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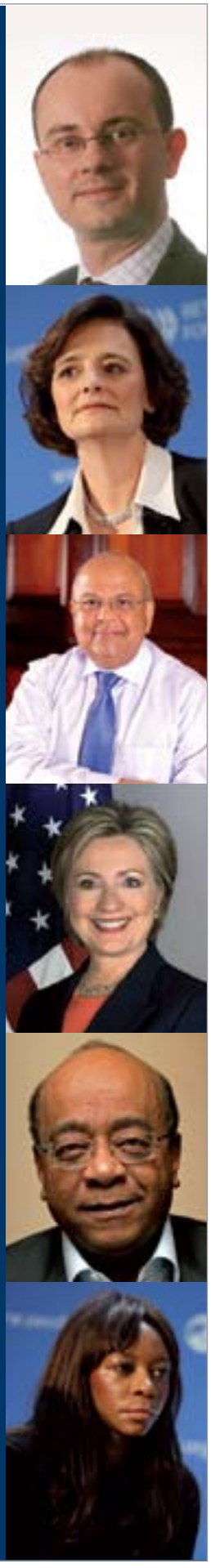

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OECD Yearbook 2012

BETTER POLICIES FOR BETTER LIVES

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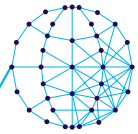

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Towards a positive legacy of a terrible crisis

Angel Gurría, Secretary-General of the OECD

The economic outlook for 2012 is very different than it was a year ago. The cautious optimism that reigned in the first half of 2011 has faded amid renewed uncertainty about the state of the global economy and malaise about the future. The road to recovery is a difficult one, and strong leadership and resolute collective commitment to change are now needed to unblock progress in 2012. Sinking into helpless pessimism is not an option: we need to re-inject hope and confidence.

While no one expected a miraculous recovery from the flagging growth and stubborn unemployment that had beleaguered most advanced economies since 2008, a number of signs pointed to at least a fragile recovery. European countries came under pressure as markets began to worry about the public debt not just of Greece, Ireland and Portugal, but of larger countries as well. This caused debate over the future of the euro, as this *Yearbook* shows, fuelling efforts to reinforce the basis of the currency union. In Japan debt rose above 200% of GDP partly as a consequence of the tragic earthquake and the related reconstruction efforts. Meanwhile, a stalemate in the US over budget negotiations did little to shore up market sentiment.

Despite repeated negotiations and public pronouncements, financial markets remained fraught, while economic conditions deteriorated. Today, many of the world's largest economies are close to standstill, trade is stalling and we really cannot expect any easing in unemployment before 2013, when the OECD average is projected to dip back below 8%. Growth is slowing in emerging-market economies too, with Brazil's GDP decelerating from 7.5% in 2010 to an expected 3.2% in 2012.

But there is an upside scenario, which can be realised through good policies, determined leadership and international co-operation. Steadfast action is essential to unblock the situation in the short run, but policymakers must adopt a far-sighted approach and not be swayed by daily headlines.

Consider the sovereign debt crisis. Putting public finances on a sustainable track over the medium term requires appropriate fiscal frameworks and a commitment to credible and clear consolidation plans. Because deficit and debt reductions require economic growth, fiscal consolidation needs to be as growth-friendly as possible. With interest rates so low, there is limited room to ease monetary policy further. A promising way to go is to improve the basic structure and nature of our economies and societies. In this second *OECD Yearbook* I highlight what we consider to be the main areas for concrete policy action in 2012.

Go structural—

The "go structural" agenda we have been promoting focuses on strategic areas such as education, health, labour markets, competition, taxes, green growth and innovation. Take new sources of growth and the related structural reform in product markets. More effort is needed to improve competition—not least in financial markets where no institution should be allowed to become "too big to fail"—but also in the likes of services and energy supply industries, where restrictions hold back investment and job creation.

Innovation is one of the most important new sources of growth. Concrete policies can produce more investments and jobs, as our Innovation Strategy of 2010 made clear. We must reboot our economies with a more intelligent

type of growth, driven by new start-ups, innovative research, and the dynamism of small and medium enterprises. We need new ideas, new entrepreneurs, new business models. And we need renewable energies and green technologies to move to a low-carbon era.

In the large emerging-market economies, structural reforms can do much to narrow national and global balances in a durable manner. In China efforts to bolster social welfare systems could reduce the need for precautionary saving and lift consumer demand. This in turn could help curb the large current account surpluses there, while bolstering exports from deficit countries.

—and go social

But simply returning to growth is not enough. It is impossible to overstress this point. Human suffering and social strife have been the most tragic consequences of this crisis. Moreover, as this *Yearbook* shows, rising inequality and discontent among the middle classes risk undermining the entire economic system.

I see three pressing social challenges to restore confidence: stop unemployment from becoming entrenched in many countries, focus more attention on youths, and reduce the inequality which threatens social cohesion and living standards. In 2012 governments must "go social" by deploying appropriate structural and social policies.

Unemployment is the human face of the crisis. More than 200 million people are unemployed worldwide, and 45 million of them are in OECD countries. The situation is even more dramatic if we look at young people. Even before the crisis in 2007 and early 2008 when the OECD economies were at their strongest and the overall unemployment rate was less than 6%, average youth unemployment remained stubbornly high, at over 15%. Today, it stands at about 20%. The situation is worse still in some countries: one in four youths currently in the labour market in France or in Italy is jobless. Youth unemployment in Spain has risen to close to 49%. We must use every means possible to avoid the current risk of a "lost generation".

"Stronger!" This was the central message in the *OECD Employment Outlook 2011* and behind the G20's significant decision to set up a Task Force on Employment focusing on youths. What can governments do in 2012? A two-pronged approach is needed.

First, they must ensure that their labour market programmes are active, with counselling, job-search assistance and temporary hiring subsidies for low-skilled youths.

Then, to give all youths a better start in the labour market in the long run, they may need to review their whole education systems and get started on the job of equipping youths with the basic skills they need. There may be vocational education and training programmes to design or best practices to emulate. For instance, youth unemployment rates are lower in countries with successful apprenticeship systems, such as Austria, Germany and the Netherlands.

As part of our effort in supporting policymakers, we will be issuing the OECD Skills Strategy in 2012, identifying the skills that are needed to ensure a shift from lifetime employment to lifetime employability, and examining the most effective policies.

A vital step to deal with the unemployment scourge is to reverse the steep rise in the number of people who have been unemployed for a year or more. Today, this concerns a third of unemployed workers in the US and about 40% in Spain, meaning wasted resources and, worse, exclusion and poverty. Given the crisis, governments must introduce pro-active, cost-effective measures, such as hiring subsidies which support companies ready to expand their workforces, and investment in training to boost skills and give jobseekers a better chance of finding decent work.

Fighting inequality

Going social will also help reduce inequality; this was already rising before the global financial crisis and may well have accelerated since. The title of our new publication on this issue sounds an ominous warning: *Divided We Stand: Why Inequality Keeps Rising*. In fact, inequality is on the rise in most advanced and emerging-market G20 economies and so threatens welfare globally, putting more and more ordinary people and their families in difficult circumstances. It doesn't have to be that way.

Clearly in many OECD countries, deficiencies of the tax and benefit systems and the inability to redistribute income are to blame. These systems must be redesigned. However, our labour market, education and training programmes must also work to maximise opportunity and inclusiveness.

Action must be taken. For a start, policymakers must draw lessons from the countries where the social fallout of the crisis has been contained. Also, they should target policies on burden sharing and helping the most vulnerable. As past recessions have shown, across-the-board cuts in social programmes hurt low-income groups who depend most on social benefits. Tax cuts, which have often tended to favour the rich, have widened disparities and chipped away at social cohesion.

OECD countries are not the only ones that must go social. Expanding the coverage of basic social protection is starting to help emerging economies reduce poverty and exclusion, for instance, through conditional cash transfers that combine

income support with investment in the education and health of children. In short, governments must prioritise families and children when deciding their tax and spending strategies.

Empowering women

The condition of women is particularly important, both from a social and an economic perspective. As this *Yearbook* shows, the employment rate of women lags far behind that of men in most countries. Yet no economy can achieve its potential if it fails to take full advantage of the contribution of women. This was the impetus behind the launch of the OECD Gender Initiative in April 2011. US Secretary of State Hillary Clinton added her voice to that of other ministers in support of this important initiative when she chaired our 50th anniversary Ministerial Council Meeting in May.

The initiative could not have been more timely. When the crisis first hit, men were more likely to lose jobs than women, whose working hours actually increased while men's fell. This kept many households resilient. Policy in 2012 must bring more women into the workforce by supporting female entrepreneurship, promoting equal opportunities in education systems, and improving part-time work conditions, family services and pay.

> No economy can achieve its potential if it fails to take full advantage of the contribution of women

Greening growth

In today's world, well-being is no longer a choice between a growing economy and a cleaner planet; it is about both. Ever since the Rio Earth Summit two decades ago, we have known that green and growth go together. With the Rio+20 anniversary summit scheduled for June, we must ensure that 2012 becomes the year of "making it happen". Our 2011 OECD Green Growth Strategy will assist policymakers and stakeholders in addressing the major global environmental challenges, while expanding economic opportunities.

Green growth makes economic and environmental sense. In natural resource sectors alone, commercial opportunities related to investments in environmental sustainability could run into trillions of dollars by 2050. With the right policies—core fiscal and regulatory frameworks, support for innovation, and incentives to use natural resources efficiently and make pollution more expensive—we can create jobs, increase prosperity, preserve our environment and improve the quality of life.

Governments can check their approaches against the strategy to make sure they have appropriate policies in place. For instance, is their spending on R&D appropriately geared, are their carbon markets functioning or is the proportion of renewable energy as high as it should be? They can now answer these questions and move forward.

Measuring progress

Whether structural or social, whether environmental or fiscal, all our actions must be about putting people back at the centre of our policy efforts. You, me and everyone: we all want better lives. In May 2011, we launched the OECD Better Life Initiative. It is the first attempt to bring together internationally comparable measures of well-being for all OECD countries and other major economies. It looks past GDP measures by putting the many facets of people's lives, their needs, their aspirations and their feelings in the spotlight. The aim is to bring the perspective of our citizens back to the policy debate. The key questions are not only "which growth?" but also "whose growth?", not only "whose society?" but also "which society?" and not only "whose world" but also "which world".

Though it is still early days, the initiative shows that well-being is about social ties and a strong sense of community. It is about opportunity and removing barriers such as poverty and illiteracy. The Better Life Initiative received an important boost in October 2011 with the launch of *How's Life?*, which also shows that well-being is about how people feel about their own lives. This publication is part of our mission to produce international guidelines for measuring subjective well-being on a comparable basis across the world.

Towards development effectiveness

Developing countries now account for about a quarter of world trade, and their welfare is everyone's welfare. Yet, there are more than one billion people around the world who go to bed hungry every night and billions without access to quality water, sanitation or energy. Changing this unacceptable reality is one major reason why we are working on a new OECD Strategy for Development to also share our knowledge with partners in the developing world and so to improve the outcomes of development policies.

This new thinking moves away from paternalistic policies, shifting up a gear to more holistic and coherent ones. Mobilising domestic resources, setting up effective fiscal systems, tapping new sources of growth and building effective governance systems will be elements of our development strategy.

Aid remains an essential tool for development, but not the only one. The Busan High Level Forum on Aid Effectiveness moved the focus from aid effectiveness to development effectiveness. Indeed, OECD countries make up some 90% of bilateral development assistance, and for decades the OECD has been working to promote better aid effectiveness.

Armed with the OECD Strategy for Development, we will use our collective experience to contribute to more effective

policies, focusing on outcomes. This means challenging conventional wisdom and policy advice. An example is international trade. Open trade and investment regimes are pre-conditions for growth and development, but they are not ends in themselves and must be defined by results, as measured against improvements in standards of living, human welfare, inclusiveness and a healthy environment.

New global governance: we need to make it work!

In the early days of the current economic crisis, many policy leaders, myself included, repeated the words "a crisis is a terrible thing to waste". Policymakers should ask if this has always been the case. As secretary-general of the OECD, I can say with conviction that our organisation has strived to squeeze out every lesson that this crisis has to offer, and to turn those lessons into better policies that work to improve the lives of people everywhere.

Take tax evasion. The fight against tax havens is paying off. Over the past two years, and despite initial scepticism, the veil of bank secrecy has been lifted. The Global Forum on Tax Transparency—put in place by the OECD in response to the G20 call at the London Summit in 2009—is an instrument of irreversible change towards a more transparent tax environment that is now delivering 59 reviews. Some 700 information exchange agreements have been signed.

The G20 meeting in Cannes in November 2011 continued this excellent progress, notably with the new Multilateral Convention on Mutual Administrative Assistance in Tax Matters, a powerful instrument of the OECD and the Council of Europe. The OECD has estimated that almost €14 billion of tax revenues have been collected from over 100,000 wealthy tax payers in about 20 countries who now see the futility of keeping their undeclared assets offshore.

We expect much more as exchange agreements come into force. But there is more to tax compliance than additional fiscal revenues. Better tax compliance improves the fairness and effectiveness of our tax systems. We need to show that the tax burden is shared fairly and that those who evade taxes or hide their windfall earnings are held to account.

We must also show them that we are serious in our efforts to stamp out bribery and corruption. The OECD's leading role in this area has been backed by the G20, and it received extra impetus in May 2011 when Russia joined the OECD working group on bribery, an important step toward acceding to the Anti-Bribery Convention. We cannot allow the fight against bribery and corruption to fall under the shadow of the economic crisis; but rather, we must step up our efforts here in 2012.

Improving financial education is another lesson from the crisis and an area where real progress is being made. In October 2011, G20 finance ministers and central bank governors endorsed the High-Level Principles on Financial Consumer Protection, developed in co-operation with the Financial Stability Board. This is welcome news for those of us committed to protecting consumers, as financial markets and their products become increasingly sophisticated and complex and thus difficult for most people to understand, let alone rely on for their pensions and other welfare investments.

This crisis revealed with blinding clarity the enormous risk of living in an integrated global economy with fragmented international governance. We cannot sustain progress without better co-ordinating our acts of government, institutions and policies, whether to overcome imbalances, promote effective development or help the euro area through its crisis.

> The OECD has strived to turn the lessons of the crisis into better policies to improve the lives of people everywhere

Despite the enormous complexity of building consensus and striking new balances between developed and developing countries, the G20 has achieved some important successes, such as introducing decisive measures to put an end to banking secrecy, creating the Framework for Strong, Sustainable and Balanced Growth and designing the Seoul Development Consensus for Shared Growth.

The OECD has contributed to this progress by helping develop the Cannes Action Plan for Growth and Jobs, based on the Framework for Strong, Sustainable and Balanced Growth. We also supported the G20 in several areas, including corruption, food price volatility, jobs, trade and investment, fossil fuels subsidies, financing for small and medium enterprises, taxation, and reform of the international monetary system. We look forward to building on this progress in 2012 under the Mexican presidency.

It is difficult to think back to a year beginning with greater economic uncertainty than this one. But we face an open door in 2012, with opportunities as well as tests for the global community. Better policies will make the difference and that means providing leadership. Governments have the eyes and hopes of the world upon them. The OECD is there to offer our experiences of good policies as support, determined to help make a better, more inclusive, greener world economy the positive legacy of a terrible crisis.

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Interchange – 'One size doesn't fit all'

Javier Perez, President of MasterCard Europe

At the start of 2012 the European Commission is launching a consultation on whether to reduce retailers' card acceptance costs by capping interchange fees at a uniformly low level across the EU. Javier Perez, President of MasterCard Europe, believes that the best way to develop card payments across Europe is by market led evolution not imposed regulation.

MasterCard and the European Commission share a common goal – to develop world class electronic payment systems that will drive growth across Europe, facilitate trade across borders and bring benefits to businesses, consumers and Government.

We are already bringing many of these benefits to European economies in different ways: when you pay for your groceries in your local supermarket, buy a rare out of print book on Amazon, book a holiday to the other side of the world or take money out of a cash machine in an Alpine ski resort.

The market continues to drive ever greater innovation, creating value added services and products such as: Contactless - that increases convenience and reduces cost of doing business; InControl - which provides increased ability to manage and control spending and Prepaid - which extends the benefits of electronic payments to the under-banked just to name a few. Today we don't just use cards to make payments but can also use mobile phones and PDAs. You are benefiting from a payment system that has evolved over more than 40 years.

We tend to take these payment methods for granted yet they are only possible because the card industry has invested substantially in state of the art electronic payments infrastructures. It's an efficient market mechanism that provides the greatest good to the greatest number and drives growth and prosperity.

The results of decades of investment can be seen around Europe in constantly improving security, growing e-commerce, ever increasing number of cards in circulation and the number of electronic transactions. Since cards guarantee payments to retailers where consumers can't, we have also seen a huge increase in the number of card acceptance points. This has increased retailers' turnover, created more satisfaction for consumers, reduced the grey economy and driven growth.

All these benefits and innovations have partly been funded by interchange which the European Commission now is suggesting to cap. Capping interchange fees would remove this essential funding and force card issuers to choose between two equally undesirable options: reduce service levels and investment, or charge consumers higher and/or additional fees to make up for the lost investment capital.

Being able to make and receive payments by cards provides value not only to consumers but also retailers. Today, because of interchange fees, consumers and retailers fairly and equitably share the costs. Consumers contribute through annual card fees, interest on credit cards etc., while retailers contribute through card acceptance fees of which interchange is a part.

A reduction of interchange, and consequently the retailers' card acceptance costs, means that their contribution towards providing for and improving the payment service will fall. But the cost for running an efficient payment system will remain. In fact, as a consequence, either through higher fees or reduced service levels, consumers will ultimately have to make up the shortfall – which we think is neither fair nor equitable.

MasterCard and the European Commission are also in agreement on the benefit of unified interchange rates. Eventually we would like to see standard rates across all the EU Member States, but the main factor to consider here is the time component. An immediate harmonisation of interchange across all Member States and products is simply not possible now or in the foreseeable future, since each Member State is at different stage of development and has different investment requirements.

For instance, the Nordic payment markets are very advanced with high rates of acceptance and card usage. In contrast for Poland and other Eastern European countries, acceptance is a major issue since, outside the major cities, few card

terminals are currently in place. Germany has a high degree of cash usage despite wide card acceptance because consumers prefer to shop with cash withdrawn from ATMs rather than cards.

Greece and Italy are cash heavy markets with large 'grey economies'. In contrast, the UK has a very different payments structure where credit card transactions are relatively popular. There is wide variation across European countries in e-commerce development, the deployment of new and innovative payments features like contactless, the electronification of low value payments and the development of mobile payments. They all require unique and flexible levels of interchange to ensure each progresses towards a unified market. This diversity in interchange fee levels represents flexibility rather than fragmentation.

Neither does this flexible approach to interchange pose a barrier to the internal market. Any MasterCard or Maestro card issued in one Member State can be used in any ATM or point of sale in any of the other 26 Member States and the rights and obligations of cardholders and retailers are identical across the EU. This flexible approach to interchange creates a unified EU payments market by driving less mature payment markets to an advanced level faster than would be the case with a one size fits all approach.

Given the current diversity and complexity of the European payments landscape, adopting a 'one size fits all' too early will make true unification more difficult to achieve. Moreover, it will put at risk the continued evolution and improvement of payments throughout the EU. For the foreseeable future, interchange must be allowed to be flexible enough to suit the different needs of all Member States as their systems evolve.

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Managing risk

Action is needed to get the global economy on track for recovery and sustainable growth. But how can governments be sure that they are taking the right measures and that short-term fixes will not undermine efforts towards stability in the longer term?

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A euro at two speeds?
David McWilliams, Economist, Broadcaster and Author

Idea Factory: Can we still understand and govern the global economy?

We enter 2012 at a time of global economic uncertainty. Growth is floundering, the euro area is plagued by a sovereign debt crisis, there are 200 million people out of work and inequality is rising. World trade is stagnating, confidence about the future is weak among business and consumers, equity markets are volatile, and risk perception in the financial sector is on the rise.

Seeing this type of headline every day, many are questioning the ability of political leaders and policymakers to find a way out, and they are taking to the streets in some countries to vent their fear and frustration. Governments, meanwhile, are under pressure to find quick fixes in the short term while achieving growth, restoring confidence and protecting the most vulnerable in society.

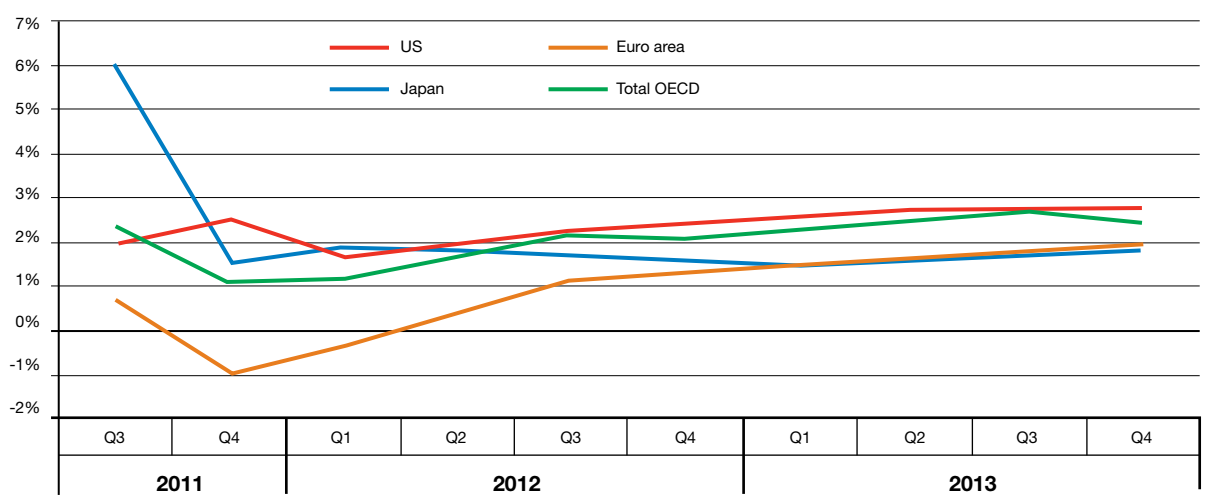
This is a tall order but there are strategic policy responses that could turn things around by stimulating confidence, injecting funds and changing the way economies work, to plot a route to more stable, sustainable growth. The first prerequisite is restoring confidence and, for that, leadership at national and international level is a key issue; tough decisions must be taken and, equally important, implemented. If governments do not follow through, business, consumers and markets will remain reluctant to embark on the spending and investment needed to underpin recovery.

The crisis has highlighted the increasing interdependence of the global economy and the fact that we share common challenges, from governance and fighting corruption to boosting skills and achieving more sustainable growth. The emergence of the G20 as a global forum for economic leadership, bringing developed and developing countries round the table to find solutions for a stronger, cleaner, fairer world, reflects this reality. But the complexity of the challenge renders it more difficult to react quickly to new developments with mutually acceptable solutions.

> Perhaps the most costly decision would be to do too little, too late

Perhaps the most costly decision would be to do too little, too late. The worsening economic outlook at the end of 2011 compared with the beginning of the year was at least partly the result of failure to act decisively or quickly enough on problems such as the euro zone debt issue. The stakes are high; failure to act could lead to disorderly sovereign debt defaults, sharp credit contraction, systemic bank failure and excessive fiscal tightening that make matters even worse than currently seen, not to mention further increases in unemployment and poverty. But combined stronger macroeconomic and structural policies might raise OECD output growth by as early as 2013.

Growth projections
Annualised GDP growth in %



Source: OECD (2011), Economic Outlook Vol. 2011/2, OECD Publishing

Going structural

Structural reform is essential if countries are to restore sustainable growth, tackle high unemployment and rebalance global demand. Given the need to tackle soaring public debt ratios, governments need to focus on reforms that will deliver in the short term while making longer-term fiscal consolidation easier. Governments also need to be ready to respond quickly should the situation suddenly worsen, for example through fiscal support where public finance and confidence allows. This should be underpinned by improved fiscal management for the medium term and monetary policy easing where room still exists. But the need for economic reform needs to be balanced with the human consequences of the crisis and its cure, and governments need to react to new developments. With unemployment already intolerably high and 84 million workers at risk of sliding into poverty, severe fiscal austerity is not the solution, as Richard Trumka argues in this chapter. Failure in the US to reach an agreement to offset the large degree of fiscal tightening implied by current law could tip the economy into a recession that monetary policy could do little to counter. Of course, countries need a medium term plan for fiscal balance, but the cure will be useless if the patient has collapsed in the meanwhile. International governments have recognised the need to protect the most vulnerable, even at a time of fiscal austerity, with the G20 decision to implement social floors to focus tight resources on the most needy.

> Governments need to focus on reforms that will deliver in the short term while making longer-term fiscal consolidation easier

> Concerted, credible action from the euro zone itself is key to avoiding a disorderly unravelling with serious consequences for the global economic and financial system

Above all, credible solutions are central to restoring confidence. Uncertainty over governments' willingness to act increases the risk of a relapse. The spectre of further contagion in the euro area has led some to think the previously unthinkable, such as a two-speed euro zone, as David McWilliams suggests in this chapter, or even the complete dismantling or collapse of the euro. Since there is no mechanism foreseen for taking the single currency zone into reverse, myriad scenarios have been put forward. One thing is clear, however. Concerted, credible action from the euro zone itself is key to avoiding a disorderly unravelling with serious consequences for the global economic and financial system, given the exposure to euro-zone debt across the private banking sector worldwide. Eurobonds might be part of a longer term solution to stabilise the euro area, but this would first require a strong commitment to fiscal consolidation between the euro zone members, and that would take time. In the short term, the main need is to ensure that the announced measures to deal with the sovereign debt and banking crisis are fully implemented and backed by other measures to improve bank capitalisation. That means ensuring that the European Financial Stability Fund and the European Central Bank have the necessary firepower. And to ensure stability going forward, governments need to address deep-seated fiscal, financial and structural problems and overhaul euro-area governance. On a global level, the G20 Framework for Strong Sustainable and Balanced Growth puts the emphasis on identifying a combination of macroeconomic, structural and exchange-rate policies that would both strengthen growth prospects and help to achieve more sustainable fiscal positions while minimising the risks of newly widening global imbalances.

Restoring trust

If policies are the key to finding new sources of stable and sustainable growth, governments also need to restore credibility and confidence. Particularly at a time of crisis, people need to believe that governments are spending their money effectively, that funds will not be lost to corruption, inefficiency or waste, and that there is a credible recovery plan. Public willingness to accept public spending cuts, and belief that they are achieving a more stable financial base for the future, will be boosted if people can see that the system is well managed. New financial sector rules must avoid moral hazard—it needs to be clear to taxpayers, for example, that any future injection of public money into private banks will be done in such a way that they will share in tomorrow's gains, not just foot the bill for today's losses. Transparency around public finances is also important; lack of information in areas such as the extent of exposure of institutional investors to sovereign debt can further fuel uncertainty and volatility, particularly in a fragile economic situation. Multilateral measures to build confidence, such as the planned strengthening of the global financial system, are crucial.

> Governments need to restore credibility and confidence, and people need to believe that governments are spending their money effectively and that there is a credible recovery plan

New sources of growth

And where will new growth come from? Recovery is likely to be driven by non-OECD emerging economies, which have led global economic growth in recent years. Their fiscal positions vary considerably, although in most cases they are better than those of most OECD countries. But the reduction in global imbalances seen at the start of the crisis seems to have stalled, and sustainable structural adjustment is needed by emerging as well as OECD economies to raise long-term growth rates and promote global rebalancing.

The contribution of emerging markets to global growth is likely to remain substantial, although household spending in China is seen as well below potential in the near term. How can China unlock domestic savings and boost domestic demand? Is the answer, as Yukon Huang suggests, to boost social spending significantly and give Chinese consumers the confidence to spend their nest eggs?

> Recovery is likely to be driven by non-OECD emerging economies, which have led global economic growth in recent years

Clearly, much more needs to be done to put the world economy back on its feet, by fixing financial markets, improving public governance, and restoring confidence and welfare. But we will not succeed by trying to resurrect failed models. Progress will not be made unless a more sustainable balance is struck between governments, markets, citizens and the environment, and unless politicians can show that the seeds of that new balance have been sown as a result of this crisis.

Many of the challenges for sustainable future growth require collective, not individual action: reducing fossil fuel subsidies and mobilising finance to help mitigate climate change; bolstering food security; resisting protectionism; and intensifying the international fight against corruption.

But what will a new economic paradigm to maintain financial stability amid sustainable, fair and green growth look like? Pier Carlo Padoan offers some suggestions in this chapter, while stressing the need to leave room for different countries or areas to have diverse policy settings at any one time to take account of differing situations across the globe.

The OECD has prepared country-specific strategic responses in case a new crisis were to take place, including fiscal stimulus when possible, backed by greater transparency of future public finances and independent fiscal councils. Product market reform, stronger public sector efficiency, and reforms to labour markets, pensions, taxation and financial markets all have a role to play.

Policies can achieve results, but they will not be seen overnight. The crisis was years in the making, and years of well-thought-out policy action backed by deep-seated reforms will be needed to set the global economy on a path to more sustainable shared growth. Japan's experience of 20 years of economic stagnation offers the sobering lesson that it can take a long time to get the economy back on track. But severe shocks can also be a catalyst for a more sustainable recovery. Katsutoshi Saito points to the shift to more efficient energy use and new technologies in the wake of electricity shortages following the tsunami and nuclear accident in March 2011 as an example of resilience which could stand the rest of the world in good stead.

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The evolving paradigm

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Pier Carlo Padoan
Chief Economist and
Deputy Secretary-General
of the OECD

The history of economic policymaking has been marked by a succession of "paradigms" defining the goals of economic policy and the instruments used to attain them. OECD Chief Economist Pier Carlo Padoan looks at where we go from here.

A prominent paradigm shift took place in the early 1990s, when structural policy issues progressively gained prominence while macroeconomic policies became more rules-based. The "Great Moderation" of stable growth and prices since the mid 1990s was seen as evidence of the paradigm's success. However, favourable headline statistics masked growing underlying imbalances and, when these erupted with the financial crisis of 2008-09, established certainties broke down (again) and new approaches to policymaking came to the fore. What produced these imbalances?

> Mechanisms need to be found to allow different policy settings to co-exist across the globe in a way that promotes economic stability and growth

Since the mid 1990s the world economy has become increasingly integrated, owing to the removal of trade barriers, the liberalisation of capital flows, the spread of new technologies and the fall of the Iron Curtain. The case of China, now the second largest economy in the world, deserves separate mention.

Since its accession to the World Trade Organisation in 2001, China has been running large current account surpluses, as have several other economies, including the oil exporting economies. The global "saving glut" allowed the US and other external deficit countries to finance their current account deficits at favourable terms and to keep bond yields low—especially since globalisation meant a massive increase in the global supply of low-skilled labour that kept core measures of inflation low. This allowed monetary policy to be supportive which, along with misguided "financial innovation", contributed to excessive risk taking and leveraging.

The dotcom bust in 2000-01 should have been taken as a warning that systemic risk was unduly increasing. However, the potential for systemic financial risks was not effectively monitored. And policy decisions failed to incorporate the implications of the rapid pro-cyclical growth in financial leverage and risk taking, the concentration of risk, and the increasing potential for shocks to cross borders and markets.

This explains how problems in a small corner of US financial markets (subprime mortgages accounted for only 3% of US financial assets) could infect the entire global banking system and set off an explosive spiral of falling asset prices and bank losses. The financial crisis thus exposed a number of serious flaws in the predominant paradigm.

First, while monetary policy won the battle against inflation, it did so with support from globalisation, damping inflationary pressures amid buoyant economic conditions. This arguably led to excessive accommodative policy.

Second, fiscal policy rules failed to provide incentives for building up buffers in good times or to factor in the implications of rising private sector imbalances for sustaining public finances, thus producing sovereign debt crises.

Third, financial market supervision paid too little attention to systemic risks arising from leverage and the potential implications of rapidly increasing financial globalisation for the transmission of shocks across borders.

And finally, while structural policies were undertaken in many countries, there was little international co-ordination of policy choices, contributing to a persistence of cross-country imbalances in savings and investment.

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The next economic policy paradigm should seek to maintain financial stability amid sustainable, fair and green growth

These flaws are widely acknowledged and will prompt another paradigm shift. What the paradigm will look like is hard to tell with precision, but it will surely contain the following elements.

In order to preserve and build on the wide-ranging benefits of globalisation, it should seek to maintain financial stability amid sustainable, fair and green growth. Structural policies are pivotal and should pursue goals beyond such longer-term growth objectives, including facilitating fiscal consolidation, helping to narrow global imbalances via their impact on current accounts and capital flows, and supporting activity in the short run. But of course all strands of economic policy—prudential, fiscal, structural and monetary—have a role to play, each within their remit and proper assignments, but always in an integrated fashion for maximum impact.

Importantly, mechanisms need to be found to allow different policy settings to co-exist across the globe in a way that promotes economic stability and growth. This will require international co-operation, surveillance and communication in setting priorities and in minimising any potential adverse side-effects that can arise from the resulting geographical constellation of policies. One aspect of this is the international effort underway to strengthen prudential frameworks around the world. Beyond this, the role of the G20 *Framework for Strong Sustainable and Balanced Growth* is to identify a combination of macroeconomic, structural and exchange-rate policies that would both strengthen growth prospects and help to achieve more sustainable fiscal positions while minimising the risks of newly widening global imbalances.

Co-operation is also necessary to strengthen the international monetary system. Over time we could expect emerging market economies to experience a real appreciation. If the nominal exchange rate is fixed, the required changes have to come through adjustments to wages and prices, which can be costly as it risks raising inflation expectations. Persistent currency misalignments can also generate unsustainable external imbalances. Hence reforms need to facilitate the movement of exchange rates in line with economic fundamentals so as to ensure that nominal exchange-rate adjustments act as a safety valve. On the other hand, of course, excessive exchange-rate volatility can also have its costs.

Finally, a factor to take into account is that large yield-seeking capital flows to emerging market economies can increase the risk of a currency appreciation depressing competitiveness (or "Dutch disease"), reckless risk-taking and sudden stops or reversals. To smoothly channel and absorb capital inflows, emerging market economies should aim for an appropriate mix of macroeconomic policies. They must also reduce banking sector vulnerabilities by strengthening macroprudential frameworks, in order to further contain the risk of financial instability. The OECD has identified a possible way for structural policies to attenuate the financial stability risks associated with capital inflows—by encouraging more stable and productive forms of financing such as foreign direct investment. Capital restrictions should be a last resort and undertaken in a manner that preserves a level playing field.

Recommended link

"OECD at 50: Evolving Paradigms in Economic Policy Making": www.oecd.org/dataoecd/32/22/48010330.pdf

Occupational risk
The global jobs emergency

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Richard L. Trumka
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The latest phase of the economic crisis presents a dilemma: many governments judge it necessary to enter a phase of fiscal austerity while unemployment remains intolerably high, a high risk combination. AFL-CIO President Richard Trumka calls for a different way forward.

In the summer of 2011, the global economy entered a dangerous new phase as growth slowed in virtually all countries, the recovery stalled in advanced countries and new financial risks emerged, particularly in Europe. Meanwhile, over 200 million workers remained unemployed globally, 27 million more than when the 2008 crisis began. The ongoing crisis now threatens to push some 84 million workers into extreme poverty.

Slowing growth, rising unemployment, and growing poverty and inequality threaten the recovery, weaken long-term potential growth, and significantly raise the risk of social unrest and political instability. Along with the European debt crisis, unemployment now represents the largest single threat to recovery.

In the US alone, 25 million workers are currently unemployed or looking for full-time employment. One out of every five men of working-age in the US is currently not working: they are either unemployed or out of the labour force. The lack of jobs, together with stagnant wages, has left real earnings for men 28% below their 1969 level. And, household incomes have declined nearly 10% since the crisis began. Economic inequality is now at levels not seen since just before the Great Depression.

Slowing growth, rising unemployment, and growing poverty and inequality threaten the recovery, weaken long-term potential growth, and significantly raise the risk of social unrest and political instability

Ahead of the Cannes G20 Summit in November 2011, both the International Monetary Fund and the OECD significantly lowered their forecasts for global growth. They estimated that 21 million jobs must be created each year merely to return to pre-crisis employment rates by 2015. The current global growth is far too weak to deliver this rate of jobs growth.

Given the current jobs emergency, governments cannot implement draconian austerity measures at the expense of funding employment creation and social protection programmes. Every country must have a medium-term plan for fiscal balance, and some countries must take immediate action. But many countries have fiscal space to put our citizens back to work and reduce national debt burdens by bolstering growth.

The rise in unemployment caused by the crisis has hit young people particularly hard. Together with long-term unemployment, high youth unemployment threatens to permanently weaken countries' long-term growth potential. Not only is stronger growth necessary for job creation, expanding employment is now necessary for sustaining the recovery and bolstering long-term growth.

Global unions are calling on world leaders—at the national level and in global forums—to react boldly to a faltering global recovery and send a strong message of confidence to working families by breaking the vicious cycle of job insecurity, depressed wages and eroding social protection.

At the Cannes G20 Summit, we asked leaders to adopt a four-point plan for jobs and recovery that not only sustains the recovery and stems the immediate jobs crisis, but shapes a post-crisis world that is economically stronger, more balanced, and more just and sustainable. In the first point of the plan, we called on leaders to fulfil their Pittsburgh commitment to "put quality jobs at the heart of the recovery" by establishing differentiated, but co-ordinated, employment targets for all G20 countries as

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part of the Mutual Assessment Process. This would involve co-ordinated fiscal support for workforce development and infrastructure investment, supported by accommodative monetary policies.

Secondly, we called on leaders to transform the structural policy agenda to strengthen labour market institutions, social partnership, collective bargaining, minimum labour standards, and income support for low-income workers to reduce poverty and inequality.

> The global leaders must shape a post-crisis world that is economically stronger, more balanced, and more just and sustainable

Thirdly, we asked that they move forward on the conclusions of the G20 labour ministerial to establish social protection floors in all countries. We recommended that the leaders do this along the lines proposed by the Social Protection Floor Advisory Group, chaired by Michelle Bachelet, with adequate funding that corresponds to levels of countries' economic development.

Lastly, we appealed to leaders to rapidly implement reforms of the financial sector that were agreed but never effectively enacted, to restructure financial groups that are too big to fail, and to establish a global financial transaction tax to help finance the recovery as well as help pay for new social and environmental programmes.

To implement this plan, we called on leaders to transform the G20 Employment Task Force established by labour ministers into a workgroup on employment and social protection. This workgroup would help develop, monitor and co-ordinate structural labour market policies to ensure a job-rich recovery, arrest falling wage shares, and reduce poverty and inequality. The workgroup should be supported by the International Labour Organization and the OECD in consultation with social partners.

Progress was made at the G20 Summit as leaders adopted the Cannes Action Plan for Growth and Jobs. But to restore the confidence of citizens, world leaders must act together and boldly address the global jobs emergency if they hope to build a stronger, more balanced, and more just and sustainable global economy.

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In the balance
China's economic conundrum

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Apprehensions about China's unbalanced growth process concern everybody, but its causes are often misunderstood. What can the Chinese leadership do to rebalance investment and consumption?

