/std/national-accounts
stat.contact@oecd.org

The OECD is one of the main collectors and disseminators of detailed national accounts data useful for international comparison. Several thousand data series are available for each OECD country on paper or online. These include statistics for GDP and expenditure components, employment, detailed industry accounts, general government accounts, household accounts, and financial accounts. Specialised databases for areas such as central government debt, institutional investors and bank profitability supplement the financial data.

The OECD is actively involved in an ongoing revision of the System of National Accounts (SNA), which is due to be completed in 2008. OECD experts have helped develop recommendations on a large number of issues, including pension schemes, R&D, leases and licences and labour input.

The OECD annual meetings on national accounts and financial statistics represent the most important opportunities for national and international experts to discuss measurement issues and improve international comparability of these statistics. In 2006, special attention was paid to the update of the SNA, the role of supply and use of tables in compiling national accounts, the human resources and training required for compiling national accounts, the methodological information relating to financial accounts and the national practices regarding the consolidation of financial accounts.

Also in 2006, the OECD published an e-textbook, *Understanding National Accounts*, as a contribution to the outreach program towards young economists around the world



This manual looks at volume and prices, international comparability, production, final uses, household accounts, business accounts, government accounts, and financial accounts.

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Prices and structural economic statistics

www.oecd.org/statistics/productivity
www.oecd.org/statistics/prices-ppp
www.oecd.org/statistics/trade
stat.contact@oecd.org

Productivity statistics are the centrepiece of the OECD's economic indicators. Labour and multi-factor productivity measures are available for a large number of OECD countries. The OECD also develops purchasing power parities (PPP), which form the basis for most international comparisons of GDP, GDP per capita and labour productivity. Consumer price indices are published on a regular basis, and work on house price indices was launched in 2006.

New OECD structural business statistics were released in 2006, for the first time covering indicators of enterprise demography and an integrated set of statistics by the size class of enterprises. Work is also underway to develop a set of indicators of entrepreneurship and its driving forces.

Outreach activities

www.oecd.org/std/nm-countries
stat.contact@oecd.org

The OECD works with other economies to enhance the production of reliable, internationally comparable statistics. Increasingly, work has focused on large non-member countries, particularly Brazil, China, India, Indonesia, the Russian Federation and South Africa. Work in 2006 concentrated on forming quality frameworks, measuring the non-observed economy, GDP revision, and the overall quality of national accounts. A simplified version of the OECD system of business tendency surveys has been successfully exported to China and several Latin American countries.

DID YOU KNOW…
that the OECD Country Statistical Profiles contain 150 comparable indicators providing a comprehensive view of economic, social and environmental developments?

In 2006, the OECD developed composite leading indicators for Brazil, China, India, Indonesia, the Russian Federation and South Africa. The Eurostat-OECD PPP programme covers a number of non-member economies, including the Russian Federation. Also, in co-operation with the European Commission, PPPs are developed for the western Balkan region.

Reform of statistics information system

www.oecd.org/statistics/informationsystem
stat.contact@oecd.org

The OECD's organisation-wide statistical data warehouse, OECD.Stat, now covers all major OECD statistics. The system is increasingly being used to automatically generate data online as well as paper publications. The OECD has also restructured its metadata and improved its quality, in line with the OECD Principles for metadata. In 2007, OECD.Stat will be used as the basis of a reorientation of the dissemination of all OECD statistics, enhancing metadata and stressing the coherence among all products. ■

Communications

Public affairs and communications

www.oecd.org

The OECD's public affairs and communications activities with policy makers, business representatives, academia, labour, civil society, the media and the general public generated great visibility for the Organisation over the past year. Highlights were the appointment of a new Secretary-General, the launching of a series of strategic publications and a strengthening of activities with parliaments.

Publications

www.oecd.org/publishing
oecdpublishing@oecd.org

Publications are the prime vehicle for disseminating the OECD's intellectual output. OECD statistics and analysis help policy makers assess their countries' performance in an international context and find best practice approaches to common problems. Academics worldwide use OECD's repository of information to fuel their research and teaching activities while the business community relies on OECD guidelines and conventions.

Downloads from the online library, SourceOECD, increased by 50% in 2006, to 1.5 million items. Much of the increase can be attributed to the StatLink programme which enables readers to easily access Excel tables containing the data used in many OECD books.



(Left to right)
Member of the Korean National Assembly, Mikyung Lee, and Chairman of the Economics and Security Committee of the NATO Parliamentary Assembly, US Congressman John Tanner, at the NATO meeting held in February 2007.

Working with sales agents and the OECD Centres (*see box page 84*), new efforts have been undertaken to reach more deeply into existing markets as well as into new regions. The OECD held its first sales conference specifically for sales partners in Asia. Library consortia in Austria, Germany, and Ireland are adding SourceOECD on their systems and trials are under way at institutions in the Caucasus. New sales agents have been appointed in Russia and the Baltic States, and SourceOECD is now available at universities in Moscow.

The OECD online bookshop has made it much easier to order OECD books online by enabling distributors to place orders and corporate users to establish accounts. The Organisation has also established a print-on-demand programme which will assure that most books published from 1998 onwards will never go out of print or out of stock unless replaced by newer editions.



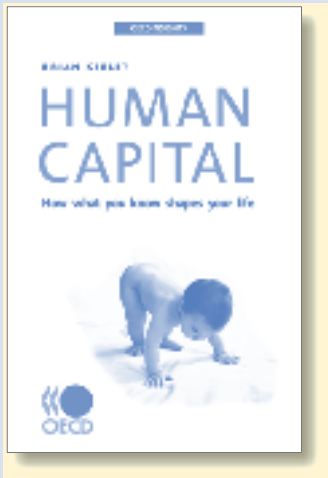
Human Capital – a strategic publication

www.oecd.org/insights
oecdpublishing@oecd.org

How does what you know shape your life?

Today's economies are becoming ever more reliant on the power of knowledge. In this new global economy, one factor is becoming increasingly important to economic growth: the abilities, skills and competencies of people, or their human capital. Developed economies require human capital to fuel growth, while individuals need it to realise their potential.

But in many countries education systems let children down, especially those from poorer families. In the preschool years, the remarkable learning abilities of very young children are often squandered. When they go to school, children may suffer from poor teaching or lack of access to the courses that would benefit them most. Even in adulthood, the people who stand to gain most from adult learning are often those least likely to receive it.



In early 2007, the OECD broadened the reach of its publications programme with the launch of the first in a new series of books, "*OECD Insights*". The first book in the series, *Human Capital*, examines the link between education and economic growth and explains how societies can best ensure that the benefits of education are spread as widely as possible. Based on research and analysis from the OECD's 30 member countries, it looks at some of the key issues in child development, education and lifelong learning today, and analyses their importance in terms of major social and economic trends.

The series seeks to provide non-specialist readers with an introduction to the OECD's work on some of today's most topical issues. Although based largely on existing OECD analysis, data and publications, the books avoid technical terminology. Wherever possible they use real-world examples to illustrate issues that societies are facing up to today. Future titles are likely to examine issues including climate change, ageing societies and corruption.

OECD Centres

www.oecd.org/centres
ricardo-luis.tejada@oecd.org



(Left to right)
OECD Secretary-General, Angel Gurría, and President of Mexico, Felipe Calderón Hinojosa, at the International Forum on Public Policies for the Development of Mexico in February 2007.

The four OECD Centres in Berlin, Mexico City, Tokyo and Washington are responsible for sales and marketing activities, customer service, public affairs, press relations and general enquiries. The Centres carry out these activities in the languages and time zones of their respective locations.

In 2006, the Berlin Centre organised, in co-operation with a wide range of partners, several high-level events on issues including globalisation and foreign direct investment, education and migration, energy, transport, and Africa. A series of dialogues, on international governance, brought together politicians, academia, social partners and civil society. Also, the Centre set up a consortium of universities which has more than doubled access to the online library SourceOECD.

The OECD Mexico Centre co-organised the hugely successful Mexico Forum on Public Policies for the Development of Mexico, which took place in Mexico City in February 2007. The Centre also grew its Latin American Program to Access OECD Information (LAP) to 145 members and launched its improved Spanish-language website.

The OECD Tokyo Centre organised a series of Tokyo Policy Forums on key issues, such as innovation and growth, tax reform, trade liberalisation, and corporate governance. The highlight of 2006 was the July Forum where the OECD's new Policy Framework for Investment (PFI) was presented to the investment community in Asia. Also in 2006, working with APEC, the Tokyo Centre also organised a seminar on PFI in Vietnam.

The OECD Washington Centre serves as an information centre for the US and Canadian markets. Centre outreach activities include seminars with OECD officials and leading experts from the Washington area, providing training sessions for researchers, and managing a public reference library of OECD publications. The Centre also acts as a liaison to the legislative and executive branches of the US government.