No country generates such heated views about its economy as China. Optimists see a rapidly emerging power that will soon overtake the US in the size of its economy. Pessimists see a house of cards that will soon implode in a major financial crisis. East Asian countries see China as the centre of a production sharing network that helped the region to recover from its own financial crisis a decade ago. But many in the OECD, especially the US, see China as resorting to unfair subsidies and an undervalued exchange rate to gain an advantage in export production.

These alternative realities stem partly from the fact that the China growth model does not fit the western stereotype. China's economic institutions are fragile yet implementation of policies is strong. The costs of key inputs are distorted, yet what is being manufactured is exceptionally competitive in global markets. Income inequality has been deteriorating sharply over the past several decades yet some 500 million people have been lifted out of poverty. These paradoxes are shaped in part by differing ideological views, but they also reflect a misinterpretation about the nature of China's growth process.

China's rapid economic rise over the past three decades has shown that strong implementation capacity at the local level guided by centralised decision-making can substitute—at least temporarily—for the market-based financial and regulatory institutions that characterise developed economies. No one disputes the fact that in China wages are low, capital is cheap and land is misused. But since China's products must compete in global and diverse national markets, competitive pressures discourage many of the gross inefficiencies that led to economic collapse in the former Soviet Union. And although widening urban-rural disparities in access to social services and opportunities have exacerbated inequalities, the rapidly increasing living standards among the poorest of society compare favorably with other middle- and low-income countries.

But these accomplishments took place when global and national conditions were quite different than what the future now portends. This suggests that policies that served China well in the past need to be reconsidered.

Foremost in everyone's mind—including China's senior leadership—is how to deal with what is widely perceived as an exceptionally unbalanced growth process. These imbalances are also seen as driving its trade surpluses with the US and the EU. Compared with other countries, China's consumption to GDP ratio is exceptionally low, suggesting that consumers are being repressed. China's investment to GDP ratio is exceptionally high, suggesting a bias toward exports and low efficiency. This leads most observers to a standard solution: China must increase domestic consumption and dampen investment. In the process, China's trade surplus should then be moderated, making it easier for the US and Europe to generate the surpluses needed to revive growth.

> Foremost in everyone's mind is how to deal with what is widely perceived as China's exceptionally unbalanced growth process

But this view about China's unbalanced growth may be misleading. Few pause to ask why these GDP numbers are so inconsistent with the prevailing impression that households have been indulging in a buying spree for years. How can one reconcile growth of around 20% annually in key consumption items with GDP numbers that show household consumption growing at less than 10%? Something is wrong.

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Simple logic tells us that China's domestic consumption is seriously understated. This is due in part to the difficulties in moving from the accounting system used during China's central planning period to one used in market economies. As noted by China's National Bureau of Statistics, more work is still needed to incorporate informal activities, non-cash transactions and the rising costs of housing services into the official GDP figures. Adjusting for these statistical discrepancies might account for about half of the unusually low consumption to GDP ratio, with the rest explained by the declining share of household income as a share of GDP.

While much attention has been given to how "financial repression", in the form of exceptionally low interest rates paid to savers, has reduced household incomes and thus consumption, this has accounted for only a fraction of the decline in the share of income to GDP over the past decade. Far more important has been the structural shift of workers from rural to urban activities and within the urban areas. As more workers move out of agriculture and into industry—certainly a good thing—labour's share of national income falls. This is because labour's share of income in agriculture is nearly 90%, but in industry it is only 50%. So while workers enjoy higher earnings and productivity increases when they move from rural to urban activities, the percentage of income that goes directly to workers declines.

Simple logic tells us that China's domestic consumption is seriously understated

But even as household incomes expand, rising savings rates mean that consumption has not kept pace. This stems in part from "precautionary savings" by households that do not have total confidence in the newly created pension schemes and by the 200 million migrant workers who lack formal residency rights (hukou) and are therefore reluctant to spend as freely as established residents. Things will change, but it will take time.

The other major factor influencing the lower share of household consumption in China is that income from investments and government transfers accounts for a much smaller share of disposable income than in other countries. In a socialist economy with all land and major assets owned by the state, the returns from these assets accrue largely to the state and not to private households.

Under these conditions, the state needs to provide a much larger share of public social expenditures to supplement household consumption. But social expenditures in China as a share of GDP are way below the norm. Disagreements over China's economic trajectory will continue, as these changes will not happen overnight. But if government spending for social services could be increased by say 3% of GDP—which would be beneficial for China—this could by itself eliminate China's trade surpluses and reduce the protectionist sentiments that are now becoming a contentious issue in the West.

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In Japan's footsteps

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The global economy took a sharp turn for the worse following the collapse of Lehman Brothers in September 2008, and today it is increasingly apparent that the crisis has entered its second round. This time we are facing a combination of low growth and trouble in the financial sector, just as governments find themselves running out of economic policy options.

Immediately after the Lehman shock, major western countries pressed the fiscal accelerator all the way to the floor, implementing substantial tax cuts and expanding government spending. As a consequence, economic growth picked up somewhat for a while, but now it is declining again. Only today, governments have exhausted almost all the policy tools at their disposal.

The monetary authorities are at a similar impasse. The US Federal Reserve System has been pursuing a zero-interest-rate policy for almost three years. It has also implemented quantitative easing, but the effects have been meager. Prior to his appointment as Federal Reserve Board chairman, Ben Bernanke criticised the Bank of Japan for not being bold enough in easing its policies; but now, despite Bernanke's skillful efforts to cope with the financial crisis, the Federal Reserve seems to be following the same path that the Bank of Japan took.

As I observe these trends, it strikes me that the US and other western countries are experiencing "Japanisation". It is ironic that history seems to be repeating itself. Back in 1991, Japan's real estate bubble burst, and private-sector corporations found themselves saddled with three unwanted surpluses: excess equipment, excess staff and excess debt.

Even in the post-bubble years, from 1992 to 1996, with the implementation of eight stimulus packages, Japan's economy kept growing, albeit at a more modest average rate of 1.6%. What made matters much more serious was the double dip that the Japanese economy took in 1997, six years after the bubble burst. That year a number of major banks and brokerages went under, unable to bear their heavy loads of non-performing assets. The employment system took a significant hit as companies switched their focus to trimming their payrolls; they also put the brakes on capital investment and worked to reduce their debts. This led to a contraction in aggregate demand, which set off chronic deflation. Japan's GDP in nominal terms, which was JPY 516 trillion in 1997, contracted to JPY 491 trillion in 2002. And following the Great East Japan Earthquake in 2011, it has shrunk to JPY 462 trillion.

> It strikes me that the US and other western countries are experiencing "Japanisation"

The first lesson of Japan's 20 years of economic stagnation is that it takes a long time to get economic growth back on track. Fiscal and monetary policy may be effective in countering temporary downturns, but they cannot quickly cure a massive balance-sheet recession. If the pressure for balance-sheet adjustment remains strong even with the passage of time, the next economic slowdown will set off another financial crisis. What is required is a separate set of policies to strengthen private-sector corporations so that they can act as an enduring engine for the economy. Examples include deregulation to encourage the development of new markets and revision of tax and accounting systems to promote investment by businesses and risk-taking by financial institutions. The process of strengthening the economy's metabolism takes time; patience is of the essence.

The second important lesson of Japan's experience is that long-term stagnation in the economy is accompanied by a succession of structural problems. In Japan's case the woes of the economy have been compounded by the declining birthrate and an aging, shrinking population; the widening

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of income disparities; and the withering of local economies. Over the past two decades Japan has been what we might call a "problem pioneer", running into structural problems in advance of other major developed nations.

In order to deal with these multiple problems, the government needs to strengthen its fiscal foundations with tax hikes while at the same time achieving economic growth. In Japan the long-pending task of raising the consumption tax remains uncompleted; our political leaders need to take a firm stance on this issue and overcome the strong public resistance.

In closing I would like to note that the Japanese people's consciousness has been changing since the March 2011 earthquake and tsunami. The ensuing nuclear power plant accident resulted in a shortage of electricity that required a huge effort to conserve energy. As a result of this conservation campaign, electricity consumption in the summer of 2011 was held down to about 80% of the 2010 level, and we made it through the season without blackouts. Looking back, we find that energy-conservation related outlays pushed up consumer spending. Businesses have also taken the initiative to develop new markets for next-generation energy products. We can expect the momentum towards preparation for the future to serve as the driving force for private-sector demand. This sort of initiative has allowed Japanese corporations to bounce back from numerous difficulties since World War II, and it gives us hope for the revival of Japanese business in the period to come. Of course, we hope other countries will not suffer the setbacks that Japan suffered in the past, but the country's experiences give a possible roadmap of what could be in store for many OECD countries, and offers reasons to worry, and to hope.

> Japan has been what we call a "problem pioneer"

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The gender dividend
An urgent economic imperative

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The corporate world is far from making the most out of gender diversity in the workplace. But some businesses are finding innovative ways to change this.

The biggest issue facing most major economies today is economic growth and job creation; yet it is with mixed results that governments and business are tapping into arguably the largest emerging market in the world and the greatest natural resource for knowledge, talent and investment: women. Given the challenges facing economies, there is a strong imperative to move quickly and harness this potential. This is why BIAC enthusiastically welcomes the OECD's initiative on gender equality.

There is a long way to go with respect to improving women's economic opportunity, and in particular at executive leadership levels. According to current data, only 14% of senior executive positions at the Fortune 500 are held by women, a number that has barely budged since 2005. A global study of the number of women on boards is even more dismal—only 9.4% globally, up marginally from 9.2% in 2009 according to GovernanceMetrics International. This is despite the fact that economic studies show that corporations with women on their boards and in leadership positions have a higher return on equity. In Europe, the return has been estimated at more than 10%.

Furthermore, a Deloitte study citing data from the Harvard Business Review forecast the income and global spending power of women at US$18 trillion and $28 trillion respectively by 2014. Women typically spend money differently from men, with different buying patterns and preferences. Thus, companies should invest in understanding women as consumers and fully capitalising on their purchasing power. Getting more women in the workplace, including in senior decision-making roles, who understand the buying preferences of their cohorts makes business sense.

A 2010 global survey of executives found that 72% agree that there is a direct connection between gender diversity and business success, but only 28% say it is a top-10 priority for senior leadership. Institutional investors, however, increasingly identify gender as a key determinant in their investment decisions, banking on the gender dividend in the long term.

What can be done to improve opportunity for women, which will benefit business performance, the economy and society as a whole? Focused government policy and business engagement at all levels is needed to support women at work. Sound socio-economic policies must underpin and encourage action, and governments, along with business, must innovate, support community investment and remain committed to making the difference as it relates to women.

> Corporations with women on their boards and in leadership positions have a higher return on equity

Gender equality may be on the agenda of the G20 government leaders, but it can be argued that this should be elevated to a higher priority, given the economic and community benefits of empowering women. The OECD, a key advisory body to the G20, is undertaking an extensive project on gender equality which is rightly focusing on the "Three Es: Employment, Education and Entrepreneurship". These elements represent key pathways for women in the economy and society in both developed and developing countries alike. The OECD analysis will help identify and develop better indicators necessary to inform key policy decisions that surround these issues. There is a lot of anecdotal evidence supporting the need and benefits to empowering women, but clear data can be a significant motivator.

Business too has a role to play. Change requires measurable, management-led policies and practices that drive female leadership, across management roles and divisions, on boards, at the highest executive levels (the C-suite) and

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throughout the talent and supply chains. Many companies worldwide are making significant strides in addressing not so much the glass ceiling, although this does continue to present a hurdle for many, but the stubborn problem of the leaking pipe of female talent. Retention rates for women dramatically decrease with seniority and advancement.

Business implements countless formidable approaches and statistics suggest that these seem to be making a difference. For example, Mass Career Customization™ (MCC), the brainchild of two women at Deloitte. Developed and piloted in 2004 and rolled out across the US between 2007 and 2010, MCC enables employees to collaborate with their managers to design career paths responding to their specific needs and those of the business. Not solely designed for women, but recognising women as major beneficiaries, it has improved satisfaction of Deloitte's professionals with work-life balance, has contributed to improved retention and is correlated with employee engagement.

> Gender equality should be elevated to a higher priority, given the economic and community benefits of empowering women

Another case study of the gender dividend in action is the Deloitte Initiative for the Retention and Advancement of Women (WIN). Started in 1993 at Deloitte US, its results tell the story. In 1993, women comprised only 7% of partners, but in 2011 there were more than 1,000 women partners, principles and directors, representing 23% of management, one of the highest amongst its peers. It has also changed the culture to one of where both men and women can succeed, and positively impacted the Deloitte brand. The success factors of this initiative are strong leadership from the top—five CEOs have spearheaded the initiative since it started; the positioning of WIN as a business strategy; and innovation to allow WIN to evolve and grow. When businesses far and wide recognise gender diversity as a critical business enabler and a strategic imperative, we will see even more positive developments in the economic empowerment of women.

At the end of the day, there is no silver bullet. Progress is being made, but ongoing commitment, leadership and innovation are required for economies to benefit from the tremendous potential women represent. This is not just a question of trillions of dollars of untapped consumer demand, but the potential for better, more informed decision-making in our societies, an educated and diverse source of talent for private and public institutions, and role models who can be an inspiration to billions of women and men worldwide. Government, business and society must continue to integrate women's experiences, perspectives and voices into the fabric of their organisations and systems. Only then will we truly benefit from the gender dividend.

Recommended link
www.deloitte.com

A euro at two speeds?

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David McWilliams
Economist, Broadcaster and Author

How can the euro crisis unfold? For David McWilliams, Irish economist and best-selling author, the answer may be a two-speed arrangement between core and periphery.

One of the great American popular economists of the last century was Herbert Stein who combined journalism with policy work. He also held the prestigious position of chairman of the Council of Economic Advisors in the US during the 1970s. His greatest contribution to economics was a simple rule: "If something can't go on forever, it will stop."

> Up till now, we borrowed to achieve a lifestyle and a level of economic activity. Now none of us can pay this money back

Thinking of the endless crises within the euro zone, whether it is in Belgium, Greece, Ireland, Italy or Spain, whether it is bank debt, household debt or sovereign debt, whether it is Germany's taxpayers or France's banking system, Stein's law comes to mind. This can't go on forever, so it will stop one way or another.

The dirty little secret, which our politicians don't want to spell out, is that every country "rescue" thus far has been nothing more than a bailout of private professional investors at the expense of the ordinary taxpayer. The bill for more and more private debt is being transferred to more and more people who had nothing to do with the debt in the first place. Therefore every rescue erodes public confidence in politics and chips away at the legitimacy of the entire EU project.

Increasingly, as events overtake all previous bailout/rescues, it is becoming evident that the option of the two-speed euro is now on the cards. No one has fleshed this out yet, but it is likely to happen because Europe has always had a core/periphery dimension. Faced now with a meltdown of their system, Europe's elites need a solution that snatches a political victory from the teeth of financial defeat.

Apocalypse, in the guise of a country being ejected from the euro, is not a political option because the risks of everything falling apart are simply too high. In contrast, a two-speed euro, with a hard euro for the core and a soft euro for the countries in trouble, relieves the pressure on the whole European financial system.

A two-speed euro, involving two distinct but related currencies, keeps the entire euro project together and gives the EU donkey the carrot of moving forward while at the same time deploying the stick of promised economic reform. It is important to understand that the perpetual forward motion idea lies at the heart of the EU. As long as the project seems to be moving forward slowly towards the nirvana of more integration when the time is right, Europe is progressing.

A break-up of the euro means the project has stalled, and this is unacceptable to the people who make the rules in the EU. They are believers; and like any ideologues, these true believers are driven by the utopian notion that the future is always brighter than the present.

We are at a tipping point and it has been a long time coming. For many years now, I have pointed out that the euro could break up. At the time it was unfashionable to suggest that the currency might be dogged with internal inconsistencies centred on inter-country trade and capital imbalances, national idiosyncrasies and profound economic differences. More radical still was to follow this logic by predicting that the system would implode.

But the euro in its present form is doomed. So let's look at what is likely to replace it.

The first thing we know is that the peripheral countries can't keep up with Germany. Take Ireland as an example. When the punt was linked to the Deutschmark, we devalued six times in 13 years just to try to keep up competitively with the Germans. Conversely, when we joined the euro and could not devalue, we lost 30% competitiveness against Germany. It could not be clearer.

So peripheral countries need a change in the value of the currencies we trade in to make our companies more competitive and thus more likely to export. In tandem, we need to make imports more expensive so we don't buy too many of them. The weaker exchange rate achieves this. Devaluations work. And to anyone who doubts that devaluations work in small European countries, just examine the lasting competitive gains garnered by Finland and Sweden after their 1992 devaluations.

Without currency change, we can't keep up with the Germans. Up till now, we borrowed to achieve a lifestyle and a level of economic activity. Now none of us can pay this money back.

So we need debt forgiveness or some debt deal. Accompanying the new euro would be mass debt write-downs because if you don't reduce the value of their outstanding debts, people will simply not be able to pay and their countries will default after the devaluation. Everything must be done together.

So let's think about the new euro. First, the currency would be distinct but closely related to the hard euro. The European Central Bank (ECB) would split in two to manage both currencies. This idea is not new. In fact, several central banks have done this in the past, Germany in the 1950s being a prime example.

A two-speed euro keeps the entire euro project together

The new soft euro would trade at, say, 70% of the old one (a figure plucked out of the air). This would mean that relative to Germans, standards of living in the soft euro zone would fall by one third overnight. We would achieve in one night what the present policy seeks to do in five years.

Ireland, for instance, would be an extremely attractive place to invest in because its labour would be much cheaper. But don't forget that this reduces Irish incomes by the same amount.

All periphery debts would be reduced by 30% because they would be in a new currency. Obviously, the banks that lent in hard euros and would now get paid in soft euros would carry a huge exchange rate loss. This would need to be dealt with. Possibly, the banks in each country could issue bonds backed by the EU and redeemable for new euros at the ECB. These bonds could be considered capital, preventing the banks from going bust.

The savers who lost out on their stock of old euro savings could be given new inflation-linked euro bonds issued by the state and redeemable from the ECB, but not straight away. There would be an incentive to keep them in the banks as savings. This is normal because if you think about it, most people don't touch their savings.

A two-speed euro would at least prevent the chaos of a messy implosion and a rushed reintroduction of many currencies. It achieves the competitive devaluation, while giving the heavily indebted commuter generation a break.

There is never a best way out of a crisis, just a least bad way. Maybe this is it.

Recommended link and references

www.davidmcwilliams.ie
McWilliams, David (2010), *Follow the Money*, Gill & Macmillan Ltd., Dublin.
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Can we still understand and govern the global economy?

Economic crises always seem to come as a surprise, but as well as being unpredictable, the current crisis often seems uncontrollable. Policy is informed and guided by the work of economists, but are they using the right tools? How could they do a better job of helping governments manage a system as complex as the world economy?

"The belief that [economic] models are not just useful tools but also are capable of yielding comprehensive and universal descriptions of the world has blinded its proponents to realities that have been staring them in the face. That blindness was an element in our present crisis, and conditions our still ineffectual responses."

John Kay, "The Map Is Not the Territory: An Essay on the State of Economics", Institute for New Economic Thinking, 2011
www.johnkay.com

"After Lehman collapsed and the potential for crisis had become a reality, the situation was completely altered ... There is understandable controversy about many aspects of [the government's] actions but they had the great advantages of speed and reversibility. My own view, as expressed elsewhere, is that these policies were central to relieving a fear-driven rush to liquidity and so alleviating (if only partially) the perceived need for consumers and businesses to reduce spending. The recession is now under control and no responsible forecasters see anything remotely like the 1929-33 contraction in America on the horizon. This outcome did not have to happen, but it did."

Robert Lucas, "In Defence of the Dismal Science", *The Economist*, 6 August 2009
www.economist.com

"... the causal mechanism that underpins the way market participants alter their decisions is not fully intelligible to anyone, including economists or market participants themselves ... the exclusive pursuit of models that can be 'put on a computer and run' has been misguided; the view that only such models are 'scientific' has impeded economic research."

Roman Frydman and Michael D. Goldberg, *Imperfect Knowledge Economics*, Princeton University Press, 2007

"Why did nobody notice it?" Queen Elizabeth to Professor Luis Garicano at the London School of Economics after he had explained the origins and effects of the credit crisis.

Her Majesty Queen Elizabeth II, November 2008

© Pawel Kopczynski/Reuters

Monitoring, modelling and regulating complex systems

Economic models can be blind when it comes to providing a comprehensive view of what could happen. We need more interdisciplinary and long-term approaches, better understanding of the complexity of human systems, and serious implementation of surveillance mechanisms to be able to monitor and deal with the negative consequences of global threats.

Economic models could be improved by factoring in more stress tests, but that would not be enough. Policymakers, regulators and safety agencies at every level need more staff, more research on systems and more "teeth". Financial regulators, for instance, need to match the real-time capabilities of the actors they regulate. Affordability should not be the issue, and the cost should be considered as an "insurance premium" society pays to mitigate systemic risks.

Models can convey the wrong perception that only they are scientific enough to understand markets, but human or social behaviour and complexity are difficult components for traditional approaches. However, the state of the art will evolve: new knowledge from neurobiology and other fields such as simulation using agent-based models can shed more light on the way markets function. Unfortunately, globalisation and global shocks are not yet fully embedded in the research agenda.

Judgment and prediction about when a crisis will start remain almost impossible. In the subprime crisis, the bubble was identified but the rate of default of mortgage holders, including in the US, was steadily low until the bubble burst for other reasons. Precursors of the subprime crisis were spotted on time by economists in various organisations. The OECD itself started to flag the risks of a real estate bubble in Spain, the UK and the US in its *Economic Outlook* at an early stage.

What was missing was a better characterisation of the potential consequences, and this is now part of OECD work such as the Future Global Shocks project. Monitoring global threats in a more systematic way is the proper answer, but actors have to listen to the messengers.

It is a fact of life that shifts in the scope and mechanisms of governance quite often lag behind the pace of economic, technological or social change. However in times of crisis, democratic processes usually create a window of opportunity for change: do not waste the crisis and the chance it gives to boost standards and improve regulation.

Pierre-Alain Schieb is counsellor to the OECD International Futures Programme

"[The financial market] does know what to do, it knows to go up for three days and go down for three days ... we're probably due a bit of bearishness by about Friday of this week."

Alpesh Patel, Founder of Praefinium Partners

"A new world order is being implemented. Established economies were found to be a very unstable foundation. Rational Wall Street was far more risky than Shanghai."

Lena Bäcker, Chief Economist, Swedish Local Government Debt Office

"Global standards and regulations are not just impractical; they are undesirable. The democratic legitimacy constraint virtually ensures that global governance will result in the lowest common denominator, a regime of weak and ineffective rules. We then face the big risk of too little governance all around, with national governments giving up on their responsibilities and no one else picking up on the slack."

Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, W.W. Norton and Company, 2011

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Answering the challenge of improving working conditions in the supply chain

Since 1997, the Carrefour group has been committed to monitoring working conditions at its suppliers and is one of the pioneer companies in this area. Convinced of the need to take things even further and aware that audits are necessary but not sufficient, the Group has been working since 2006 to harmonise existing social standards for ordering parties.

For nearly 15 years, Carrefour has been working to establish a system to ensure respect of the ILO's (International Labour Organization) fundamental principles and human rights in its supply chain.

Through a cooperative work with the FIDH (International Federation for Human rights), Carrefour first elaborated in 2000 a Social Charter that applies to all suppliers of Carrefour's own brand products and defined procedures to check compliance with the charter through social audits.

Early on, Carrefour was convinced of the need to share tools and audit results. In fact, the increasing number of social standards creates a risk of confusion among suppliers, along with a sense of weariness as they host dozens of auditors each year. Joint actions avoid the need to duplicate audits and, above all, enable to deliver a single, consistent message to suppliers and local public authorities. Besides, they play a role in accelerating change since they allow greater focus on corrective action plans and training rather than on the audit process itself.

In order to work with its international competitors on these issues which are deemed to be non-competitive, Carrefour joined 4 leading international retailers in 2006 to create the Global Social Compliance Programme (GSCP). This platform, which is not a monitoring initiative, brings major brands together to harmonise their efforts and establish a common, consistent and global approach to improving working and environmental conditions in the supply chains. Its goal is to reach a consensus on exemplary practices and to promote mutual recognition of standards by allowing greater transparency and comparability.

On this project, Carrefour wanted support from its long-term partners, the FIDH and UNI-Commerce, which sit on the GSCP Advisory Board together with other unions and recognised experts from civil society and academia.

The first steps of the working plan were to create Reference tools which reflect best existing practices in compliance monitoring: a Reference Code; Reference audit process and methodology tools; Reference requirements for selection and training of auditors and a Reference tool on supply chain management systems. These open source Reference tools can be used by buying companies to build their compliance programmes, or to assess, improve and compare their existing tools with others through an Equivalence Process, and achieve mutual recognition.

Now that the GSCP tools have been created, and integrated in Carrefour's and other companies' processes, GSCP's members next challenge is to fulfil the remaining part of their working plan: enable sharing of audit results between platforms (work on Data Sharing) to reduce audit duplication. This will free up time and resources for buying companies to spend not on the diagnosis of non-compliances, but on practical actions, in partnership with their suppliers, to improve working conditions in the supply chain, supported by the GSCP's collaborative work on capacity building topics. Much work remains to be done, but Carrefour is confident that 2012 will show large improvements towards this goal.

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Global Social Compliance Programme

An Economy for the 99
Healthcare for All
Jobs with Dignity
Quality Public Educati
A Healthy Envir
The Main Street Contract
#TaxWallStreet
#OccupyWallStreet
www.MainStreetContr

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Going social

There can be no lasting recovery without jobs, but how can we tackle the human cost of the crisis and ensure that it does not inflict long-lasting damage on people's lives and prospects?

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Bo Smith

A global safety net
Martin Hirsch, President, Agence du service civique, *France*

Protecting women's work
Diana Holland, Chair, ITUC Women's Committee, and Claire Courteille, Director, ITUC Equality Department

A hollowing middle class
Peggy Hollinger, Leader writer, Financial Times

Skills for innovation
Charles Fadel, Visiting scholar, Harvard/MIT/Wharton; Senior Fellow, Human Capital at The Conference Board

Idea Factory: Why is gender still an issue?

The economic and financial crisis has quickly turned into a human and social crisis, which has left 200 million people without a job worldwide and sent millions spiralling down into poverty. Young people have been hit hard; many of them have either lost their jobs or found it difficult to enter the labour market and hence risk seeing their adult lives blighted for years to come.

> The crisis has highlighted growing inequality within our societies which threatens social cohesion

And of course the young are not the only ones caught in the unemployment trap. One of the most worrying features of the present situation is the steep rise in the number of people who have been jobless for a year or more; this is the case for one in three of the unemployed in the US and 40-50% in a number of European countries. Indeed, many G20 countries are facing an increased risk of high unemployment, bringing with it a high risk of exclusion and poverty for millions.

The crisis has also highlighted growing inequality within our societies, which pre-dated the crisis and threatens social cohesion. Already we are seeing the consequences in social unrest in some countries. Anger and despair are being voiced especially by young people who are facing bleak prospects despite being the most skilled and educated generation in human history.

In the context of increasing fiscal constraints, governments are under pressure to find effective answers to these problems that focus on the best ways to create new jobs while taking measures to ensure that the social safety nets for the poor and vulnerable are stronger and more effective. This also means ensuring that the policies they put in place foster not only stronger and more sustainable growth, but also better sharing of the benefits of growth. This is not just a social and economic issue, but a strategic one, argues Recep Tayyip Erdoğan.

What about jobs?

Promoting a stronger pace of economic growth is needed to boost job creation and in turn to preserve social stability. The task is daunting; the G20 countries would need to create about 20 million jobs, or increase employment by 1.3% a year, to return to the pre-crisis employment rate by 2015.

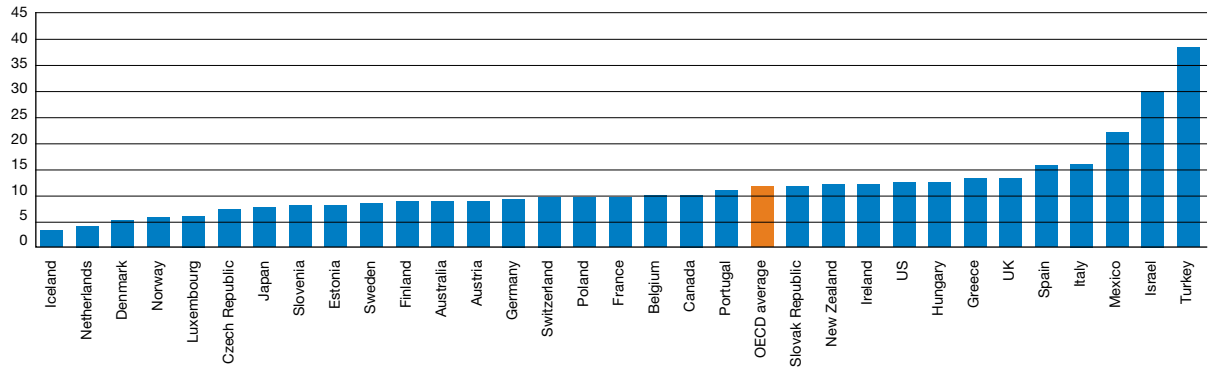
Around 1 in 8 of the under-25s in OECD countries is neither in employment nor in education. This group is of particular concern, as they face a high risk of seeing their working lives permanently scarred in terms of poor employment and earnings prospects, as Bo Smith reminds us.

There is no magic solution to these problems, but well-targeted and cost-effective labour market policies can limit the damage and help to deliver better outcomes. Scarce resources need to be focused on protecting the most vulnerable while boosting job creation and making sure people are well-prepared for new jobs.

That means focusing on measures that achieve results, such as well-designed hiring subsidies; President Barack Obama's proposed Jobs Act, cited by Alan Krueger, would waive employer payroll taxes for companies expanding their workforce.

For the unemployed themselves, cost-effective measures to help them get back into employment include well-designed job search support programmes as well as

Inactive youth
% of 15 to 24-year-olds not in employment, education or training, 2010



Source: OECD project on Jobs for Youth (www.oecd.org/employment/youth)

access to training and, in the case of young people, apprenticeship programmes. At the same time, income support should be maintained, or even reinforced, where the long-term unemployed face a serious risk of falling into poverty and exclusion.

Will this work? Well, the experience of some countries such as Australia, Germany and the Netherlands has shown that judicious employment policies and structural reforms can improve labour market performance. Many OECD and emerging economies have also scaled up resources for labour market policies during the crisis and this swift policy response has helped to contain job losses and helped the unemployed back into work. And job creation is at the top of the international agenda. The G20 Cannes Summit set up a new task force with support from the OECD and the International Labour Organization to focus on jobs for youth, to report back in 2012.

Around 1 in 8 of the under-25s in OECD countries is neither in employment nor in education

Skilling up

It is no good creating jobs if people do not have the requisite skills to fill them. The crisis has reinforced the lesson about the importance of skills in today's globally competitive, knowledge-based economy: job losses among skilled workers have been much lower than among the unskilled.

The skill level required for employment has generally risen in the past 50 years, but the precise skills in demand change constantly and are difficult to predict. How can we be sure that when innovation delivers new products and processes, from personal computers to wind farms, there are people available with the skills to make, install, use and maintain them?

Giving young people solid foundation skills, alongside policies to encourage a closer relationship between business and education systems, is the key requirement to ensure that education is delivering the skills needed in the labour market. Well-designed vocational education programmes can help ensure a successful transition from school to work. Youth unemployment rates are lower in countries with strong apprenticeship systems, such as Germany.

To ensure that education and training at all levels deliver the most cost-effective results, and can adapt to meet changing demand, employers, educators, individual workers, government, public employment services and social partners need to work together. Since innovation is the key to new sources of growth and a sustainable recovery, we need to develop core innovation skills, as Charles Fadel notes. But what are they and how do you learn them?

Many countries have developed strategies to improve skills and to better match available skills with available jobs, but their success in implementing them varies widely. And many continue to struggle with low levels of adult basic skills, problems of skills mismatch, skills shortages and unemployment.

The OECD Skills Strategy, due to launch in early 2013, will help governments meet this challenge. The strategy will put forward a comprehensive framework on how to ensure adequate investment in human capital throughout the entire lifecycle and identify a set of good practices in areas such as financing skills-development programmes and formulating sound, inclusive and effective skills policies.

Mind the gap

The crisis has put the spotlight on the most vulnerable in society and highlighted a growing problem of inequality. The fruits of strong economic growth in the pre-crisis years were not shared equally; the rich benefited far more than middle- and low-income people.

Income inequality has further increased during the crisis in many countries. The challenge for governments is to prevent the gap from widening further and to ensure protection for those at the bottom of the ladder at a time of tight public finances. The answer is to be selective and focus help where it will be most effective.

During past recessions, for example, across-the-board cuts in social spending led to growing inequality as low-income groups depend most on social benefits. Tax cuts which have often tended to favour the rich have exacerbated this trend. But spending on good-quality social policies is a sound investment to improve well-being. Cutting such social expenditures can thus also have long-term costs.

Take child poverty. The stark truth is that despite relatively strong economic growth in many countries in the pre-crisis years, child poverty did not decline. This has wide-reaching social and economic repercussions: poor children are less healthy and do less well in school, meaning that they are at greater risk of poverty as adults, perpetuating the poverty cycle. So investing to give children a good start in life can provide social and economic returns throughout their lifetime.

Keeping people out of poverty in the current situation means revisiting social safety nets to ensure that the resources available target the most vulnerable. The G20 has now supported the idea of minimum floors of social protection for the jobless and other vulnerable groups involving access to health care, income security for the elderly and persons with disabilities, child benefits and income security for the unemployed, and assistance for the working poor. Martin Hirsch argues that such socially responsible globalisation can work.

This goes alongside strategies to keep people motivated and maintain, update or raise their skill levels to take jobs that are or become available, since the best form of social protection is to have a job.

It is also important to address inequalities in the workplace, as Diana Holland and Claire Courteille remind us. Women entering the labour market are now better educated than men but find it harder to reach the top of the career ladder. Older workers also find it harder to get jobs, despite the need to work longer in order to fund an adequate pension.

Watch the middle

Ensuring that the poor and vulnerable do not lag further behind is a major concern, but governments also need to take care that the prolonged slowdown does not squeeze the middle class.

The middle classes are credited with driving growth in advanced economies over the past century. They have done this by working and paying taxes and by spending their money on housing, consumer goods, services, etc. The middle classes are also a cornerstone of accountability and democracy; they see themselves as having a real stake in the government and help guarantee political and social stability, as Peggy Hollinger points out in her article in this chapter.

But in a protracted economic global slowdown, the middle class are vulnerable too. They are self-sufficient and contribute to government coffers only as long as they have a regular income.

If they lose their jobs or suffer a dramatic fall in pension income, they can face severe hardship; some may have consumer debt (mortgages, car loans) to pay for and regular outgoings such as school or college fees for their children—all of which depend on steady income. If their labour market situation does not improve soon, they can run the risk of seeing the gains of the hard work and planning of a lifetime being jeopardised and of becoming a drain on the public purse.

> Governments need to take care that the prolonged slowdown does not squeeze the middle class

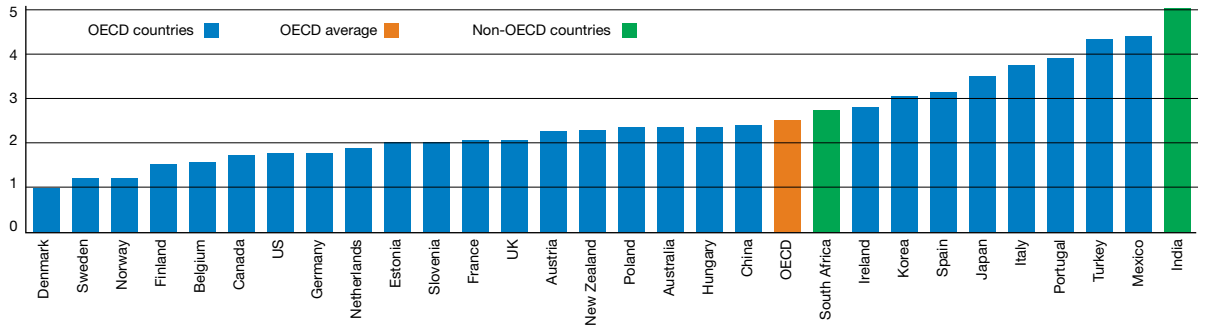
The traditional aspirations of the middle class—a job, a good education for their children, secure retirement and above all the idea that each generation will have a better life than their parents—are facing clear threats. Already in the US, median incomes have fallen to levels last seen in the mid-1990s, the first time since the Great Depression that incomes have not risen over such a long period.

Countries that have increased higher education costs as part of public spending cuts now face the wrath of the students and their parents who bought into a system which has failed to deliver, leaving them with debts that they cannot afford to pay.

Governments need to take care that the middle class are not squeezed out of existence if lasting recovery, and social stability, are to be achieved.

Unpaid work: difference between genders

Women minus men, difference in hours/day



Source: Miranda, V. (2011) "Cooking, Caring and Volunteering: Unpaid Work Around the World", *OECD Social, Employment and Migration Working Papers*, No. 116, OECD Publishing.

Brigid Inder Executive Director

Women's Initiatives for Gender Justice

www.iccwomen.org

The Women's Initiatives for Gender Justice is an international women's human rights organisation that advocates for gender justice through the International Criminal Court (ICC) and works with women affected by armed conflicts in the Democratic Republic of the Congo, Sudan, the Central African Republic, Uganda, Kenya and Libya.

Its advocacy focuses on the prosecution of gender-based crimes in every conflict situation under investigation by the ICC as well as access to assistance and reparations for women victims/survivors. To date, the Court has brought charges for rape, sexual enslavement and other forms of sexual violence against 13 accused in eight out of fourteen cases including recently against a former head of state.

In addition to its work with the ICC, the Women's Initiatives' experience in peace processes and negotiations has drawn attention to the limited access available to women most affected by armed conflicts to shape the justice, reconciliation and reconstruction processes following the establishment of ceasefire agreements. Few women are actively included in peace talks as stakeholders, negotiators or advisers, and to date not a single woman has ever been appointed as a chief mediator in a UN sponsored or co-sponsored peace process.

In 2006, the Women's Initiatives created history by being the first NGO to file before the ICC where it argued for further investigations into gender-based crimes in relation to the enlistment of child soldiers and the rights of victims to be heard before the Court.

With more than 1,000 members comprised of women's rights and peace advocates in armed conflicts, a global movement is emerging which calls for access to peace building opportunities, greater accountability for gender-based crimes, the means to rebuild livelihoods and the opportunity to transform both ethnic and gender relations.

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Leading by example

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Recep Tayyip Erdoğan
Prime Minister of Turkey

Turkey's efforts in the struggle against poverty and income inequality have met with much success. Today, the country stands out as a model in the region and beyond. Prime Minister Recep Tayyip Erdoğan discusses these achievements and the country's role in international co-operation.

It has become ever clearer that poverty and income inequality present serious risks today to global peace, security and stability. It is impossible to deny the fact that the source of the security problems and instability in geographies ranging from Afghanistan to Yemen and Somalia is underlined by poverty.