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Media

www.oecd.org/media
news.contact@oecd.org

The period leading up to and following the appointment of a new Secretary-General was characterised by lively media interest in the OECD. This helped raise the Organisation's profile with journalists and, through the media, with governments and civil society. Media interviews with the Secretary-General put a spotlight on the OECD ahead of and during official visits to countries ranging from Japan and Korea to Spain and Turkey. These, in turn, added depth to increasingly extensive coverage in print and broadcast media of OECD studies and reports, helping to improve public awareness and understanding of the Organisation's work on global issues. During 2006, a number of studies were the focus of major media interest, including both regular products and items such as the revised *OECD Jobs Strategy*, and *OECD Economic Survey of Russia*.

OECD online

www.oecd.org
webmaster@oecd.org



With over 15 million visits per year, the OECD Internet site is the primary public gateway to the Organisation's work. In 2006, the OECD added a new functionality to its virtual newsroom which automatically advises users about the latest updates. An area reserved for audio and video material (*www.oecd.org/audiovideo*), which includes reports produced by the OECD on hot-button economic issues, was also launched. Finally, online debates conducted by OECD economists have helped increase interaction with the public (*www.oecd.org/asktheeconomists*).

In 2007, visitors to the OECD website will be surfing in a new graphic environment and using a simplified navigation system. For those who are interested in the OECD's work with major countries that are not yet among its members, dedicated sites are now available on China (*www.oecd.org/china*), Russia (*www.oecd.org/russia*) and Brazil (*www.oecd.org/brazil*).

Parliamentary relations

www.oecd.org/publicaffairs/parliamentarians
meggan.dissly@oecd.org

Relations with parliamentarians are an imperative part of helping policy makers implement reform. The OECD has been bolstering its relations with parliamentarians in recent years. In addition to its long-standing relations with the Council of Europe and NATO Parliamentary Assemblies, the OECD organises two high-level parliamentary seminars a year, in February and October. During his overseas missions, Secretary-General Gurría regularly meets with national parliaments. In October 2006, he also made a presentation to the Foreign Affairs Commission of France's National Assembly.

Relations with civil society

www.oecd.org/civilsociety
meggan.dissly@oecd.org

The OECD has been engaged with civil society since its creation, notably through the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC), (*see box page 86*). For some time, now, OECD co-operative activities with civil society have extended to other international civil society organisations (CSOs).

In 2006, the OECD co-operated with One World Trust in its preparation of the 2006 Global Accountability Report, an assessment of the overall accountability of 30 international organisations including intergovernmental organisations, non-governmental organisations and transnational corporations.

The OECD Visits Programme welcomes some 4,000 people from civil society, academia, business, labour and government to the OECD every year.

Business and Industry Advisory Committee to the OECD (BIAC)

www.biac.org
biac@biac.org

Executive Board:

Chairman: Charles P. Heeter, Principal, Deloitte & Touche USA LLP (United States)

Vice-Chairs: George N. Addy, Partner, Davies Ward Phillips & Vineberg LLP (Canada); Guy de Panafieu, Senior Adviser, Calyon (France); Ludolf von Wartenberg, Director General and Member of the Presidential Board, Federation of German Industries (BDI) (Germany); Bruno Lamborghini, Vice-Chairman, Olivetti S.p.A. (Italy); Keikichi Honda, Special Advisor, NCR Japan, Ltd. (Japan); Jin Roy Ryu, Chairman and Chief Executive Officer of Poongsan Corporation (Korea); Erik Belfrage, Senior Vice-President, Advisor to the Chairman, SEB (Sweden).

Secretary-General: Tadahiro Asami



(Left to right)
OECD Secretary-General, Angel Gurría; BIAC Secretary-General, Tadahiro Asami; and BIAC Chairman, Charles P. Heeter at the BIAC Liaison Committee meeting in December 2006.

Trade Union Advisory Committee to the OECD (TUAC)

www.tuac.org
tuac@tuac.org

Administrative Committee:

President: John Sweeney, President of the American Federation of Labor and Congress of Industrial Organizations (AFL–CIO–USA)

Vice-Presidents: Luc Cortebeeck, President of the Belgian Confederation of Christian Trade Unions (CSC–Belgium); Tsuyoshi Takagi, President of Japanese Trade Union Confederation (RENGO–Japan); Tine Aurvig-Huggenberg er, Vice-President of the Danish Confederation of Trade Unions (LO–DK–Denmark).

General Secretary: John Evans



(Left to right)
TUAC General Secretary, John Evans, and TUAC President, John Sweeney, at the annual OECD ministerial meeting in May 2006.

OECD Forum

www.oecd.org/forum2007
oecd.forum@oecd.org

The OECD Forum is an occasion for business, government, labour, academia and civil society to debate "hot" issues on the political agenda and a key element of the OECD's communications with stakeholders. It is open to the public, and is held immediately before the OECD annual ministerial meeting.

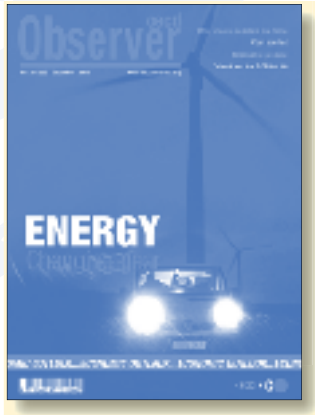
More than 1,400 people from 70 countries took part in OECD Forum 2006 on the theme "Balancing Globalisation". Greek Prime Minister Kostas Karamanlis, who chaired the ministerial meeting, spoke at the Forum, while Finance and Economy Minister George Alogoskoufis reported on the Forum debates to the ministerial meeting.

OECD Forum 2007, "Innovation, Growth and Equity" will again take place alongside the annual ministerial meeting in Paris and will be held on 14 and 15 May.

Public information

www.oecd.org/about
www.oecdobserver.org
www.oecd.org/publications/policybriefs
webmaster@oecd.org
observer@oecd.org
sue.kendall-bilicki@oecd.org

The Organisation's public magazine, the *OECD Observer*, continued to bring OECD facts and policy perspectives to a wide audience of readers. The print-run was 25,000 in 2006 and online traffic reached some 150,000 visits per month for both the English and French versions. Content highlights this year included a "spotlight" on water prepared specially for the Fourth World Water Forum in Mexico in March and a focus on energy which included contributions from several OECD ministers. In addition to the many articles from OECD experts, the *Observer* drew guest by-lines from government leaders such as Greek Prime Minister Kostas Karamanlis and the UK Minister for Further and Higher Education, Bill Rammell.



OECD Policy Briefs provide clear, concise summaries of today's global policy challenges and surveys of country economies. In 2006, the broad range of issues covered included water, investment and development, rural policy and combating cyberfraud.

Openness and transparency are crucial for winning and maintaining public confidence in multinational co-operation and the policy choices that emerge. In this regard, the *OECD Annual Report* is a key instrument for explaining the nature and work of the OECD. Indeed, it is the only publication which brings the full breadth of the Organisation's work into one volume. ■

International Energy Agency

www.iea.org
info@iea.org



The International Energy Agency (IEA) advises 26 OECD member countries on development of energy policy that promotes security of supply, economic development and environmental sustainability. The IEA also keeps immediately available a mechanism for responding to oil market supply disruptions. Over the past year, energy security remained a high priority. Soaring energy prices, supply constraints, continued demand growth, rising imports, political tensions and increasing nationalist sentiments threaten adequate, reliable and affordable energy supplies.

Recent accelerating emissions of greenhouse gases have created more urgent calls to curb emissions from energy production and consumption. Following the G8's 2005 request to help deliver the G8 Gleneagles Plan of Action on climate change, clean energy and sustainable development, the IEA reported findings on potential technology scenarios, energy efficiency measures and other abatement strategies, including clean coal, at the July 2006 G8 summit in St. Petersburg.

Increasing portions of energy demand, supply and emissions come from countries outside of the OECD. As energy challenges transcend borders, reinforced increased co-operation with IEA non-member countries is increasingly urgent. The IEA is actively engaged with key producer and consumer countries, collaborating on initiatives ranging from the establishment of emergency oil reserves to the development of emissions trading regimes.

Oil markets and security

www.oilmarketreport.org
omr@iea.org

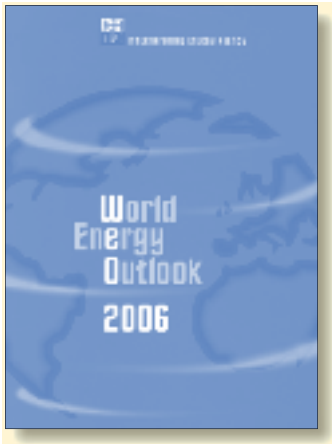
The IEA's *Oil Market Report* (OMR) is regarded as a benchmark source of analysis, data and balances on world oil markets, covering global supply, demand, OECD stocks, refinery activity, oil tanker freight and prices. The monthly report is available to the press and subscribers on release, and to the public on the OMR website two weeks later. The website also contains more than 3,000 charts and tables of oil market information. Disaggregated data on a product by product and country by country basis for demand and on a field by field basis for supply are available in the Monthly Oil Data Service. In July 2006, the IEA introduced the Medium-term Oil Market Report which will be published on a biannual basis.

DID YOU KNOW...
that two thirds of oil demand growth in 2006 came from the Middle East and China?

Energy and climate change

The IEA analyses and proposes measures for climate policies, from the competitiveness implications of CO_2 emissions trading to the links between energy security and climate policy objectives, and the contribution of energy efficiency policy. IEA work for the G8 Gleneagles Plan of Action includes analysis of energy efficiency in the buildings, appliances, industry and surface transport end-use sectors. The publication *Light's Labour's Lost* explores policies for energy efficient lighting while *Optimising Russian Natural Gas* evaluates ways to reduce gas flaring and, subsequently, lower greenhouse gas emissions and greater gas availability.

The 2006 edition of the IEA's *World Energy Outlook* provides global energy projections to 2030, highlighting reference scenario trends (assuming policies remain the same in demand, supply, investment and CO_2 emissions). Special chapters in the 2006 edition focus on the macroeconomic impact of high energy prices, biofuels, nuclear energy and Brazil, with special emphasis on an alternative policy scenario that also demonstrates that the world's energy future can be substantially improved if governments around the world implement the policies and measures currently under consideration.



This edition presents two visions of the energy future: an under-invested, vulnerable and dirty one and a clean, clever and competitive one, along with analyses of high energy prices, oil and gas investment, nuclear energy, biofuels, cooking fuels, and Brazil.

Electricity and gas

The IEA launched the first annual *Gas Market Review* in 2006, a comprehensive overview of developments in global natural gas markets to 2010. Analytical work on market reform continues as the gas and electricity industries progress towards liberalised markets. Two publications, *Learning from the Blackouts* and *Lessons from Liberalised Electricity Markets* draw from experiences thus far. Ongoing priorities include the reliability of electricity supply and the security of gas supply.

Energy technology

The IEA promotes the contributions that energy technology can make to energy security and mitigating greenhouse gas emissions. In response to the G8 Gleneagles Plan of Action, the comprehensive study *Energy Technology Perspectives* presents scenarios to return CO_2 emissions to 2003 levels by 2050 using a portfolio of current and emerging technologies. *Prospects for Hydrogen and Fuel Cells* looks at specific technologies in evaluating future potential.

DID YOU KNOW...
that more people die each year from health problems connected to burning traditional biomass for fuel than die from malaria each year?

Relations with IEA non-member countries

The IEA is strengthening its relationships with China, India, Russia and across South East Asia through collaborative efforts, including technology collaboration. *China's Power Sector Reforms* reviews policy in the electricity sector. The IEA released an energy policy review of Ukraine in October 2006, contributing to IEA efforts to build energy policy capacity throughout the Former Soviet Union and eastern and central Europe. The IEA is a member of the Executive Board of the International Energy Forum Secretariat (IEFS) and plays a central role in the producer consumer dialogue.

Energy statistics

stats@iea.org

The IEA remains the world reference for the quality, completeness and timeliness of its energy data. The IEA is developing tools to facilitate the preparation and delivery of reliable statistics worldwide, raising the profile of energy statistics in national administrations. Strengthening the expertise and experience of energy statisticians and rebuilding corporate memory are key priorities. The Joint Oil Data Initiative (JODI), an initiative of six international organisations which the IEA originated, has helped draw the attention of ministers and market participants to the importance of reliable, timely and complete statistics to monitor the oil market. ■

Nuclear Energy Agency

www.nea.fr
nea@nea.fr

The Nuclear Energy Agency (NEA) is a specialised agency within the OECD that helps its member countries to maintain and further develop, through international co-operation, the scientific, technological and legal bases required for a safe, environmentally friendly and economical use of nuclear energy for peaceful purposes. Its 28 member countries in Europe, North America and the Asia-Pacific region account for approximately 85% of the world's installed capacity for producing nuclear energy.

NEA studies and co-operative activities address nuclear safety and regulation; radioactive waste management; radiological protection and public health; nuclear science; economics, resources and technology; and legal affairs. The Agency publishes roughly 70 titles each year on these subjects. Most reports can be downloaded free of charge from the NEA website.

Securing a safe, sustainable energy supply

Nuclear power is positioned very well as a clean source of energy, producing essentially none of the CO_2 emissions which lead to climate change. Sufficient resources are also available to fuel nuclear power plants for several hundred to several thousand years, depending on the technology used. In addition, half of the world's uranium is produced in OECD member countries (Australia and Canada).

DID YOU KNOW...
that supplies of uranium may stretch from several hundred to several thousand years of consumption?

Ensuring the safe operation of nuclear power plants is the overriding goal of all plant regulators and operators. As part of these efforts, the NEA carried out an international peer review of an event in Spain, the results of which have been published in *Learning from Nuclear Regulatory Self-assessment*. Ensuring nuclear safety will be the focus of the NEA Regulatory Forum to be held in June 2007.

An economic solution to providing a bridge between current and future energy systems in the context of growing energy demand lies in the plant life extension or "longer-term operation" of nuclear power plants. In most cases, currently operating plants have an original design lifetime of 40 years, which can be safely extended to 60. Full explanations are provided in the NEA publication *Nuclear Power Plant Life Management and Longer-term Operation*.

Recent NEA work on radiological protection continues to focus on shaping the next international system of protection, notably by providing input to the International Commission on Radiological Protection (ICRP). In 2006, three regional conferences organised by the NEA made important contributions to the process.

Radioactive waste management and decommissioning

The NEA has been particularly active in this area over the past year. International experts investigated and analysed various fuel cycle schemes to assess their qualitative and quantitative impacts on the

performance of different radioactive waste repository concepts. The results of the study, published in *Advanced Nuclear Fuel Cycles and Radioactive Waste Management*, show that advanced fuel cycles offer various strategic choices regarding uranium resources and optimisation of waste repository sites and capacities, while keeping almost constant both the radiological impact of the repositories and the financial impact of the complete fuel cycle.

An international peer review of the "*Dossier* 2005 *Argile*" concerning disposal in the French Callovo-Oxfordian formation was published under the title *Safety of Geological Disposal of High-level and Long-lived Radioactive Waste in France*. Another peer review conducted by the NEA addressed *French R&D on the Partitioning and Transmutation of Long-lived Radionuclides*. Both of these were undertaken in the context of the French Government's report to Parliament as required by the 1991 "*Bataille* law".

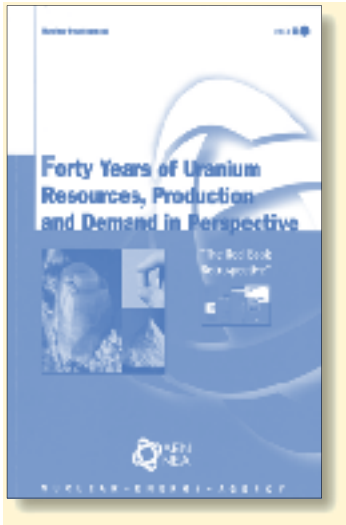
A major international conference on geological repositories will be held in Bern in October 2007. The conference will provide a forum for discussing the development of geological repositories.

Finally, decommissioning continues to gain importance in many member countries as numerous nuclear power plants approach the end of their operational life. To help meet member country needs in this area, the NEA has recently published three reports on the subject: *Selecting Strategies for the Decommissioning of Nuclear Facilities; Decommissioning Funding: Ethics, Implementation, Uncertainties;* and *Releasing the Sites of Nuclear Installations*.

International initiatives opening the way to future nuclear power

The NEA continues to provide technical secretariat services for the Generation IV International Forum (GIF), which is exploring new nuclear energy systems and the related research and development needed for their deployment by 2030. Six countries and Euratom currently participate on an active basis; Russia and China have indicated strong interest and recently signed the GIF charter. It appears from initial study results that a prototype of the sodium-cooled fast reactor, one of the six systems chosen for development, could be operational by 2020.

In the final months of 2006, the NEA was also chosen by ten countries to provide technical secretariat services for the Multinational Design Evaluation Programme (MDEP) Stage 2. The MDEP was set up to share the resources and knowledge accumulated by national nuclear regulatory authorities during their assessment of new reactor designs, with the aim of improving both the efficiency and the effectiveness of the process. In 2007, it is expected that Stage 2 will provide initial results on sectors such as digital instrumentation and control, accident requirements and emergency core cooling system requirements. ■



DID YOU KNOW...
that nuclear power is, in some cases, cheaper than both coal and gas?