We should therefore see the struggle against poverty and income inequality not just as a social and economic issue, but a strategic one.

Resolution of these challenges of a global nature will only be possible through co-operation at the global level. Although currently there are some efforts internationally in this direction, the fact is these efforts have only been partially successful.

The precondition for an effective and result-oriented struggle against poverty and income inequality is to have strong political determination. The efforts in this struggle should not be viewed as charity work or a show of mercy. On the contrary, facing these issues head on is as much an urgent need in order to preserve global peace and stability as to assuage—albeit partially—the feelings of injustice of millions of people who desperately try to hang onto their lives by living off a single dollar a day.

The task incumbent on us—as leaders—is to show as much sensitivity and discretion to rid inequalities among the countries and nations as we do in the face of problems in our respective countries

It is also natural that, within our global environment that has turned into a global village, the injustices, inequalities, deviations and polarisations have become clearer to see. The global financial crisis stands as a probing signal of these risks. The hysteria of ambitions for unlimited profits and conspicuous consumption and the growing rift between the rich and the poor have led to a result that has shaken the economies of all countries. If we cannot draw the right lessons from the current global financial crisis and do not analyse it correctly, the damage by the ensuing tremor will be much greater.

The task incumbent on us—as leaders—is to show as much sensitivity and discretion to rid inequalities among the countries and nations as we do in the face of problems in our respective countries. A special duty falls on the more advanced countries in this area.

I do believe that Turkey presents an exemplary success story with the firm policies it has implemented in the fight against poverty and inequality both at home and in the international arena.

Global development and growth will only be possible through a participatory process, securing North-South, South-South and public-private sector co-operation schemes and bilateral, regional and multilateral aid. Sustainable, rapid and inclusive growth will require building economic fundamentals and infrastructure and raising production capacity within the less developed countries.

Turkey sets its own mission to be the voice for those countries that cannot make their voices heard globally. We are trying to reach out to those who feel that they are in need by pushing our capabilities to the limit, mobilising the resources of our government and involving the civil society organizations regardless of their geography, race, language and faith.

With its official development assistance programme, Turkey is at the top of the emerging donors list based on OECD statistics. Turkey is executing active development diplomacy with projects and aid programmes in a large number of countries. The main objective of our efforts is to address the immediate concerns of those who are in need. Our aid efforts are driven by our focus on winning the hearts and minds of people rather than by trade and economic interests.

Turkey hosted the UN Conference on Least Developed Countries in 2011 and we are determined to follow up on the implementation of the Istanbul Action Plan. Currently we have substantial work under way in order to activate the economic and technical co-operation programme we announced during the conference. We are planning to provide around US$200 million annually to these countries in a wide ranging area from trade and education to agriculture and energy. Our objective is to increase our foreign direct investment in those countries to $5 billion by 2015 and $12 billion by 2020.

As Turkey is trying to lead the charge through international efforts in overcoming inequality, we also set an example with the ground covered at home. We will continue the social restoration process initiated through very firm social policies in the fight against poverty at home. We are supporting projects that will generate income and diversify economic activity for the poor segments of society, as we are also encouraging entrepreneurship in rural and less developed regions.

> We are supporting projects that will generate income and diversify economic activity for the poor segments of the society

In particular, reforms in favour of low income groups in the fields of education, health and employment have played a significant role in reducing income inequality.

While 136,000 people in Turkey used to live off less than $30 a month, by 2009 there was no one left behind with a monthly income below $30 a month. The population of 2 million previously living off less than $65 a month fell to 159,000 by 2009. We were able to reduce the number of people who lived with a monthly income of $129 from 20 million in 2002 to 3 million by 2009. We are planning to lift those who are left below the $65 a month income level by 2015 and to eradicate absolute poverty by 2023. In achieving these goals, we will have registered important progress and accumulated significant experience in the struggle against poverty.

Poverty and the imbalances in income distribution are being gradually reduced through policies for sustainable growth, employment, labour, education and health. We are making sure that certain groups, such as women, that are vulnerable to social isolation are incorporated into economic and social life and that their living standards are raised.

The structural transformation our government has brought to the economy and reforms it has implemented have strengthened our economy. The global crisis has been a test in this vein, one which our economy has successfully resisted. Turkey has played an active role in all decisions of the G20 process. With the consistent and firm policies it has put into action, Turkey is praised and held up by the global economic and finance circles as an example. Through well placed and reasonable measures, we have managed to overcome the impact of the global crisis on the Turkish economy. Turkey was one of the few economies that recovered very quickly after 2009 and registered an 8.9% growth in GDP in 2010, as it recorded the highest growth rate among the OECD countries.

As a result of the firm policies by our government that has wide social support, and through its economic performance, dynamism, rich human resources and productivity, Turkey stands out as an example at the global level on the issue of reducing poverty and income inequality. In light of the current global social and economic volatilities, Turkey's achievements look even more attractive.

To ensure that this progress is sustainable, we are determined to press on with our efforts in the period ahead. In conclusion, I would like to emphasise that the success story of Turkey, our efforts to ensure an honourable living for all and reducing income inequality, is as much a source of pride for our people as it is a source of inspiration for peoples outside our borders.

Recommended link

Presidency of the Republic of Turkey: www.tccb.gov.tr/pages/

Rebuilding the US economy and sustaining the recovery

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Alan B. Krueger
Chairman, US Council of Economic Advisers, Executive Office of the President

As the US emerges from the deepest recession since the Great Depression, it is critical to take steps that will lead not only to recovery, but also to more robust economic growth with rising employment and broadly shared income gains.

Returning to the pre-crisis state of the economy is not sufficient. The pace of economic growth in the upswing prior to the Great Recession was modest, and the expansion of the 2000s was driven by increasing consumption and wealth from an unsustainable rise in housing prices rather than from rising employment and income; indeed, the share of the population working fell in the US in the years prior to the Great Recession and median family income was stagnant or declining throughout the 2000s. From the start of the decade of the 2000s through November 2007, only 7.4 million jobs were added. Even if job growth had continued at the same pace through 2009, this would have represented the slowest employment growth for a decade in over 60 years (since the Great Depression); the actual record for the decade was much worse, of course, due to the recession that began in December 2007.

By contrast, net US payroll job growth was 22.3 million from 1990 to 2000.

What these data suggest is that the US had a dismal job creation record in the 2000s—even before the Great Recession began.

Poor job growth translated into an increasingly smaller fraction of Americans working. The employment-population ratio increased from 62.9% in 1989 to 64.3% in 1999, and then fell in the recession in the early 2000s and never recovered to its previous high. This share stood at 62.9% in November 2007, precisely where it was in 1989. (Today, after the ravages of the Great Recession, it is 58.4%.)

The 2000s did not have to be so disappointing. The OECD Labour Force survey indicates that many other industrialised nations had robust job growth over the 2000s even after accounting for differences in industry composition. These data suggest that the slow job growth of the 2000s was not an inevitable feature of globalisation or technological change, as some have argued. Instead, structural differences such as lagging educational attainment, increasing inequality, and an expensive and inefficient health care system may have played a role. One large fixed employment cost has been employer-provided health insurance. In the long run, health insurance costs are probably shifted to workers in the form of lower pay, but in the short run health care costs may be borne partially by employers, and unnecessary administrative costs of providing health insurance create a wedge that is likely to lower employment.

> The 2000s did not have to be so disappointing. Slow job growth of the 2000s was not an inevitable feature of globalisation or technological change, as some have argued

These are important lessons to reflect upon as the US recovers from the Great Recession. Though the US is recovering—with 20 consecutive months of private sector job growth—there are still 13.9 million people unemployed. Nearly 5.9 million of those unemployed have been unemployed for 27 weeks or more. To put these Americans back to work, the recovery must be stronger and sustained.

Since taking office, President Obama has been laying the foundations for a stronger economy, both in the short term and long term. When the President took office the economy was losing over 800,000 jobs per month and GDP was contracting at an 8.9% annual rate. The Obama Administration took the necessary steps to break the back of the economic free fall, including implementing the American Recovery and Reinvestment Act (ARRA) and the Financial

Stability Plan. Just one quarter after ARRA took effect, the economy began to turn around. The recession officially ended in the middle of 2009, although it has taken nearly four years to return to the level of GDP that was reached before the recession began, and the US still has a very deep hole to dig itself out of in terms of creating jobs and raising middle class incomes.

The US needs to do two things at once: sustain the recovery and return to a fiscally sustainable path for the federal budget. Rather than contradictory, these goals are complementary. If markets and households believe that the US is on a sustainable long-term fiscal path, there is more headroom for supporting the economy in the short term.

As the world economy struggled with shocks from the Japanese earthquake, rising oil prices and financial stresses in the euro zone, President Obama proposed the American Jobs Act to strengthen growth and increase employment in the near term while rebuilding the economy over the longer term. The American Jobs Act would strengthen aggregate demand by extending and expanding the payroll tax cut and Emergency Unemployment Compensation. It also includes US$50 billion in upfront investments for highways, highway safety, transit, passenger rail, and aviation activities, and $10 billion to establish a national infrastructure bank that would direct funding to the most high-value projects. Infrastructure investments produce many benefits to the economy, such as improving safety, increasing land values, reducing travel times, and boosting productivity. The costs of infrastructure investment are quite low at the present time, with real interest rates close to zero and rates of resource utilisation in the construction industry at low levels.

President Obama has tackled structural problems that, if not addressed, could lead to weak employment growth in the future. First is the rising cost of health care. Early in the second year of the Administration, the Affordable Care Act was passed, which will lower the growth of health care

> The US needs to do two things at once: sustain the recovery and return to a fiscally sustainable path for the federal budget

spending in both the public and private sectors through the creation of health care exchanges, stronger risk pooling, insurance regulations, and greater transparency, as well as provide health insurance coverage for the vast majority of the uninsured.

Second, President Obama has made improving the quality of education and increasing educational attainment a focus of his Administration. He launched ambitious education reform through Race to the Top. Race to the Top provided $4 billion in grants to states raising standards, measuring performance, and holding education leaders accountable for student gains. The competition sparked widespread reform as states attempted to meet the requirements for competitive grants. The President has proposed a similar competitive grant process for early childhood education and has taken steps to make the funding for the government's early childhood programme, Head Start, more performance based.

Structural changes in the health care and education systems along with investments in infrastructure and innovation lay the foundations for stronger economic growth and employment

> If markets and households believe that the US is on a sustainable long-term fiscal path, there is more headroom for supporting the economy in the short term

and income growth in the future. These actions will build on the recovery already taking place. Since the middle of 2009, the US economy has now grown for nine straight quarters and since February 2010 private employers have added 2.8 million jobs on net. The US recovery has persisted in spite of substantial headwinds that have threatened the world economy, and sustaining and strengthening the recovery remains a paramount goal, even as we work to address longstanding structural and fiscal issues.

Recommended link

US Council of Economic Advisers: www.whitehouse.gov/administration/eop/cea

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How do we stop the current crisis in youth employment from having serious long-term consequences?

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Bo Smith
Chair, Employment,
OECD Labour and Social
Affairs Committee

Among the employment challenges exacerbated by the economic crisis, long-term joblessness and youth unemployment are especially troubling as their effects can linger long after the job market has recovered. Governments would do well to focus on these problems now.

More than two years into a jobs-poor recovery, a great many countries continue to bend under the weight of stubbornly high unemployment and under-employment. And too many of those who do work remain trapped in low-paid jobs with little social protection. Indeed, the gap between rich and poor has widened in most OECD countries over the past quarter of a century—a trend that was occurring well before the Great Recession. Therefore, the OECD has been arguing for some time now that creating more and better jobs must take centre stage on the political agenda.

Two aspects of the current situation are particularly worrisome: the serious threat that high levels of unemployment might become entrenched and the disproportionate impact of the crisis on youth.

For those joining the ranks of the unemployed, the drawn-out nature of this crisis means that it can take longer to find a new job, assuming they can find one at all. By the second quarter of 2011, the share of the unemployed who had been jobless for a year or more had risen above the pre-crisis level in over two thirds of OECD countries, with the largest rises occurring in those countries where the recession has hit labour markets particularly hard. For example, in the US, a post-war high of 32% of all unemployed had been jobless for a year or more in the second quarter of 2011, up from just under 10% three years earlier. Over the same period, Spain recorded an increase from 18% to 41%, and Ireland saw an increase from 29% to 58%. These large increases in long-term unemployment are distressing for the individuals concerned and their families, but they also raise the spectre of increasing rates of structural unemployment that may take many years to unwind.

And the negative effects of long-term unemployment can reach well beyond joblessness. Those suffering from long-term unemployment run a greater risk of poverty and health problems while their children are more likely to suffer from failure at school. So the policy implications are plural and pressing. As the recent OECD publication,

> Those suffering from long-term unemployment run a greater risk of poverty and health problems while their children are more likely to suffer from failure at school

Divided We Stand: Why Inequality Keeps Rising shows, the jobs crisis has been hitting the most vulnerable groups hardest and may be widening the gap between the poor and the rich even further.

Youth have been hit particularly hard by the jobs crisis. This was clearly spelled out in the 2011 *OECD Employment Outlook* and in the joint OECD/ILO report on youth employment that was prepared for the G20 Employment and Labour Ministerial meeting in Paris in September 2011. Giving a better start in the world of work to the young is a challenge that cuts across all countries. Whereas overall employment in the OECD area was 1.5% lower in the second quarter of 2011 than three years earlier, employment for youths aged 15 to 24 fell a staggering 8.8%. This sharp deterioration in labour market opportunities for recent school leavers contrasts sharply with the 7.2% rise in employment for workers aged 55 to 64 over the same period.

Large employment losses for youth are of particular concern because unemployment and other labour market difficulties encountered early in their working lives can jeopardise their career prospects over the long term. OECD governments have implemented a number of crisis measures intended to

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help youth weather the economic storm, both by providing additional opportunities for education and training, and by helping young workers gain valuable work experience through employment subsidies and increased places in apprenticeship-type training. But at this point, it is not yet possible to assess how successful these measures have been in limiting the scarring effects that can accompany them for life.

So how should governments respond? Ensuring a credible medium-term strategy of fiscal consolidation is essential for unwinding large increases in public debt, rebuilding confidence and ultimately renewing the basis for sustained growth. Yet, while necessary, this will not be sufficient to bring down long-term unemployment. We need to support a new wave of job creation. With public resources limited, the OECD rightly suggests that the focus should be on cost-effective measures. This will include well-designed hiring subsidies and training programmes tied closely to local labour market needs and focused on the most vulnerable groups.

> Unemployment encountered early in young people's working lives can jeopardise their career prospects over the long term

Improving the labour market situation of youth requires a two-pronged approach. First, action needs to be directed at tackling the rise in youth joblessness that took place during the crisis. Policies involving job-search assistance, hiring subsidies and remedial assistance should focus on the most disadvantaged youth, including those most at risk of exclusion. In a number of countries, there is also a need to expand opportunities for "study and work" programmes, such as apprenticeships and other dual vocational education and training programmes.

Second, policies must be put in place to give all youth a better start in the labour market. This means ensuring youth do not leave school before acquiring adequate foundation skills, both cognitive and non-cognitive. As underlined in the OECD's in-depth country reviews on youth employment, such skills will be a critical issue looking further ahead, particularly the need to achieve a better match between the skills youth acquire at school and those required by the labour market. This requires improving early childhood education and development and making sure that dropping out of school is not an option. Education and trainings systems also need to be made more responsive to the skill needs of employers.

In many cases, governments need to reassess and remove potential barriers to youth employment. These may include excessive labour costs for hiring unskilled youth, as well as restrictive hiring and firing rules that relegate young job seekers to dead-end temporary jobs. Youths, as well as employers, need a degree of labour market flexibility to ensure that younger job seekers receive a fighting chance in terms of hiring and moving onto career tracks.

The immediate future of the world economy is still uncertain at best, and realistic short-term solutions to the challenges of unemployment remain elusive. But doing nothing is not an option as the economic and social costs of rising long-term unemployment and the exclusion of many young job seekers from the labour market would be simply far too high.

Recommended link and reference

www.oecd.org/employment

OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing.

A global safety net

© Charles Platiau/Reuters

Martin Hirsch
President,
Agence du service civique, France

In October 2011, a high-level panel headed by the former president of Chile, Michelle Bachelet, delivered a ground-breaking report to UN Secretary-General Ban Ki-moon, arguing that everyone around the globe should receive a living income, guaranteed through transfers in cash or in kind, such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees, and services for the unemployed and working poor. Martin Hirsch, a member of that panel, explains why this proposal for a more socially responsible globalisation can work.

The Bachelet report on the social protection floor, which was submitted in October 2011 to the UN secretary-general, features a number of innovations as compared to previous work on the same subject.

First of all, it breaks with the idea that social protection is the ultimate stage of development—a privilege of the rich countries. It shows that countries with low per capita income can establish customised social protection floors which can be improved gradually over time.

Next, it shows that social protection is not a hindrance to growth. Emerging countries have in fact been able to achieve and sustain high growth rates while at the same time broadening social protection and expanding the share of wealth they devote to programmes aimed at the population at large. Such is the case, for example, in Brazil, which in recent years has reduced poverty and lessened inequalities while still maintaining a high rate of growth.

The proposal relies on numerous examples of mechanisms allowing social protection to be tailored to countries where the informal economy plays a major role, but where solving that problem need not be a prerequisite.

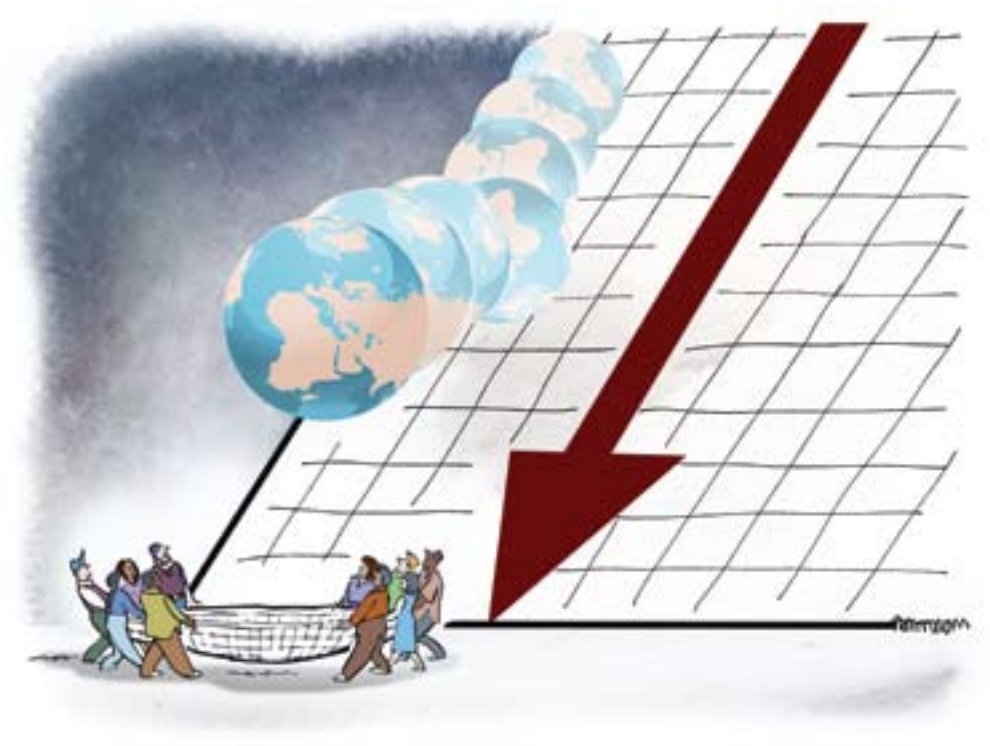
The report has also succeeded in making social protection an international challenge, which is something new. It is in the interest of the international community as a whole to see the level of social protection rise throughout the world; some reasons for this are controlling pandemics, reducing migratory imbalances and achieving economic stability. Embraced in the G20's final declaration in Cannes, for the first time the social protection floor made its way into an international forum that, until now, had focused its work almost exclusively on the economic and financial dimensions of globalisation.

> It is in the interest of the international community as a whole to see the level of social protection rise throughout the world

The social protection floor, states the report, is a crisis prevention instrument. It is also a necessary perspective for achieving and extending the millennium development goals. It factors in the prospects for aging: by 2050, 80% of people over 60 years of age will be living in poor or emerging countries.

While the Bachelet report recommends that each country devote domestic resources to funding the social protection floor, it acknowledges that international solidarity can hasten the process in the poorest countries by topping up their own efforts. In this regard, it reiterates that social protection comprises not just insurance schemes, but elements of supply as well. It is useless to have health insurance if there are no hospitals, doctors or drugs available to the entire population.

Likewise, the issue of conditional cash transfers is one that can be found in a variety of forms in countries with very different levels of protection. In Brazil, it is the *Bolsa Família*, which ties family allowances to children's schooling and to preventive health programmes. But in a country like France as well, a condition for family allowances is



pre- and postnatal monitoring, and there has been debate over the advisability of suspending allowances as a sanction for school truancy.

In many countries, due to the linkage between social benefits and earned income means, care must be taken not to create disincentives to work. It is not easy to institute a minimum income—a condition of the fight against extreme poverty—without running the risk of creating inactivity traps. In South Africa, creating the minimum pension for the elderly had repercussions on the activity of the children and grandchildren of those receiving the pensions. In France, a far-reaching reform was carried out recently to avoid having a return to work result in a drop or a stagnation of income. Making work pay is a concern that is common to all countries.

> The social protection floor is a crisis prevention instrument necessary for achieving and extending the millennium development goals

The way in which the Bachelet report was prepared removed a number of major obstacles; but everyone knows that the road ahead is long and arduous, hence the report recommends several valuable tools.

The report proposes experimental methods to demonstrate the effectiveness of social protection programmes and allow for their gradual extension on the basis of validated outcomes. For example, preventive health programmes for schoolchildren influence truancy, scholastic outcomes and salary levels, with a "return on investment" for the economy of any country that implements them.

Another tool put forward is the use of new technologies that can deliver cash transfers either to cell phones or through biometric recognition of the beneficiaries of such aid. It also urges involving civil society, alongside national governments, to tailor social protection to the cultural and social characteristics of each country and not impose it artificially.

It is important to ensure that, following the conceptual progress made in 1991, the issue of social protection remains on the international agenda. This means monitoring the progress that each country makes as well as the impact on how people live.

Recommended link and reference (in French)

International Labour Organization: www.ilo.org

Hirsch, Martin (2011), *Sécu objectif monde: le défi universel de la protection sociale*, Éditions Stock, Paris.

Protecting women's work

Diana Holland
Chair, ITUC Women's Committee

Claire Courteille
Director, ITUC Equality Department

Half the world's workforce, 1.5 billion working women and men, are in vulnerable employment. The global economic crisis has swelled the ranks of those whose jobs do not provide enough to meet basic needs, the "working poor", by more than 100 million people, mainly women.

A major report published by the International Trade Union Confederation (ITUC) in 2011 shows that while the initial impact of the global economic crisis was equally detrimental to men and women, a second wave has led to increasing numbers of women losing their jobs or being forced into more precarious, temporary and informal forms of work. Women are facing higher unemployment, underemployment and imposed reduced working hours.

The threat to hard-won gains in equality and anti-discrimination policies is also having a major impact on women's lives. Throughout the world, austerity measures, challenges to trade union rights and cutbacks are deeply threatening women's rights and opportunities to work. Action against sex discrimination, unfair pay, sexual harassment and violence against women, as well as support for pregnant women, working mothers, carers and women's health are increasingly challenged and given a lower priority. The International Labour Organization (ILO) has documented increases in complaints of workplace discrimination at the same time as cutbacks in bodies charged with inspection or with preventing the economic crisis from generating more inequalities. The ILO report also highlights both long-standing discrimination such as the gender pay gap

Throughout the world, austerity measures, challenges to trade union rights and cutbacks are deeply threatening women's rights and opportunities to work

and new forms, including multiple discrimination; it cites, for example, young, financially dependent, single or divorced women and migrant workers as most likely to face sexual harassment.

In 2009 the first ITUC Women's Conference, which brought together 450 women delegates from 102 countries, called for sharply focused action. The conference underlined the resolution on gender equality made at the International Labour Conference (ILC) earlier that year: "Crises should not be used as excuses to create even greater inequalities nor undermine women's acquired rights." It also called for implementing the agreed Jobs Pact: "to retain persons in employment, to sustain enterprises and to accelerate employment creation and jobs recovery combined with social protection systems in particular for the most vulnerable integrating gender concerns on all measures." Finally, the conference planned action for the following: organising women workers; collective bargaining, social dialogue and gender equality; economic and social justice; climate change and food security; core labour standards; and women's representation in trade unions.

Since the conference, these action plans are being implemented, and in particular it is young women workers, domestic workers and Arab women that lead the way. Their achievements demonstrate clearly that women in trade unions have a central part to play, and that workers in some of the most vulnerable and exploited positions in the economy can inspire the positive change needed across the world—a fitting tribute to the memory of an extraordinary woman, Nancy Riche, former vice-president of the International Confederation of Free Trade Unions and chair of its Women's Committee (1993-2002), whose death in 2011 is mourned by the ITUC.

After a long campaign for justice led by domestic workers, particularly migrants, the ITUC has been part of the

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major alliance which created the ILO Convention and Recommendation on Domestic Workers at the 2011 ILC, central to its campaign for Decent Work, Decent Life for Women. Domestic work is undervalued, mainly carried out by women, central to our economy, with serious exploitation and abuse hidden in communities and homes, and with limited or no access to redress. The ILO convention is a major achievement, but the next steps are critical. The ITUC is now campaigning for at least 12 ratifications in 2012, turning words of support into action.

International Women's Day 2011 saw women trade unionists from Arab countries come together to launch their network Changing for Equality, under the umbrella of the ITUC and with ILO support. At the heart of the network is mobilisation for democracy, social justice, decent work and gender equality. Their declaration confirms the urgency of promoting women in all sectors of society, and their action plan states: "women have to be actors of the transition to more democratic regimes and involved on equal footing with men in the decision-making process towards democracy… trade unions in the region must increase their commitment to gender equality and the advancement of women's rights… quotas remain a necessity to ensure women's access to decision-making bodies."

> Workers in some of the most vulnerable and exploited positions in the economy can inspire the positive change needed across the world

The ITUC Decisions for Life project is reaching out to thousands of young women workers internationally, using multiple tools developed specifically to help them make well-informed career and family choices. The ITUC affirms: "The lifetime decisions adolescent women face determine not only their individual future, but also that of society: their choices are key to the demographic and workforce development of the nation."

The Decisions for Life project focuses on 14 developing countries across the world, including Azerbaijan, Brazil, India, Indonesia and Zimbabwe. It targets 10-12 million young women in the service industries, which employ the majority of working women aged 15-29 and is achieving a groundbreaking level of tangible changes in workplaces, conditions and involvement. The motivation and creativity of young women coming forward in some of the most challenging situations is rebuilding the confidence of workers everywhere. As one of the young women said, "Don't give up easily, strive and fight for your rights as workers. Know the Labour Relations Act, eat and sleep the act. Know your constitution and focus on your dreams and goals regardless of the environment you are living in."

This latest global economic crisis and its aftermath need the leadership and strength of young women, of Arab women, of domestic workers, of all those across the world facing discrimination, exploitation and exclusion from power and decision-making. Trade unions internationally are demonstrating that they can be central to making this happen.

Recommended link
International Trade Union Confederation: www.ituc-csi.org

A hollowing middle class

Peggy Hollinger
Leader writer,
Financial Times

In many countries, the middle class is feeling squeezed, and the crisis has only made matters worse. What is behind this sentiment and what can be done to reverse it?

Aristotle said it more than 2,300 years ago. "Great then is the good fortune of a state in which the citizens have a moderate and sufficient property; for where some possess much, and the others nothing...a tyranny may grow out of either extreme. Where the middle class is large, there are least likely to be factions and dissensions." The great philosopher's words, set down in his treatise *Politics*, are as true today as they were then. The middle class—whether in developing or developed countries—is the group of citizens most likely to "have a greater share in the government" and so helps to guarantee political stability.

Yet the inexorable rise in inequality over the last 20-30 years is winnowing out the middle in many economies, and tensions are rising around the globe. From the revolutionaries of the Arab Spring, to the protestors setting up camp on Wall Street, it is hard to ignore the voices of those who feel they have been deprived the gains of growth.

A study of 10 advanced economies over the last 40 years by Britain's Resolution Foundation shows their complaints are not unjustified. The relationship between the pay of ordinary workers and overall economic growth appears to have broken down in each of the countries studied. To different degrees, median pay has lagged growth in GDP in almost every country. The main cause is a sharp and growing rise in pay inequality, to the benefit of the very rich, while the gap between the lowest paid and those in the middle has been decreasing.

The trend in rising inequality has been particularly noticeable in the English-speaking countries where strong growth in the financial services sector has encouraged a shift in compensation away from wages and towards bonuses and options. In the US, statistics show that between 1979 and 2007 the top fifth of the population took an extra 10 percentage points of total after-tax income, with the vast majority going to the top 1%. Everyone else saw their share fall by 2-3 points.

The share of wealth claimed today by the top 1% of American citizens is back to levels not seen since the roaring 20s. In the UK, the High Pay Commission has warned that if current trends continue, the disparity of income between the top 1% and the rest will hit levels not seen since Queen Victoria sat on the throne. Meanwhile, the Institute for Fiscal Studies predicted that in 2011 median income would suffer its largest drop in 30 years.

> The middle class is a constituency that policymakers ignore at their peril

Pay inequality may have begun to rise sharply in the US and UK in the 1980s, but the phenomenon has since gone global. The rise in income inequality and relative poverty has affected more than three-quarters of OECD countries during the past 20 years, according to OECD reports *Divided We Stand: Why Inequality Keeps Rising* (2011) and Growing Unequal (2008). Professor John Van Reenen, director of the London School of Economics' Centre for Economic Performance, argues this is in part due to technological change. New technology has tended to help the highest skilled, such as lawyers, accountants and economists, to be more efficient, and demand for their skills remains high.

However the rapid changes brought about by new technology are hollowing out the lesser skilled routine jobs such as bank clerks or public sector workers—the ones who counted on their steady jobs to fund their children's education and a hopefully comfortable retirement. "In all OECD countries

'middle class' occupations appear to be shrinking relative to those in the bottom as well as the top third," says Mr Van Reenen.

Some economists have argued that the shrinking middle is not all bad news, if more families are moving up the ladder than down. Yet polarisation of the workforce and growing inequality as the rich get much richer nonetheless raises urgent questions for policymakers, particularly as they struggle to stimulate growth. The issues are as pressing for developing countries such as China and India where, despite a rapidly growing middle class, inequality has also been on the rise.

William Easterly, the US economist, writing for the World Bank in 2001 found that middle income share affects all indicators such as life expectancy, infant mortality and health outcomes. A middle class consensus is also good for democracy, he argues, with research showing that a rise in middle class share has a clear impact on development of political rights. Elite dominated societies, he adds, will also invest less in human and infrastructure capital for the majority because of "fear of empowering groups outside [its] own class".

The middle class is a constituency that policymakers ignore at their peril. The key will be to ensure that the traditional aspirations of the middle class—a job, education for their children and a secure retirement—are not rendered futile as governments seek to control public spending while boosting growth. That, of course, means pursuing job creation policies. But in a world where technology has ruthlessly culled middle income opportunities, policymakers will also have to ensure that the skill sets of the middle class match the needs of employers, which means prioritising education above almost all else. Focusing on lifelong learning and skills enhancement must be a priority, as the wage premium for education has clearly grown.

It is also notable that the Resolution Group study found that countries with the greatest disconnect between growth in the economy and median wages were those where unions and collective bargaining were weakest. Encouraging a working dialogue between labour and employers could help to stem in inequality.

Finally, policymakers must do more to halt the accumulation by an extreme minority of an ever greater share of their nation's wealth. This means doing more to rein in the culture of excessive bonuses that has flourished in recent years. Progressive fiscal policies will also ensure that the burden of maintaining public services such as health and education—which have the greatest effect on income inequality and relative poverty—are more fairly shared. This will not only bolster the middle class but benefit the poorest as well.

> Polarisation of the workforce and growing inequality as the rich get much richer raises urgent questions for policymakers, particularly as they struggle to stimulate growth

As Aristotle said more than two millennia ago, no government should be content with a nation "of masters and slaves, the one despising, the other envying". Everyone's interests are best served when the population has a healthy middle class. "This is the class of citizens which is most secure in a state ... and as they neither plot against others, nor are themselves plotted against, they pass through life safely."

Recommended link
www.oecd.org/els/social/inequality

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Skills for innovation

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Charles Fadel
Visiting scholar, Harvard/MIT/Wharton; Vice-Chair, Education Committee of the Business and Industry Advisory Committee to the OECD (BIAC); Senior Fellow, Human Capital at The Conference Board

As technology progresses, so do labour market needs. For economies today, maintaining competitiveness means that skills must adapt and keep pace.

Little more than a decade into the 21st century, the world is facing economic, societal and personal challenges in the form of globalisation, climate change and volatile employment markets. These challenges are testing governments and threatening people's confidence in the future. Meanwhile, exponential growth in technology is rapidly compounding problems, aggravating social disruptions in many countries and localities throughout the developed and developing worlds.

Labour market needs are rapidly evolving. In survey after survey, employers indicate that they wish to find and hire employees capable of mastering not only content, but skills as well. New patterns of global labour are emerging as routine work in more developed countries is either automated or offshored to less developed and lower-wage countries, and even non-routine specialised work like legal research and microchip design leaves developed countries.

Work by Princeton University economist Alan Blinder has shown that between 22 and 29% of US jobs are potentially offshorable, representing some 30-40 million jobs. These are impersonally-delivered jobs, such as those of call centre operators on the low-wage end and scientists on the high-wage end, as opposed to personally-delivered jobs, ranging from janitors and child care workers on the low end to surgeons and CEOs on the high end.

Combining Blinder's work delivery distinctions (enabled by communication and transportation technologies) with the routine versus non-routine task divisions of Levy, Murnane and Autor (enabled by computing technologies) results in the four faces of future work.

The two types of impersonally-delivered work, routine and non-routine, are leaving developed countries. Routine impersonal work (like call centre operators and accountants), easily offshored now, continue to go to the lowest qualified global bidders. Similarly, non-routine impersonal work (like medical pathologists and legal analysts) are becoming more offshorable as specialised skills advance in lower-wage countries and communication technologies improve.

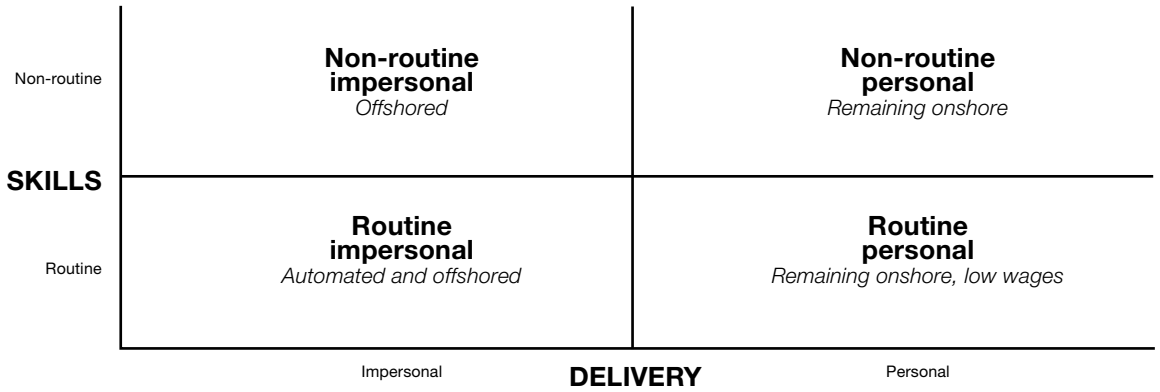
New patterns of global labour are emerging as routine work in more developed countries is either automated or offshored to less developed and lower-wage countries

On the other hand, the two types of personally-delivered work, routine and non-routine, do not tend to go offshore. Routine personal work (like taxi drivers and child care workers) remains onshore but continues to receive low wages, rising when the supply of workers drops (with tighter immigration policies, for example), when services are enhanced with new technologies and higher-skilled workers, or when low wages are supplemented by government programmes. Finally, non-routine personal work (like surgeons and CEOs) will probably remain onshore for the long haul, depending on how quickly technology innovations like telepresence, telemedicine, robotics, artificial intelligence and intelligent self-service facilities become widely adopted.

No matter what the long-term future may bring, nearly every country has to deal with some sort of workforce disruption or adjustment, from high unemployment and underemployment to growing demands for new education and career preparation programmes that are more in tune with the new realities of a new age.

So how can education systems adapt? Education is falling behind the technology curve, as it did during the Industrial Revolution. Clearly, the world of the 21st century bears little resemblance to that of the late 1800s, so education curricula are overdue for a major redesign. Curricula

The four faces of future work



worldwide have been tweaked, of course, sometimes to a large extent, but have never been *deeply* redesigned for knowledge and skills.

Knowledge must be relevant. Students' lack of motivation, and often disengagement, reflects the inability of education systems to connect the content to the real world. This is critically important to economic and societal needs. We must rethink the significance and applicability of what is taught, and strike a far better balance between the conceptual and the practical.

Skills, on the other hand, are necessary to obtain education outcomes. Higher-order skills ("21st century skills") such as creativity, critical thinking, communication and collaboration are essential both for work performance and for absorption of knowledge. As noted by the OECD in its 2009 publication *Learning for Jobs:* "school learning is abstract, theoretical and organised by disciplines while work is concrete, specific to the task, and organised by problems and projects." There is a good global consensus on what the necessary skills are, and how teaching methods via projects can enable skills acquisition.

Of all skills, creativity holds a special place, as it is a precursor to innovation. At the country as well as the organisation level, the two have become the recognised hope for solving both employability and societal crises. It is no surprise that the 14 "grand challenges" identified by the US National Academy of Sciences all relate to innovations such as energy, information and communications technology, health, and most interestingly, personalised learning.

On the employability front, expecting employment to come solely from large, established companies is unrealistic, as most employment growth is happening, in aggregate, in small and medium-sized enterprises. Even within large companies, employees are expected to innovate to justify their employment. Entrepreneurship and "intrapreneurship" are the natural engine for economic growth. Increasingly, workers will have to create their own employment, either within, or outside, corporations and small and medium-sized enterprises.

On the societal front, long-term structural difficulties such as financial instabilities and global warming require creative and innovative solutions as well as collaboration on a scale seldom seen in the history of humanity. In the words of Nobel Prize winner Christian de Duve: "We have evolved traits [such as group selfishness] that will lead to humanity's extinction—so we must *learn* how to overcome them." And it is fitting to couple this last quote with Albert Einstein's famous statement: "Imagination is more important than knowledge."

> Creativity and innovation have become the recognised hope for solving both employability and societal crises

Recommended link

21st Century Skills: Learning for Life in Our Times: www.21stcenturyskillsbook.com/index.php

Why is gender still an issue?

Is gender becoming just one factor among many that divides society, or is it the main division? Women live longer than men and female students are now outperforming males in many areas of education. The unemployment surge during the recession that followed the 2007 crisis affected men more than women. On the other hand, women are underrepresented in positions of economic and political power and bear a greater share of family burdens.