European Conference of Ministers of Transport

www.cemt.org
www.oecd.org/transport
ecmt.contact@oecd.org

Joint OECD/ECMT Transport Research Centre

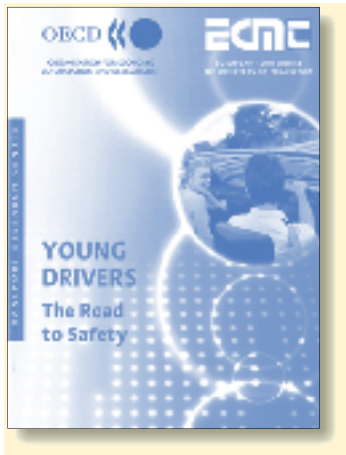
The European Conference of Ministers of Transport (ECMT) is an intergovernmental organisation that enables ministers responsible for inland transport to co-operate on policy development. The ECMT comprises 44 member countries, as well as 7 associate members and 1 observer country. The ECMT is administratively part of the OECD and contributes to many of the Organisation's activities. Its mission is to contribute to developing an efficient transport system that meets environmental and safety standards and to reflect on long-term trends in the transport sector including the implications of increased globalisation. The Joint OECD/ECMT Transport Research Centre reinforces these activities.

Ministerial meeting

At their meeting in Dublin in May 2006, transport ministers agreed on the creation of an International Transport Forum, which would include a much wider group of countries in its membership. The founding members of the Forum include all ECMT members and associate members. Other economies are also expected to participate in the future. The yearly Forum will provide ministers of transport with an opportunity to discuss topics of global, strategic importance, relating to all modes of transport, and will include the participation of leading non-government actors. The aim of the Forum is to bring high-profile, international attention to the essential role played by transport in the economy and society, while facilitating the integration of transport and logistics into key policy-making processes.

Transport and the environment

Ministers were presented with a progress report on the 1997 recommendations for CO_2 emission reductions by new cars. The most effective measures seem to be those aimed at reducing vehicle fuel consumption. Ministers agreed to give priority to these relatively inexpensive yet more effective measures rather than to highly costly options with more limited impact. Ministers also chose to give priority to policies such as vehicle taxes by CO_2 output, regulations on the energy efficiency of tyres and other vehicle components, the installation of on-board driver self-assessment systems, and improved vehicle fleet management.



Traffic accidents are the single greatest killer of 15-24 year-olds in OECD countries. This report provides an overview of young driver risk, its primary causes and concrete options to combat it.

Sustainable urban transport

Ministers also reviewed barriers to implementation of sustainable urban transport policies and identified the most effective means of taking action at government level. They affirmed that national governments must give assistance to local or regional authorities as they develop, assess and monitor sustainable urban transport strategies.

Road safety

Despite a number of positive developments, the objective to cut road deaths by half in the 2000 to 2012 period will not be met if current trends continue. A report presented to ministers proposed priority actions designed to bring this goal back within reach. Many of these actions were published in 2006 in *Speed Management* and *Young Drivers: The Road to Safety*.

Transport research

The Joint OECD/ECMT Transport Research Centre promotes economic development and contributes to structural improvements of OECD and ECMT economies through co-operative transport research programmes.

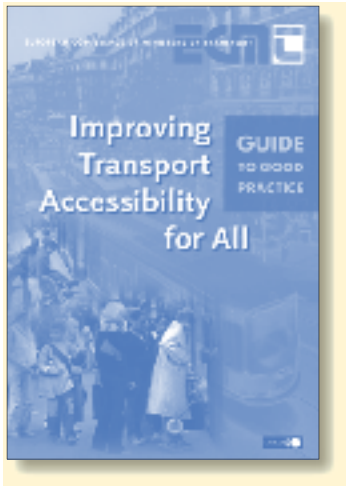
Topics covered in 2006 included traffic congestion in metropolitan areas and transport infrastructure investment. Other work included research into achieving ambitious road safety targets. The different country peer reviews which consider road safety performance outlined key problems and progress towards road safety targets in 38 member countries.

In October 2006, the Centre held the 17th Symposium on transport economics and policy in Berlin. The Symposium, which was hosted by the German Federal Ministry of Transport, Building and Urban Affairs, provided a forum to study the transport sector's role in supporting international economic co-operation.

Statistics

The ECMT produces annual statistics on trends in the transport sector, as well as annual road accident statistics. It also maintains a database on short-term trends in the inland transport sector which is updated quarterly. Data collection for investment in transport infrastructure is being reformed and the ECMT will now publish figures annually, rather than every five years.

The ECMT also prepared, in conjunction with Eurostat and the United Nations Economic Commission for Europe, a web version of the common questionnaire used for compiling transport statistics. Definitions of the statistical terms used are regularly updated and printed in the *Glossary for Transport Statistics*, available online. ■



www.cemt.org/jtrc
jtrc.contact@oecd.org

www.cemt.org/stat/conjonct
www.cemt.org/online/glossaries

DID YOU KNOW…
that road fatalities in ECMT Western European countries have dropped every year since 1992, saving over 24,000 lives?

The international fight against money laundering and terrorist financing

www.fatf-gafi.org
contact@fatf-gafi.org

The Financial Action Task Force (FATF) is an international body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing. Recommendations issued by the FATF define criminal justice and regulatory measures that national systems should implement to counter this problem. These recommendations also include international co-operation and preventive measures to be taken by financial institutions and others such as casinos, real estate dealers, lawyers and accountants.

The FATF Recommendations have become recognised as the global standard for anti-money laundering and counter-terrorist financing measures.

The FATF is continuing the third round of mutual evaluations of its members to assess whether they have introduced and effectively implemented the necessary laws, regulations or other measures. During 2006, the FATF completed evaluations of Iceland, Ireland, Portugal, Spain, Sweden and the United States, and agreed an evaluation of Denmark prepared by the International Monetary Fund (IMF).

In June 2006, the FATF granted observer status to the Republic of Korea, which will become a full member once a mutual evaluation of its anti-money laundering and counter-terrorist financing system is completed. This process of expanding membership to important jurisdictions is a critical element in building a global network.

DID YOU KNOW…
that Korea has been granted observer status to the FATF?

Typologies (studies of money laundering and terrorist financing methods and trends) play a key role in ensuring that FATF standards remain relevant. The FATF typologies reports that were issued in 2006 examined trade-based money laundering, new payment methods and the misuse of corporate vehicles.

The FATF also encourages and reinforces the work of FATF-style regional bodies (FSRB). In February 2006, it held a joint plenary meeting with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the second such meeting to include an FSRB. Topics discussed included ways to build effective anti-money laundering and counter-terrorist financing infrastructures in emerging economies, and the implications of putting Anti-Money Laundering/Combating Terrorist Financing (AML/CTF) measures in place in cash-based economies. The FATF also held a joint typologies exercise with the Eurasian Group (EAG), the FSRB for the central Asian region. Additionally, the FATF recognised the Intergovernmental Anti-Money Laundering Group for West Africa (GIABA) as an FSRB.

The FATF is an independent intergovernmental body whose secretariat is housed at the OECD. Its 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, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. ■

Africa Partnership Forum

www.africapartnershipforum.org
apf.contact@oecd.org

Africa Partnership Forum

Forum pour le Partenariat avec l'Afrique

In a globalising world, economic and social progress and international peace and stability is invariably contingent on the extent to which globalisation is *inclusive*. Progress across the whole of the global community is the sum of – and dependent on – progress across its varied regions and continents. Africa faces enduring challenges in this regard.

Aware of the stakes involved, African leaders devised, in 2001, a strategic framework for continental transformation and renewal based on self-reliance, good governance, and African ownership and leadership of its development agenda. This initiative, the New Partnership for Africa's Development (NEPAD), has become the main vehicle for prompting African reflections on the continent's development path and a key reference point for Africa's interaction with the international community.

The emergence of NEPAD was welcomed by many, including G8 nations who agreed to integrate Africa into their annual Summit agendas. This engagement was broadened and strengthened in November 2003 when, in the wake of the Evian G8 Summit, this high-level G8/NEPAD dialogue was expanded to include 20 additional African countries as well as Africa's major regional, bilateral and multilateral development partners – thus giving rise to the Africa Partnership Forum (APF).

DID YOU KNOW…
that only 23% of 4.6 million Africans living with HIV are receiving the necessary antiretroviral medicines?

The APF has become a key forum at a senior political level for discussing and monitoring policy issues, priorities and commitments in support of Africa's development. Its core remit is to catalyse action and to co-ordinate support behind African priorities and NEPAD, and to help bring Africa closer to reaching the Millennium Development Goals. It focuses on monitoring progress, identifying bottlenecks, and signalling priorities for follow-up action by APF members.

At their October 2005 meeting in London, APF members agreed to establish the APF Support Unit to backstop ongoing monitoring and analytical work. Subsequently, OECD members agreed to host the new secretariat while ensuring that APF members exercise leadership and oversight of its substantive work. The Support Unit, working in partnership with the African Union/NEPAD secretariat in preparing APF meetings, surveys development progress across the continent, assesses the implementation and delivery of commitments by African countries and Africa's development partners, and facilitates lesson-learning and information-sharing.

DID YOU KNOW…
that more than 550 million Africans lack access to electricity?

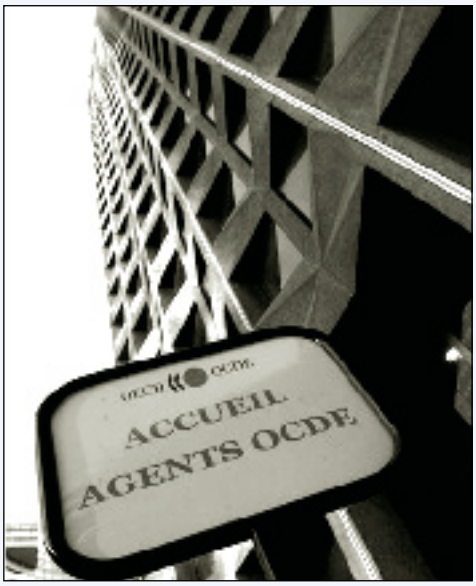
At its 7th meeting, held in Moscow in October 2006 under the aegis of the Russian G8 presidency, the APF launched its 'traffic light' monitoring system in a series of "at a glance" reports that rated progress in achieving Africa's infrastructure, HIV/AIDs and agricultural development goals. Participants also explored the African dimensions of G8 discussions on energy, poverty and infectious diseases, took stock of broader development finance patterns, and identified key "next steps" for action by the international community. Subsequent APF meetings will track progress on these issues.

The next meeting of the APF will be held in Germany in May 2007. The overarching theme for the meeting will be sustainable growth across Africa. ■

ABOUT THE OECD



Images of the OECD


























ALLEMAGNE
SECRETAIRE GENERAL
ADJOINT
PRESIDENT




OECD







Civic activities

The OECD Secretariat is a community of over 2,000 colleagues coming from all the member countries of the Organisation. It is also a community of people with training and experience in a wide range of fields such as economics, statistics, political science, law, science, communications, information technology, logistics and languages. Beyond their daily working lives, OECD Secretariat staff is active in a variety of civic activities, some of which are highlighted below.

The OECD War on Hunger Group

hunger.group@oecd.org

The OECD War on Hunger Group (WHG) was founded in 1964 by staff members with the support of the Secretary-General. It currently boasts some 200 members who make contributions to the Group. The Group also receives one-off donations and organises occasional fund-raising activities. WHG is run on a voluntary basis and all contributions go to project support.

In 2006, the WHG provided funding to 19 development projects in Asia, Africa and Latin America. The Group favours projects that assure a long-term impact and which address very poor and vulnerable groups. This includes projects that seek to improve health conditions, education and training. Empowerment of women is another chief priority for the WHG.

The Group is in regular contact with the associations or persons in charge of implementing and supervising the projects and, to the extent possible, carries out field visits.

P'tites Mains – Hands for Hope

www.pmhh.org

The association 'P'tites Mains – Hands for Hope' was established in 1999 to provide material aid and moral support to orphans, abandoned children and single mothers with young children in Romania. The association also helps people at risk in Bucharest by supporting care centres for children, in particular disabled children.



A sewing class in Southern India, funded by the OECD War on Hunger Group.

OECD ANNUAL REPORT 2007 – © OECD 2007

In 2006, the association continued to support the construction of a house that will welcome abandoned children in Valea Plopului, a village in the Carpathians. It funded the purchase of two washing machines and sent toys and clothes to disadvantaged children.

The association recently established contacts with some associations in Bucharest which have similar objectives and sponsored some children by providing food supplies. 'P'tites Mains – Hands for Hope' is currently reinforced by two members of the association in Romania.

'P'tites Mains – Hands for Hope' regularly organises charity sales.

Les Enfants de Guinée

valerie.cisse@oecd.org
maureen.pucheu@oecd.org

Les Enfants de Guinée (Children of Guinea) was established in June 2004, under the aegis of France's *Ligue de l'Enseignement*. The association helps the people of Siguiri, Guinea, by giving children, young boys and girls, women and parents an opportunity to improve their educational and health environment. It does this by providing them with a social and cultural centre to deliver training in these fields.

In 2006, the association organised four workshops (English, modelling, free expression and theatre) attended by over 100 schoolchildren. Unfortunately, space was limited and every day children would gather in crowds outside the classroom windows to watch the association's activities.

A 'breakfast break' was organised with the help of Nestlé, during which volunteers handed out chocolate milk drinks and doughnuts cooked by a young woman from Siguiri. For many of the children, this was the only meal of the day. The association brought 1,200 books to set up a section in the local library run by two young librarians, trained and paid by *Les Enfants de Guinée*.

In 2007, the association's activities will include improving the library, the centre's reading room and the playground, as well as holding reading workshops and organising a carnival for the children in Siguiri. Anyone may help by joining the association, making financial donations or donations of school satchels or promotional bags, if possible containing pencil cases filled with pens, pencils, crayons, or dictionaries.

ALORA

ALORA (*Association Loisirs, Rencontres, Ateliers*) serves as a social, cultural and educational network for the Organisation's members, delegations, and their spouses/partners who come from the 30 member countries (and a large number of non-member countries) to live and work in Paris. ALORA offers its members frequent cultural visits to interesting sites in Paris, language and other educational courses, sporting and social activities.

A special highlight of 2006 was the ALORA summer party that welcomed the new Secretary-General and Mrs. Gurría. It was held in the newly renovated Château de la Muette in June where ALORA members and their guests enjoyed a casual barbeque on the terrace of the Château basking in a very special summer sunset. ■

Executive directorate

www.oecd.org

The Executive Directorate (EXD) manages the OECD's assets, as well as its human, financial and information resources. EXD is responsible for the infrastructure and the delivery of the main services in the Organisation, including security, information and communications technologies, financial management, conference, language and documentation services.

OECD reform

In 2007, it will continue to pursue its programmes of reform, including the renovation of La Muette site (*see box page 104*), the budget and financial management programme and the review of human resource policies as well as its commitment to greater efficiency in the delivery of services.

Human resource management

www.oecd.org/hrm
hrm.eRecruit@oecd.org

The Human Resource Management Service (HRM) is responsible for recruitment, support to managers, staffing administration, training, well-being activities and a wide range of high-quality administrative, recruiting and counselling services. In 2006, HRM's top priority has been to design, in consultation with members, management and staff, a reform package of staff policies for presentation to the Secretary-General and Council.



In 2006, the OECD organised 2,400 days of conferences at headquarters.

Financial resources management

www.oecd.org/about/finstatements
financeservice@oecd.org

Financial Statements are prepared by the Finance Service in accordance with International Public Sector Accounting Standards, and are fully certified by the Organisation's Board of Auditors. The Statements now include a Report of Management, covering the internal control system. Copies of the Statements are available on the OECD website.

The Finance Service also completed and published an electronic Finance and Administration Handbook, incorporating the Organisation's principal financial and administrative policies and procedures. It maintains a continuous assessment of the Organisation's risk and control processes, in accordance with best governance principles. Major reforms of the Organisation's retirement schemes have also been implemented, including financial, management and governance practices.

Procurement and contract management services

www.oecd.org/pcm
pcm.info@oecd.org

The Organisation continues to pursue transparent and competitive procurement in order to obtain consistently high quality goods and services at best value prices. In 2006, a particular focus has been the renovation of the OECD's La Muette site.

A limited reorganisation of the central procurement unit has been implemented, placing the supervisory function under the responsibility of the Finance Service, while the specific operational contract management services are being temporarily managed separately, pending completion of the reassignment of roles.

Reinforced security

In 2006, against the continued threat of international terrorism, security for travel abroad and meetings abroad has been strengthened through intensified risk analysis and extensive guidance for a wide range of destinations. Greater co-ordination with country security services has resulted in comprehensive protection for off-site meetings. In Paris, security facilities have been strengthened through the installation of new anti-fragmentation windows and automated double-door gates.

Buildings maintenance, infrastructure and information services

Despite the current major renovation of the headquarters building and infrastructure, services have been maintained. Reduced conference facilities, a new main computing facility and other support functions, including archives and document reproduction, were provided using the newly renovated Château and Franqueville buildings.