"Women ... conform to the dominant code and way of working, they learn that challenging women are likely to find themselves excluded, marginalized and labelled difficult, weak or incompetent ... This is especially the case for women who are innovative in their field."

Su Maddock, "Gender Still Matters and Impacts on Public Value and Innovation and the Public Reform Process", Public Policy and Administration, 2009, 24/2
http://ppa.sagepub.com

"... the 134 countries covered in the report, representing over 90% of the world's population, have closed almost 96% of the gap on health outcomes between women and men and almost 93% of the gap on educational attainment. However, ... only 59% of the economic outcomes gap and only 18% of the political outcomes gap has been closed."

The Global Gender Gap Report 2010, World Economic Forum, Geneva
www3.weforum.org

"It does appear that on many, many different human attributes—height, weight, propensity for criminality, overall IQ, mathematical ability, scientific ability ... there is a difference in the standard deviation, and variability of a male and a female population. And that is true with respect to attributes that are and are not plausibly, culturally determined."

Lawrence H. Summers, "Remarks at NBER Conference on Diversifying the Science & Engineering Workforce", 14 January 2005
www.harvard.edu

New times, old perspectives?

The long road towards gender equality has arrived at greater educational attainment, higher female labour force participation, and advances in politics and business, but we haven't reached the end yet.

Even though in OECD countries 40% of women versus 31% of men obtain a tertiary degree, only 65% of women versus 79% of men participate in the labour force, and they earn 16% less than men and face a higher risk of poverty in old age. With few exceptions, women's representation on corporate boards is under 15% and in parliaments it is rarely above 35%.

Why do the old challenges persist? Partly because the "new" role of women in the economy has not translated into a change at the family level. Women devote over two hours a day more to unpaid work than men in OECD countries (and up to five hours more in other countries).

Although it is hard to disentangle the influence of family, social attitudes, institutions or the working environment on choices, allowing equal economic opportunities is an important long-term investment for individuals and society alike. Indeed, as well as the moral imperative, women's active contribution to the economy results in better use of human resources and greater potential growth. It also helps to address growing demographic concerns and to promote innovation and competitiveness in business.

In that regard though, the number of women enrolled in science courses is still higher than the number of women actually employed in research or other technical fields, partly because of the organisational structure of the workplace. Male-dominated environments can be an obstacle for a woman, especially if as a mother she has to put in long hours and travel at short notice.

That said, men might be under pressure too. What does your average employer think when his male employee takes sick leave because his children are ill or says no to a business trip because of an upcoming birthday?

It is clear that equality does not take care of itself and that policy interventions are required. But this should be complemented by men and women joining forces and sharing responsibilities. Dad can cook the dinner and let Mum take the kids to the football game.

Alexandra Bytchkova, Directorate for Employment, Labour and Social Affairs, works on the OECD project on gender

"At the moment I want to be a dancer or a doctor. When I grow up I'm going to have two babies and work part-time in the shop." 11-year-old Scottish girl in a study of attitudes to violence against women.

Lucy Adams, "Children 'Find Violence Acceptable'", *The Herald*, 15 February 2010
www.heraldscotland.com

Join the debates: www.oecd.org/forum2012

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Reinventing development

There are no magic solutions to development and lasting poverty reduction. But as the global economic and financial crisis has shown, new approaches are needed to ensure that countries build their futures on solid foundations.

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A better future for Africa
Marie Gad, Senior Advisor, Confederation of Danish Industry

The new challenges of microcredit
Jacques Attali, Founder of PlaNet Finance

Tax and development
Chris Lenon, Group Strategic Adviser, Tax Policy, Rio Tinto plc

Idea Factory: Is aid a waste of money?

Globalisation and the years of high economic growth preceding the current crisis changed the world's social and economic geography and brought significant development gains. Nations that only a few generations ago were crippled by endemic poverty and ineffective institutions now account for over a fifth of global trade. Millions of people have been lifted out of poverty and millions more have seen their standards of living rise.

But at the same time, the gap between the world's richest and poorest has doubled and millions remain in poverty.

At the turn of the century, the Millennium Development Goals for the first time identified specific areas for improvement that could help lift people permanently out of poverty, backed by measurable targets for success. A decade later, with the engine of global economic growth shifting to the major emerging economies in Asia and Latin America and with the world facing new challenges from massive global unemployment to climate change, it is time for a new approach to development.

It is becoming clear that for development to become self-sustaining, governments of developing countries will need to tackle issues of social cohesion, inequality and governance.

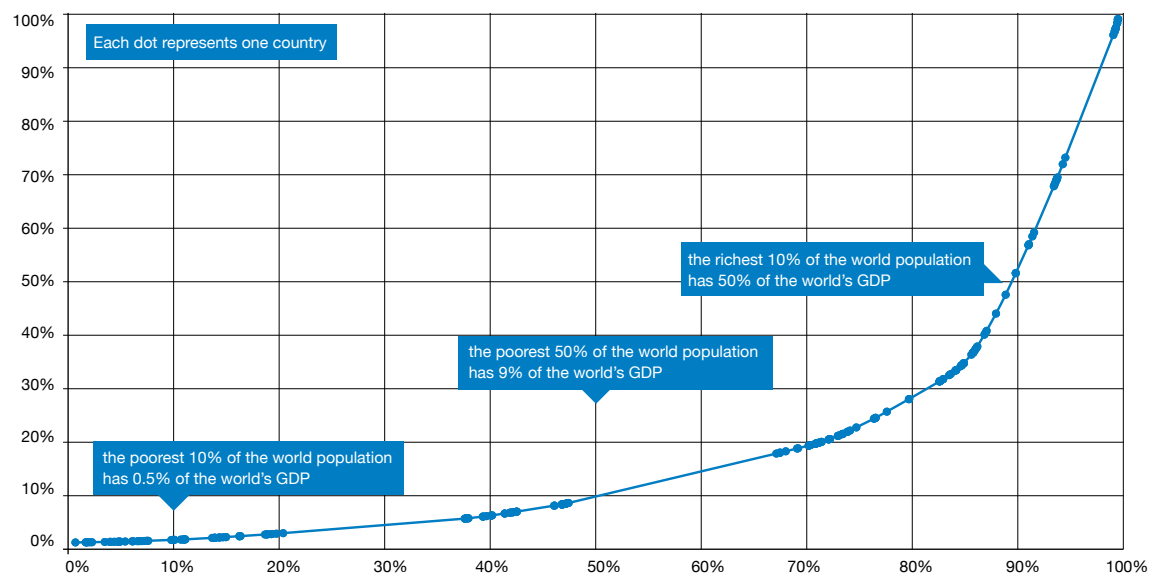
Attaining sustainable growth while reducing poverty and inequality is a tall order at a time of global slowdown, amid concerns over climate change and scarcity of vital resources such as food and water. But developing infrastructure from scratch is also an opportunity to start with the latest, greenest solutions whether in housing, transport or energy production.

> We are a long way from the ultimate goal—a world where no country will depend on aid—but we can ensure that we are at least on a path taking us towards it

This does not mean an end to aid, but assistance alone is not enough to deliver sustainable growth. What is needed is help to enable governments to mobilise their country's own resources, put in place sustainable solutions and become the authors of their own development.

World income is still not equally distributed

Cumulated GDP in function of cumulated population, 2010 or latest available year



Source: OECD national accounts, World Bank national accounts

New approaches to development

In an ideal world, there would be no need for development assistance, as countries move far enough along the development path to sustain their own continuing growth. But for that to happen, developing country governments themselves must be in a position to manage their own road to success.

There are four key elements to focus on to deliver better policies for better lives at all levels of society: using innovative and sustainable sources of growth, mobilising domestic resources, creating a framework of good governance, and being able to measure progress.

> For development to become self-sustainable, developing country governments will need to tackle many of the issues that emerging economies have had to deal with in recent years, from social inequality to governance

All these elements go hand in hand. Corruption, lack of transparency and poorly functioning tax systems are major barriers to long-term growth in many developing countries. As the events in the Middle East and North Africa region in 2011 showed, it is vitally important for governments to demonstrate high standards in making policies, managing public finances and delivering public services.

Taxes are a crucial element in mobilising domestic resources since governments need to raise revenue to ensure sustainable financing for public services and to build infrastructure, such as roads, ports and transport systems. But developing countries often fall short; in sub-Saharan Africa, for example, tax accounts for just 15% of GDP, compared to 35% in OECD states.

People are generally willing to pay taxes if they believe the system is fair and they can see results such as new schools and hospitals. But governments need to create the systems and institutions to assess and collect taxes, ensure they are used effectively, and combat corruption, as Chris Lenon explains.

A good governance framework will also help to build trust and attract foreign investment. This is important not just at the level of major infrastructure projects and big business, but also to enable microfinance to flourish. And women need more access to finance, says Cherie Blair. Since much of this depends on direct person-to-person lending to small businesses through a clearing house, generally online, trust in the system is essential for it to work. Jacques Attali argues that there is room for microfinance to play a larger role.

In 2011, the OECD started working on a new strategy for development to help achieve sustainable and inclusive growth for as many countries as possible. But none of this can be achieved by OECD countries alone. One major change in recent years is the increasing role of emerging economies in development—and the lessons that they can share with countries hoping to follow them out of poverty. And the most important element of all is a country's own development policy.

Food security

All of these actors need to work together to have any chance of finding sustainable solutions to major global challenges. Take food security. Food prices are literally a matter of life and death, especially for the poorest of the poor, who already spend up to 90% of their income on food. For them, a small increase in the price of bread or rice means the family goes hungry, as witnessed by the social unrest triggered by high food prices in some areas during the crisis.

Food prices have dropped below the 2007 crisis peak but there are still 900 million people without enough to eat, and the problem will not go away any time soon. Global food prices are expected to average 20-30% higher in the next decade than in the past ten years.

If supply cannot keep pace, prices will come under pressure again. Recognising the importance of this challenge, the G20, drawing on a report from the OECD and other international organisations, has agreed to a number of measures to improve food security and dampen food price volatility. A key element is the new Agricultural Markets Information System to collect and provide timely, reliable information on four key crops (wheat, maize, rice and soybeans) and to give an early alert on any problems or price surges. But the real test of such commitments is implementation, argues Jeremy Hobbs.

> Feeding the world's 9 billion inhabitants in 2050 will require the doubling of agricultural production in developing countries

Behind all of this is the need to increase food production. Feeding the world's 9 billion inhabitants in 2050 will require the doubling of agricultural production in developing countries. This is a tall order, and substantial further investment will be needed to increase productivity to meet the rising demand in future.

Policy coherence

A key element for development is a coherent strategy

on the part of both the developed and developing world. OECD governments are working to ensure that their development policies are coherent so that, for example, they do not give aid to boost agricultural production for export and then block imports of the product.

Developing countries are increasingly determined to build their own strategies for growth and social improvement. But it is often a question of where to start. Take infrastructure, where insufficient investment deprives the economies of sub-Saharan Africa of an estimated two percentage points of growth each year.

But which infrastructure projects give the broadest returns? Targeting foreign investment to build roads, for example, can help boost women's participation in work and education by reducing their journey time fetching water or getting to school. Investing in water sanitation in a city can dramatically reduce water-borne illness.

Africa is the world's youngest continent, with 70% of its population under the age of 25. Giving them a good education is just the start; beyond that the policy and governance framework needs to be in place that will attract investment and create jobs, as Marie Gad reminds us. To cite just one example, Nestlé has tapped into the expertise of African university graduates to develop locally-sourced onion powder for its African factories, replacing imports from Asia and Europe.

Developing economies can also benefit from the more recent experience of the emerging economies on what works to lift a country out of poverty, as well as the opportunities of trade and foreign investment that they have to offer.

The key issue is to how to make best use of co-operation. Traditional partners are seen as most effective in improving education and governance, while the emerging partners' potential clearly lies in infrastructure, transport and innovation.

But the emerging economies still face problems of their own in maintaining the momentum of social and economic development.

Growing the middle

Successful economies and societies need a middle class to earn the money to pay the taxes that drive development and keep government functioning. A stable middle class can provide a solid foundation for economic progress and social stability, notes Mario Pezzini. But a precarious middle class can undermine all these elements, risking a slide back towards increased poverty.

The middle classes have yet to consolidate their status in many emerging countries, and governments need to beware that development does not become synonymous with increased social inequality.

Latin American countries made important progress in reducing poverty during the turn of the century boom years, but one in three Latin Americans, or 180 million people, still live below the poverty line and 10 Latin American economies rank among the world's 15 most unequal economies.

If development is not to lead to social unrest, such issues must be dealt with, and the middle classes need to consolidate their position. That means investing windfall gains from high commodity prices in infrastructure, education and social safety nets and in switching to more exports of finished products, not just raw commodities.

> Aid alone is not enough to deliver sustainable growth

Around half of the Latin American population falls into the middle income bracket (40-56%) but they differ in many respects from their OECD counterparts. They are particularly vulnerable economically, since few have university degrees and many of them work in the informal sector, which deprives the government of their taxes and deprives them of the support of social safety nets.

To decrease this vulnerability and increase the middle class role in economic development, policies to promote upward social mobility are needed. For example, the high level of informal labour could be reduced if social safety nets were widened. Governments can also focus on better access to high-quality education and ensure that today's middle class children have a more secure livelihood than their parents. And, as in the developing countries, more could be done to make tax and public spending fairer and more effective.

We are a long way from the ultimate goal—a world where no country will depend on aid—but we can ensure that we are at least on a path taking us towards it.

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An emerging middle class

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Mario Pezzini
Director, OECD
Development Centre

The increase in average incomes and the fall in levels of absolute poverty, in particular during the last decade, suggest that an increasing proportion of the world's population is neither rich nor poor by national standards but finds itself in the middle of the income distribution.

In 2009 the middle class included 1.8 billion people, with Europe (664 million), Asia (525 million) North America (338 million) accounting for the highest number of people belonging to this group. Even in Africa, where middle class's growth has not been very robust, it has nonetheless been noticeable and contributed to increased domestic consumption in many countries. Sales of refrigerators, television sets, mobile phones, motors and automobiles have surged in virtually every African country in recent years. Possession of cars and motor cycles in Ghana, for example, has increased by 81% since 2006.

This expansion continues. The size of the "global middle class" will increase from 1.8 billion in 2009 to 3.2 billion by 2020 and 4.9 billion by 2030. The bulk of this growth will come from Asia: by 2030 Asia will represent 66% of the global middle-class population and 59% of middle-class consumption, compared to 28% and 23%, respectively in 2009, according to the figure below.

The developing world's "emerging middle class" is a critical economic and social actor because of its potential as an engine of growth, particularly in the largest developing countries such as China and India but also in sub-Saharan Africa. History tells us that those in the middle have in the past vigorously accumulated capital, be it physical (plant, equipment or housing) or human (education or health). Consolidating this incipient middle income group into a stable middle class could provide a solid foundation for economic progress by driving consumption and domestic demand.

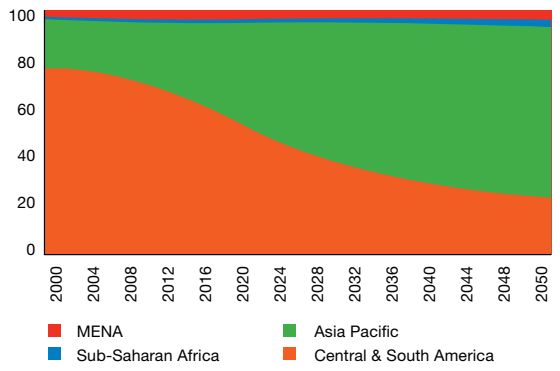
When contrasting the experience of Brazil and South Korea, this becomes evident. In the 1960s the countries had similar income levels and rates of growth; by the 1980s, however, due to high inequality in Brazil, the middle class made up only 29% of the population, in contrast to South Korea's 53%. Its middle class enabled Korea to shift away from export-driven growth towards domestic consumption, a transition that did not occur in Brazil. Today, this opportunity presents itself to Brazil. Thanks to a decrease in poverty from almost 40% of the population in 2001 to around 25% in 2009, 31 million people joined the middle class in Brazil. Today 52% of Brazil's population is middle class.

> Providing the quality services that the middle class demands is far more complicated than simply providing access to them

But middle classes are not only a motor of consumption and domestic demand, their social role remains equally important. Middle classes are believed to support democracy and progressive but moderate political platforms. Strong middle classes can influence economic development through more active participation in the political process, expressing support for political programmes and electoral platforms, in particular those that promote inclusive growth.

Despite having incomes which are above international or even national poverty lines, middle classes in many cases remain vulnerable. Their employment (many work in the informal sector), education (few have university degrees) and consumer behaviour do not coincide with perceptions of a middle class that drives domestic consumption and growth. For instance, in Bolivia, Brazil, Chile and Mexico there are up to 44 million informal middle-class workers, more than 60% of the total middle-class working population of 72 million. Not surprisingly, social protection systems fail to reach even half of this population, as coverage rates of

Global middle class consumption, 2000-50
(Percentage of global total)



Source: Kharas, Homi (2010), "The Emerging Middle Class in Developing Countries", *Development Centre Working Papers*, No. 285, OECD Publishing.

informal workers are extremely limited: below 15% in Brazil, Chile and Mexico, and almost negligible in Bolivia.

This middle class is unlike that which became the engine of development in many OECD countries.

The susceptibility of emerging non-poor populations in Africa is even more striking. Depite the upward trend, with a growing middle class, ownership of durable goods such as passenger cars remains a rarity. Even in economies like Mauritius or South Africa where durable goods ownership has grown considerably, less than one-fifth of households have passenger cars.

This vulnerability is especially worrying, since if those in the middle have precarious incomes and unstable employment, their consumption cannot be counted upon to drive national development, nor can their growth be taken as a sign of social progress. What is more, their political preferences may veer towards populist platforms not necessarily conducive to good economic management.

Middle class expectations in emerging and developing countries are rising and evolving as their countries' economic situations improve, following Hirschman's "tunnel effect". They are no longer satisfied with simply having access to public services; they are increasingly concerned with their quality. Providing the quality services that the middle class demands is far more complicated than simply providing access to them and can be a source of friction, conflicts and political upheaval.

We have the recent example of Chile. After decades of high economic growth, Chile has become an international player with a competitive economy. Yet in the second half of 2011, students and others staged massive protests against the government, demanding greater access to high-quality, inexpensive education. They are no longer satisfied with having access to education. They want cheaper and better education, which is much harder to deliver. As the demand for public services is soaring, the capacity of the government to respond to these demands is expanding too, but at a slower rate.

The rising expectations of the expanding middle class in developing countries contrast with the stagnating living standards of a shrinking middle class in OECD countries

Since middle classes remain vulnerable, they are dissatisfied with state services. Governments should put policies in place to fight the vulnerabilities in order to benefit from middle class support. Policies should promote upward social mobility, such as education, and provide safety nets that protect the most vulnerable segments when facing life risks (unemployment, old age, disability, parenthood).

If publicly provided services are of high quality, a constituency for comprehensive social protection systems can be built thanks to the middle class, that can participate in contribution-based systems. If publicly-provided services are of low quality, then those in the middle are more likely to consider themselves losers in the fiscal bargain and are less willing to finance the public sector.

While the middle class is rapidly expanding in emerging and developing countries, in rich countries it is shrinking and feels incapable of defending the standards of living that have characterised a middle-class lifestyle for centuries. England, Israel and Spain are just a few examples of countries where people take to the streets protesting a situation that for many has become unbearable. Middle and working classes have been carrying too much of the burden of the economic crisis; there has been a shift in wealth and income from them to the wealthier groups of society that is no longer acceptable.

The rising expectations of the expanding middle class in developing countries contrast with the stagnating living standards of a shrinking middle class in OECD countries. Today both middle classes are awakening. Each with its own specificities, will these middle classes be agents of change?

Recommended links and references

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Women and entrepreneurship
More power to you

© OECD

Cherie Blair, Founder, Cherie Blair Foundation for Women

Discrimination against women hurts everyone. As, Founder of the Cherie Blair Foundation for Women Cherie Blair explains, women entrepreneurs are an economic resource that economies, rich and poor alike, can ill afford to overlook.

Across the globe, increasing numbers of women are striking out on their own and setting up new businesses. In OECD countries, more women than men start businesses. The number of women being educated to degree level and above has also risen internationally. With the Arab Spring and growing interest in women's rights around the world, women's economic empowerment and the recognition of its importance have notably progressed too. Yet a lot of work remains to be done.

While no country in the world has achieved parity of income between the sexes (in the EU, the US and the UK, for example, the gap between the earnings of men and women is around 20%), in developing countries the gender pay gap is much bigger. However this is relatively inconsequential compared to the many other inequalities women face. Women are twice as likely as men to live in poverty, two out of three illiterate adults are women and less than 2% of the titled land in the world is owned by women. The consequences are devastating, not just to the women themselves or their families but to the health and prosperity of their whole society.

Inequality is rooted in many justice systems too. As UN Women points out, women are more likely to be unemployed or, where they have a job, forced to work in the informal sector without job security. Where women do aspire to change their economic circumstances, they find it more difficult than men to access skills, networks, finance and education, as the World Bank's 2012 Development Report confirms. The businesses that few women manage to run are likely to be smaller and have difficulties in expanding.

Why does this matter? Why is it so important that women are employed and empowered economically, able to earn their own income? Because studies have shown that unlike men, women return 90% of their income to their families and their communities. When women are financially independent, their families flourish. They have the power to make household financial decisions and gain greater control over their own lives and the lives of their children. Even being seen to earn money gives women a status, a more influential voice in their own communities, to tackle injustice and discrimination, to drive advances in health and education. Put simply, empowered women can and do change societies.

> Empowered women can and do change societies

I have seen the potential that is being wasted, as well as the role that women can play if given the chance. One of the huge privileges for me when my husband became prime minister was the opportunity to travel, both with him and on occasion on my own, to meet people, many of them women whom I would simply never have known otherwise. I've met highly motivated female entrepreneurs and heard how, despite the prejudice or the difficulty they've faced in getting business loans, they are supporting their families, putting money into their communities and driving their country's economic growth. But there simply aren't enough female entrepreneurs.

That is why I set up my Foundation for Women, to support women entrepreneurs in the Middle East, in Africa and in Asia, and why I am determined to do what I can to help women overcome prejudice and to lift the barriers stopping women entrepreneurs from setting up their own businesses.

And I believe that to make a real difference on a global scale, we need to look beyond micro-finance and foster more women-led small and growing companies. Women are often described as hapless human beings. Aid organisations tend to focus on the bottom of the pyramid or the few unsung heroines, while the women in between rarely feature in development strategies. We need collectively to do more to support those women who have taken the next step and are trying to translate that potential into formal labour-market participation. Multi-sector efforts are required as no single sector can do the job alone. We must argue more loudly for change.

> We cannot afford to dismiss half the world's population

The OECD's gender initiative and the 2011 G20 Girls Summit are excellent examples of worthy efforts. The research and policy discussions of the OECD's initiative focus clearly on diversity in leadership positions and on entrepreneurship. And the Girls Summit brought together individuals and organisations to pool resources and address empowering girls and women.

In the current economic climate, now more than ever, the world needs new sources of employment generation and wealth creation. We cannot afford to dismiss half the world's population. And the benefits of women's economic empowerment are clear.

We need to seize this moment in time where momentum is building and work together towards a co-ordinated global solution. No one organisation, government or company can do this alone; it will take co-operation and drive across borders, across sectors. This is the time to make it happen.

Recommended link
Cherie Blair Foundation for Women: www.cherieblairfoundation.org

For more on this issue, join us on **www.oecd.org/yearbook**

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Hunger: the real economic crisis

© OECD

Jeremy Hobbs
Executive Director,
Oxfam International

Hunger affects about 1 billion people around the world, and as the economic crisis continues, the push for growth can actually make matters worse.

The world financial crisis of 2008 and the subsequent recession have dominated the thoughts and minds of the OECD economic leaders for these past four years. But a more permanent and visceral crisis, one that marks the failure of the global economy for a large number of the 7 billion people living on the planet, points to the need for a new way to talk about the economy if we are to successfully meet the challenges of the 21st century. The real crisis lies not in the rise and fall of stocks and shares but in the bellies of a billion people, an everyday ache which stunts opportunity, arrests development and leaves a large segment of humanity without that most basic of needs: food.

Efforts, of course, are being made to tackle global hunger. Following food riots in dozens of countries in 2008, global leaders did promise action. The G8 leaders' meeting in L'Aquila, Italy, agreed that agriculture and food security should be placed "at the core of the international agenda". Importantly, later that year the Committee on Food Security (CFS) was reformed to strengthen the governance of the world food system.

These efforts have either yet to bear fruit (the reformed CFS is still in its infancy) or have simply been unfilled. Following the 2008 food crisis, the G8 promise at L'Aquila to provide €20 billion in support for agriculture over three years has turned out to be largely recycled from past promises or double-counted against other commitments.

Many of the policies which contributed to the food crisis continue as before. Biofuel production, for example, is still being encouraged by the EU and the US; this is despite evidence that it was a major cause of food price increases in 2008 and a significant driver of food price volatility, while perversely contributing to, rather than diminishing, carbon emissions.

In the meantime, the pressure on people living in poverty has continued to grow as the resources, land and water they depend upon to provide food are increasingly targeted by powerful interests, eager to access these valuable assets.

In developing countries, as many as 227 million hectares of land—an area the size of western Europe—has been sold or leased since 2001, mostly to international investors, often seeking not just the land but the access to vital water resources it comes with. Oxfam has already seen how many so-called investments in land have in fact been resource-grabs—with the poorest often left without land, without compensation and without food security.

> The pressure is set to increase on global resources and on the world's poor

The failure to address seriously the challenge of global warming is another carve-out of scarce resources by developed countries. So far, they have refused a fair climate deal which would allow poor countries to develop without resorting to massive use of fossil fuels. Meanwhile, agriculture in developing countries suffers as the seasons go haywire and the number of extreme weather events hit global food supplies.

With the world seemingly unwilling to take the urgent action necessary to tackle climate change and with the world population set to increase by another 2 billion people by 2050, the pressure is set to increase on global resources and on the world's poor—those least able to cope. Research commissioned by Oxfam in 2010 predicts international price rises of key staples by 120-180% by 2030, with 50% of that increase attributable to climate change.

The solutions to this crisis are at hand. There is sufficient food in the world to ensure that everyone has enough to eat

today and in the decades to come; at issue are questions of distribution and political will. The realisation that we are in a resource-constrained world forces us to place equity at the heart of global economic thinking. Finite resources also force us to take the issue of sustainability seriously—not as a piece of rhetoric to be deployed periodically but as an integral element of economic thinking.

Instead of equality, we see booming inequality. As the world's hungry grew to 925 million in 2010, the number of dollar millionaires grew by 8%, even in countries with hundreds of millions of people living on less than US$1.25 a day. Instead of addressing resource constraints, many governments have simply sought to restore growth with barely a nod to its impact on the world's carrying capacity. Green investments were just 7% of the UK's initial spending stimulus following the 2008-09 crisis, just 6% in Spain and 3% in Japan. Instead of delivering a climate change deal, talks drag on as the world continues to grow warmer.

> The realisation that we are in a resource-constrained world forces us to place equity at the heart of global economic thinking

It's clear that the current way of discussing and managing the world economy is not fit for purpose; it's failing hundreds of millions now and is set to fail billions in the coming decades. Governments have defaulted to their old tools and solutions: short-termism and competitive negotiations, rather than a collaborative long-term approach.

A new, ethical economy for the 21st century is needed, one which judges its success by the fulfilment of rights, by maintaining rather than diminishing the world's envelope of resources and by keeping equity at its heart. A simple touchstone for this new ethical economy is hunger and how we make sure it is ended.

Recommended link
www.oxfam.org

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A better future for Africa

Marie Gad
Senior Advisor,
Confederation of Danish Industry; Chair, Ad-Hoc Group on Africa of the Business and Industry Advisory Committee to the OECD (BIAC)

In many African countries, where unemployment rates can run as high as 30%, there is strong potential for entrepreneurship and employment. Development must focus on bringing down the barriers to progress.

"How do you expect me to make a living?" Those words sparked the incidents that have since become known as the Arab Spring. On 16 December 2010, the 26-year-old street vendor Mohamed Bouazizi set himself on fire after uttering these words following harassment by a local official.

The story of Mohamed Bouazizi tells us about the hopes and dreams of millions of young African men and women entering the labour market every year. Africa's young generations want to work and to create a livelihood for themselves and their families, which will enable them to build a better future. Unfortunately, the story of Mohamed Bouazizi does not have a happy ending; instead it tells us about what happens when those hopes and dreams are turned into frustrations because there are no jobs available, and society is fighting their entrepreneurial efforts by putting up administrative barriers, asking for bribes and generally making it difficult to start and run a business.

Of Africa's more than 1.2 billion people, 70% are under the age of 25. That makes Africa the youngest continent in the world. If you are an optimist, that constitutes a major opportunity for development, with Africa offering the last major workforce reserve in the world. If you are a pessimist, you see young people without sufficient education living on a continent that is not competitive enough to create attractive employment opportunities for even a fraction of the young generations—generations which can then potentially become a major destabilising factor locally, regionally and globally.

So how do we ensure that these young men and women contribute to a virtuous, rather than a vicious, circle of development in Africa? The answer lies in diversified private sector development. Increased employment in agriculture, industry and services can provide the basis for development which will allow African countries to benefit from globalisation and to give their citizens opportunities to prosper.

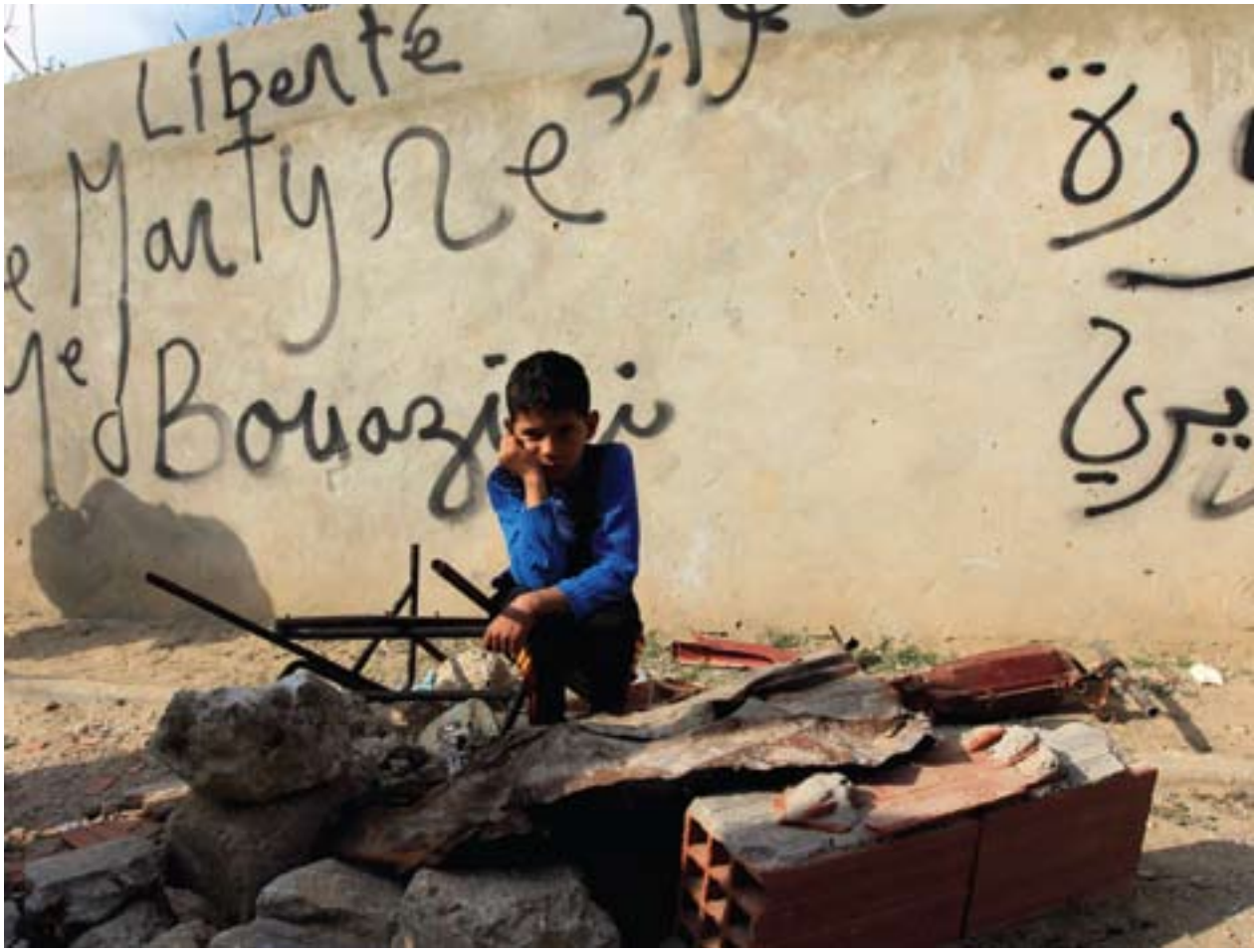
> Africa has consistently been the region of the world that offers the worst framework conditions to both domestic companies and foreign investors

Africa is rich in entrepreneurial spirit, will and vision; unfortunately, a number of barriers make it difficult for business to flourish and grow, and thus to create the jobs and incomes that are currently in such short supply. Africa has consistently been the region of the world that offers the worst framework conditions to both domestic companies and foreign investors. Small improvements have been made, and certain countries have shown a will to reform. But overall, Africa is still far from providing a climate that supports private sector development.

Therefore, we need a new global consensus that creating jobs and entrepreneurship opportunities are the pillars of development, poverty eradication, and prosperity for the individual citizen and for society. Donors and developing countries must come together with civil society and the private sector in a joint effort to change the status quo.

A number of different conditions must be changed in order to meet the challenge of creating jobs and entrepreneurship opportunities. We all know that some barriers are difficult to overcome and require a lot of time and money to break down, while others mainly require the political will to reform. Let me give a couple of examples.

The issue I find most frustrating when I speak with colleagues from the African corporate sector is the lack of



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employees with the right skill sets. This is an unacceptable paradox in societies with unemployment rates of 20-30%. Many of these countries are actually spending a relatively large share of their resources on education, but they are not getting sufficient value for money.

Administrative barriers to business and the corruption that often follows are other issues which can and should be fought decisively by donors and governments. This requires will, but not necessarily a lot of time and money. In one case when a municipality piloted a streamlined approval process, time spent by businesses was reduced by 90%, and compliance costs by 75%. On top of that, revenue collection improved by 40% and first-time business registrations shot up.

> Elements that provide a business environment conducive to creating jobs and entrepreneurship opportunities should remain top priorities

Challenges and barriers, of course, vary from country to country, but a stronger public-private dialogue would no doubt result in a number of ideas such as those that are simple, easy to implement, and have direct effects on private sector development and employment creation. Good governance, infrastructure development, trade facilitation, tax reform, access to finance, and all the other elements that together provide a business environment conducive to creating jobs and entrepreneurship opportunities should remain top priorities.

"How do you expect me to make a living?" is a question asked by millions of young Africans today. Hopefully there will come a day in the not so distant future when it will not go unanswered.

Recommended links

International Collaborative Initiative on Trade and Employment (ICITE): www.oecd.org/site/0,3407,en_21571361_47076802_1_1_1_1_1,00.html

A Better Future for Africa: http://di.dk/Shop/Publikationer/Produktside/Pages/Produktside.aspx?productId=7399

The Africa Commission: www.africacommission.um.dk/en

The new challenges of microcredit

© Charles Platiau/Reuters

Jacques Attali
Founder of PlaNet Finance

In a relatively short time, microfinance has become a major tool of international development. But too many potential entrepreneurs still have little or no access to financing. Innovation and government policy have a central role to play in correcting this imbalance.

For several months the humanitarian crisis in the Horn of Africa has epitomised the socio-economic and environmental inequalities that exist at world level. At the same time, the financial crisis we have witnessed since 2008, the Arab Spring and, more recently, the crisis in Greece remind us that these inequalities do not only affect the very poor. Their effects are felt both by the poor and increasingly by the middle classes in both emerging and advanced economies. Either a cause or the consequence of these crises, the vulnerability of millions of micro-entrepreneurs and the growing precariousness of salaried employment for the middle classes are the two major challenges facing socially sustainable development and economic growth.

> The vulnerability of millions of micro-entrepreneurs and the growing precariousness of salaried employment for the middle classes are the two major challenges facing socially sustainable development and economic growth

At the global level, some 3 billion people are excluded from the traditional financial system. As a general rule, these people have created their own jobs, which are often precarious and in the informal sector. This means that they have very limited access to the market, social protection and education.

Since the late 1970s, microfinance has fulfilled the role of helping poor populations, who are excluded from the banking system, develop an income-generating activity by supplying financial services such as microcredit, savings and micro-insurance, and non-financial services like training and awareness-raising. The increase in income and the stabilisation of income flows make it possible to better manage the growth of an enterprise (cash flow, stock management, investment), to improve housing, to cover health and education expenses, and to better prepare for unexpected external shocks through savings. In particular, microfinance made it possible for many women to become entrepreneurs, enhancing their role in the family unit, which for far too long has been dismissed by society.

Today, an estimated 190 million people are funding activities through microfinance. However, 500 million micro-entrepreneurs are still excluded. To help them gain access, microfinance must not limit itself to supplying financial services but must expand to address the challenges of sustainable development. Only a few microfinance institutions (MFIs) are currently developing an integrated approach in collaboration with other actors. The priority for the other MFIs in many cases is still to consolidate their growth and increase their scope of action. This is the mission of PlaNet Finance, an organisation promoting international solidarity and specialising in microfinance, created in 1998.

Microfinance must find new resources to finance training and capacity building in MFIs, addressing such issues as governance, new products, management of social performance, management information systems, legal transformation. Funding "Microfinance Plus" programmes, which incorporate into microfinance a development component such as education, health or the environment, is also a priority. These projects, pursued as part of an integrated approach, can have greater impact on success rates by increasing value added at the local level by enhancing micro-entrepreneurs' ability to negotiate with intermediaries, by putting know-how to work on environmental protection policies, etc.

Broadening the scope of microfinance institutions depends on technological innovation, which helps lower the transaction costs of MFIs, particularly in rural areas where microfinance is still not developed enough to meet the demand of potential

© Rafiquar Rahman/Reuters

A Bangladeshi woman entrepreneur speaks to her staff by mobile phone at Dowtia village, near Dhaka. Once living hand to mouth, the woman now owns a small transport agency and an eight-seater microbus bought with a loan from Grameen Bank, a pioneering microfinancer of business.

entrepreneurs. Mobile banking, which is a highly developed activity in Kenya, the Philippines and Senegal, shows that it is possible to reach out to large numbers of customers. Approximately 4 billion people currently own a mobile phone, making the potential for growth in mobile banking enormous. But mobile banking is subject to a specific regulatory framework, which is why the leverage effect will doubtless take time. In Africa, PlaNet Finance is helping MFIs in this area.

These challenges call for new forms of action on the part of the microfinance sector, governments and international organisations in order to support the estimated 20-30% a year growth in the sector and to foster synergies between public and private development actors.