Preparations are underway for the delivery and fitting out of the new conference centre for autumn 2007. The main office building was closed in March 2006 and the first phase of asbestos removal has been completed successfully; the building is due to re-open at the end of 2008.

Site project



Making good progress on restoration of the main office building.

A number of milestones were reached in 2006 as the renovation of OECD's Paris headquarters continued to advance on schedule and on budget.

Starting in January, staff moved back into the renovated Château building, into which the Organisation's central information and communication technology (ICT) systems had been successfully transferred over the year-end break. By March, the last staff remaining in the main office building had been transferred.

The Organisation's conference activities were relocated to the Château, in a constrained format during this transition phase. This displacement allowed the main office building to be closed for asbestos removal in preparation for restructuring in 2007-2008. Contracting for this final phase of the project was completed in the spring.

The new conference centre will be completed and opened in 2007, together with the Organisation's new main entrance and restaurant. Calls for tender are being solicited to equip and prepare the renovated site in order to bring the new facilities into operation later in the year.

On current planning, the project is due to be completed late in 2008, when the 1,000 staff currently relocated to temporary offices in Paris' La Défense area will return.

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Information and communications systems management

The Information Technology and Network (ITN) Service assures 24 hour availability of the systems that support analysis and policy development, committee work, corporate management and dissemination of public information.

In 2006, deployment of new online services improved interaction between Committee delegates and the Secretariat, and supported a 20% increased use of Committee information by national officials. Also, the ICT centre was successfully relocated to a new location with minimal disruption, and further measures were introduced to protect the Organisation against cyber and security threats.

The new Statistical Information System has improved the quality and timeliness of OECD statistical outputs. Several new systems were introduced to help OECD policy staff collaborate on Committee work, organise events and manage their daily work. Initial work began on a new integrated budget and finance management framework.

Conference and language services

www.oecd.org/about

In 2006, the OECD organised 2,400 days of conferences at headquarters. All substantive conferences planned at OECD headquarters were accommodated, despite the significant reduction of available rooms. New audio and video conference systems have contributed through the creation of flexible configurations of main and listening rooms.

In 2006, the OECD translated some 78,000 pages of documents and publications. During this period, 1,900 half-day sessions were interpreted into different languages at headquarters and support was given to increasing numbers of prestige events abroad.

A new updated and expanded edition of the bilingual *OECD Economics Glossary*, which contains some 30,000 terms and expressions covering a wide range of subject areas, was released. ■

Who does what

www.oecd.org/overview

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 has strategic, legislative and governance functions. It is composed of all the members under the chairmanship of the Secretary-General, meeting regularly at the level of Permanent Representatives.

In 2006, the Council agreed to several major changes which will have a wide impact on the Organisation in the future. These included a reform of the governance system with an extension of the decision-making procedure by Qualified Majority Voting and the introduction of a mechanism to identify countries for potential accession and countries for enhanced engagement with the OECD. The In-Depth Evaluation process for the substantive committees, launched in 2005, was expanded in 2006.

The Council meets once a year at ministerial level. In 2006, the Ministerial meeting, on the theme of "Delivering Prosperity", was held with Greece as Chair, at the Quai d'Orsay. Ten non-members participated. The meetings were followed by a handover ceremony at which the new Secretary-General, Angel Gurría, took up his functions.

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 undertaken by the OECD secretariat.

The committees are: Economic Policy Committee; Economic and Development Review Committee; Environment Policy Committee; Chemicals Committee; Development Assistance Committee; Public Governance Committee; Territorial Development Policy Committee; Trade Committee; Investment Committee; Insurance and Private Pensions Committee; Committee on Financial Markets; Committee on Fiscal Affairs; Competition Committee; Committee for Scientific and Technological Policy; Committee



Annual Meeting of the Sustainable Development Experts (AMSDE) at the OECD in September 2006.

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for Information, Computer and Communications Policy; Committee on Consumer Policy; Committee on Industry, Innovation and Entrepreneurship; Steel Committee; Tourism Committee; Employment, Labour and Social Affairs Committee; Education Committee; Committee for Agriculture; Fisheries Committee; Committee on Statistics; and External Relations Committee.

The International Energy Agency (*see box page 88*) and the OECD Nuclear Energy Agency (*see box page 90*) deal with energy issues. Work mandated by the Council is carried out by the OECD secretariat's various directorates.

Development Co-operation Directorate (DCD)

www.oecd.org/dac
dac.contact@oecd.org

The Development Co-operation Directorate (DCD) supports the work of the OECD's Development Assistance Committee (DAC) and of the OECD as a whole by assisting with policy formulation, policy co-ordination and information systems for development. The 23 DAC members constitute the world's major aid donors. The DAC's mission is to foster co-ordinated, integrated, effective and adequately financed international efforts in support of sustainable economic and social development. Recognising that developing countries themselves are ultimately responsible for their own development, the DAC concentrates on how international co-operation can contribute to developing countries' capacity to participate in the global economy and overcome poverty. The DAC Chair issues an annual *Development Co-operation Report* on the efforts and policies of the DAC members, containing official development assistance (ODA) statistics compiled by the DCD. Under the authority of a Deputy Secretary-General, the DCD works closely with other OECD directorates on issues of policy coherence for development.

Economics Department (ECO)

www.oecd.org/eco
eco.contact@oecd.org

The Economics Department examines economic and financial developments in OECD countries and selected non-member economies, under the auspices of the Economic Policy Committee (EPC) and through the Economic and Development Review Committee (EDRC), which assesses policies in individual countries. Three subsidiary bodies of the EPC – the Working Group on Short-Term Economic Prospects, Working Party No. 1 on Macroeconomic and Structural Policy Analysis, and Working Party No. 3 on Policies for the Promotion of Better International Payments Equilibrium – also carry out multilateral and structural surveillance.

The department provides an overall framework to identify structural priorities needing government attention. It assesses the implications of a broad range of structural issues in an economy-wide perspective, drawing on work by a number of OECD specialised committees. Most recently, this has included work on product market regulation, competition, immigration, education, the political economy of reforms and the effects of globalisation on inflation.

The department's twice-yearly *OECD Economic Outlook* analyses macroeconomic developments and near-term prospects, highlighting key policy issues, and includes chapters on related macroeconomic topics. The

annual publication *Going for Growth* presents the results of the ongoing horizontal structural surveillance process. About 20 *OECD Country Surveys* of member and non-member economies are published annually, covering the key macroeconomic and structural challenges.

Directorate for Education (EDU)

www.oecd.org/edu
edu.contact@oecd.org

The Directorate for Education helps member countries achieve high-quality learning for all that contributes to personal development, sustainable economic growth and social cohesion. The directorate helps countries design and implement effective policies to address the many challenges faced by educational systems. In particular, EDU develops strategies for promoting lifelong learning in coherence with other socio-economic policies. It focuses on how to evaluate and improve outcomes of education; to promote quality teaching and to build social cohesion through education. Its current activities also include work on the adjustment needed by tertiary education in a global economy, as well as on the future of education.

The directorate produces regular peer reviews of educational systems of member and non-member countries. Progress in education and training systems is presented in an annual compendium of statistics and indicators, *Education at a Glance*. The Programme for International Student Assessment (PISA) provides direct assessment of the levels of achievement of 15-year-olds every 3 years. Major policy messages from the work are published in the annual *Education Policy Analysis*. Thematic and country reviews of educational systems are regularly published. Investigations of long-range trends and innovations in education are the specific focus of the Centre for Educational Research and Innovation. The Programme on Institutional Management in Higher Education addresses governance and other strategic issues affecting universities and other institutions, while the Programme on Educational Building focuses on infrastructure.

Directorate for Employment, Labour and Social Affairs (ELS)

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The Directorate for Employment, Labour and Social Affairs (ELS) oversees work on the interrelated policy areas that can promote employment and prevent social exclusion. Its activities are focused on four main themes: employment and training, health, international migration and social issues. Employment-oriented social policies are considered a key to helping the inactive working-age population get into work and combating poverty and social exclusion. The impact of population ageing on the labour market, the financing of social protection systems, and the implications for migration flows and policies, are another major theme of the directorate's work. Health, given the impact it can have on society's well-being as well as its cost to governments, is also a priority.

The directorate monitors employment and earnings patterns and the annual *Employment Outlook* offers analysis of key labour market trends and policies as well as adult training policies. *Jobs for Youth* and *Sickness, Disability and Work: Breaking the Barriers* look at policies to improve employment prospects of youth and disabled people. The stocks and flows of migrants and effects of

how and why people move between countries are studied and summarised in the *International Migration Outlook*. Health and social trends are monitored regularly in *Health at a Glance*, *Society at a Glance* and *Pensions at a Glance*. The directorate also looks at the effectiveness of healthcare, social welfare programmes and the role of women in the labour force.