The political challenge must not be neglected: governments have an essential role to play in ensuring healthy growth in the sector and avoiding slippage. In far too many cases, preparations for G20 meetings limit financial inclusion to small and medium-sized enterprises and exclude microfinance, despite the fact that the latter concerns millions of jobs. In July 2011, the G20 Microfinance Conference organised by the Bank of France was a positive development on this front.

The role of governments and international organisations is above all to establish a prudential regulatory framework that will promote the sector's development. Peru is often cited as an example in this respect. Governments must also explore new, simplified and adapted legal frameworks for micro-enterprises which are not destined to remain in the informal sector forever. Finally, governments can support the sector through incentive mechanisms designed to promote access to banking services, as in Brazil where the government of President Lula da Silva has enabled millions of Brazilians to open a bank account. Indeed, the role of banks, and in particular post office banks, should not be underestimated as it complements that of microfinance. Here, too, PlaNet France has a role to play.

> Microfinance is recognised as an effective tool with which to fight poverty

Today, microfinance is recognised as an effective tool with which to fight poverty. The sector still does not quite have enough resources to ensure its professionalisation and regulation. It will have to meet many challenges in order to secure its survival and enhance its impact. Its key challenge will be to constantly find new resources to ensure the continued existence of jobs as well as that of micro-entrepreneurs and salaried employees, because if people have no income then inequality will simply grow wider and revolt will continue to spread.

Recommended link
www.planetfinance.org/EN/

Tax and development

Chris Lenon
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Chairman, Tax Committee
of the Business and Advisory
Committee to the OECD (BIAC)

Tackling the challenge to build well-functioning tax systems in developing countries requires concerted international co-operation among developed and developing countries, international organisations, business and civil society.

A functioning tax system is increasingly recognised as the most critical factor in allowing developing countries to build a strong civil society. While aid is important, it will not bring about the changes and revenue required to boost strong, sustainable and balanced growth in these countries.

Sustainable development rests on the ability of foreign and domestic private sectors to increase their investment in infrastructure, agriculture and other economic sectors. In order for developing countries to realise the benefits of that growth, business believes a larger share of aid budgets needs to be spent on capacity building for tax administrations; the current proportion of 0.7% is too low to achieve this.

> A larger share of aid budgets needs to be spent on capacity building for tax administrations

The private sector can play an essential role in capacity building and domestic resource mobilisation, through providing technical assistance to growing tax administrations in developing countries. As investors, companies recognise the severe domestic challenges in developing countries such as persistent poverty, corruption, political instability, burdensome bureaucracy or inadequate infrastructures.

A tax system that supports investment and is part of a broader investment framework which includes rule of law, predictable and transparent legislative frameworks, open competitive markets for trade and investment, and generally good governance is crucial for successful sustainable development.

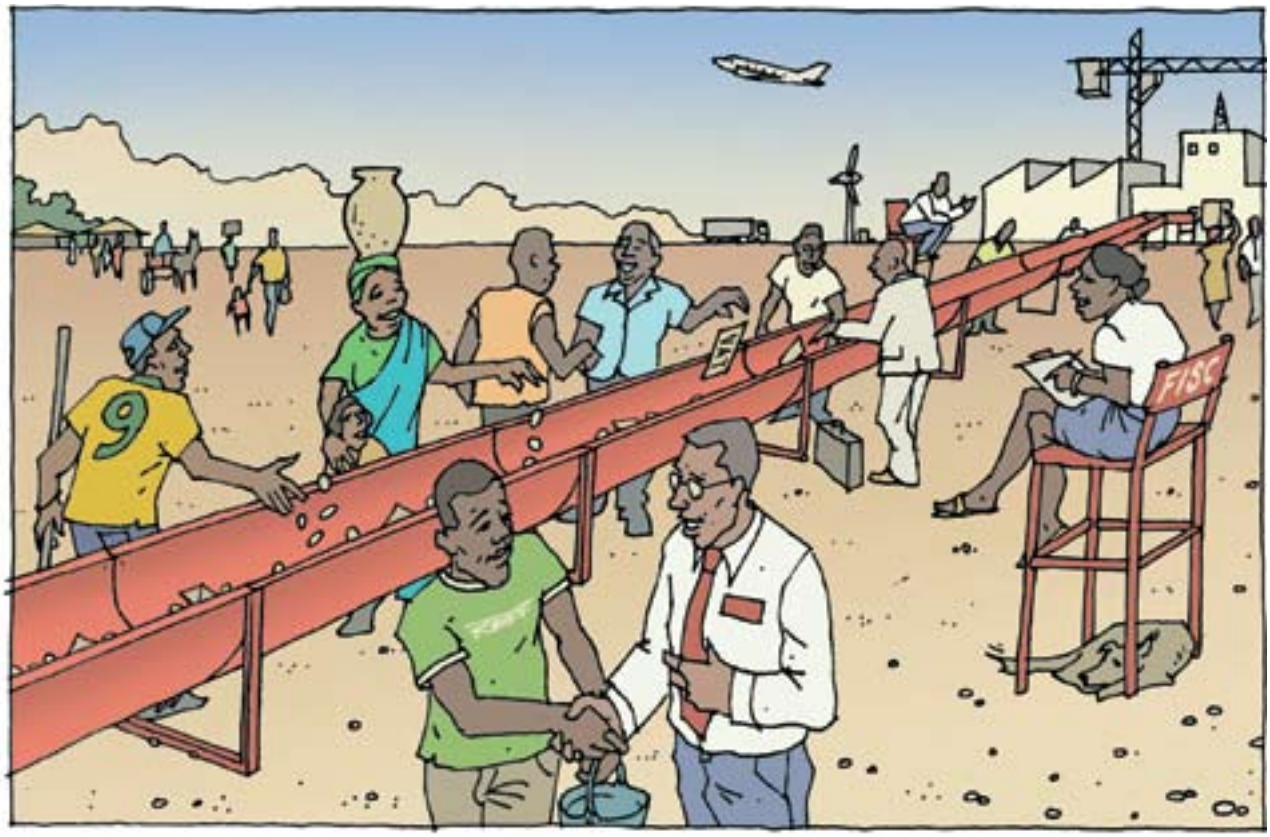
BIAC believes that OECD work on taxation and development, including contributions to the G20 in this area, is especially relevant to development polices aiming to foster sustainable economic growth and societal well-being. Business believes that a number of important elements are necessary to progress in this area: capacity building, effective transfer pricing frameworks, transparency, and countering international tax evasion and exchanging information.

Capacity building for tax administration/revenue institutions in developing countries allows them to move from aid to sustainable revenue. It is the basis to develop the public infrastructure and services and a social benefit system in a sustainable way and to transform an informal economy into a formal one. Development aid should therefore be allocated to tax administration infrastructure, including human capital and technology (both hardware and software for a modern tax system).

OECD co-operative efforts with developing countries to build capacity in the field of transfer pricing based on the Arms Length Standard is vital for investment and for the competitiveness of both business and developing country economies. Transfer pricing is a complex and often misunderstood concept. It requires technical expertise and sufficient resources to be correctly implemented and enforced.

As a priority, business is working with the OECD and other stakeholders to provide guidance and technical assistance to help developing countries understand and apply both the OECD Transfer Pricing Guidelines and the principles contained in the OECD Model Tax Convention. Such co-operation is also essential to build confidence between governments and the private sector in this field.

The role of transparency and disclosure in driving development as it relates to international business taxation needs assessing, and this work should be undertaken with



a clear development objective. In this respect, current initiatives such as the one for the extractive industries should be tested and evaluated before governments take any further steps. It is vital that we develop best practice in this area through tried experience.

How transparency on the part of revenue authorities can contribute to efficient and effective tax collection should also be considered. Business welcomes the work of the Global Forum on Transparency and Information Exchange at the OECD, whose activities and multilateral co-operation for effective transparency and exchange of information are clearly in the interest of legitimate business. Business also engages the Forum of Tax Administration in this context.

> OECD work on taxation and development is relevant to development polices aiming to foster sustainable economic growth and societal well-being

In short, business recognises the urgent need to build tax administration capacity, supports OECD efforts with other international organisations and the financial institutions to achieve progress in this important area, and seeks an active role in the partnership of all relevant stakeholders. Soundly implementing OECD international tax standards is a critical factor for investment, and business urges governments to continue developing transparent predictable tax regimes as a key element to sustainable economic development.

Recommended link
www.biac.org

The opinions expressed and arguments employed herein are those of the author and do not necessarily reflect the official views of BIAC or those of Rio Tinto plc.

Is aid a waste of money?

Critics say aid has not only failed to do its job, but has held back development and helped keep corrupt regimes in power. With the current crisis, many people also argue that the money should be spent at home. Aid supporters say that official development assistance is only a small part of OECD countries' budgets, and that it contributes to global development in the interest of all.

"Why are we giving £1bn aid to India? A nation with three times as many billionaires as we have (and its own space programme)"

Daily Mail headline, 15 February 2011
www.dailymail.co.uk

"America should not go further into debt so we can pass the cash over to some other country that can't pay its bills. It is a disgrace that we spend billions of dollars helping other countries build schools, roads, bridges, hospitals and military, while those very things in America are falling into disrepair for lack of funding."

Brad Carter, letter to *Lincoln Journal Star*, 22 July 2011

"While Africa and many other parts of the planet have lagged in terms of income growth, they have also seen historically unprecedented improvement in health and education, gender equality, security, and human rights. And much-maligned governments and aid agencies have played an important role in that progress."

Charles Kenny, *Getting Better: Why Global Development Is Succeeding*, Basic Books, 2011

"While development co-operation is only part of the solution, it plays a catalytic and indispensable role in supporting poverty eradication, social protection, economic growth and sustainable development."

"Busan Partnership for Effect Development Co-operation", 1 December 2011
www.aideffectiveness.org/busanhlf4/

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Is aid development?

Development is happening, and important advances have been made. But can we attribute this to aid? In part, certainly. But official development assistance (ODA) provided by OECD-DAC member governments to developing country governments, is often expected to "solve" development. While much has been done to increase the impact of these funds, it is important to look at them in context.

ODA reached a record high in 2010. Nonetheless, the share of aid in overall development finance is shrinking. Remittances, foreign direct investment, trade and domestic revenues play fundamental roles. And flows from beyond the providers of ODA – foundations, churches, non-DAC donors or others – are rising.

At the same time, development co-operation models are multiplying. This is why the Fourth High Level Forum on Aid Effectiveness (Busan, Korea, 2011) did more than take stock of the implementation of the quality of aid; it focused on recommending a quality framework for all development finance.

In 2005, the Paris Declaration on Aid Effectiveness set out a series of principles to make aid work better. Today, we know that these principles work not only for aid, but for all development resources. We also know that developing countries are increasingly taking charge of how aid is managed and spent. Many aid recipients are becoming donors. But finding clear, long-term evidence of a causal link from aid to development is challenging. It may be easier to judge the benefits in terms of potential savings. The European Commission estimates that failing to implement the full aid effectiveness agenda costs its aid programme €5 to 7 billion a year.

Even so, many question whether aid is a good thing and often cite corruption. But the cure is not avoidance. Systems of checks and balances, for instance strengthening the role of parliaments and media, are fundamental. This also means emphasising transparency and predictability of funding to enhance accountability. It is also important to combat illicit flows and corruption in rich countries.

Finally, people increasingly ask why we should give to others when we have enough problems at home. The answer is that we can no longer look at development as somebody else's problem. In our highly interdependent world, what happens with the economy, security, climate and health of any country affects us all.

Brenda Killen is the head of the Aid Quality and Architecture Division in the OECD Development Co-operation Directorate

"Corruption is a scourge that undermines the effectiveness of aid and throws barriers in the way of the political and economic changes that are fundamental to development. It steals away the resources intended to alleviate the suffering of the poorest."

Huguette Labelle, Chair of Transparency International, OECD/ADB 9th Regional Seminar: Political Economy of Corruption, Manila, 2009
www.oecd.org

"In Africa in the past decade 18 non-oil exporting countries grew at an average of 5.5% per year ... But they could not have done this without debt cancellation and aid."

Jamie Drummond, ONE International, "Making the Case for Overseas Aid", *The Huffington Post*, 15 July 2011
www.huffingtonpost.co.uk

Join the debates: www.oecd.org/forum2012

A new relevance for gold

By Aram Shishmanian, CEO of the World Gold Council

In 2001, the price of gold averaged $273 an ounce. Since then, the price has increased every single year, averaging more than $1,500 an ounce in the first six months of 2011 and rising still further since then. This performance has prompted suggestions that gold is a speculative investment; that it is in a bubble and that the price will surely tumble in time. But these suggestions have no basis in reality.

Even a cursory look at supply and demand data shows that the price of gold is being driven by robust market fundamentals. In 2010, global gold demand was valued at $157 billion, the highest figure on record. Appetite for bullion has continued this year with strong quarterly figures both in terms of value and volume.

Behind these statistics lies a series of interwoven facts, which, together, are increasing gold's relevance in the world today.

Jewellery has been the prime source of demand for gold over many decades, a position which it still retains. In 2010, it accounted for just over half of global demand and the trend has persisted this year. Consumer appetite is in evidence across the world, particularly in gold's cultural heartlands, China and India. The economic growth experienced by both countries is well-documented. As individuals become wealthier, they are purchasing gold as jewellery and as an investment, since both are seen as synonymous with wealth. This presages well for the future, especially as higher prices have done nothing to dent demand – over the last decade, for example, gold has risen 400% in rupee terms in India but demand has increased by 25%. Adding to this groundswell, the numbers of people joining the Indian and Chinese middle classes is expected to soar by hundreds of millions over the next decade.

In the West meanwhile, a number of factors contribute to make gold part of the fabric of financial markets. This is not a new role. Indeed, gold has been considered to be a reliable hedge against credit risk, currency risk and inflation for some time. As the financial crisis has mutated from a mortgage crisis to a banking crisis and now a sovereign debt crisis in the largest economies of the world, gold has been a constant source of value for savers, investment managers and for the wealth of our nations.

Reserve asset managers have reassessed both the optimal level and composition of reserves needed. Significant reserves are required to survive in a world that, though three years into the financial crisis, remains deeply imbalanced. The world needs a multi-currency reserve system: that is evident from the "Triffin dilemma" that contributed to the current crisis. But the nascent diversification into Eurobond markets has been abruptly curtailed by the sovereign debt crisis. The lack

of sufficiently deep government debt markets has ruled out diversification elsewhere. Gold has emerged as a solution. Emerging market countries around the world are buying huge volumes of gold and European central banks have halted sales, meaning the world's central banks are now large net buyers of gold. 2011 saw significant volumes of gold purchases - a far cry from the 400 tonne sales that were the norm only a few years ago.

Leading clearing houses and international banks, such as the Chicago Mercantile Exchange in the US, ICE Clear Europe and JP Morgan have begun to accept gold as collateral. Gold's lack of credit risk, counter-cyclical behaviour and deep and liquid market make it an ideal choice. Further, as the credit quality of other traditional sources of collateral continues to deteriorate, this use for gold is likely to grow and other roles for gold may yet emerge.

In addition to the changing aspects of gold demand, there is growing momentum globally to address certain issues in the supply chain. Gold is recognised around the world for its beauty, intrinsic worth and cultural significance and the production and manufacturing of gold should support and reinforce these values. This is why the work that is being done by various organisations on responsible procurement, including the work of the OECD, is so important.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the accompanying gold supplement will help ensure that all participants in the gold supply chain – including mining companies, refiners, jewellers and other users of gold – play their part in ensuring that gold does not finance or benefit armed groups nor contribute to abuses of human rights and breaches of international humanitarian law.

Working with our member companies, the World Gold Council is developing a Conflict-Free Gold Standard, which will enable gold mining companies to be sure that their operations do not cause, support or prolong armed conflict or fund armed groups. The Standard will be global in scope; as such it is intended to provide a mechanism to meet the requirements of both Section 1502 of the Dodd-Frank Act and the OECD Guidance.

Gold has always played a fundamental part in countries' economies, whether as a source of jobs and income, a tool to protect the nation's wealth or a physical symbol of local customs and religions. Regardless of the role gold plays, there is no doubt that respect for gold is higher than it has been for decades and appreciation for gold's relevance in today's troubled world is just beginning.

www.gold.org

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Rethinking governance

Restoring trust is essential to achieving lasting recovery and social stability. But what can governments do to get things back on an even keel? And even when the answer is clear, can the remedy be applied fast enough?

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Russel Mills, Global Director of Energy and Climate Change Policy, The Dow Chemical Company

Idea Factory: Can we do without nuclear energy?

The economic and financial crisis undermined people's trust in the whole system of government and governance. When basic assumptions about everyday life are challenged—my money is safe in the bank, I have saved enough for an adequate pension, I can earn enough to feed and clothe my family and keep a roof over our heads—people do not know who to trust to put things right.

Restoring that trust is crucial for any lasting recovery, because people will only accept difficult policy decisions designed to get the economy back on track, boost jobs and attain sustainable growth if they believe the government will deliver results for them, not just for bankers.

> International organisations are pooling their expertise in areas from food security to jobs to help find global solutions

The crisis has brought together developed and developing countries around the table to find solutions that will work for all of them and to rethink the global institutional architecture, but the problems go far beyond the economic. Climate change, food security, energy and water are all global issues that require a global approach if lasting solutions are to be found.

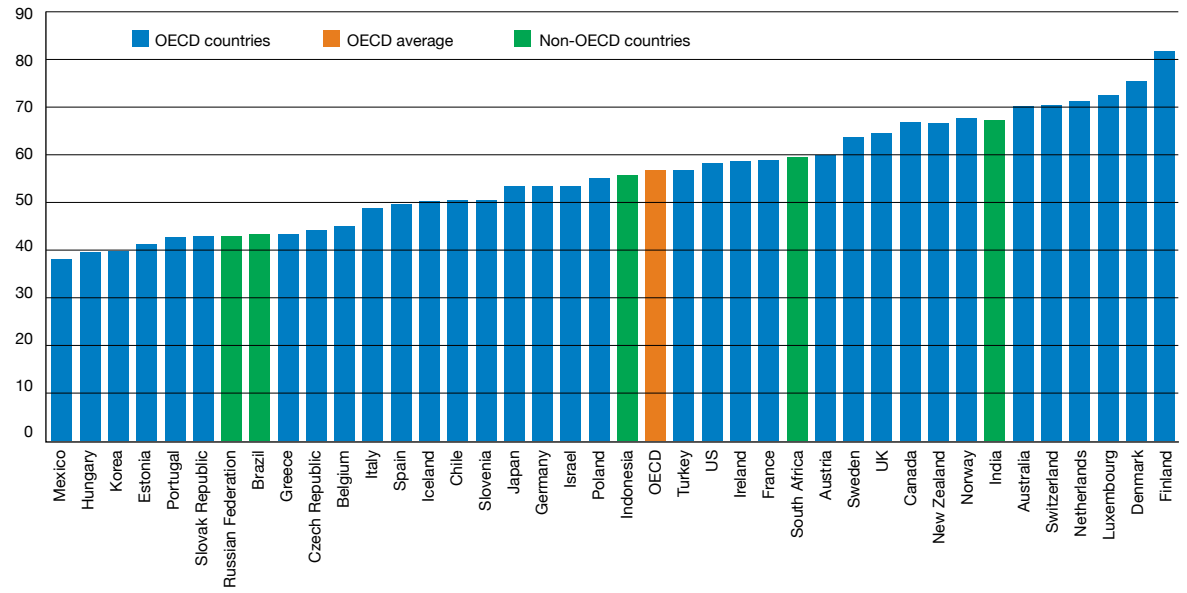
There are some positive signs: international organisations are pooling their expertise in areas from food security to jobs to help find global solutions to problems affecting the developed and developing world alike. But if efforts to find new sources of lasting growth are to be successful, people need to believe that these global policy efforts will show personal results for them: a job or the chance of a good education for their children, for example. And people need to believe that governments will spend their money effectively, that funds will not be lost to corruption and that there is a credible recovery plan. Without that basic trust, a new type of lasting growth will not be possible, as Rolf Alter explains.

A question of trust

Perhaps the biggest underlying question for many people is whether the world is just too complex for any system to be able to provide adequate governance. This is not a new question; existing institutions, such as the International Monetary Fund, the World Bank, the World Trade Organization, the United Nations and the OECD all grew up as an effort to manage problems that went beyond national borders. And more effective governance does not necessarily mean more institutions. The world already has a plethora of institutions on

Trust in government

Confidence in national institutions index, 2010



Source: OECD (2011), *Society at a Glance 2011: OECD Indicators*, OECD Publishing; Gallup.

issues from trade to finance. It also means building on the institutions we already have to ensure that the governance framework can deliver.

At times of major shifts perhaps the real question is how to ensure that any system of governance can tackle the key problems, however complex, and put in place a viable implementation system that is seen to work. Much of the public anger over the banking crisis stemmed from a perception that taxpayers footed the bill while banks kept the money when they started making profits again.

> Perhaps the biggest underlying question for many people is whether the world is just too complex for any system to be able to provide adequate governance

Take personal finances. The financial crisis focused attention on our relationship with banks and how to ensure that consumers are financially literate enough to understand the conditions of their loans or savings accounts. But the contracts themselves also have to be understandable. The typical credit card contract has ballooned from a single page in the 1980s to 30 pages today, a daunting prospect for anyone. New international rules on consumer financial protection aim to address both sides of this equation.

In the same way, if people's trust in the system is to be restored, it is not enough for governments to make information public. They need to ensure that it is easily available and presented in a way that people can reasonably be expected to understand.

That goes for working out how much tax you need to pay, how to apply for university or how safe your savings are in a particular account. There are also questions of access to information. Online communication is a vital tool, but governments need to guard against the risk of excluding older and poorer people without access to Internet or basic computer skills. Understanding what government is doing in your name is the first step towards rebuilding trust.

Keeping it clean

At a time of tight public finances it is all the more important to be sure that governments are making best use of the money they raise from citizens, that the system is fair and that money is not being lost through inefficiency, waste or corruption, as Mark Pieth reminds us.

Paying tax is never popular, but when the money is spent effectively people appreciate the roads, schools and hospitals it provides. But if tax systems are perceived to be poorly-managed or corrupt, honest taxpayers feel they are carrying an unfair share of the burden.

Tax evasion is not a victimless crime. When people hide assets offshore to illegally avoid tax, that means lost revenue for the government and higher taxes for the honest taxpayer. Tackling tax havens during the current crisis has enabled governments to sign more than 700 agreements to exchange tax information and collect €14 billion in additional revenues from more than 100,000 wealthy taxpayers.

Fighting corruption is another issue which becomes all the more important when public finances are tight, in both developed and developing countries. But rules are only as good as the systems put in place to implement them. That is one lesson from instruments such as the OECD Anti-Bribery Convention, which makes it a crime for a business to bribe a foreign public official to win a contract. The convention has a built-in monitoring system which focuses on implementation; for example, the convention rules out tax deductibility for bribes, but the implementation includes encouraging auditors and tax authorities to look for evidence of concealed bribery when checking accounts.

Implementation will be key to the credibility of reforms to the international banking and finance regulatory system being put in place in the wake of the crisis. Regulators also need to think ahead about possible loopholes, thus international regulators are looking at shadow banking to ensure it is not used to avoid tighter banking regulations.

One thing is clear. At a time of tight budgets when every dollar, euro, yen or pound of spending is under the microscope, and recovery is at best fragile, fair and open systems are essential for restoring trust.

Going green

We all want access to clean water, clean energy, clean air and adequate food supplies. But climate change, rising demand for scarce resources and a growing world population make it clear that unless we change our ways, our children and grandchildren will have little chance of aspiring to these basic elements of life.

Climate change will not wait, crisis or no crisis. Already severe weather, drought and floods are affecting countries all over the world, leaving thousands dead and destroying crops and homes.

But growing one's economy and protecting the environment go hand in hand. Indeed many countries

have already committed to a low-carbon future. The Rio+20 meeting in June 2012 is an opportunity for the international community to deliver an equally strong message.

And low-carbon development choices are already being made. If you have never had a sewage treatment plant, you can start with a state-of-the-art one that will produce electricity from the sludge. If you have no rural electricity system, you can train women in villages to install and operate solar power generators. For industries such as chemicals, the solution is more complex, as Russel Mills explains.

Energy is a particular challenge. Demand is forecast to rise sharply in coming years, with most of the growth in emerging economies. The crisis is no excuse to delay low-carbon energy investment. Indeed, failure to invest in clean technology now will simply mean higher costs later to deal with the increased greenhouse gas emissions.

There can be no lasting solution to any of these issues without greener growth in cities. Half the world's population lives in urban areas; cities consume 60-80% of world energy production and account for a similar share of global CO_2 emissions.

Cities can stimulate green jobs by raising consumer awareness, making local business more eco-efficient, facilitating cleantech start-ups and supporting training programmes. And small changes can have significant effects. By switching to low-energy light bulbs, for example, the EU is obliging 500 million people to make a greener choice.

This is an issue where governance at all levels, from local to global, really matters, and policies have to be coherent between the different levels for progress to be made.

Managing scarce resources

Without water we cannot survive. Yet billions of people still live without access to stable supplies of clean water, and a growing world population will put increasing pressure on this finite resource in years to come. Significant water scarcities already exist in some regions of the OECD and in many non-OECD countries, and it is projected that almost half of the world's population, or close to 4 billion people, will be living in areas with high water stress by 2030, mostly in non-OECD countries.

> There can be no lasting solution without greener growth in cities

This is a fundamental question of global governance. Access to safe drinking water is vital for everyone, and good husbandry of this precious resource is crucial in all countries. Agriculture currently accounts for 70% of global water use, but in many OECD countries farmers' water costs are subsidised, which may lead them to be less concerned about waste and inefficient use. The same is true at a personal level. When people pay for their household water depending on how much they use, rather than at a flat rate, consumption falls by 20%, even at low price levels.

Water infrastructure is costly to install and maintain. The US will have to spend $23 billion every year for the next 20 years to maintain water infrastructure at levels that meet health and environmental standards, for example. But poor upkeep carries a huge cost. Even in well-run water utilities in OECD countries, leakage accounts for 10-30% of water loss; in developing countries it often exceeds 40%.

> When people pay for their household water depending on how much they use, rather than at a flat rate, consumption falls by 20%

Access to the raw materials that help drive the global economy and society is also a key global issue that cannot be resolved by a single country or group of countries. Income from illegal exploitation of natural resources in fragile African states, such as gold, diamonds and minerals needed for electronic equipment, has been fuelling conflict across the region for a decade. The illegal trade stokes conflict, boosts crime and corruption, finances international terrorism, and blocks economic and social development.

New guidance drawn up by the OECD, and supported by governments in producing states and businesses that use the minerals, aims to help companies ensure that they are not acquiring illegal minerals, without boycotts that would see miners go hungry and prices of goods such as medical equipment soar.

This kind of governance is necessary in a globalised world in the interests of producers and final consumers.

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Public governance
The other deficit

Rolf Alter
Director, OECD Public Governance and Territorial Development Directorate

Frustrated citizens are asking their governments: "When will we see effective policies to support economic growth and generate jobs?" There is an endless debate in individual countries and at the international level, but policy responses to the crisis continue to appear fragmented, timid and sometimes incoherent.

The seemingly endless crisis is exhausting policymakers, investors and voters. The debate over *what* to do lacks conviction because it pays too little attention to *how* to do it. Importantly, analysis of current economic and social challenges seems to overlook the issue of public governance:

> The financial crisis revealed serious weaknesses in governance and regulatory structures

its manifest weaknesses and its under-exploited potential. This is surprising because, from budget discussions in the US to sovereign debt talks in the euro zone, lack of decision-making is obviously hindering effective policies.

The financial crisis revealed serious limitations in governance and regulatory structures. Weak regulation, regulatory capture and lobbying, coupled with deficiencies in oversight and financial disclosure, have been root causes of the financial turmoil. Three years later, despite much effort, there is little evidence that we are better prepared now than we were before the crisis. And the air of nervousness in capital markets confirms that our economies have not been immunised against further bouts of financial chaos.

Why has there been so little progress? There is no lack of understanding, of ideas or of political will. Rather, the way we take and implement decisions has not kept pace with the challenges we face. Instead of clear policies, we often get compromises; instead of swift, decisive action, we get hesitation. We need to act now to reduce a growing public governance deficit.

Ultimately, the state has responsibilities that cannot be delegated to anybody else. It is the steward of the public interest. It is the only guarantor of real accountability. And it is the only actor that can develop a vision that federates all parts of society. The state needs to be equipped for these responsibilities, and this means investing in its core capacities.

Governments face many new constraints. Resources to deliver the level of services that people expect are increasingly scarce. Economies and societies are exposed to more and more major disruptive events and new risks. Civil society organisations express demands for action and inclusion in ever more vocal ways. Internet and information and communications technologies offer opportunities for networked governance, yet also create many instant challenges.

Against this background, how can we rebuild strong government, quality decision-making and effective implementation?

When advancing reform agendas, leaders have to navigate through an increasingly complex system of players. They also have to deal with entrenched vested interests and with the massive use of social media which is changing the way groups interact. The priority should be to strengthen the dialogue between governments and citizens and make governments more responsive. This will help to repair the strained relations of trust and confidence on which democracies depend and which legitimise decisive and effective action by governments. Yet this is easier said than done. Our bureaucracies will need to become more agile, more innovative and more strategic. They will also need to demonstate that governments can discharge their responsibilities with efficiency, honesty and creativity. They will need to show that they are competent stewards of the public interest. Today, increased budgetary pressures and highly diversified demands from citizens and service users have made innovation an imperative to maintain high quality public services. Innovative approaches and solutions

are the only way to foster public sector performance and enable greater productivity at no additional cost.

Despite this increasing focus on innovation, knowledge of how countries have gone about promoting and implementing innovative policies and practices is fragmented. Few countries have defined comprehensive policies to foster innovation across the public sector. Even fewer seem to have developed business case methodologies to examine the impact of innovative practices on public organisation performance. A systemic approach to innovation, looking at the enabling factors as well as the barriers, will be necessary to help lead change processes in public policymaking.

> Ultimately, the state has responsibilities that cannot be delegated to anybody else

Governments have been making progress in a number of areas. They have been reinforcing principles of budget management through enhanced fiscal institutions and greater budget transparency. Governments have also been promoting growth-enhancing regulatory frameworks including more efforts aiming at international regulatory standards. They have been implementing a new approach to regional policy able to support growth and competitiveness in all regions. Finally, they have been more actively tackling risk governance through enhanced risk assessment and more co-ordinated crisis management systems.

The OECD is working to analyse and monitor innovative practices, with a view to creating strong business case models that support decision-making. The OECD Observatory of Public Sector Innovation is expected to become a centre for sharing new ideas on how to make innovation work in practice (not only as an observatory, but also as a laboratory of innovation). Similarly, the new OECD High Level Risk Forum will offer a policy platform for the assessment, prevention, mitigation and governance of major risks.

There is progress at the international level too. The newly launched Open Government Partnership (OGP) recognises that people all around the world are calling for greater civic participation in public affairs and seeking ways to make their governments more transparent, responsive, accountable and effective. The OECD is committed to contribute its long-standing knowledge on public management to ensure that initiatives such as OGP have a real impact on the way governments function.

An increasing governance deficit is constricting efforts to deal with the current crisis and limits the capacity of countries to invest for the future. An innovative public sector will be crucial to closing the gap.

Recommended link
www.opengovpartnership.org/

Don't forget corruption

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An interview with
Mark Pieth
Chair, OECD Working Group on Bribery in International Business Transactions

The crisis should not divert attention from the fight against corruption. Mark Pieth, Chair of the OECD Working Group on Bribery, talks to Lyndon Thompson about the need to keep the ball rolling.

Mark Pieth is the affable, soft-spoken chair of the OECD Working Group on Bribery. He has held the post for more than 20 years, during which time he also served on the committee charged with investigating the Iraq Oil-for-Food Programme and the Financial Action Task Force on Money Laundering, headquartered at the OECD in Paris, and most recently as an advisor on the Integrity Board of the World Bank.

As one who laid the foundation stones of the OECD Anti-Bribery Convention, Mr Pieth has worked tirelessly to see that countries enforce it. Much has been accomplished, he admits, but regrettably more than a few governments are lagging behind in their commitments. "There is a lot of talk," he says, "both in the north and south. But this is no guarantee that talk will be followed by deeds."

Part of the problem is the narrow view that both governments and citizens take of corruption. "Many people consider corruption a topic in itself. This is wrong. It affects all walks of life." He warns that progress will be hindered if corruption is isolated from the broader question of regulation. "If you look at the developing world, high levels of corruption make it difficult to access such goods as health care and education. The step leading from this type of situation to a crisis is lack of regulation."

Severe, endemic corruption is the malediction of developing countries—or so it is thought. But the financial crisis and the whirlwind of sovereign debt that threatens to engulf the euro has changed that attitude. A 2009 Eurobarometer survey found that 78% of Europeans believed corruption to be a major problem in their country. If that sentiment is accurate, how much is corruption to blame for the euro crisis?

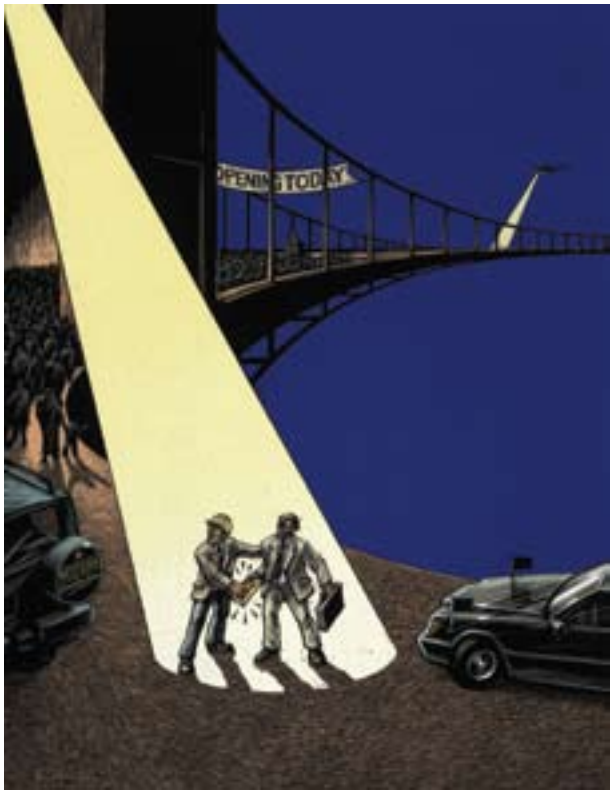
"It's no coincidence," says Mr Pieth "that the southern half of Europe has been so affected by the crisis and also has an undisputedly higher corruption ratio. Greece is probably a good example. As acknowledged in the Eurobarometer survey, it is a high-corruption country. This has contributed, for instance, to a bad tax morality and the inability to raise taxes. There are certainly links between the two." The former

> A 2009 Eurobarometer survey found that 78% of Europeans believed corruption to be a major problem in their country

Greek prime minister would agree. In March of 2010, George Papandreou said that graft was one of the main causes of his country's debt crisis. Between July and December of that same year, Transparency International estimated that bribes cost Greece €632 million. The corruption watchdog also found that 75% of Greeks thought corruption was on the rise and that, over the preceding 12 months, 18% of households had paid a bribe to a public service.

Mr Pieth is wary of making a scapegoat of the south or of placing it in a moral competition with the north. "In the north you have people saying the right thing but not acting." Virtually all the OECD country reviews on corruption published in 2011 urged countries to toughen sanctions, such as imposing longer prison sentences on offenders, and to ensure that the statute of limitations gives authorities time enough to investigate a crime so that offenders end up in court; this last, according to Mr Pieth, has undermined the Italian judicial system. "Italy's difficulty is its slow judicial system, due to all sorts of reasons, including the prime minister's activities: Berlusconi has done everything to shorten the statute of limitation."

Whether in the north or south, vital national interests are fertile soil for bad seeds. "Countries are very protective of



their home-grown industries," Mr Pieth says. "The military, mining and the like—these are considered so fundamental for the future that countries hold back their judiciaries. What I see, especially when considering the activities of companies active in Africa, is that access to raw materials leads to a reticence towards bringing people to court. The OECD is struggling to be equally tough on all countries to be sure that they apply these corruption rules [of the OECD Anti-Bribery Convention]."

He recalled a meeting with a minister of one EU country, which he supposed would be attended by some 50 business representatives. Instead, he entered a room packed with public officials, among whom a few businessmen had managed to squeeze in to give the meeting an air of legitimacy. His suspicions were further aroused at the airport, where a small fleet of planes belonging to an African country notorious for its corruption waited on the tarmac.

> The OECD is struggling to be equally tough on all countries to be sure that they apply these corruption rules

Despite months of stomach-wrenching turns in the euro, the crisis may have a positive effect on anti-corruption efforts. "The G20 was very positive," Mr Pieth says of the G20 Summit in Cannes in November of 2011. "A lot of space was given to the problem of corruption, bringing in China and India, and going beyond the demand side to the supply side of corruption." Indeed, G20 members cited eight major achievements in the fight against corruption since the 2010 G20 Summit in Seoul. These included Russia's decision to join the OECD Anti-Bribery Convention, the entry into force in China of a law criminalising international corruption, the ratification by India of a UN Convention against Corruption (UNCAC), and the adoption in June 2011 of an anti-corruption package by the European Commission.

These are big steps, and they demonstrate governments' awareness that corruption is no longer a crude affair of handing over envelopes in back alleys: it is sophisticated, well concealed and costlier than one had ever imagined. It flourishes whenever authorities drop their guard and wherever cynicism and impunity dictate the political climate. Mr Pieth cautions leaders against taking a narrow view of corruption.

"It must be understood that anti-corruption efforts are a part of regulation. If we configure this question so that it goes beyond corruption and if we manage to remind people of the big picture, then we have a chance."

Recommended links and reference

European Commission (2009), "Attitudes of Europeans towards Corruption", Special Eurobarometer 325.
Bribery and corruption: www.oecd.org/corruption
Mark Pieth's homepage: www.pieth.ch/

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Energy security
Looking towards uncertainty

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Maria van der Hoeven
Executive Director,
International
Energy Agency

Energy markets in 2012, like the broader economic picture, are marked by significant uncertainty. From a policy perspective, global macroeconomic concerns in 2011 diverted attention away from energy policy and could do the same this year. That could have worrying impacts on policy progress, especially as recent months have ushered in record carbon dioxide emissions, worsening energy efficiency and sustained high oil prices.

In times of economic uncertainty, one aspect of energy policy remains a priority: energy security. That is the case both for economies trying to stave off recession and for those whose rapid growth demands increasing energy inputs. Recent events such as the civil unrest in North Africa and the Middle East as well as the incident at the Fukushima Daiichi nuclear power plant have further heightened concerns, as was apparent at the October 2011 ministerial meeting of the International Energy Agency (IEA) in Paris. Energy ministers from the 28 IEA member countries, 7 partner countries (Brazil, China, India, Indonesia, Mexico, Russia and South Africa) and 2 accession countries (Chile and Estonia) gathered at that meeting to address today's most pressing energy policy issues. Energy security topped their agenda.