Centre for Entrepreneurship, SMEs and Local Development (CFE)

www.oecd.org/cfe
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The Centre for Entrepreneurship, SMEs and Local Development was created in July 2004, grouping the Local Economic and Employment Development (LEED) Programme and the Small and Medium-sized Enterprise and Entrepreneurship (SME) Division. In February 2005, the OECD Tourism Programme joined the Centre, highlighting the importance of this key and growing branch of the service economy, and exploiting the synergies which exist between tourism, SMEs and local development. The mission of the Centre for Entrepreneurship is to foster the development of an entrepreneurial society, capable of innovating, creating jobs and seizing the opportunities provided by globalisation while helping to promote sustainable growth, integrated development and social cohesion.

In carrying out its work, the CFE draws on the combined in-house expertise of other OECD directorates, its member governments and its extensive network of international experts. Because of its institutional openness and flexibility, the CFE has been called a centre without walls. As the OECD's one-stop shop for entrepreneurship, SME, local development and tourism issues, the CFE thus ensures that the results of its work are timely and cutting-edge and is able to make practical policy recommendations that strike at the core of the concerns of its members.

Environment Directorate (ENV)

www.oecd.org/env
env.contact@oecd.org

The Environment Directorate helps member countries to design and implement efficient and effective policies to address environmental problems and to manage natural resources in a sustainable way. To encourage more sustainable consumption and production patterns, the directorate examines the interplay between the environment and economic, sectoral, or social concerns. It works with other directorates on key issues such as trade and investment, agriculture, transport, climate change, and environmental taxes and is a key contributor to the OECD's work on sustainable development. The directorate produces regular peer reviews of member countries' environmental performance. It keeps a permanent watch on environmental performance, compiles environmental data and indicators and produces future-oriented outlooks of environmental conditions. Its programme on environmental health and safety includes work on chemical testing and risk assessment procedures, co-ordinating data and laboratory practice standards, promoting international co-operation on the safety testing and risk assessment of manufactured nanomaterials, and harmonising methodologies for assessing the safety of modern biotechnology products. The work of the directorate supports the implementation of the OECD Environmental Strategy for the First Decade of the 21st Century, adopted by OECD countries in 2001.

Executive Directorate (EXD)

www.oecd.org

The Executive Directorate (EXD) manages the OECD's assets, as well as its human, financial and information resources. EXD is responsible for the OECD infrastructure and the delivery of the main services including security, ICT, financial management, conference, language and documentation services.

Directorate for Financial and Enterprise Affairs (DAF)

www.oecd.org/daf
daf.contact@oecd.org

The Directorate for Financial and Enterprise Affairs (DAF) seeks to improve the quality of governance for business and markets. DAF supports government policies and international co-operation to promote market efficiency and combat abuse. It takes up public policy challenges of direct concern to business – including investment, finance, corporate governance, competition and anti-corruption – to enhance economic growth and development and to ensure financial stability. It also promotes the effective integration of non-OECD countries in the global economy.

DAF staff work closely with senior government officials from OECD member and non-member countries to develop recommendations, best practices, international standards and sometimes legally binding agreements based on cross-country analysis, roundtable discussion and peer review. These efforts are enriched by regular contacts and consultations with the private sector, labour and other civil society representatives.

DAF's work is carried out through six established OECD bodies – the Investment Committee, the Competition Committee, the Financial Markets Committee, the Insurance and Private Pensions Committee, the Steering Group on Corporate Governance and the Working Group on Bribery in International Business Transactions. Non-OECD countries participate actively in this work and several have undertaken the same commitments as OECD members in tackling corruption, ensuring non-discriminatory treatment for foreign investors and recommending high-standard behaviour to their multinational enterprises.

Public Affairs and Communications Directorate (PAC)

www.oecd.org

The Public Affairs and Communications Directorate (PAC) makes information about the OECD's work available to the public in a timely manner, contributing to the transparency and openness of the Organisation. PAC presents "work in progress" on the Internet to elicit public comment, and is responsible for media relations. It also handles the publication (including foreign rights and multilingual translations) and marketing of some 250 books a year, as well as managing a fast-growing online bookshop, the *OECD Observer* magazine, *Policy Briefs*, the *Annual Report* and the Ministerial "Key Information" booklet. The directorate manages the OECD's relations with the Business and Industry Advisory Committee to the OECD (BIAC), the Trade Union Advisory Committee to the OECD (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 leaders of government with business, labour, academics and other civil society organisations to debate issues on the OECD ministerial agenda. PAC is also responsible for the OECD centres in Berlin, Mexico City, Tokyo and Washington, and serves as a point of contact with other international bodies, parliamentarians, non-governmental organisations and the general public.

Public Governance and Territorial Development Directorate (GOV)

www.oecd.org/gov
gov.contact@oecd.org

The Public Governance and Territorial Development Directorate (GOV) helps countries to adapt their government systems and territorial policies to the changing needs of society. This involves improving government efficiency while protecting and promoting society's longer-term governance values. Under the auspices of the Public Governance Committee and the Territorial Development Policy Committee, the directorate analyses how governments manage the public sector, improve public service delivery and make policy implementation more coherent. The directorate promotes innovation in territorial development policy and helps countries manage the current shift from providing subsidies to enhancing territorial competitiveness and from sectoral to place-based policies. It also develops recommendations on best practices and identifies emerging challenges such as e-government. The directorate is also developing comparative indicators on good governance and efficient public services.

One of GOV's primary functions is to create a forum where countries can exchange ideas on how to address governance challenges. Top government officials meet in specialised working groups on budgeting and management, policy making, regulatory reform, human resources management, managing conflict of interest, e-government, territorial policy in urban and rural areas, and territorial indicators.

Directorate for Science, Technology and Industry (STI)

www.oecd.org/sti
sti.contact@oecd.org

The overall mission of the Directorate for Science, Technology and Industry (STI) is to help OECD member countries understand and, where necessary, shape the evolution of a knowledge-based economy, and to adapt national policies to achieve the highest innovation potential and seize opportunities provided by technological change and globalisation. The directorate provides indicators, analysis, recommendations and, occasionally, "soft-law" guidelines to help governments formulate policies on science, technology, industry and innovation issues. The Committee on Industry, Innovation and Entrepreneurship examines framework conditions for competitiveness in industry and services, productivity growth and the implications of globalisation and technological change. The Committee for Scientific and Technological Policy examines policies to stimulate science and innovation, improve the contribution of intellectual property rights to economic growth and enhance the effectiveness of R&D and industry-science linkages. Its Working Party on Biotechnology focuses on policy analysis and development, as well as metrics aimed at maximising the contribution that biotechnology can make to sustainable growth. The Committee for Information, Computer

and Communications Policy helps understand emerging trends in ICT development, applications and use, notably the Internet, and helps formulate public policy towards a better information society. The Committee on Consumer Policy focuses on enhancing consumer protection and user trust in the online environment. The Economic Analysis and Statistics Division collects and analyses statistics and indicators on topics related to science, technology and innovation, including R&D, patents, human resources, biotechnology, and ICTs. The directorate also serves the Steel Committee and the Council Working Party on Shipbuilding.

Statistics Directorate (STD)

www.oecd.org/std
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The Statistics Directorate collects economic statistics from member countries as well as from across the OECD. These are standardised to make them internationally comparable, and are published in both printed and electronic form. The monthly *Main Economic Indicators* is one of the directorate's principal publications. Other specialised publications cover foreign trade, national accounts, employment and unemployment. Other parts of the OECD publish data and indicators for specialised sectors.

In collaboration with statisticians from member countries and other international organisations, the OECD plays a major role in developing new statistical standards and data systems to respond to new policy concerns and users' needs. The Statistics Directorate is also in charge of the co-ordination of all OECD statistical activities and of the development of the new OECD statistical information system.

Centre for Tax Policy and Administration (CTPA)

www.oecd.org/ctp
ctpa.contact@oecd.org

The Centre for Tax Policy and Administration (CTPA) is the focal point for the OECD's work on taxation. The CTPA provides technical expertise to the Committee on Fiscal Affairs, which covers all taxes (other than customs duties), tax policy and tax administration. The CTPA's statistical outputs (*Revenue Statistics*, *Taxing Wages* and the OECD Tax Statistics online database) provide annual comparisons of the levels and structures of tax revenues.

The CTPA also fosters dialogue with non-OECD economies, thereby promoting international co-operation in taxation. The partnership programme, which includes more than 80 countries, is integral to the CTPA's core work, particularly in the areas of negotiating, applying and interpreting tax treaties, transfer pricing and effective exchange of information between tax administrations.