> Improving energy access has become a major priority for some of the biggest and increasingly important energy players

With most economic and energy demand growth taking place in emerging markets where energy poverty remains a key concern, improving energy access has become a major priority for some of the biggest and increasingly important energy players. The high-level turnout in Oslo at a major conference on the topic, also in October 2011, was testament to the growing concern around energy access, and a special excerpt of the 2011 World Energy Outlook (WEO) released there highlights the challenge. Investments of US$40 billion per year, about five times that of 2009, will be required to extend modern energy access to all by 2030.

In the oil market, demand—driven by non-OECD economies—continues to grow, leading to declining oil stocks that could underpin stubbornly high prices in 2012. Demand estimates for 2012 are shrouded in economic uncertainty, and some outstanding supply risks remain, such as the timing of the restoration of full Libyan oil production. Tight oil markets do not respond well to even small shocks, so 2012 may turn out to be bumpy.

But the biggest worry is that such uncertainties, together with altered government spending priorities, will discourage or delay near-term investments which are so crucial to meeting rising energy demand over the medium and longer term. The 2011 WEO includes a deferred investment case in the Middle East and North Africa which looks at the implications of one third less investment in 2012 with a gradual return to normal over several years. The projected result is an oil price spike to $150 per barrel or higher five years down the line.

Looking at gas, transit issues on Europe's periphery continue to loom large. And in the wider global market, liquefied natural gas supply growth is likely to fall off in 2012, leading to a significant tightening in that market. In the US, however, the ongoing shale-gas revolution is likely to continue as a game-changer in the short term. There is no doubt that gas will play an important role in the energy mix in the coming decades, and there is good reason to believe that we are entering a "Golden Age of Gas". Still, environmental or other concerns could derail the shale gas revolution in the US and other countries. Golden rules and high industry standards will help ensure that the Golden Age endures.

Uncertainties around "game-changers" in the power market go beyond gas; the share of coal-fired power in China, and also the growth of renewable energy, will depend on both strong policy commitment and technological developments

© Charles Platiau/Reuters

over the coming years. Power markets in Europe on the other hand will have to handle the impacts of the German nuclear moratorium imposed after Fukushima. In normal circumstances the electricity capacity balance should be able to cope, but a cold windless winter could push the limits. And consumers will most likely pay higher prices for their power. We also expect that fossil fuel consumption and CO2 emissions will increase.

These short-term uncertainties do not bode well for climate change mitigation, underscoring the need for bold policy action. The year 2012 is the last year of the Kyoto Protocol's first commitment period. Countries and industry in Kyoto countries will have to finalise their plans to comply with their emission goals, and carbon markets are one option to ensure compliance. Budding exchanges, for example in Australia and by mid-decade possibly in China, are a good sign that Europe will be joined by significant economies—and emitters. But carbon markets are also subject to the wider economic turmoil, and the carbon price must be sufficient to affect major investment decisions.

> Uncertainties, together with altered government spending priorities, will discourage or delay near-term investments which are so crucial to meeting rising energy demand over the medium and longer term

Nevertheless, carbon pricing, in various forms, will be key to promoting energy efficiency as well as new technologies. These and other incentives, such as flexible feed-in tariffs, will require significant political will in an environment of such uncertainty.

The door is closing to achieving climate change goals which limit temperature increases to 2°C, and on our current path by 2017 we will have "locked in" the energy sector's carbon allowance. To stay on the 2°C path, all subsequent energy investment would have to be carbon neutral. The 2011 WEO also shows that delaying action is a false economy: for every $1 of investment in cleaner technology that is avoided in the power sector before 2020, an additional $4.30 would need to be spent after 2020 to compensate for the increased emissions. The sooner we get going, the easier and cheaper our task will be; 2012 will therefore be a crucial year.

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Back on the table
The challenges for food security

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Benoît Miribel
Chairman of *Action contre la Faim*

What can we do in the years to come to ensure food security? In the opinion of *Action contre la Faim*, a number of avenues could help promote secure access to food for everyone.

We have been told that the Earth now has a population of 7 billion—which is expected to rise to 9 billion by 2050. This growth in the world's population brings home how absolutely necessary it is to adjust demand to the changing food requirements of populations. This is a major challenge. Many factors make it a particularly complex one: climate change, which aggravates food insecurity; the volatility of food prices; land grabbing; "competition" from biofuels; lack of investment in subsistence farming; and, lastly, social factors such as conflicts, poverty, education and the status of women.

> Could we contemplate seeing starving people living next to fields growing crops for foreign countries?

Faced with the immense task of ensuring food security, where do we start? First we need to establish priorities. It was with this aim in mind that in 2011 *Action contre la Faim* urged the G20 to adopt a number of essential measures on which the main specialist international non-governmental organisations all agree. What are these measures?

Agricultural output obviously needs to be developed, but in an appropriate manner in order to give priority to strengthening and supporting local and family-based agriculture. In poor countries, small farmers play an essential role in ensuring food security but are also the first victims of the adverse impact of the increased volatility of food prices. Today, alas, we can see that the Earth does not feed those who work the land. Small farmers account for 80% of the undernourished.

Several factors hold back the development and profitability of family-run farms, such as the disadvantaged position of women farmers and a lack of capital or access to land. While women account for 43% of the agricultural workforce in developing countries, they have only limited access to assets and opportunities. According to the Food and Agriculture Organisation (FAO), eradicating the inequalities between men and women would make it possible to reduce the number of people suffering from hunger by 100-150 million. Increased land grabbing in Africa allows countries that lack agricultural land to acquire their own capacities abroad, but often to the detriment of the local agricultural fabric.

Growth in agricultural productivity in Africa may continue apace, but who will it benefit? Could we contemplate seeing starving people living next to fields growing crops for foreign countries? There is a real risk that this could happen unless we introduce a genuine world governance of the needs and capacity of agricultural production, from the local to the international level.

Priority must therefore be given to promoting the development of family-run farms. However, such farms must nonetheless allow families to eat a balanced diet. In a word, nutritional impact must be placed at the centre of agricultural policies and we need to develop output in terms of not only quantity, but also quality and diversity. This can be done through technical and financial support for small farmers to allow them to diversify their crops. All this must be done in an environmentally friendly way. A growing number of small farmers cannot afford to purchase expensive inputs, which in addition are not particularly environmentally friendly. A potential therefore exists for developing small programmes aimed at ensuring the self-sufficiency of local farmers.

Another measure required is the fight against price volatility, which has a particularly adverse impact on the poorest members of the population who have to spend most of their income on feeding themselves. In 2009, the FAO estimated that the increase in food prices in 2007-08 left a billion people undernourished. It is therefore necessary

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The inaccessible dream: a starving Somali child leans against a wall in port Mogadishou.

to eliminate this problem by clamping down on financial speculation, notably by setting limits on prices and positions, together with restrictions on passive speculation.

Food reserves also need to be put in place. They allow help to be given to the most vulnerable and make it possible to counter the effects of price volatility. These systems must be created at the local, national and regional levels, although some problems, such as price volatility, are easier to address at the regional rather than national level.

> Nutritional impact must be placed at the centre of agricultural policies

Because ensuring food security in a given country or region can be a long, drawn-out process, alongside the measures already mentioned it is necessary to make use of social protection systems that act as "safety nets" during times of crisis. What do these safety nets against hunger consist of? They may have a nutritional component (e.g. micronutrients in the form of food supplements) and/or a financial component, such as monetary transfers. The latter may, by removing economic barriers, give populations access to an adequate nutritional diet. In terms of protection, some emerging economies have acquired significant experience and could play a major role in helping developing countries ensure good social protection.

At a time when the number of natural disasters is rising, it is also essential to strengthen the ability of people affected by climate change to respond to new conditions by supporting measures aimed at helping them adapt (e.g. agro-ecological measures applicable to degraded land, water management for small farmers who use rainwater). In tandem with these measures, but on a larger scale, governments must commit themselves to fighting climate change. What point is there in increasing yields in fragile areas if we are unable to reduce the number of so-called natural disasters that are destroying crops?

These were just some of the measures that *Action contre la Faim* called for in the build-up to the G20 in Cannes. Alas, there was nothing but disappointment the day after the summit, and Nicolas Sarkozy himself stated in his closing speech that he could understand why those who were fighting against hunger were not satisfied with the insufficient decisions taken by the G20.

While admittedly the G20 called for greater transparency in agricultural markets and pledged to improve their regulation in order to curb price volatility, it failed to reach agreement on mandatory measures. Leaders welcomed the creation of a Rapid Response Forum to "develop common responses in time of market crises", but to date the latter has neither a mandate nor the means to take action. Mention was made of the "pivotal role" of official development assistance, however the G20 said nothing about the failure to meet the promises made to combat hunger: 22 billion dollars of aid promised over three years for food security and the fight against malnutrition at the G8 in 2009. Today, only 22% of this money has actually been committed.

Of course it was necessary to address the crisis in Europe. But we could have hoped that the 332 million people living in the euro zone would not overshadow the fate of the 925 million people still suffering from hunger worldwide. We did hear talk of a "recovery plan" in Cannes, but they were not talking about the challenges of food.

The new Mexican presidency, doubtlessly aware of the weakness of the commitments entered into, has fortunately confirmed that it will put the issue of food security back on the agenda for the G20 in 2012.

Action contre la Faim and its international partners remain mobilised.

Recommended link
www.actioncontrelafaim.org

From the Industrial Revolution to a green revolution

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Han Seung-soo
Chair of the Board of Directors, Global Green Growth Institute; Former Prime Minister of Korea

The continuity of our societies and the sustainability of our planet will necessarily depend on how we, as a collective, can devise the solutions to the paramount and multifaceted difficulties that have arisen from the changes wrought by the Industrial Revolution. In fact, if we are to successfully transform these challenges into opportunities, what we need is nothing short of another revolution. And in today's revolution the bayonets, unquestionably, need to be green.

The world's per capita income has increased over ten-fold and the global population six-fold in the two centuries following the Industrial Revolution. Millions of lives have been uplifted, and positive transformations have benefited societies across the globe. At the core of such success was the quantity-oriented, factor-intensive and fossil fuel-driven growth model.

Unfortunately, this model's failure to adequately account for ecological considerations has also engendered a wholly different transformation: climate change. Climate change is the defining challenge of our time, and it is one that is entirely real and alarmingly urgent. The United Nations has found that nine out of every ten disasters are now climate related. Between 1991 and 2005, nearly 3.5 billion people were affected by such disasters, 90% of whom resided in developing countries.

Moreover, climate anomalies have severely magnified the related problems that have resulted from our single-minded quest for growth: widespread environmental degradation and the depletion of precious global commons such as clean air, water, land and energy. Yet our gluttonous appetite for fossil fuels remains. Together, oil and coal accounted for 63.2% of global energy consumption in 2010. This means that atmospheric concentrations of greenhouse gases that drive climate change are still on the rise.

Then there is the economy. The ongoing European debt crisis continues to dent our hopes for recovery from the brutal global financial crisis of 2008. Meanwhile, growth rates elsewhere are stuttering or growth has failed to generate sufficient employment opportunities. Unequal growth has materialised in the popular uprising witnessed across the established developed nations of the West. In short, the limits of the old paradigm of growth have been laid bare by the twofold challenge that threatens us today: global climate change and economic decline.

> In today's revolution the bayonets, unquestionably, need to be green

Most of us are already aware of the solution: green growth, an inclusive framework that dispels the dichotomy between economy and environment, integrating ambitions both for economic growth and for environmental and climactic sustainability. Under green growth, innovative ideas and investments in new, advanced technologies transform climate change, energy and financial crises into opportunities for renewed, sustainable growth. This requires new norms, from public policy to business strategy.

Encouragingly, many countries have taken the lead on green growth. Korea's Green New Deal worth US$38.1 billion combines short-term fiscal stimuli with mechanisms for longer-term green growth. The country's 30 business groups have invested upwards of 15.1 trillion won, roughly $13.5 billion, in green sectors since 2008, generating new green jobs. In total, Korea's investment in green growth amounts to 2% of its GDP annually.

Having already earmarked an estimated $140 billion of its $586 billion fiscal stimulus package for green investments, China's 12th Five-Year Plan (2011-15) dedicates an entire section to "green development". Indeed, China's ambitious renewable energy plans are the driving force behind the robust growth in the share of renewables in total global

energy generation, which recorded a 15.5% increase in 2010. Brazil, Denmark, Japan, Mexico, the US and others have launched similar national efforts.

But this is no time for complacency. Even as we embrace the new paradigm of green growth, global subsidies on fossil fuels rose to $409 billion in 2010, nearly a $100 billion increase from 2009. As such, we need to continue to redesign regulatory frameworks such that ecological costs and prices on carbon are better reflected. At the same time, stronger market incentives are needed to generate additional investment in green technologies, goods and services.

> While climate change affects us all without prejudice to national borders, it does not affect us equally

To effectively address these requirements, it is crucial to harness the resources of both the public and private sectors through enhanced public-private partnerships for green growth. In particular, public policy needs to guide private investment decisions, whereas limited public funds should be leveraged to induce the flow of far more significant amounts of private capital.

Moreover, green growth needs to become a shared, global effort. While climate change affects us all without prejudice to national borders, it does not affect us equally. Developing countries are most vulnerable to its effects and their bill for climate adaptation is estimated at tens of billions of dollars annually. But much potential for green growth exists in developing countries that are not yet completely locked in to a carbon-intensive economic infrastructure. For example, devising adequate alternatives to tropical deforestation, much of which occurs in developing regions and which accounts for about 20% of global emissions, can bring multiple benefits including curbing emissions, bolstering climate resilience and raising living standards.

Therefore, it is crucial that technical expertise and analytical and institutional knowhow for green growth are effectively shared with developing countries. This was the motivation behind the establishment of the Global Green Growth Institute (GGGI) in 2010 with its headquarters in Seoul. GGGI is working with Brazil, Cambodia, Ethiopia, Indonesia, Kazakhstan, the United Arab Emirates (UAE) and others to support developing top-down, comprehensive regional to national green growth plans, as well as bottom-up, sector-specific initiatives that strategically target high-carbon activities.

By disseminating the tools with which developing countries can devise their own green growth strategies tailored to local circumstances, GGGI has emerged as a leader in the global green growth initiative. In this we are joined by donor nations such as Denmark, Germany, Japan and the UAE, while the OECD is an important partner amongst other public and private institutions such as the World Bank, the United Nations Economic and Social Commission for Asia and the Pacific, the African Development Bank, the World Economic Forum and Danfoss.

Global co-operation that encompasses the developed and developing countries, public and private sectors alike, will sow the seeds for a green revolution that will enable us to transform challenge into opportunity and set us on course towards sustainability.

Recommended link
Global Green Growth Institute: www.gggi.org/

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Waking up to climate change

Kelly Rigg
Executive Director,
Global Campaign
for Climate Action

While the world focuses on the ongoing economic crisis, the challenge of climate change grows increasingly desperate. A number of lessons still have to be learned.

From Tahrir Square to the streets of New York, citizens worldwide are protesting the status quo. In a world where the gap between rich and poor is widening, where corporate influence carries disproportionate weight, and where we are rapidly spending down nature's capital, the public is saying "Enough!" Is this a passing fad or long-term trend? The realities of climate change and rising CO_2 emissions suggest we're in for a bumpy ride ahead.

Consider these facts: ocean acidification, warming and hypoxia are damaging life at the base of the ocean food chain. This, combined with the decreased resilience of marine ecosystems as a result of overfishing, marine pollution, resource extraction and other stresses, means that the 3.5 billion people who depend on the oceans for food increasingly will go hungry.

Those who rely on land-based sources of food are not likely to fare much better. According to a report by the Food and Agriculture Organization, "An increasing number of countries are reaching alarming levels of water scarcity and 1.4 billion people live in areas with sinking ground water levels. Water scarcity is particularly pronounced in the Near East/North Africa and the South Asia regions and is likely to worsen as a result of climate change in many regions." At the same time, the report notes, "Satisfying the expected food and feed demand will require a substantial increase of global food production of 70% by 2050."

This projection does not include the increasing demand for food crops used in biofuel production, which will only make matters worse. Studies show that climate change is already impacting food production and is responsible for price increases of around 20% in recent decades. Remembering the riots which erupted in Egypt, Bangladesh and Haiti in 2008 when food prices reached their all-time high, the potential for increasing social unrest is substantial.

Clearly, any way you look at it, climate change represents a threat to global security—not just in 2050, but right here, right now.

We need the concentration of CO_2 to stabilise in the atmosphere at 350 parts per million or lower if we are to stave off the worst impacts of climate change. We have already overshot the mark at around 390, so we need to act fast to bring it back down. The longer we wait, the steeper the reductions will have to be in subsequent years. Alternatively, we stabilise at a much higher level and take our chances that some mysterious force of nature will rally to our defence. It's not our generation that will suffer the worst consequences of a bad gamble, however, but that of our children, grandchildren and generations to come.

> Climate change represents a threat to global security right here, right now

If this is not to be our legacy to them, here's what we need to do:

First we must finalise a fair, ambitious and legally binding global climate agreement. It must be fair for the poorest people who did not cause climate change but will suffer the most from it. This means adequate finance not only for mitigation, but for adaptation. It must be ambitious enough to leave a planet safe for us all; the existing pledges on the table only get us about halfway there. And it must be binding with real targets that can be legally monitored and enforced. To start with, parties to the Kyoto Protocol need to commit to a second commitment period beginning in 2013. But ultimately we need an agreement that includes all major emitters, while recognising the common but differentiated responsibilities between countries at different stages of development. The prevailing attitude of "I won't

© Philippe Laurenson/Reuters

move until you move first" must be countered head-on; we simply don't have the time to procrastinate.

Second, all countries must embark on rapid and clean low carbon development pathways. This is a win-win situation. Take the Maldives, for example. President Nasheed made headlines in 2010 with his announcement to become the first country in the world to go carbon neutral and has developed a Carbon Neutral Plan to make it a reality. This is not only environmentally friendly but makes good economic sense as well. The Maldives spends around 14% of its GDP on imported oil, more than on education and health care combined. And as they can store relatively little of it at any one time, they are extremely vulnerable to changes in the price per barrel.

The benefits of clean, low carbon development are becoming increasingly obvious. HSBC projected that the low carbon energy market will triple in size by 2020, to US$2.2 trillion. And a recent study by PricewaterhouseCoopers for the Carbon Disclosure Project found that low carbon leaders amongst the world's major corporations substantially outperformed the Global 500 average in terms of shareholder value.

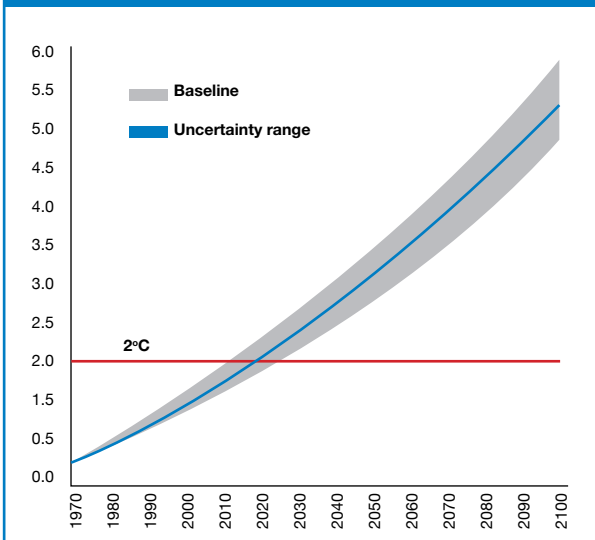
Third, we need to stop arguing and start listening—really listening, that is, and acting as if our lives depended on it. The stories of real people being affected by climate change are being told with increased urgency. These are stories of flooding and famine, of drought and fire. They are heartbreaking and frightening, and too often we succumb to the natural human tendency of pretending that such things won't happen to us. Until they do. Russian President Dmitry Medvedev became convinced of the need to address climate change by the terrible heat wave and devastating wildfires in the summer of 2010. In a speech delivered on 4 August that year, he said, "We need to learn our lessons from what has happened…Everyone is talking about climate change now. Unfortunately, what is happening now in our central regions is evidence of this global climate change, because we have never in our history faced such weather conditions in the past. This means that we need to change the way we work, change the methods that we used in the past."

But have we really learned those lessons yet? Some have, but others are lagging behind.

In 2050, when the world looks back on the legacy of our generation, how will you be remembered?

Recommended link
Global Campaign for Climate Action: http://gc-ca.org/

Looming threat of climate change
Projections of temperature increase, 1970-2100



Green chemistry

Russel Mills
Global Director of Energy and Climate Change Policy, The Dow Chemical Company; Chair, Environment Committee of the Business and Industry Advisory Committee to the OECD (BIAC)

Economic growth over the past decades has led to improved quality of life, increased prosperity and longer, healthier lives in nearly all countries. Resource constraints are making us realise that to continue to enjoy these benefits we will have to change course towards more sustainable or greener growth.

As the world's population increases and emerging economies expand, we will need new solutions to meet society's basic needs for energy, water, housing, food, health and transportation. These solutions will simply not come about without the direct and active contribution from the private sector.

According to one textbook definition, green growth refers to fostering economic growth and development while ensuring that the earth's natural assets continue to provide the resources and environmental services on which our well-being relies. But what does green growth actually mean for an industry like chemicals?

The chemicals industry faces both challenges and opportunities in this context. On the one hand, it is a large, energy intensive sector and as such contributes to global greenhouse gas emissions. On the other hand, it is one of the most important providers of solutions to save energy and reduce emissions. The industry has a long track record in pursuing energy efficiency improvements; for example at the Dow Chemical Company, cumulative energy savings since 1994 have reached more than US$9 billion and helped assure our economic viability.

We need to focus on lifecycle approaches that address both production and consumption emissions. While production emissions have decreased in most developed economies, household consumption emissions have increased. Household emissions now represent our biggest opportunity for greening our economies.

Making green growth a reality for modern economies depends on advanced materials and the chemistry on which they rely. The chemicals industry is therefore focusing on how connecting chemistry and innovation with the principles of sustainability can best address the global challenges we are facing.

At the Dow Chemical Company, for example, Styrofoam brand insulation emits one unit of CO_2 during production, but saves more than 200 units of CO_2 during the use phase. More generally, the future of energy is increasingly connected to innovative technologies and materials from chemistry, from advanced batteries for next-generation hybrid cars to solutions for capturing greenhouse gases. Tomorrow's chemical advances will also be indispensible for breakthrough solutions to meet the world's need for clean, sustainable and affordable energy.

> Making green growth a reality for modern economies depends on advanced materials and the chemistry on which they rely

The Business and Industry Advisory Committee to the OECD (BIAC) has underlined that there should be no separation between green and traditional industries, as sectors do not exist in isolation but depend on each other. More sustainable clean energy options such as cost-effective wind turbines rely on progress in composites which in turn rely on advances in chemistry. Green growth policies should therefore aim at fostering innovation, entrepreneurship and competitiveness across all sectors. They should focus on improvements that are both economically efficient and environmentally effective and take into account life-cycle approaches and impacts.

Recognising the close links between sectors and between our economies, we now need to concentrate increasingly on

co-operation, integration and life-cycle thinking across the entire value chain. This should involve strategic and holistic approaches to public-private partnerships, as strengthening innovation along value chains will often require co-operation across sectors and borders. Success will also depend on reforming education systems to align skills with new labour market needs; modernising infrastructure and transportation; and promoting highly resource-efficient manufacturing in OECD countries and beyond.

For governments aiming to make green growth a reality in the context of general budget constraints, policy co-operation across ministries will become increasingly important. In this respect, the OECD Green Growth Strategy, which was submitted to OECD ministers in May 2011, has been extremely helpful in highlighting the importance of integrated policy approaches and recognising that there is no one-size-fits-all for different sectors and countries. It has provided a practical framework for governments to seize opportunities that arise when constructive approaches are taken to benefit both the economy and the environment.

> The OECD can add real value by convincing governments of the necessity to take a longer-term view

The economic crisis has taught us that bolstering innovation will underpin economic growth, decrease vulnerability to future shocks and allow us to "green" our economies more cost efficiently. With the global economy in turmoil, some countries will give priority to short-term fixes. The harder but ultimately more beneficial solution is to pursue a long-term strategy built around stimulating and supporting innovation that will allow for sustainable growth. The OECD can add real value to this dialogue by convincing governments of the necessity to take a longer-term view.

Economies thrive on growth, so private sector help will be most effective if we can demonstrate how best to make that growth more sustainable. The priority is to identify specific green growth opportunities that deliver immediate progress across a variety of sectors and economies. It will be especially important to address mutually beneficial sustainable growth opportunities for developing nations. We also believe that the OECD's rigorous economic analysis and work on green growth should provide an important contribution to the Rio+20 summit in June 2012. The OECD Green Growth Strategy has highlighted that green and growth can indeed go hand in hand. We now need to focus on implementation. We look forward to governments setting an enabling policy framework so that business can be an integral part of this effort.

Recommended links

www.dow.com/energy/
www.icca-chem.org/en/Home/ICCA-initiatives/Energy--Climate-Change-/

Can we do without nuclear energy?

Nuclear energy produces no CO_2 during electricity generation and could boost global power supplies without some of the environmental consequences of alternative technologies. However, there are worries about other aspects of the nuclear solution, including waste disposal, safety and non-civilian nuclear programmes.

www.oecd-nea.org

"Recent analyses fail to come up with any 50-year scenario based on sustainable development principles which does not depend significantly on nuclear fission to provide large-scale, highly intensive energy, along with renewables, to meet some small-scale (and especially dispersed) low-intensity needs. The alternative is either to squander fossil carbon resources or deny the aspirations of hundreds of millions of people in the next generation."

World Nuclear Association,"Sustainable Energy", 2011
www.world-nuclear.org/info/inf09.html

"Despite what the nuclear industry tells us, building enough nuclear power stations to make a meaningful reduction in greenhouse gas emissions would cost trillions of dollars, create tens of thousands of tons of lethal high-level radioactive waste, contribute to further proliferation of nuclear weapons materials, and result in a Chernobyl-scale accident once every decade. Perhaps most significantly, it will squander the resources necessary to implement meaningful climate change solutions."

Greenpeace, "End the Nuclear Age"
www.greenpeace.org/international/en/campaigns/nuclear

"On every measure (climate change, mining impact, local pollution, industrial injury and death, even radioactive discharges) coal is 100 times worse than nuclear power. Thanks to the expansion of shale gas production, the impacts of natural gas are catching up fast ... Yes, I would prefer to see the entire [nuclear] sector shut down, if there were harmless alternatives. But there are no ideal solutions."

George Monbiot, "Why Fukushima Made Me Stop Worrying and Love Nuclear Power"
Guardian, 21 March 2011
www.guardian.co.uk

"No later than the end of 2022, the last German nuclear power station is to be shut down ... [Germany] can become a pioneer and an example for the rest of the world, demonstrating how a sustainable shift to renewables can be managed while remaining economically successful. This way forward into a future that will not leave any further negative ecological legacy, and that does not involve any dependence on expensive imported energy, opens up excellent new prospects for Germany, in terms of exports, jobs and growth."

German government, "Safe, Affordable and Environmentally-friendly", 6 June 2011
www.bundesregierung.de

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There are alternatives to nuclear, but at a price

» Power generation accounted for 41% of global energy-related CO_2 emissions in 2010, and the amount of CO_2 that we emit for a unit of electricity is now 10% above the level in 1992 when climate change came to the political forefront at the Rio Summit. That trend must be reversed.

The question facing society is whether nuclear electricity should be part of climate change mitigation efforts despite the risks. Understanding and measuring the nature of these risks is a priority, and the lessons from Fukushima are crucial to constructing a more accurate risk assessment profile. Clearly and openly communicating such risks to the public then falls to government and industry, particularly in relation to alternative energy sources.

Nuclear power should therefore be considered not in isolation, but compared to the realistic alternatives. Nuclear is an important part of the global energy mix, roughly equivalent to the output of 850,000 wind turbines or gas plants burning the combined production of Australia, Indonesia, the Netherlands, Norway, Qatar and the UK.

The German renewable energy investment programme, one of the world's most ambitious and best financed, will require more than a decade to replace the nuclear plants that Germany has shut, in the best case scenario.

Globally, renewable energy growth is on track to contribute to overall energy supply growth, mostly at the expense of fossil fuels. However if renewables are also expected to replace a significant portion of nuclear electricity, the additional burden could lead to project delays and cost overruns that set back climate change mitigation efforts by decades. A substantial portion of nuclear power would probably be replaced by fossil fuels.

The most likely replacement technologies, particularly in the short and medium term, would often be dirtier, more deadly, less secure and more expensive. Over the longer term, tackling climate change would be harder and more costly. Rich and technically sophisticated countries with stable or declining energy demand may decide to pay the costs, monetary or otherwise. But on a global level, IEA analysis demonstrates that significantly reducing the role of nuclear power would have real effects on the viability of climate change efforts.

www.iea.org

"Nuclear energy is one of the mainstays of our national energy policy since it helps us to meet 3 out of 4 policy objectives: contribute to national energy sovereignty and guarantee supply security; ensure a competitive price for energy; and protect human health and the environment, notably by combating the worsening of the greenhouse effect."

French government, "Overview of French Nuclear Energy", 24 November 2009
www.developpement-durable.gouv.fr

"Prudence dictates that we develop as many options to reduce global warming emissions as possible, and begin by deploying those that achieve the largest reductions most quickly and with the lowest costs and risk. Nuclear power today does not meet these criteria."

Union of Concerned Scientists, "UCS Position on Nuclear Power and Global Warming", 5 March 2007
www.ucsusa.org

Join the debates: www.oecd.org/forum2012

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Making progress

Progress is not just a question of wealth. The midst of an economic crisis may seem an odd moment to focus on what other elements are important for better lives, but understanding what it takes to improve our well-being is vital for a lasting and more fulfilling economic and social future.

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The time for change
Danilo Türk, President of Slovenia

Progress: from compass to global positioning system
Martine Durand

Taking a wider view of progress
John Evans

Expressing happiness

Idea Factory: Is life getting better?

If the crisis has taught us anything, it is that there is more to life than the cold numbers of GDP and economic statistics. Of course the economic state of a country is important, but data on overall economic performance do not tell you much about people's lives and welfare.

This is hardly surprising: GDP was developed to measure national economic performance, not social well-being, as John Evans notes in his article in this chapter. But there was a tacit assumption that strong economic growth would automatically make people's lives better, a premise that has been increasingly questioned over the past decade. Evidence that the rising tide did not lift all boats, and that in fact the gap between rich and poor widened during the pre-crisis boom years in many OECD countries, underlined the need for a new approach to measuring progress and what makes for a better life.

> While jobs and income are important, other factors matter just as much to our general well-being

Factors such as whether being born into poverty means you will be poor all your life, whether you are happy in your job, how long it takes to get to work, how safe it is to get around your neighbourhood, whether you are in good health and whether you can count on someone in difficult times all contribute to our individual sense of whether life is good and whether it is getting better or worse.

And governments need to know what is important to people in order to craft policies that respond to their vision of a better life. Getting it right is even more critical as governments work to create a sustainable recovery. If money can't buy happiness, at least we can try to ensure that money is spent on the things that contribute to the kind of better life that people want, from education to cleaner cities.

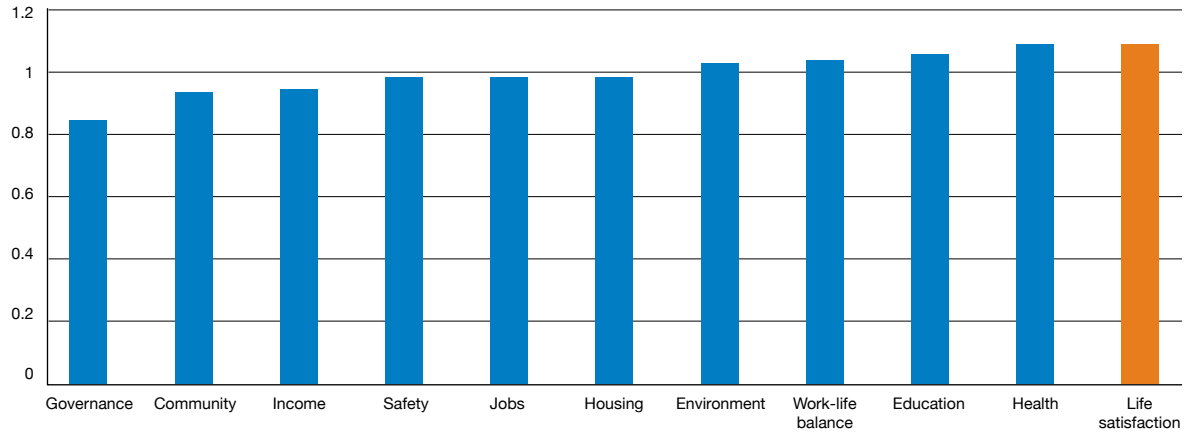
Better lives

Every person aspires to a good life. But what does a good or a better life mean? Do you like your job? Are you spending enough time with your children? Can you trust your neighbours? How satisfied are you, overall, with your life? We all know that a wide range of elements combine together to make a good life. While jobs and income are important, other factors matter just as much to our general well-being: good health, a clean environment, a strong sense of community and civic engagement, a home in good shape, and a safe neighbourhood.

If we have known for a decade that we need a new way to measure progress, why has it taken until now to launch the OECD Better Life Initiative? The answer, as Martine Durand notes in her article in this chapter, lies in the formidable challenge of selecting the best elements for such a measure, which can be agreed on by everyone. The final result is a list of 11 topics reflecting what the OECD has identified as essential to well-being in terms of material living conditions (housing, income and jobs) and quality of life (community, education, environment, governance, health, life satisfaction, safety and work-life balance).

How is life?

Relative importance of topics to respondent (1 = average)



Source: OECD Better Life Index (http://oe.cd/bli), user statistics

But how can one decide which are the most important elements? For some, it may be jobs, for others education, health or income. Your Better Life Index (BLI), which is one element of the Better Life Initiative, resolves that issue by giving equal weighting to all 11 elements, leaving it up to individuals to decide what is most important to them and compile their own personal index. By looking at those results, we can begin to see what counts for the people around the world who choose to compile their own index.

Governments need to know what is important to people in order to craft policies that respond to their vision of a better life

Your Better Life Index has attracted over half a million visitors from nearly every country on the planet. BLI users who have agreed to share their results consistently put life satisfaction, education and health atop their indexes.

But there are some clear differences between age groups, with younger people putting greater emphasis on work-life balance, income and jobs, whereas older people care more about health and the environment. Such information can help policymakers to decide where to focus their resources, particularly valuable at a time of tight public finances.

And more information about what makes people happy might just help the economy. People in New Zealand and Portugal are among the most social of all nationalities surveyed, with more than 75% reporting at least one social contact with friends or family per week, while people in France, Hungary and Poland report the lowest levels of social interaction. Why should governments care whether people have a good social life? Because the statistics show that those with extensive and supportive networks also tend to be in better health and to live longer and are more likely to be employed.

Tackling inequality

While it is true that high income alone does not ensure a good life, inequality and poverty remain big barriers to well-being for too many. *How's Life?*, the second element of the Better Life Initiative, shows that some groups of the population, particularly the less-educated and people on low incomes, tend to fare worse in all dimensions of well-being. They live shorter lives and report greater health problems, their children obtain worse school results, and they tend to be less satisfied with their lives as a whole than more educated and higher-income people.

But there are other types of inequality which economics alone cannot measure but which are vital for people's well-being. Take air pollution: it may help target health care efforts and anti-pollution efforts to know that it is the very young, the very old and the poorer sectors of society that are most likely to suffer ill health as a result. Governments concerned about low voter turnout may find it easier to target disengaged groups when they know that, in general, youth voters are far less likely to turn out than the over-65s.

Gender inequality beyond the workplace is also highlighted when you broaden the picture to include home life. Women do better at school and college than men but are still less likely to make it to the top of the career ladder. This may have something to do with habits at home: men are more likely to work longer hours in paid work than women, while women spend longer hours in unpaid domestic work than men. This may also go some way to explain why men generally spend longer commuting each day than women. Nonetheless, women tend to live longer than men and to declare themselves generally happier with life. Understanding why this is the case could help improve life for everyone.

Inequality and poverty remain big barriers to well-being for too many

And sometimes measuring a problem can point the way to a simple solution. Once you know that children whose parents read to them in the first year of primary school score better across the board in later years than those who do not, regardless of social status, you can target programmes to parents encouraging them to offer bedtime stories.

Getting the numbers right

Just as GDP as a tool for measuring economic output has been developed and fine-tuned over the years, so the new measure of well-being and progress will evolve and need fine-tuning over time.

The exercise of developing well-being indicators has supplied some fascinating information, but it has also revealed the gaps in our knowledge in key areas such as housing and health status. While some of the statistics that we have are based on subjective measures of how people feel, it may be useful to develop more objective measures.

Much is still unknown about individual morbidity and health risk factors, for example. Good administrative records exist on the prevalence of certain diseases

such as cancer, but the records are much less comprehensive for other widespread chronic conditions like cardiovascular disease, obesity and biomedical risk factors.

As governments battle with climate change, more information on this aspect of areas such as housing, beyond current information about basic amenities and housing costs, could be helpful too. Much is said about the importance of green jobs for a future low-carbon economy, but we lack comparable information on quality of work questions such as safety and ethics.

The current jobs crisis has turned attention to the need to ensure that today's young people finish their education with the necessary skills for the 21st-century job market. But do we know what those skills are and how to measure them? We do know that skills also bring other important benefits, such as better parenthood. How can we measure the abilities people need to become good citizens and thrive in modern societies, for example?

> The new measure of well-being and progress will evolve and need fine-tuning over time

And now that people's trust in government is wavering in the face of the financial and economic crisis and high unemployment, how can governments measure the extent of the trust gap and find ways to narrow it? This is a crucial question for governments needing the support of their citizens at a time of tough policy choices.
Future progress

The well-being indicators put forward so far can be used to paint a broad picture of people's lives, but the measurement of well-being remains challenging.

Developing better measures is not an end in itself but a means to enhance policies that improve people's lives. What we choose to measure is important because it will represent to a great extent our vision of the future development we aspire to, as Slovenia's president, Danilo Türk, argues in his contribution to this chapter.

The Better Life Initiative is a just a beginning, and much work remains to be done in determining what to measure and in fine-tuning the selected indicators. While national statistics offices have a key role to play in developing better indicators, we also need input from other stakeholders and the general public on what improves their lives. That is why the discussion on measuring progress and well-being needs to reach a wider audience. To foster that discussion, the OECD is organising a number of regional forums to set the scene for the 4th OECD World Forum on Measuring the Progress of Societies, in India in October 2012.

> Developing better measures is not an end in itself but a means to enhance policies that improve people's lives

But we know that it can be done—there are well-established links between policy and results in education and employment—and we can build on this work to study the links between policy and other areas of well-being. Measuring progress towards better lives is a difficult and complex exercise, but identifying what statistics we need to do so is a first step to developing policies that can improve lives.

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How's Life? Looking beyond GDP

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The time for change

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Danilo Türk
President of Slovenia

The current 30-year cycle of deregulation and uncompromising belief in the "invisible hand" of the market is coming to an end. This is happening amid a serious financial and economic crisis that is often compared with the Great Depression of the 1930s. Civil unrest is spreading.

Time is running out. Decision makers will soon have to agree on real solutions if they are to avert a serious disaster. The European Union will have to decide on the path to closer integration in fiscal matters and to develop instruments for solving the public debt crisis. The US will have to find ways to trigger growth and create new jobs, which is likely to require movement away from the belief in the magic of tax cuts towards a more balanced policy approach. On both sides of the Atlantic, decision makers will have to agree on ways to rein in the financial sector. The common denominator of all these policy requirements is regulation.

It is obvious that the global economy needs complex monitoring and regulation, primarily in the sector of finance, to ensure a sufficiently stable and reliable framework for future development. Thus, the decision makers will have to think and act globally and find global regulatory arrangements which will involve China and other leading economic players.

Admittedly, this is a tall order. In addition to its intrinsic difficulty, it requires two basic changes in the political and economic philosophy. The first change relates to the understanding of the role of the state. For decades now, the prevailing attitude of the leading economic thought has been suspicious vis-à-vis the role of the state. The state has been perceived as a threat to economic freedom and to human freedom.

However, the market is not a substitute for the regulatory role of the state. The time has come to realise that the state is not the only organised power which has to be kept in check in order to preserve space for human freedom and development, but also a crucial repository of legitimacy, something that the market is not and cannot be. When properly administered, the state is also a powerful force for good, and, above all, only the state has the regulatory authority needed to make a sufficiently widely accepted system of rules within which development can take place.

> The market is not a substitute for the regulatory role of the state

The second significant and much needed change relates to the way in which the notions of prosperity, development and a good life are understood. The affluent societies are unlikely to grow at high rates. For them, GDP will no longer be the real measure of prosperity and development, let alone of a good life. Solutions need to be found in greater environmental sustainability, in the improvement of services, and in technological advancements that will make a better environment and better services possible. New jobs may be found in human activity not yet reflected in the growth of GDP. This calls for a fundamental rethinking of development of the most affluent and most advanced societies. At the same time, the developing states and economies will still have to

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For affluent societies, GDP will no longer be the real measure of prosperity and development, let alone of a good life

continue to focus on ways to bring people out of poverty and, consequently, on the high rates of growth measured by GDP.

It is only natural that the OECD, an organisation of the most advanced and affluent countries of the world, turns its attention to the fundamental issues of prosperity, development and a good life. This includes exceptional attention to acute challenges of youth unemployment as well as to patterns of development based on small and medium-sized enterprises. It is increasingly understood that these priorities have to be put in the larger context of the fundamental rethinking of development. Appropriate tools need to be developed to help measure progress, prosperity and development.

What should be measured? It is axiomatic to say that we measure what we strive to pursue and that what we pursue we strive to measure. In other words, consensus on what we measure will represent a large part of the vision of our future development. This is why the work done by the OECD in preparing the Better Life Index has been so important. It suggests a significant shift of focus in the understanding of development—from economic production to prosperity in a broad meaning, from consumption to well being.

The publication of the Better Life Index in 2011 marks a pivotal beginning. It provides governments, researchers and civil society groups with a tool for defining their objectives and preferences in development, which, in turn, enables more adequate policy making. However, here again the regulatory function of the state will be critical. Policies require a normative framework that only states can provide. The time for change has arrived.

Recommended link

Office of the President of Slovenia: www.up-rs.si/eng

Progress: from compass to global positioning system

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Martine Durand
Director, OECD Statistics Directorate

For most of the last century, progress in the conditions of our societies was often assessed through the compass of economic growth, or GDP. In recent years, however, both governments and citizens have come to recognise that GDP provides only a partial view of today's economic and social conditions and of whether these conditions can be expected to last in the future. Better indicators are needed that take into account sustainability, equity and quality of life.

Getting lost may soon be a thing of the past. Sophisticated navigation tools such as satellite tracking and street-view maps are now so widely available that people take for granted that they can know instantly where they are, where they've been and, most importantly, where they are heading. Orientating our societies is not as easy. For that, we would need reliable information on the many aspects that make for a "good life". Unfortunately, an information system with these characteristics is still lacking.

The OECD has been exploring these issues for many years now, and developing better statistics lies at the heart of its mission to foster "better policies for better lives". Building on this experience, in 2011, during the OECD Ministerial Council meeting, the Secretary-General launched the OECD Better Life Initiative, whose goal is to bring to the attention of citizens and policymakers a comprehensive set of indicators encompassing the different areas that matter for people's lives. One element of this initiative is the report *How's Life?*, released in October 2011. This report focuses on 11 dimensions of people's well-being, namely income and wealth; jobs and earnings; housing; health status; work and life balance; education and skills; social connections; civic engagement and governance; environmental quality; personal security; and subjective well-being. The OECD Better Life Initiative is an ambitious undertaking but also a necessary one, as it aims not only to present indicators based on the best available data today but also to highlight areas where further statistical development is needed.

> One of the main challenges in measuring well-being is that people have different views about what is most important to them

One of the main challenges in measuring well-being is that people have different views about what is most important to them. This is why it has proven difficult, if not impossible, to replace GDP with another single-number index; combining information on different dimensions based on different metrics into a single number means making choices about the weight of these different components, choices which can be controversial. On the other hand, summary indices are useful tools for ordinary citizens to bring together information on several dimensions in order to compare living conditions across countries or over time. The OECD has addressed this challenge with Your Better Life Index, an online interactive tool which allows users to create their own personalised index by rating the importance of each of the 11 well-being dimensions. Users can then compare well-being in the 34 OECD countries and share their index with other people and with the OECD. Overall, more than 500,000 users have used the OECD tool since May 2011.

The indicators underpinning Your Better Life Index have been selected on the basis of their quality and policy relevance. These indicators are the best that are available today to compare people's lives across OECD countries. This does not imply, however, that the selected indicators are perfect. In some cases, they are only approximations of the most relevant concept (e.g. due to the lack of comparable data, the net worth of households is proxied by their stock of net financial wealth). In other cases (e.g. for social connections and subjective well-being), no comparable data produced by National Statistical Offices currently exist; overcoming this limit has required making use of non-official statistics,

which were included as space holders until better and more comparable indicators become available.

Beyond measuring average conditions in each country, the stakes are even higher when it comes to assessing inequalities: *How's Life?* presents fairly comprehensive information on differences across age groups and gender, but the picture is much sketchier when we want to compare people's education or socio-economic conditions. The OECD is currently undertaking important methodological research to better measure vulnerability and resilience, as well as inequalities in the various dimensions of people's material conditions and quality of life.

> The OECD is undertaking research to measure vulnerability and resilience, as well as inequalities in the various dimensions of people's material conditions and quality of life

Achieving a more sustainable future will require preserving the stocks of socio-economic and natural assets for future generations around the world. The OECD is looking at ways of better taking into account sustainability issues, including from the perspective of developing countries. The development of new indicators is at the core of the OECD-wide strategies on green growth and development, which will inform international processes such as the United Nations Conference on Sustainable Development (Rio+20), to be held in Brazil on the 20th anniversary of the Rio "Earth Summit", and the discussion on how the Millennium Development Goals should evolve after 2015.

The year 2011 was a turning point for the OECD's work on measuring progress. After having long argued over the need for a new generation of statistics informing about people's well-being and societies' progress, we have issued our first compilation of statistics in this field. The OECD commitment to develop better indicators of people's lives is stronger than ever, and we are collaborating closely with the many OECD countries and organisations that have launched ambitious national and regional initiatives in this field. In many ways, however, this work is still in its infancy; developing better measures of progress, and ensuring that these are used by policymakers, is an ongoing mission. To provide impetus towards this goal, the OECD is organising a range of high-level regional conferences bringing together experts from governments, statistical offices, academia, and the private and non-profit sectors, culminating in the 4th OECD World Forum on Statistics, Knowledge and Policy, to be held in New Delhi, India in October 2012.

While we are still far from having a comprehensive global information system, we are working hard to develop the statistical equivalent of the Global Positioning System that will help design "better policies for better lives" around the world.

Recommended links

www.oecd.org/progress
www.oecd.org/betterlifeinitiative
www.oecdbetterlifeindex.org

Taking a wider view of progress

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John Evans
General Secretary,
Trade Union Advisory
Committee to the
OECD (TUAC)

Perhaps one of the biggest weaknesses in traditional economic thinking is the belief that GDP per capita is the only relevant benchmark of economic performance. Yet, there is compelling evidence to show that increases in GDP have little impact on happiness or life chances.

It is surprising that economists appear seduced by what many people would regard as an unsophisticated approach to measuring progress. Simply focusing on measured increases in GDP tells us little about the quality of life enjoyed by the citizens of a country. It tells us nothing about the distribution of incomes, nothing about differences between rich and poor in terms of health and life expectancy, nothing about social mobility, nothing about environmental sustainability, and little or nothing about the quality of life. Most importantly, it tells us nothing about whether most citizens have the capabilities they need to choose lives that they have reason to value.

Despite this, GDP growth has remained a virtual obsession for economists, government policymakers and most of the world's major intergovernmental organisations. For example, the OECD's Going for Growth approach for the past decade initially explicitly and subsequently implicitly took the US GDP per capita as the benchmark against which the performance of all OECD countries should be measured. The fact that measured US GDP per capita is the highest in the major economies has also been used to promote what was seen over the first part of the 2000s as the "US model" of deregulated labour markets, financial market hegemony and shareholder value systems of corporate governance. It is these very features that have been identified as contributing to the September 2008 financial collapse that sparked the financial crisis.

A relentless focus on GDP offers us a distorted view of general economic performance. One issue that is obscured rather than illuminated by the measure of GDP is the financialisation of the economy. Financialisation is essentially a process in developed country economies by which the financial sector grows in weight and importance, as the process of restructuring leads to a focus on financial engineering as the most significant source of "wealth creation".

> A relentless focus on GDP offers us a distorted view of general economic performance

In the US, the share of the financial sector in domestic corporate profits rose from 19% in 1986 to over 40% in the mid 2000s. Following the financial collapse it has become clear that a significant part of the transactions and assets on which those profits were made were, in fact, worthless. Nevertheless, the policies of financial deregulation that permitted this financialisation process were justified by the expansion of measured GDP in the US, irrespective of the fact that the wealth creation was to a significant extent an illusion.

GDP tells us nothing about sustainability, the quality of life or life chances. Despite having the highest measured GDP per capita in the OECD, the US model depends on unsustainable energy intensive growth; GDP figures have failed to measure the excessive energy dependence of the transport sector based on comparatively low energy prices in transportation compared to other OECD countries. They have also failed to measure the excessive expenditure on health care (16% of GDP in the US in 2009 compared to an OECD average of 8%). Furthermore, this expenditure is not reflected in better health outcomes in terms of life expectancy and infant mortality compared with average OECD countries.

Most importantly, the figures of GDP per capita fail to take account of how income is distributed and how that changes over time. The US is one of the most unequal

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Is there more to progress than economic growth?

countries in the OECD in terms of income distribution. Moreover, inequality has actually increased over the past two decades. From 1980 to 2005, more than 80% of the total income increase in the US went to the top 1% of the population. The growth of inequality and the failure of low incomes to rise were major factors in driving the credit-based model of growth in the US and, behind that, the bubble economy.

Beyond the immediate crisis there has been recognition of the gap in measurement of growth as seen in GDP per capita and the sense of economic well-being of the population. The OECD itself has acknowledged that "for a number of years there has been evidence of a growing gap between the image conveyed by official macroeconomic statistics, such as GDP, and the perceptions of ordinary people about their own socio-economic conditions" and that "addressing such perceptions of the citizens is of crucial importance for the credibility and accountability of public policies and the very functioning of democracy" ("The Statistics Newsletter", OECD, 2010).

If analysis and performance were less obsessively based on levels and growth of GDP per capita, more care would have been taken in interpreting the strong growth of the first years of the 21st century. And most likely, there would have been less triumphalism in promoting the very policies and models that led to the crisis.

How might we go about devising better measures of economic performance? An important first step must be to build the OECD Better Life Index initiative into a dashboard of indicators that tell us something about the following: median GDP rather than GDP per capita; the equality (or inequality) of income distribution measured by the Gini coefficient; the employment rate broken down by population groups; life expectancy indicators; measures of economic security; and the carbon-intensity of economic activity. Second, these indicators must be seen as credible and legitimate by all stakeholders, including business and the trade unions. Third, the information must be updated on a regular basis so that evaluation can be made of the impact of policy. Finally, the trade-offs between the objectives should be stated clearly and the indicators themselves should be integrated into policymaking in finance ministries and treasuries, as well as in other ministries.

> The authority responsible for gathering and publishing the data must be independent of political influence

A great deal of weight is to be placed on a range of indicators measured by official statistics. But there is real doubt about whether all OECD countries collect the information needed to develop this more sophisticated approach to measuring economic progress. Similarly, there may be doubts about the veracity or accuracy of the data, and governments are notorious for manipulating statistics to tell a positive story. One clear recommendation, then, is that the authority responsible for gathering and publishing the data must be independent of political influence. Otherwise, the whole ambitious enterprise could risk being undermined. The public in some countries already has little confidence in conventional measures of economic performance. It would be disastrous if the more sophisticated approach outlined here met the same fate.

Recommended link
www.tuac.org

Expressing happiness

Increasing citizens' input to policymaking is one of the goals of the new indicators of well-being developed to make up for the inadequacies of GDP as an indicator. Unfortunately the latter leaves out many factors which clearly play a fundamental role in all of our daily lives, ranging from health to the quality of the environment, education, housing or even social ties and security. It is therefore crucial that the public at large understand how the new indicators designed to supplement GDP are constructed and interpreted, and if possible the public should be fully involved in the process.

The annual *Journées de l'économie* meeting in Lyon proved to be a particularly appropriate forum for this teaching exercise; it consisted of some 50 debates, discussions and conferences aimed at making the economy accessible to as many people as possible. And the OECD proved to be particularly well placed to lead the discussion in the person of Martine Durand, the Organisation's chief statistician. The OECD is at the forefront of alternative measurements of progress to GDP, particularly through its recent Better Life Initiative. The tangible outcomes of this initiative are the How's Life? report, published in October 2011, and Your Better Life Index interactive website, launched in May 2011 (see article by Martine Durand).

> It is difficult to envisage a single indicator of happiness which would be valid in all regions of the world

On 10 November 2011, in the packed auditorium in Lyon, the object of the *Journées de l'économie* was to explain the latest advances in measuring well-being and to compare approaches. Stefan Lollivier, director of demographic and social statistics at the French National Institute of Statistics and Economic Surveys, briefly described the work carried out jointly with Eurostat to incorporate new indicators into the European Statistical System. This work, like that of the OECD, is based on the Stiglitz-Sen-Fitoussi Commission's report on measuring economic performance and social progress, which emphasises the multidimensional nature of well-being.

This multidimensional approach, based on indicators that are both objective and subjective, lay at the heart of the discussion, particularly in contrast with the more encompassing notion of happiness. Should we collect objective and subjective information on the different dimensions that influence the situation of individuals and societies? Is it preferable to measure happiness directly, or indeed should we construct a single indicator of subjective well-being? There is no consensus on this issue.

In the case of the developing economies, it is neither possible nor relevant to measure happiness, according to François Bourguignon, director of the Paris School of Economics and former chief economist at the World Bank. Why is this? Simply because "the concept of happiness is extremely indeterminate when the main challenge for most people is to survive". Moreover, the subjective well-being of individuals and households varies according to countries' level of development. "For example, while in several African countries an improvement in individual conditions would consist in simply having access to food, housing or health services, in Latin America the aim would rather be to improve food, housing conditions or hospital services."

Under such conditions it is difficult to envisage a single indicator of happiness which would be valid in all regions of the world. With regard to the often cited "gross national happiness" indicator championed by Bhutan, Mr Bourguignon explained its limitations: "When a Bhutanese representative came to explain how this indicator had been constructed during a conference held at the OECD in October 2011, several major problems were identified in terms of how the various indicators were weighted and aggregated." The issue of how indicators are aggregated poses a real problem in developing economies, according to the World Bank's former chief economist: "The attempts that have been made in this area, notably as part of the monitoring of Millennium Development Goals, have not proved satisfactory."

In contrast, in the developed economies, that is to say in most OECD countries, such a measurement may be relevant. Since the basic needs of most people are satisfied in such economies, it would be easier to measure people's level of happiness. However, this poses other questions. In particular, how can account be taken of cultural differences? The economist and academic Claudia Senik asked this question when discussing "French unhappiness", or at any rate the "lesser happiness" expressed by French households

in international statistical surveys. "The French, on average, declare themselves to be less happy than the inhabitants of other countries, particularly those comparable to France in terms of their human development index", which covers income, education and life expectancy. "Living in France reduces the probability of saying that one is happy by 20%," she added. Such a gap is inexplicable considering the material standard of living in France. It is therefore essential to take account of the cultural dimension of happiness.

Mrs Senik explained that schools undoubtedly played a major role in this area. A teacher, speaking from the audience, stressed this aspect and pointed out that the international comparisons conducted by the OECD, notably through the PISA survey, focused on performance, whereas it was essential to take account of the cultural representations conveyed by school systems.

> It is essential to take account of the cultural dimension of happiness

Far from disregarding such issues, the OECD has adopted an approach that encompasses these various perspectives. The measurements of well-being proposed in the *How's Life?* report, and reflected in Your Better Life Index interactive website, cover both objectively quantifiable measurements and more subjective measurements. Objectively quantifiable measurements include air quality (in order to assess the environmental dimension), life expectancy (for health) and average working hours (for the balance between work and family life).

According to the report the measurement of "subjective or experienced well-being" is based on two different criteria: satisfaction with life, and positive and negative affects. The former is the overall assessment that individuals make of their life. The latter, which are more ad hoc, reflect the state of mind relating to particular activities at certain times during the day.

Admittedly the measurements proposed by the OECD are still incomplete, as Martine Durand acknowledges: "In the case of measurements relating to sustainability, for example, we restricted ourselves to environmental sustainability, however in the near future we shall be studying social sustainability, linked to a series of human factors." However, in seeking to gain as clear a picture as possible of the situations that citizens experience, these measurements already add a wealth of detail to the road map which decision-makers use to guide their policies and improve people's lives.

Recommended links and reference

Journées de l'économie: www.journeeseconomie.org
Your Better Life Index: www.oecdbetterlifeindex.org
OECD (2011), *How's Life? Measuring Well-being*, OECD Publishing.

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Is life getting better?

Despite the crisis, material progress is continuing in the world economy as a whole, but at the same time many people are feeling increasingly frustrated and dissatisfied with their lives and fearful for the future. Gross domestic product isn't the only, or even the best, measure of well-being and progress.

"In a scientific analysis of nearly a half-million high-school seniors spread over three decades ... Brent Donnellan and Kali Trzesniewski ... argue teens today are no more egotistical—and just as happy and satisfied—as previous generations."

"Today's Youth Aren't 'Ego-Driven Slackers' After All", *Science Daily*, 15 March 2010
www.sciencedaily.com

"Violence has declined over long stretches of time, and today we may be living in the most peaceable era of our species' existence ... the decline of violence is a group of statistical trends in the behavior of groups of humans in various historical epochs"

Stephen Pinker, *The Better Angels of Our Nature: Why Violence Has Declined*, Viking, 2011

"The overall poverty rate is still expected to fall below 15% by 2015, indicating that the Millennium Development Goal target can be met ... the number of people in developing countries living on less than $1.25 a day is projected to fall below 900 million."

United Nations, *The MDG Report 2011*
www.un.org/millenniumgoals/

"The Ecological Footprint ... shows that our demand on natural resources has doubled since 1966, and we're using the equivalent of 1.5 planets to support our activities. If we continue living beyond the Earth's limits, by 2030 we'll need the equivalent of two planets' productive capacity to meet our annual demands."

WWF, *Living Planet Report 2010*
wwf.panda.org

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What makes you happy?

In the past three decades, living conditions have been improving for a great number of people worldwide, especially material living standards and basic access to food and shelter, resulting in a significant reduction in absolute poverty around the world. Yet, we have not always seen the improvements in the quality of life and well-being of people that we would expect from these material gains.

This is not just the effect of the great economic and financial crisis that the world has gone through. Surprisingly, people in rich countries declare themselves to be no less satisfied now on average than they were many years ago before the crisis. Why is this?

Research around the world has highlighted a few possible explanations. First, people's sense of well-being and life satisfaction depends on their relative situation rather than absolute living conditions. In other words, people look at their peers and neighbours and they report being more satisfied only when they do better than others.

Second, improvements in material living standards matter most for well-being when material living standards are low. As incomes increase, each additional bit of income contributes less to well-being. For countries that were already relatively well-off, pursuing income growth has become an increasingly inefficient way to improve the life satisfaction of citizens.

Third, life satisfaction does not only depend on material living standards but on a wider range of factors, including health, social connectedness, the quality of the environment, civic engagement, freedom and a political voice. If these other factors have been worsening, or even just not improving, people do not feel any better off.

There is no magic recipe for improving life satisfaction. But there are a few ingredients that can really improve people's lives. Connecting with others, helping others, getting opportunities to choose and live a meaningful life, and living in a society where people trust each other and where key social institutions are essential.

Governments have a role to play here. Many of these elements are shaped by fundamental objective determinants of the quality of life, such as education, health, justice and governance, that remain key areas for policy interventions aimed at enhancing well-being.

Romina Boarini is the head of the OECD Statistical team working on measuring well-being and progress

"Over the two decades prior to the onset of the global economic crisis ... in OECD countries ... the household incomes of the richest 10% grew faster than those of the poorest 10%, so widening income inequality. In OECD countries today, the average income of the richest 10% of the population is about nine times that of the poorest 10%."

Divided We Stand: Why Inequality Keeps Rising, OECD 2011

"We are the 99 percent. We are getting kicked out of our homes. We are forced to choose between groceries and rent. We are denied quality medical care. We are suffering from environmental pollution. We are working long hours for little pay and no rights, if we're working at all. We are getting nothing while the other 1 percent is getting everything. We are the 99 percent."

We Are the 99 Percent, http://wearethe99percent.tumblr.com/

Join the debates: www.oecd.org/forum2012

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Country snapshots

OECD and partner countries

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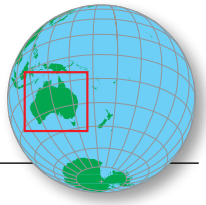


Australia

Joined the OECD: 1971

Prime Minister: Julia Gillard

Ambassador to the OECD: Chris Barrett

Delegation website: www.dfat.gov.au/missions/countries/froe.html

Parliament website: www.aph.gov.au

Capital city: Canberra

Highlights

- GDP per head in Australia rose by more than US$12,000 over the past decade.
- General government debt came to 25.3% of GDP in 2010, compared with 97.6% for the OECD.
- The total population stood at 22.3 million, of which 26.5% were foreign-born.
- Unemployment fell over the last decade, to 5.2%, bucking the trend in the OECD area.
- The employment rate for women was at 66.2%, compared with 78.6% for men, and an OECD figure of 56.7%.
- All-in taxes on the average worker came to 26.2% of labour cost, below the OECD average of 34.9%.

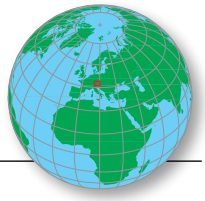
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	540.5	915.7
GDP per capita (US$)	28 047	40 644
Real GDP growth (annual %)	2.1	2.6
Household disposable income (annual growth %)	3.4	..
Budget balance (% of GDP)	0.4	-5.9
Public debt (% of GDP)	24.6	25.3
Current account balance (% of GDP)	-3.8	-2.6
Inflation rate: all items (annual %)	4.5	2.8
Unit labour cost (annual growth %)	3.2	..
Long-term interest rates (%)	6.31	5.37
Public expenditure on health (% of GDP)	5.4	..
Private expenditure on health (% of GDP)	2.7	..
Public expenditure on education (% of GDP)	..	3.7 [2]
Private expenditure on education (% of GDP)	..	1.4 [2]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	5.9	5.2
Total energy production (Mtoe)	233.6	324.0
CO2 emissions from fuel combustion (mln tonnes)	339	395 [3]
R&D expenditure (% of GDP)	1.5	..
Tertiary graduation rates (% of population)	..	36.9 [3]
Households with Internet access (%)	32.0	..

GLOBALISATION		
Imports of goods and services (% of GDP)	21.8	..
Exports of goods and services (% of GDP)	22.0	..
Net official development assistance (% of GNI)	0.27	0.32
Foreign-born population (% of population)	23.0	26.5 [3]
Migration rate (per thousand)	5.8	..
Outward FDI stocks (US$ bln)	96	413
Inward FDI stocks (US$ bln)	119	514

SOCIETY		
Population (thousands)	19 153	22 342
Life expectancy at birth (years)	79.3	81.6 [3]
Population, 65 and over (% of population)	12.4	13.5
Employment rates: men (%)	77.1	78.6
Employment rates: women (%)	61.4	66.2
Self-employment rates (% of employed)	13.6	11.6
Unemployment rates (%)	6.3	5.2
Long-term unemployment (% of unemployed)	28.3	18.5
Income inequality, rank out of 34 (1: least unequal)	..	26 [4]
Average hours actually worked (per year)	1 780	1 686
Taxes on average worker (all-in, % of labour cost)	30.4	26.2
Road fatalities (per mln inhabitants)	95	70 [3]

1. Unless otherwise indicated **2.** 2008 data **3.** 2009 data **4.** Late 2000s data, based on Gini coefficient



Austria

Joined the OECD: 1961

Federal Chancellor:
Werner Faymann

Ambassador to the OECD:
Wolfgang Petritsch

Delegation website: www.bundeskanzleramt.at/oecd

Parliament website: www.parlament.gv.at

Capital city: Vienna

Highlights

- GDP per capita in Austria approached US$40,000 in 2010, up from $28,770 in 2000.
- General government debt came to 78.6% of GDP, up from 71.1% in 2000.
- The total population stood at 8.4 million, of which 17.6% are aged 65 and over, compared with 14.7% for the OECD.
- The employment rate for women was at 66.4%, up from 59.4% in 2000.
- Renewable energy accounted for 26% of total energy supply, compared with 7.6% for the OECD.
- Development aid came to 0.32% of gross national income.

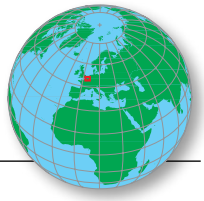
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	230.5	332.9
GDP per capita (US$)	28 770	39 768
Real GDP growth (annual %)	3.7	2.0
Household disposable income (annual growth %)	1.9	0.0 [2]
Budget balance (% of GDP)	-1.9	-4.6
Public debt (% of GDP)	71.1	78.6
Current account balance (% of GDP)	-0.5	..
Inflation rate: all items (annual %)	2.3	1.8
Unit labour cost (annual growth %)	-0.1	0.1
Long-term interest rates (%)	5.56	3.23
Public expenditure on health (% of GDP)	7.6	8.6 [2]
Private expenditure on health (% of GDP)	2.3	2.5 [2]
Public expenditure on education (% of GDP)	..	5.2 [3]
Private expenditure on education (% of GDP)	..	0.2 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	23.0	26.0
Total energy production (Mtoe)	9.8	11.2
CO2 emissions from fuel combustion (mln tonnes)	62	63 [2]
R&D expenditure (% of GDP)	1.9	2.8 [2]
Tertiary graduation rates (% of population)	..	19.0 [2]
Households with Internet access (%)	19.0	69.8 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	44.7	50.5
Exports of goods and services (% of GDP)	46.4	55.3
Net official development assistance (% of GNI)	0.23	0.32
Foreign-born population (% of population)	10.4	15.5 [2]
Migration rate (per thousand)	2.2	..
Outward FDI stocks (US$ bln)	25	172
Inward FDI stocks (US$ bln)	31	166

SOCIETY		
Population (thousands)	8 012	8 388
Life expectancy at birth (years)	78.2	80.4 [2]
Population, 65 and over (% of population)	15.4	17.6
Employment rates: men (%)	77.3	77.1
Employment rates: women (%)	59.4	66.4
Self-employment rates (% of employed)	13.1	13.8
Unemployment rates (%)	3.6	4.4
Long-term unemployment (% of unemployed)	25.8	25.2
Income inequality, rank out of 34 (1: least unequal)	..	9 [4]
Average hours actually worked (per year)	1 658	1 587
Taxes on average worker (all-in, % of labour cost)	47.3	47.9
Road fatalities (per mln inhabitants)	122	76 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Belgium

Joined the OCDE: 1961

Prime Minister: Elio di Rupo

Ambassador to the OECD: Yves Haesendonck

Parliament website: www.lachambre.be; www.senate.be

Capital city: Brussels

Highlights

- GDP per capita increased by nearly US$10,000 between 2000 and 2010, to $37,435.
- General government debt came to 100.7% of GDP in 2010, a decrease from 113.7% in 2000.
- Unemployment stood at 8.3%, of which 48.8% were classified as long-term unemployed.
- The employment rate for women increased to 56.5% in 2010, compared with 51.9% in 2000.
- All-in taxes on the average worker came in at 55.4% of labour cost, compared with 34.9% for the OECD.
- Renewable energy accounted for 4.1% of Belgium's total energy supply, compared with 7.6% for the OECD.

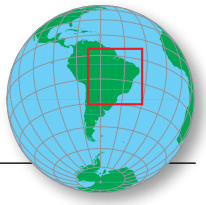
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	283.0	407.4
GDP per capita (US$)	27 624	37 435
Real GDP growth (annual %)	3.7	2.2
Household disposable income (annual growth %)	1.8	1.8 [2]
Budget balance (% of GDP)	-0.1	-4.2
Public debt (% of GDP)	113.7	100.7
Current account balance (% of GDP)	4.0	1.4
Inflation rate: all items (annual %)	2.5	2.2
Unit labour cost (annual growth %)	0.6	-0.3
Long-term interest rates (%)	5.57	3.35
Public expenditure on health (% of GDP)	6.1	8.2 [2]
Private expenditure on health (% of GDP)	2.1	2.7 [2]
Public expenditure on education (% of GDP)	..	6.3 [3]
Private expenditure on education (% of GDP)	..	0.3 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	1.1	4.1
Total energy production (Mtoe)	13.7	15.4
CO2 emissions from fuel combustion (mln tonnes)	119	101 [2]
R&D expenditure (% of GDP)	2.0	2.0 [2]
Tertiary graduation rates (% of population)	..	33.4 [2]
Households with Internet access (%)	..	67.4 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	75.3	78.2
Exports of goods and services (% of GDP)	78.2	81.4
Net official development assistance (% of GNI)	0.36	0.64
Foreign-born population (% of population)	10.3	..
Migration rate (per thousand)	2.5	..
Outward FDI stocks (US$ bln)	180	737
Inward FDI stocks (US$ bln)	195	670

SOCIETY		
Population (thousands)	10 251	10 796 [2]
Life expectancy at birth (years)	77.8	80.0 [2]
Population, 65 and over (% of population)	16.8	17.6
Employment rates: men (%)	69.8	67.4
Employment rates: women (%)	51.9	56.5
Self-employment rates (% of employed)	15.8	14.4
Unemployment rates (%)	6.9	8.3
Long-term unemployment (% of unemployed)	56.3	48.8
Income inequality, rank out of 34 (1: least unequal)	..	6 [4]
Average hours actually worked (per year)	1 545	1 551
Taxes on average worker (all-in, % of labour cost)	57.1	55.4
Road fatalities (per mln inhabitants)	143	88 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Brazil

President: Dilma Rousseff

Parliament website: www2.camara.gov.br/

Capital city: Brasília

Highlights

- GDP per head increased by over US$4,000 between 2000 and 2010, to over $11,200.
- General government debt came to 40.2%, a decrease from 45.5% in 2000.
- The total population approached 195 million in 2010.
- Some 7% of the population were aged 65 and over in 2010.
- Unemployment stood at 6.7%, a significant decrease from 12.7% in 2000 and below the OECD rate of 8.6%.

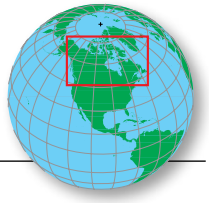
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	1 233.8	2 172.1
GDP per capita (US$)	7 204	11 239
Real GDP growth (annual %)	4.3	7.5
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	45.5	40.2
Current account balance (% of GDP)	-3.8	..
Inflation rate: all items (annual %)	7.0	5.0
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	2.9	4.1 [2]
Private expenditure on health (% of GDP)	4.3	4.9 [2]
Public expenditure on education (% of GDP)	..	5.3 [3]
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	39.1	..
Total energy production (Mtoe)	148.3	..
CO2 emissions from fuel combustion (mln tonnes)	303	338 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	10.9 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	..	..
Exports of goods and services (% of GDP)	..	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	0.4	0.4 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	..	189
Inward FDI stocks (US$ bln)	..	473

SOCIETY		
Population (thousands)	174 425	194 947
Life expectancy at birth (years)	70.3	72.7 [2]
Population, 65 and over (% of population)	5.6	7.0
Employment rates: men (%)	..	..
Employment rates: women (%)	..	..
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	12.7	6.7
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	..	..

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data



Canada

Joined the OECD: 1961

Prime Minister: Stephen Harper

Ambassador to the OECD: Judith A. LaRocque

Delegation website: www.canadainternational.gc.ca/oecd-ocde

Parliament website: www.parl.gc.ca

Capital city: Ottawa

Highlights

- GDP per head stood at US$38,914, an increase of over $10,000 compared with 2000.
- General government debt came to 84.2% of GDP, compared with 97.6% for the OECD.
- The total population was 34.1 million in 2010, of which 14.1% were aged 65 and over, compared with 14.7% for the OECD.
- Unemployment stood at 8%, up from 6.8% in 2000.
- The employment rate for women was 68.8%, compared with 74.2%. for men, and an OECD figure of 56.7%.
- Renewable energy accounted for 16.5% of Canada's energy supply, compared with 7.6% for the OECD.
- Development aid came to 0.33% of GNI.

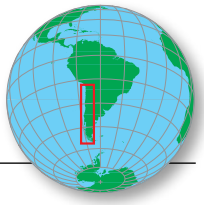
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	874.1	1 327.3
GDP per capita (US$)	28 485	38 914
Real GDP growth (annual %)	5.2	3.1
Household disposable income (annual growth %)	4.8	1.4 [2]
Budget balance (% of GDP)	2.9	-5.5
Public debt (% of GDP)	82.1	84.2
Current account balance (% of GDP)	2.7	-3.1
Inflation rate: all items (annual %)	2.7	1.8
Unit labour cost (annual growth %)	2.0	..
Long-term interest rates (%)	5.93	3.24
Public expenditure on health (% of GDP)	6.2	8.1 [2]
Private expenditure on health (% of GDP)	2.6	3.4 [2]
Public expenditure on education (% of GDP)	..	4.6 [3]
Private expenditure on education (% of GDP)	..	1.4 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	16.9	16.5
Total energy production (Mtoe)	372.7	395.8
CO2 emissions from fuel combustion (mln tonnes)	533	521 [2]
R&D expenditure (% of GDP)	1.9	1.9 [2]
Tertiary graduation rates (% of population)	..	49.5 [2]
Households with Internet access (%)	42.6	..

GLOBALISATION		
Imports of goods and services (% of GDP)	39.8	..
Exports of goods and services (% of GDP)	45.6	..
Net official development assistance (% of GNI)	0.25	0.33
Foreign-born population (% of population)	17.4	19.6 [2]
Migration rate (per thousand)	6.5	7.2
Outward FDI stocks (US$ bln)	238	616
Inward FDI stocks (US$ bln)	213	561

SOCIETY		
Population (thousands)	30 686	34 109
Life expectancy at birth (years)	79.0	..
Population, 65 and over (% of population)	12.6	14.1
Employment rates: men (%)	76.2	74.2
Employment rates: women (%)	65.6	68.8
Self-employment rates (% of employed)	10.6	9.2
Unemployment rates (%)	6.8	8.0
Long-term unemployment (% of unemployed)	11.3	12.0
Income inequality, rank out of 34 (1: least unequal)	..	23 [4]
Average hours actually worked (per year)	1 775	1 702
Taxes on average worker (all-in, % of labour cost)	33.2	30.3
Road fatalities (per mln inhabitants)	95	73 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Chile

Joined the OECD: 2010

President: Sebastián Piñera

Parliament website:
www.congreso.cl

Ambassador to the OECD:
Raul Saez

Delegation website:
www.chileabroad.gov.cl/ocde

Capital city: Santiago

Highlights

- GDP per head came to US$15,064 in 2010, up from $9,294 in 2000.
- Unemployment fell over the last decade from 9.7% to 8.2%, bucking the OECD trend where the rate rose from 6.3% to 8.6%.
- The employment rate for women was at 46.7%, compared with 56.7% for the OECD. The rate for men in Chile was at 72.1%.
- All-in taxes on the average worker came to 7% of labour cost, significantly below the OECD average of 34.9%.
- Renewable energy accounted for 22.7% of Chile's energy supply, compared with 7.6% for the OECD.

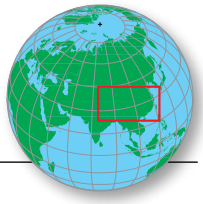
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	143.1	257.5
GDP per capita (US$)	9 294	15 064
Real GDP growth (annual %)	4.5	5.2
Household disposable income (annual growth %)	3.5	-0.3 [2]
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	-1.5	2.2
Inflation rate: all items (annual %)	3.8	1.4
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	..	6.27
Public expenditure on health (% of GDP)	3.4	4.0 [2]
Private expenditure on health (% of GDP)	3.2	4.4 [2]
Public expenditure on education (% of GDP)	..	4.3 [3]
Private expenditure on education (% of GDP)	..	2.7 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	23.7	22.7
Total energy production (Mtoe)	8.1	9.6
CO2 emissions from fuel combustion (mln tonnes)	53	65 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	24.4 [2]
Households with Internet access (%)	8.4	..

GLOBALISATION		
Imports of goods and services (% of GDP)	29.7	33.3
Exports of goods and services (% of GDP)	31.5	40.5
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	1.2	2.1 [2]
Migration rate (per thousand)	0.4	0.4
Outward FDI stocks (US$ bln)	11	50
Inward FDI stocks (US$ bln)	46	140

SOCIETY		
Population (thousands)	15 398	17 094
Life expectancy at birth (years)	76.8	78.2 [2]
Population, 65 and over (% of population)	7.2	9.0
Employment rates: men (%)	71.9	72.1
Employment rates: women (%)	35.1	46.7
Self-employment rates (% of employed)	29.8	26.5
Unemployment rates (%)	9.7	8.2
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	34 [4]
Average hours actually worked (per year)	2 263	2 068
Taxes on average worker (all-in, % of labour cost)	7.0	7.0
Road fatalities (per mln inhabitants)	110	..