The CTPA contributes to the work of other OECD committees in projects which have a strong tax component. Recent examples include approaches to overcoming the obstacles to the use of environmentally related taxes, analysis of the role of tax policy in mobilising investment and an investigation of the ways in which taxes affect the net value of social benefits.

Directorate for Trade and Agriculture (TAD)

www.oecd.org/tad
tad.contact@oecd.org

The work of the Directorate for Trade and Agriculture provides support for a strong, rules-based multilateral trading system (MTS), and advice to help OECD and non-member governments design and implement policies in both the trade and agriculture domains that achieve their goals, in effective, efficient and least market-distorting ways. Work on trade supports the process of progressive liberalisation flowing from negotiations in the World Trade Organisation (WTO) and the effective functioning of the MTS. OECD Trade Committee analysis seeks to underpin the rationale for continued trade liberalisation and addresses a range of issues of public concern, examining issues in ongoing negotiations, in areas such as services, trade facilitation and impact assessment. Work to prepare future trade negotiations covers new categories of trade rules, such as those for the environment, competition and investment policy. And unique work in export credits steers countries away from distorted trade. Work undertaken by the Committees for Agriculture and for Fisheries helps identify policies to achieve sustainable management of agricultural and fisheries resources, covering policy reform, trade liberalisation, and sustainability. The directorate also manages a programme to develop product standards that facilitate trade and a co-operative research programme for sustainable agricultural systems. The directorate's work consistently maintains policy dialogue between OECD countries and major non-member economies. Consultations with civil society and a range of other communication efforts directed to governments and various public interest groups are key elements of the directorate's activities. On 1 December 2006, the Trade Directorate and the Directorate for Food, Agriculture and Fisheries were merged to form the new Directorate for Trade and Agriculture (TAD).

Development Centre (DEV)

www.oecd.org/dev
dev.contact@oecd.org

The Development Centre serves as the OECD's strategic interface with the international development research community, to support the OECD's strategic priorities through research-based policy analysis and dialogue on development issues, with special emphasis on policy coherence. It also helps deepen the OECD's partnership with developing countries and various state and non-state actors interested in making a contribution to OECD policy deliberations; and provides a focal point for stakeholders in government and civil society, academia, and the media concerned with economic development in the poorer countries. The Development Centre's membership is entirely voluntary, and includes most OECD countries and some developing countries wishing to be engaged in the Organisation's development dialogue.

The Sahel and West Africa Club (SWAC)

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The OECD's policy dialogue with Africa is also developing at a regional level, in particular through the work of the Sahel and West Africa Club (SWAC). As a semi-autonomous body within the OECD, the Sahel and West Africa Club plays a bridging role, an interface between West African actors and OECD's member countries. Its main objectives are to: help identify strategic questions

related to medium- and long-term development in West Africa; contribute to mobilising and strengthening African capacities within a network approach; and promote constructive debates that lead to innovative decisions within and outside the region. The SWAC focuses its efforts on four areas of interest for the region and for the international community. Furthermore, these areas of concentration correspond to the concerns for the region's future, set out notably in the New Partnership for Africa's Development (NEPAD), the Vision of the African Union, and the partnership agreement recently concluded between the SWAC and ECOWAS secretariats. These four areas are: (i) medium- and long-term development perspectives; (ii) rural transformation and sustainable development; (iii) local development and the process of regional integration; and (iv) governance, conflict dynamics, peace and security.

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

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ccnmcont@oecd.org

The OECD has 30 member countries, but many more countries and economies outside its membership are involved in a wide range of the Organisation's work. The Centre for Co-operation with Non-Members (CCNM) develops and oversees the strategic orientations of the OECD's global relations with non-members. The CCNM services the External Relations Committee (ERC) and works with the Organisation's members to help them agree on the substantive priorities and to ensure that relevant regions and countries or economies are engaged in the Organisation's work. Furthermore, it advises the Secretary-General and his deputies and provides guidance to the secretariat to ensure that the OECD's relations with non-members develop in a co-ordinated manner and in line with the agreed strategic objectives. The Centre acts as a point of contact for non-members, guiding them in their relations with the Organisation, while maintaining an overall view of non-members' relations with the OECD. It co-ordinates both the non-members' participation in OECD bodies and the process of accession of new members, including supporting the Council discussions on the enlargement of the Organisation. The CCNM is also a point of contact with other international organisations and promotes and co-ordinates relations with them.

The International Futures Programme

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The role of the International Futures Programme (IFP), which reports directly to the OECD Secretary-General, is to identify newly emerging economic and social issues that may have an important bearing on member countries' policy-making in the years ahead. Its purpose is to promote strategic thinking, test new ideas for the Organisation, develop cross-disciplinary approaches, and stimulate dialogue among government, business and research on matters of long-term interest. Much of its work is made available in the form of OECD reports and publications. Current activities include advice to member countries on managing major risks – natural and man-made – in an increasingly interdependent and uncertain world environment; work on the financing of future global infrastructure needs; the economic analysis of space-based applications such as earth observation and global positioning and navigation; the future of international migration; and the wider implications of the emergence of the bioeconomy. ■

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OECD directory

Economic growth and stability

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Globalisation and the knowledge economy
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Employment, social cohesion and environment

Employment and social cohesion
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Sickness, disability and work
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From immigration to integration
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Environmental Performance Review of China
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International trade and taxation

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Denying tax deductions for bribes
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Governance

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Ministerial Council Meeting 2006

www.oecd.org/mcm2006

The 2006 Ministerial Council Meeting (MCM) was held in the *Hôtel du Ministre* at the French Ministry of Foreign Affairs at the Quai d'Orsay on 23-24 May. It was chaired by Greece, with Canada and Korea as Vice-Chairs.



The theme of MCM 2006 focused on medium- and long-run macroeconomic and structural issues under the general title of Delivering Prosperity. In his summary, the Greek Prime Minister Kostas Karamanlis reported that ministers welcomed the following OECD outputs, projects and Council resolutions:

i) Policy Framework for Investment (PFI) and the Policy Guidance for Donors for Using Overseas Development Assistance to Promote Private Investment, which together constitute the OECD Initiative on Investment for Development (launched after the 2003 MCM);

ii) the OECD study on Intellectual Assets and Value Creation as well as the proposed follow-up study to deepen understanding of the importance of intellectual assets as a driving force for innovation and value creation, including in corporate organisation and regional clusters;

iii) the Council resolution on a new governance structure for the Organisation; and

iv) the Council decision to establish by July 2006 a mechanism to identify countries for potential accession and countries for enhanced engagement.



(Left to right)
US Assistant Secretary of State for Economic and Business Affairs, Earl Anthony Wayne, and Italian Director General of the Treasury, Vittorio Grilli, at the OECD annual ministerial meeting in May 2006.

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The Chair's summary also included a number of mandates or action items. These were:

- Political Economy of Structural Reforms: "…the OECD should be invited to study the success stories and failures in reforms undertaken by countries."

- OECD Initiative on Investment for Development: "Ministers called on the OECD to continue to work with non-Member governments and other inter-governmental organisations to promote the active use of the PFI."

- Emerging Economies: "Ministers called on the Organisation to support this process and to strengthen its capacity to deal with global issues and the impact of important new players in a comprehensive, systematic and forward-looking manner, in order to help its Members fully reap the benefits and respond to the challenges of globalisation." … "During the discussions, Japan proposed further studies on preventing proliferation of counterfeits and pirated goods."

- Trade: "Ministers also called for the OECD to undertake work on the results of the Doha Round, and their linkages to domestic reforms, as well as on post-DDA issues."

- OECD Governance and Enlargement: "Ministers welcomed the Council decision to establish by July 2006 a mechanism to identify countries for potential accession and countries for enhanced engagement with the OECD and invited the Secretary-General to report on progress at the next MCM." … "Ministers invited the Secretary-General to develop new ideas and be proactive in approaching non-member economies with a view to making the OECD a permanent hub for dialogue on global economic issues for member and non-member economies and to report on progress in this area at the next ministerial meeting in 2007." ■



(Left to right)
French Foreign Affairs Minister, Philippe Douste-Blazy, and Greek Prime Minister, Kostas Karamanlis, at the annual OECD ministerial meeting in May 2006.

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SECRETARY-GENERAL: Angel Gurría

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March 2007

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France, 1961
Germany, 1961
Greece, 1961
Hungary, 1996
Iceland, 1961
Ireland, 1961
Italy, 1962
Japan, 1964
Korea, 1996
Luxembourg, 1961
Mexico, 1994
Netherlands, 1961
New Zealand, 1973
Norway, 1961
Poland, 1996
Portugal, 1961
Slovak Republic, 2000
Spain, 1961
Sweden, 1961
Switzerland, 1961
Turkey, 1961
United Kingdom, 1961
United States, 1961

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