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



China (People's Republic of)

President: Hu Jintao

Parliament website: www.npc.gov.cn

Capital city: Beijing

Highlights

- GDP increased from US$3.014 billion in 2000 to $10,086 billion in 2010.
- GDP per head, at over US$7,500 in 2010, increased more than threefold since 2000.
- Of the total population of 1.34 billion, 8.2% were aged 65 and over, up from 7% in 2000.
- CO2 emissions from fuel combustion more than doubled to 6,832 million tonnes in 2009, up from 3,037 million tonnes in 2000.
- R&D expenditure increased from 0.9% of GDP in 2000 to 1.7% in 2009.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	3 013.6	10 085.7
GDP per capita (US$)	2 378	7 519
Real GDP growth (annual %)	8.4	10.3
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	0.4	..
Inflation rate: all items (annual %)	0.4	3.3
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	1.8	2.3 [2]
Private expenditure on health (% of GDP)	2.9	2.3 [2]
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	20.5	..
Total energy production (Mtoe)	1 064.0	..
CO2 emissions from fuel combustion (mln tonnes)	3 037	6 832 [2]
R&D expenditure (% of GDP)	0.9	1.7 [2]
Tertiary graduation rates (% of population)	..	4.6 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	20.9	..
Exports of goods and services (% of GDP)	23.3	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	0.0	0.1 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	..	311
Inward FDI stocks (US$ bln)	..	1 476

SOCIETY		
Population (thousands)	1 269 117	1 341 335
Life expectancy at birth (years)	71.3	73.3 [2]
Population, 65 and over (% of population)	7.0	8.2
Employment rates: men (%)	..	..
Employment rates: women (%)	..	..
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	..	..
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	..	..

1. Unless otherwise indicated **2.** 2009 data

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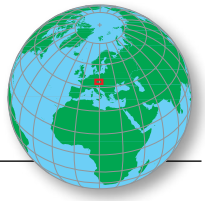


Czech Republic

Joined the OECD: 1995

President: Václav Klaus

Prime Minister: Petr Nečas

Ambassador to the OECD: Karel Dyba

Delegation website: www.mzv.cz/oecd

Parliament website: www.psp.cz; www.senat.cz

Capital city: Prague

Highlights

- GDP per head rose by over US$10,000 in the decade to 2010, reaching over $25,000 in the latest year.
- General government debt came to 46.6% of GDP in 2010, compared with 97.6% for the OECD.
- The total population stood at 10.5 million, of which 15.4% were aged 65 and over, compared with 14.7% for the OECD.
- The employment rate for women was at 56.3%, compared with 56.7% for the OECD. The rate for men in the Czech Republic was at 73.5%.
- CO2 emissions from fuel combustion decreased from 122 million tonnes in 2000 to 110 million tonnes in 2009, with renewable energy increasing from 3.3% of total energy supply to 6.4% in the same period.

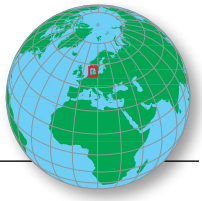
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	154.0	266.1
GDP per capita (US$)	14 992	25 299
Real GDP growth (annual %)	3.6	2.3
Household disposable income (annual growth %)	1.0	-1.0 [2]
Budget balance (% of GDP)	-3.7	-4.7
Public debt (% of GDP)	..	46.6
Current account balance (% of GDP)	-4.8	-3.8
Inflation rate: all items (annual %)	3.9	1.5
Unit labour cost (annual growth %)	2.1	..
Long-term interest rates (%)	..	3.88
Public expenditure on health (% of GDP)	5.9	6.9 [2]
Private expenditure on health (% of GDP)	0.6	1.3 [2]
Public expenditure on education (% of GDP)	..	3.9 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	3.3	6.4
Total energy production (Mtoe)	30.7	31.4
CO2 emissions from fuel combustion (mln tonnes)	122	110 [2]
R&D expenditure (% of GDP)	1.2	1.5 [2]
Tertiary graduation rates (% of population)	..	15.5 [2]
Households with Internet access (%)	..	54.2 [2]

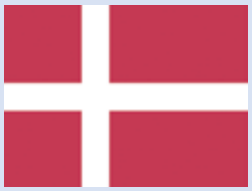
GLOBALISATION		
Imports of goods and services (% of GDP)	66.4	74.5
Exports of goods and services (% of GDP)	63.4	79.3
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	4.2	6.4 [2]
Migration rate (per thousand)	0.6	1.5
Outward FDI stocks (US$ bln)	1	16
Inward FDI stocks (US$ bln)	22	130

SOCIETY		
Population (thousands)	10 273	10 517
Life expectancy at birth (years)	75.1	77.3 [2]
Population, 65 and over (% of population)	13.8	15.4
Employment rates: men (%)	73.6	73.5
Employment rates: women (%)	56.9	56.3
Self-employment rates (% of employed)	15.2	17.8
Unemployment rates (%)	8.7	7.3
Long-term unemployment (% of unemployed)	48.8	43.3
Income inequality, rank out of 34 (1: least unequal)	..	4 [4]
Average hours actually worked (per year)	2 092	1 947
Taxes on average worker (all-in, % of labour cost)	42.6	42.2
Road fatalities (per mln inhabitants)	145	86 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Denmark



Joined the OECD: 1961

Prime Minister:
Helle Thorning-Schmidt

Ambassador to the OECD:
Poul Erik Dam Kristensen

Delegation website: www.oecddelegationen.um.dk

Parliament website: www.ft.dk

Capital city: Copenhagen

Highlights

- GDP per head in Denmark rose by over US$10,000 in the past decade.
- General government debt came to 55.5% of GDP, compared with 97.6% for the OECD.
- The total population was over 5.5 million, of which 16.3% were aged 65 and over.
- Unemployment stood at 7.4%, up from 4.3% in 2000.
- The employment rate for women was at 71.1%, compared with 56.7% for the OECD. The rate for men in Denmark was at 75.8%.
- Renewable energy accounted for 18.8% of Denmark's energy supply, compared with 7.6% for the OECD.
- Development aid came to 0.9% of GNI.

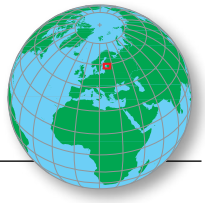
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	153.9	219.3
GDP per capita (US$)	28 822	39 545
Real GDP growth (annual %)	3.5	2.1
Household disposable income (annual growth %)	0.5	-1.1 [2]
Budget balance (% of GDP)	2.2	-2.9
Public debt (% of GDP)	60.4	55.5
Current account balance (% of GDP)	1.5	5.5
Inflation rate: all items (annual %)	2.9	2.3
Unit labour cost (annual growth %)	0.2	..
Long-term interest rates (%)	5.66	2.93
Public expenditure on health (% of GDP)	7.3	9.8 [2]
Private expenditure on health (% of GDP)	1.4	..
Public expenditure on education (% of GDP)	..	6.5 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	9.8	18.8
Total energy production (Mtoe)	27.7	23.2
CO2 emissions from fuel combustion (mln tonnes)	51	47 [2]
R&D expenditure (% of GDP)	..	3.0 [2]
Tertiary graduation rates (% of population)	..	34.3 [2]
Households with Internet access (%)	46.0	82.5 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	40.5	44.9
Exports of goods and services (% of GDP)	46.6	50.5
Net official development assistance (% of GNI)	1.06	0.90
Foreign-born population (% of population)	5.8	7.5 [2]
Migration rate (per thousand)	1.7	4.0
Outward FDI stocks (US$ bln)	73	221
Inward FDI stocks (US$ bln)	74	143

SOCIETY		
Population (thousands)	5 337	5 544
Life expectancy at birth (years)	76.8	79.0 [2]
Population, 65 and over (% of population)	14.8	16.3
Employment rates: men (%)	80.7	75.8
Employment rates: women (%)	72.1	71.1
Self-employment rates (% of employed)	8.7	8.8
Unemployment rates (%)	4.3	7.4
Long-term unemployment (% of unemployed)	20.0	19.1
Income inequality, rank out of 34 (1: least unequal)	..	2 [4]
Average hours actually worked (per year)	1 581	..
Taxes on average worker (all-in, % of labour cost)	44.1	38.3
Road fatalities (per mln inhabitants)	93	55 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Estonia

Joined the OECD: 2010

Prime Minister: Andrus Ansip

Ambassador to the OECD: Marten Kokk

Delegation website: www.oecd.vm.ee

Parliament website: www.riigikogu.ee

Capital city: Tallinn

Highlights

- GDP in Estonia more than doubled to US$27.6 billion in the decade to 2010.
- General government debt came to 12.1% of GDP, compared with 97.6% for the OECD.
- The total population was 1.34 million, which has declined marginally since 2000, when it stood at 1.37 million.
- Unemployment stood at 16.8%, compared with 8.6% for the OECD generally.
- The employment rate for women was at 60.5%, compared with 61.5% for men, and an OECD figure of 56.7%.
- Renewable energy accounted for 14.4% of Estonia's energy supply, compared with 7.6% for the OECD.

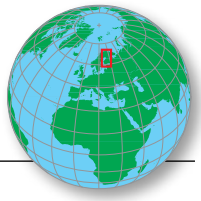
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	13.5	27.6
GDP per capita (US$)	9 862	20 608
Real GDP growth (annual %)	10.0	3.1
Household disposable income (annual growth %)	11.0	-7.9 [2]
Budget balance (% of GDP)	-0.2	0.1
Public debt (% of GDP)	9.4	12.1
Current account balance (% of GDP)	-5.3	3.5
Inflation rate: all items (annual %)	4.0	3.0
Unit labour cost (annual growth %)	2.4	-8.3
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	4.1	5.3 [2]
Private expenditure on health (% of GDP)	1.2	1.8 [2]
Public expenditure on education (% of GDP)	..	5.5 [3]
Private expenditure on education (% of GDP)	..	0.2 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	10.8	14.4
Total energy production (Mtoe)	3.2	4.9
CO2 emissions from fuel combustion (mln tonnes)	15	15 [2]
R&D expenditure (% of GDP)	0.6	1.4 [2]
Tertiary graduation rates (% of population)	..	36.0 [2]
Households with Internet access (%)	..	63.0 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	88.2	71.6
Exports of goods and services (% of GDP)	84.6	78.3
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	18.4	16.6 [2]
Migration rate (per thousand)	-0.7	..
Outward FDI stocks (US$ bln)	0	6
Inward FDI stocks (US$ bln)	3	16

SOCIETY		
Population (thousands)	1 370	1 340
Life expectancy at birth (years)	70.6	75.0 [2]
Population, 65 and over (% of population)	15.1	17.0
Employment rates: men (%)	65.4	61.5
Employment rates: women (%)	57.0	60.5
Self-employment rates (% of employed)	9.1	8.3
Unemployment rates (%)	13.6	16.8
Long-term unemployment (% of unemployed)	46.3	45.4
Income inequality, rank out of 34 (1: least unequal)	..	21 [4]
Average hours actually worked (per year)	1 987	1 879
Taxes on average worker (all-in, % of labour cost)	41.3	40.0
Road fatalities (per mln inhabitants)	169	75 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Finland

Joined the OECD: 1969

President: Tarja Halonen

Ambassador to the OECD: Antti Kuosmanen

Delegation website: www.finlandoecd.org

Parliament website: www.parliament.fi

Capital city: Helsinki

Highlights

- GDP per head in Finland rose by over US$11,000 in the past decade, to over $36,600.
- General government debt came to 57.4% of GDP, compared with 97.6% for the OECD.
- The total population was over 5.3 million, of which 17.3% were aged 65 and over, compared with 14.9% in 2000.
- All-in taxes on the average worker decreased in the past decade from almost 47.8% to 42%, compared with 34.9% for the OECD.
- The employment rates of women and men were at 67% and 70% respectively.
- Renewable energy accounted for 24.9% of Finland's energy supply, compared with 7.6% for the OECD.

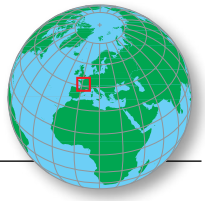
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	132.8	196.6
GDP per capita (US$)	25 651	36 664
Real GDP growth (annual %)	5.3	3.1
Household disposable income (annual growth %)	0.6	2.2 [2]
Budget balance (% of GDP)	6.8	-2.8
Public debt (% of GDP)	52.5	57.4
Current account balance (% of GDP)	8.1	2.9
Inflation rate: all items (annual %)	3.0	1.2
Unit labour cost (annual growth %)	0.0	-1.4
Long-term interest rates (%)	5.48	3.01
Public expenditure on health (% of GDP)	5.1	6.8 [2]
Private expenditure on health (% of GDP)	2.1	2.3 [2]
Public expenditure on education (% of GDP)	..	5.7 [3]
Private expenditure on education (% of GDP)	..	0.1 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	23.9	24.9
Total energy production (Mtoe)	15.1	17.2
CO2 emissions from fuel combustion (mln tonnes)	54	55 [2]
R&D expenditure (% of GDP)	3.3	4.0 [2]
Tertiary graduation rates (% of population)	..	37.3 [2]
Households with Internet access (%)	30.0	77.8 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	34.5	36.2
Exports of goods and services (% of GDP)	43.6	38.9
Net official development assistance (% of GNI)	0.31	0.55
Foreign-born population (% of population)	2.6	4.4 [2]
Migration rate (per thousand)	0.4	2.4
Outward FDI stocks (US$ bln)	52	137
Inward FDI stocks (US$ bln)	24	86

SOCIETY		
Population (thousands)	5 176	5 363
Life expectancy at birth (years)	77.7	80.0 [2]
Population, 65 and over (% of population)	14.9	17.3
Employment rates: men (%)	70.5	69.7
Employment rates: women (%)	64.5	66.9
Self-employment rates (% of employed)	13.7	13.5
Unemployment rates (%)	9.6	8.4
Long-term unemployment (% of unemployed)	29.0	23.6
Income inequality, rank out of 34 (1: least unequal)	..	8 [4]
Average hours actually worked (per year)	1 751	1 697
Taxes on average worker (all-in, % of labour cost)	47.8	42.0
Road fatalities (per mln inhabitants)	76	53 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



France

Joined the OECD: 1961

President: Nicolas Sarkozy

Ambassador to the OECD: Pascale Andreani

Delegation website: www.delegfrance-ocde.org

Parliament website: www.parlement.fr

Capital city: Paris

Highlights

- General government debt came to 94.1% of GDP, compared with 65.6% in 2000 and an OECD total of 97.6%.
- Unemployment stood at 9.8%, above the OECD rate of 8.6%. The long-term unemployed accounted for some 40% of the French total.
- Renewable energy accounted for 7.9% of France's total energy supply, compared with 7.6% for the OECD.
- All-in taxes on the average worker were equivalent to nearly 50% of labour costs.
- Development aid came to 0.5% of GNI.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	1 532.8	2 194.1
GDP per capita (US$)	25 241	33 835
Real GDP growth (annual %)	3.7	1.5
Household disposable income (annual growth %)	3.3	1.8 [2]
Budget balance (% of GDP)	-1.5	-7.0
Public debt (% of GDP)	65.6	94.1
Current account balance (% of GDP)	1.4	-2.1
Inflation rate: all items (annual %)	1.7	1.5
Unit labour cost (annual growth %)	1.6	..
Long-term interest rates (%)	5.39	3.12
Public expenditure on health (% of GDP)	8.0	9.2 [2]
Private expenditure on health (% of GDP)	2.1	2.6 [2]
Public expenditure on education (% of GDP)	..	5.5 [3]
Private expenditure on education (% of GDP)	..	0.5 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	6.3	7.9
Total energy production (Mtoe)	130.8	135.8
CO2 emissions from fuel combustion (mln tonnes)	377	354 [2]
R&D expenditure (% of GDP)	2.1	2.2 [2]
Tertiary graduation rates (% of population)	..	28.9 [2]
Households with Internet access (%)	11.9	63.0 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	27.8	27.8
Exports of goods and services (% of GDP)	28.8	25.5
Net official development assistance (% of GNI)	0.30	0.50
Foreign-born population (% of population)	10.1	11.6 [2]
Migration rate (per thousand)	1.2	..
Outward FDI stocks (US$ bln)	445	1 530
Inward FDI stocks (US$ bln)	260	965

SOCIETY		
Population (thousands)	59 062	62 636 [2]
Life expectancy at birth (years)	79.0	81.0 [2]
Population, 65 and over (% of population)	16.1	16.7
Employment rates: men (%)	68.8	68.3
Employment rates: women (%)	54.8	59.9
Self-employment rates (% of employed)	9.3	..
Unemployment rates (%)	9.0	9.8
Long-term unemployment (% of unemployed)	39.6	40.1
Income inequality, rank out of 34 (1: least unequal)	..	12 [4]
Average hours actually worked (per year)	1 591	..
Taxes on average worker (all-in, % of labour cost)	49.6	49.3
Road fatalities (per mln inhabitants)	129	69 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient

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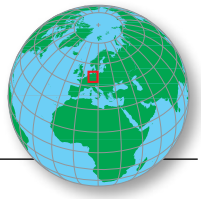


Germany

Joined the OECD: 1961

Federal Chancellor:
Angela Merkel

Ambassador to the OECD:
Johannes Westerhoff

Delegation website: www.paris-oecd.diplo.de

Parliament website: www.bundestag.de

Capital city: Berlin

Highlights

- GDP per head increased over the past decade by over US$11,600 to reach $37,567 in 2010.
- General government debt increased from 60.4% to 87% of GDP in the same period, compared with the 97.6% for the OECD.
- Unemployment fell over the past decade to 7.1%, bucking the trend in the OECD area where it rose from 6.3% to 8.6%.
- The proportion of the population aged 65 and over is 20.4%, compared with 14.7% for the OECD.
- Renewable energy accounted for 9.3% of Germany's energy supply, an increase from 2.7% in 2000.
- Development aid came to 0.38% of GNI.

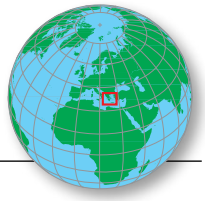
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	2 132.7	3 071.3
GDP per capita (US$)	25 949	37 567
Real GDP growth (annual %)	3.2	3.6
Household disposable income (annual growth %)	1.9	-1.0 [2]
Budget balance (% of GDP)	1.3	-3.3
Public debt (% of GDP)	60.4	87.0
Current account balance (% of GDP)	-1.8	5.6
Inflation rate: all items (annual %)	1.4	1.1
Unit labour cost (annual growth %)	0.3	-1.5
Long-term interest rates (%)	5.27	2.74
Public expenditure on health (% of GDP)	8.2	8.9 [2]
Private expenditure on health (% of GDP)	2.1	2.7 [2]
Public expenditure on education (% of GDP)	..	4.1 [3]
Private expenditure on education (% of GDP)	..	0.7 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	2.7	9.3
Total energy production (Mtoe)	135.3	129.2
CO2 emissions from fuel combustion (mln tonnes)	827	750 [2]
R&D expenditure (% of GDP)	2.5	2.8 [2]
Tertiary graduation rates (% of population)	..	26.4 [2]
Households with Internet access (%)	16.4	79.1 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	33.0	40.8
Exports of goods and services (% of GDP)	33.4	46.1
Net official development assistance (% of GNI)	0.27	0.38
Foreign-born population (% of population)	12.5	12.9 [2]
Migration rate (per thousand)	2.0	..
Outward FDI stocks (US$ bln)	487	1 427
Inward FDI stocks (US$ bln)	463	957

SOCIETY		
Population (thousands)	82 212	81 902 [2]
Life expectancy at birth (years)	78.2	80.3 [2]
Population, 65 and over (% of population)	16.4	20.4
Employment rates: men (%)	72.9	76.1
Employment rates: women (%)	58.1	66.1
Self-employment rates (% of employed)	11.0	11.6
Unemployment rates (%)	8.0	7.1
Long-term unemployment (% of unemployed)	51.5	47.4
Income inequality, rank out of 34 (1: least unequal)	..	15 [4]
Average hours actually worked (per year)	1 473	1 419
Taxes on average worker (all-in, % of labour cost)	52.9	49.1
Road fatalities (per mln inhabitants)	91	51 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Greece

Joined the OECD: 1961

Prime Minister:
Lucas Papademos

Ambassador to the OECD:
Konstantina Birmpili

Parliament website: www.hellenicparliament.gr

Capital city: Athens

Highlights

- GDP per head in Greece rose by almost US$9,800 in the past decade, to over $28,000 in 2010.
- General government debt came to 147.3% of GDP, compared with 97.6% for the OECD.
- The proportion of the population aged 65 and over was 18.9%, compared with 14.7% for the OECD.
- Unemployment stood at 12.6%, compared with 8.6% for the OECD.
- The employment rate for women has increased from 41.3% to to 48.1% in the past decade.
- Renewable energy accounted for 7.5% of Greece's energy supply, up from 5.2% in 2000.

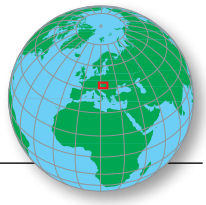
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	201.0	318.7
GDP per capita (US$)	18 410	28 189
Real GDP growth (annual %)	4.5	-4.5
Household disposable income (annual growth %)	..	2.7 [2]
Budget balance (% of GDP)	-3.7	-10.4
Public debt (% of GDP)	115.3	147.3
Current account balance (% of GDP)	-7.8	-10.4
Inflation rate: all items (annual %)	3.2	4.7
Unit labour cost (annual growth %)	1.5	-0.8
Long-term interest rates (%)	6.11	9.09
Public expenditure on health (% of GDP)	4.7	..
Private expenditure on health (% of GDP)	3.2	..
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	5.2	7.5
Total energy production (Mtoe)	10.0	9.2
CO2 emissions from fuel combustion (mln tonnes)	87	90 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	23.5 [2]
Households with Internet access (%)	..	38.1 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	38.4	29.4
Exports of goods and services (% of GDP)	24.9	21.0
Net official development assistance (% of GNI)	0.20	0.17
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	2.7	..
Outward FDI stocks (US$ bln)	6	38
Inward FDI stocks (US$ bln)	14	34

SOCIETY		
Population (thousands)	10 917	11 283 [2]
Life expectancy at birth (years)	78.0	80.3 [2]
Population, 65 and over (% of population)	16.6	18.9
Employment rates: men (%)	71.3	70.9
Employment rates: women (%)	41.3	48.1
Self-employment rates (% of employed)	42.0	35.5
Unemployment rates (%)	11.2	12.6
Long-term unemployment (% of unemployed)	56.4	45.0
Income inequality, rank out of 34 (1: least unequal)	..	18 [3]
Average hours actually worked (per year)	2 121	..
Taxes on average worker (all-in, % of labour cost)	35.2	36.6
Road fatalities (per mln inhabitants)	193	130 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** Late 2000s data, based on Gini coefficient



Hungary

Joined the OECD: 1996

Prime Minister: Viktor Orbán

Ambassador to the OECD: István Mikola

Delegation website: http://oecd.kormany.hu

Parliament website: www.parlament.hu/angol/angol.htm

Capital city: Budapest

Highlights

- GDP per head increased by over US$8,000 between 2000 and 2010, to $20,325.
- General government debt came to 85.6% of GDP in 2010, compared with 97.6% for the OECD.
- The total population in 2010 was 10 million, of which 16.7% were aged 65 or over.
- Unemployment increased to 11.2%, compared with 6.4% in 2000. Over half were long-term unemployed.
- All-in taxes on the average worker came to 46.4% of labour cost, compared with the OECD average of 34.9%.

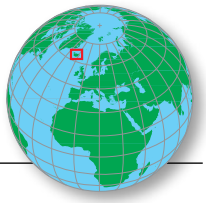
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	123.9	203.3
GDP per capita (US$)	12 134	20 325
Real GDP growth (annual %)	4.9	1.2
Household disposable income (annual growth %)	3.1	-5.4 [2]
Budget balance (% of GDP)	-3.0	-4.2
Public debt (% of GDP)	..	85.6
Current account balance (% of GDP)	-8.8	2.1
Inflation rate: all items (annual %)	9.8	4.9
Unit labour cost (annual growth %)	11.3	-1.6
Long-term interest rates (%)	8.55	7.28
Public expenditure on health (% of GDP)	5.0	5.2 [2]
Private expenditure on health (% of GDP)	2.1	2.3 [2]
Public expenditure on education (% of GDP)	..	4.8 [3]
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	3.3	7.6
Total energy production (Mtoe)	11.6	11.0
CO2 emissions from fuel combustion (mln tonnes)	54	48 [2]
R&D expenditure (% of GDP)	0.8	1.1 [2]
Tertiary graduation rates (% of population)	..	19.9 [2]
Households with Internet access (%)	..	55.1 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	76.4	79.1
Exports of goods and services (% of GDP)	73.0	86.5
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	2.9	4.1 [2]
Migration rate (per thousand)	1.7	1.2
Outward FDI stocks (US$ bln)	1	20
Inward FDI stocks (US$ bln)	23	89

SOCIETY		
Population (thousands)	10 211	10 000
Life expectancy at birth (years)	71.7	74.0 [2]
Population, 65 and over (% of population)	15.1	16.7
Employment rates: men (%)	62.7	60.4
Employment rates: women (%)	49.6	50.6
Self-employment rates (% of employed)	15.2	12.3
Unemployment rates (%)	6.4	11.2
Long-term unemployment (% of unemployed)	48.9	50.6
Income inequality, rank out of 34 (1: least unequal)	..	10 [4]
Average hours actually worked (per year)	2 057	1 961
Taxes on average worker (all-in, % of labour cost)	54.6	46.4
Road fatalities (per mln inhabitants)	118	82 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Iceland

Joined the OECD: 1961

Prime Minister:
Jóhanna Sigurdardóttir

Ambassador to the OECD:
Berglind Ásgeirsdóttir

Delegation website: www.iceland.is/fr

Parliament website: www.althingi.is

Capital city: Reykjavik

Highlights

- GDP per head increased by over US$6,000 between 2000 and 2010, to $34,905.
- The economy shrank by 3.5% in real terms in 2010.
- General government debt came to 120.2% of GDP, compared with 97.6% for the OECD.
- The employment rate for women, at 77%, is the highest in the OECD. The rate for men is at 80.6%.
- Unemployment more than tripled between 2000 and 2010 to 7.5%, compared with 8.6% for the OECD.
- Renewable energy accounted for 85.3% of Iceland's energy supply, up from 74.2% in 2000 and significantly above the total OECD figure of 7.6%.

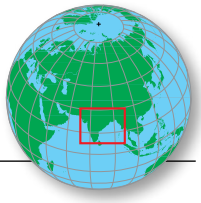
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	8.1	11.1
GDP per capita (US$)	28 840	34 905
Real GDP growth (annual %)	4.3	-3.5
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	1.7	-7.8
Public debt (% of GDP)	72.9	120.2
Current account balance (% of GDP)	-10.1	-8.0
Inflation rate: all items (annual %)	5.1	5.4
Unit labour cost (annual growth %)	4.3	..
Long-term interest rates (%)	11.20	5.00
Public expenditure on health (% of GDP)	7.7	7.9 [2]
Private expenditure on health (% of GDP)	1.8	1.7 [2]
Public expenditure on education (% of GDP)	..	7.2 [3]
Private expenditure on education (% of GDP)	..	0.7 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	74.2	85.3
Total energy production (Mtoe)	2.3	4.6
CO2 emissions from fuel combustion (mln tonnes)	2	2 [2]
R&D expenditure (% of GDP)	2.7	..
Tertiary graduation rates (% of population)	..	32.8 [2]
Households with Internet access (%)	..	89.6 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	40.9	45.9
Exports of goods and services (% of GDP)	33.6	56.5
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	6.1	..
Outward FDI stocks (US$ bln)	1	11
Inward FDI stocks (US$ bln)	0	12

SOCIETY		
Population (thousands)	281	318
Life expectancy at birth (years)	80.1	81.5 [2]
Population, 65 and over (% of population)	11.6	12.1
Employment rates: men (%)	88.2	80.6
Employment rates: women (%)	81.0	77.0
Self-employment rates (% of employed)	18.0	12.6
Unemployment rates (%)	2.3	7.5
Long-term unemployment (% of unemployed)	11.8	21.3
Income inequality, rank out of 34 (1: least unequal)	..	16 [4]
Average hours actually worked (per year)	1 885	1 697
Taxes on average worker (all-in, % of labour cost)	26.2	31.3
Road fatalities (per mln inhabitants)	113	54 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



India

Prime Minister:
Manmohan Singh

Parliament website:
www.parliamentofindia.nic.in

Capital city: New Delhi

Highlights

- GDP in India exceeded US$4,000 billion in 2010, which in purchasing power parity terms was nearly the same level as Japan, the OECD's second largest economy.
- GDP per head, at US$3,339, has more than doubled in the past decade.
- CO2 emissions have risen sharply since 2000.
- Value in stocks of outward foreign direct investments has increased from US$3 billion to $94 billion in the past decade.
- The total population was over 1.2 billion in 2010, of which just 4.9% were aged 65 and over.

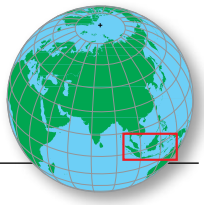
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	1 582.3	4 060.4
GDP per capita (US$)	1 518	3 339
Real GDP growth (annual %)	4.4	10.4
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	-1.0	..
Inflation rate: all items (annual %)	4.0	12.0
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	1.1	1.4 [2]
Private expenditure on health (% of GDP)	3.3	2.8 [2]
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	34.0	..
Total energy production (Mtoe)	366.4	..
CO2 emissions from fuel combustion (mln tonnes)	972	1 586 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	..
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	..	..
Exports of goods and services (% of GDP)	..	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	0.6	0.4 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	3	94
Inward FDI stocks (US$ bln)	20	198

SOCIETY		
Population (thousands)	1 053 898	1 224 614
Life expectancy at birth (years)	61.3	64.1 [2]
Population, 65 and over (% of population)	4.2	4.9
Employment rates: men (%)	..	..
Employment rates: women (%)	..	..
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	..	..
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	80	..

1. Unless otherwise indicated **2.** 2009 data



Indonesia

President:
Susilo Bambang Yudhoyono

Parliament website:
www.dpr.go.id

Capital city: Jakarta

Highlights

- Indonesian GDP has doubled in the last decade; real growth came to 6.1% in 2010.
- GDP per head increased by almost US$2,000 between 2000 and 2010, up to $4,394.
- General government debt fell in the past decade, from 88.8% to 26.1% of GDP. The OECD figure for 2010 was 97.6%.
- The total population approached 240 million in 2010, of which 5.6% were aged 65 and above.
- The foreign-born population is just 0.1% of the total.
- Unemployment stood at 7.3%, compared with 8.6% for the OECD.

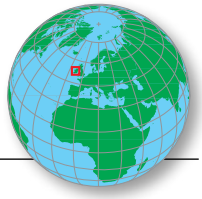
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	500.7	1 029.9
GDP per capita (US$)	2 441	4 394
Real GDP growth (annual %)	5.4	6.1
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	88.8	26.1
Current account balance (% of GDP)	4.8	0.9
Inflation rate: all items (annual %)	3.7	5.1
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	0.7	1.2 [2]
Private expenditure on health (% of GDP)	1.3	1.1 [2]
Public expenditure on education (% of GDP)	..	3.3 [3]
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	37.5	..
Total energy production (Mtoe)	236.3	..
CO2 emissions from fuel combustion (mln tonnes)	264	376 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	4.5 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	30.5	23.0
Exports of goods and services (% of GDP)	41.0	24.6
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	0.1	0.1 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	..	..
Inward FDI stocks (US$ bln)	..	..

SOCIETY		
Population (thousands)	213 395	239 871
Life expectancy at birth (years)	67.4	71.2 [2]
Population, 65 and over (% of population)	4.6	5.6
Employment rates: men (%)	..	..
Employment rates: women (%)	..	..
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	6.1	7.3
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	..	..

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data



Ireland

Joined the OECD: 1961

Prime Minister:
(Taoiseach) Enda Kenny

Ambassador to the OECD:
Michael Forbes

Parliament website: www.oireachtas.ie

Capital city: Dublin

Highlights

- The economy grew by 9.7% in volume in 2000, but shrank by 1% in 2010.
- General government debt came to 102.4% of GDP, up from 39.4% in 2000.
- Unemployment more than tripled in the past decade, from 4.2% to 13.7%, with long-term unemployment about half of the total.
- All-in taxes on the average worker were at 29.3% of labour cost, below the OECD average of 34.9%.
- Renewable energy accounted for 4% of Ireland's energy supply, compared with 7.6% for the OECD.
- Development aid came to 0.53% of GNI.

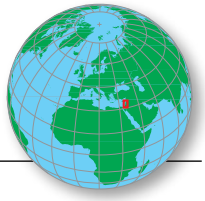
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	109.2	178.0
GDP per capita (US$)	28 695	39 778
Real GDP growth (annual %)	9.7	-1.0
Household disposable income (annual growth %)	..	2.2 [2]
Budget balance (% of GDP)	4.8	-32.4
Public debt (% of GDP)	39.4	102.4
Current account balance (% of GDP)	0.1	-0.7
Inflation rate: all items (annual %)	5.6	-0.9
Unit labour cost (annual growth %)	3.1	..
Long-term interest rates (%)	5.48	5.99
Public expenditure on health (% of GDP)	4.6	7.2 [2]
Private expenditure on health (% of GDP)	1.5	2.4 [2]
Public expenditure on education (% of GDP)	..	5.2 [3]
Private expenditure on education (% of GDP)	..	0.3 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	1.7	4.0
Total energy production (Mtoe)	2.2	1.9
CO2 emissions from fuel combustion (mln tonnes)	41	39 [2]
R&D expenditure (% of GDP)	1.1	1.8 [2]
Tertiary graduation rates (% of population)	..	35.9 [2]
Households with Internet access (%)	20.4	66.7 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	84.7	..
Exports of goods and services (% of GDP)	98.1	..
Net official development assistance (% of GNI)	0.29	0.53
Foreign-born population (% of population)	8.7	17.2 [2]
Migration rate (per thousand)	8.4	..
Outward FDI stocks (US$ bln)	28	318
Inward FDI stocks (US$ bln)	127	247

SOCIETY		
Population (thousands)	3 790	4 471
Life expectancy at birth (years)	76.6	80.0 [2]
Population, 65 and over (% of population)	11.2	11.4
Employment rates: men (%)	76.1	64.5
Employment rates: women (%)	53.8	56.4
Self-employment rates (% of employed)	18.8	17.4
Unemployment rates (%)	4.2	13.7
Long-term unemployment (% of unemployed)	..	49.0
Income inequality, rank out of 34 (1: least unequal)	..	13 [4]
Average hours actually worked (per year)	1 719	1 664
Taxes on average worker (all-in, % of labour cost)	35.2	29.3
Road fatalities (per mln inhabitants)	110	53 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Israel

Joined the OECD: 2010

Prime Minister:
Benjamin Netanyahu

Ambassador to the OECD:
Nimrod Barkan

Parliament website: www.knesset.gov.il

Capital city: Jerusalem

Highlights

- GDP per head increased by over US$5,000 between 2000 and 2010, to $28,510.
- General government debt came to 76.1% of GDP, compared with the 97.6% for the OECD.
- Unemployment stood at 6.7%, compared with 8.6% for the OECD.
- The employment rate for women was 56.9%, which was about average for an OECD country and compares with 50.9% in 2000.
- All-in taxes on the average worker decreased over the past decade from 29% to 20.2% of labour cost.

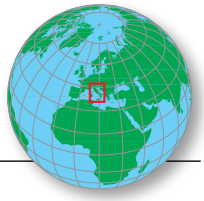
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	147.8	217.3
GDP per capita (US$)	23 496	28 510
Real GDP growth (annual %)	9.1	4.6
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	-4.0	-5.0
Public debt (% of GDP)	84.5	76.1
Current account balance (% of GDP)	-3.2	3.1
Inflation rate: all items (annual %)	1.1	2.7
Unit labour cost (annual growth %)	0.8	..
Long-term interest rates (%)	5.48	4.68
Public expenditure on health (% of GDP)	4.7	4.6 [2]
Private expenditure on health (% of GDP)	2.8	3.2 [2]
Public expenditure on education (% of GDP)	..	5.9 [3]
Private expenditure on education (% of GDP)	..	1.4 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	3.3	4.9
Total energy production (Mtoe)	0.6	3.7
CO2 emissions from fuel combustion (mln tonnes)	55	65 [2]
R&D expenditure (% of GDP)	4.3	4.3 [2]
Tertiary graduation rates (% of population)	..	44.9 [2]
Households with Internet access (%)	19.8	66.0 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	37.4	..
Exports of goods and services (% of GDP)	37.1	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	32.2	26.2 [2]
Migration rate (per thousand)	9.8	..
Outward FDI stocks (US$ bln)	9	65
Inward FDI stocks (US$ bln)	23	78

SOCIETY		
Population (thousands)	6 289	7 619
Life expectancy at birth (years)	78.8	81.6 [2]
Population, 65 and over (% of population)	9.8	9.9
Employment rates: men (%)	61.4	63.4
Employment rates: women (%)	50.9	56.9
Self-employment rates (% of employed)	14.2	12.8
Unemployment rates (%)	..	6.7
Long-term unemployment (% of unemployed)	12.0	22.4
Income inequality, rank out of 34 (1: least unequal)	..	30 [4]
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	29.0	20.2
Road fatalities (per mln inhabitants)	73	42 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Italy

Joined the OECD: 1962

Prime Minister: Mario Monti

Ambassador to the OECD: Carlo Maria Oliva

Delegation website: www.rappocse.esteri.it

Parliament website: www.parlamento.it

Capital city: Rome

Highlights

- GDP per head increased by almost US$6,000 between 2000 and 2010, to $31,563.
- Household disposable income shrank by 3% in 2009.
- General government debt came to 126.8% of GDP, compared with 97.6% for the OECD.
- The proportion of the population aged 65 and over was 20.5% in 2010, compared with 14.7% for the OECD.
- Unemployment decreased over the past decade from 10.1% to 8.4%, compared with the OECD where the rate rose from 6.3% to 8.6%.
- Renewable energy accounted for 10.2% of Italy's energy supply, up from 5.9% in 2000.
- Development aid came to 0.15% of gross national income.

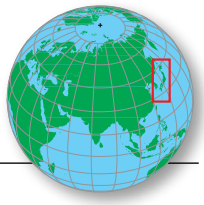
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	1 457.4	1 908.6
GDP per capita (US$)	25 594	31 563
Real GDP growth (annual %)	3.7	1.3
Household disposable income (annual growth %)	0.3	-3.0 [2]
Budget balance (% of GDP)	-0.9	-4.5
Public debt (% of GDP)	121.6	126.8
Current account balance (% of GDP)	-0.5	-3.2
Inflation rate: all items (annual %)	2.5	1.5
Unit labour cost (annual growth %)	-0.4	-0.2
Long-term interest rates (%)	5.58	4.04
Public expenditure on health (% of GDP)	5.8	7.4 [2]
Private expenditure on health (% of GDP)	2.2	2.1 [2]
Public expenditure on education (% of GDP)	..	4.5 [3]
Private expenditure on education (% of GDP)	..	0.3 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	5.9	10.2
Total energy production (Mtoe)	28.2	28.8
CO2 emissions from fuel combustion (mln tonnes)	426	389 [2]
R&D expenditure (% of GDP)	1.0	1.3 [2]
Tertiary graduation rates (% of population)	..	14.5 [2]
Households with Internet access (%)	18.8	53.5 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	26.1	28.5
Exports of goods and services (% of GDP)	27.1	26.8
Net official development assistance (% of GNI)	0.13	0.15
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	3.1	..
Outward FDI stocks (US$ bln)	180	476
Inward FDI stocks (US$ bln)	121	337

SOCIETY		
Population (thousands)	56 942	60 193 [2]
Life expectancy at birth (years)	79.8	..
Population, 65 and over (% of population)	18.3	20.5
Employment rates: men (%)	68.2	67.7
Employment rates: women (%)	39.6	46.1
Self-employment rates (% of employed)	28.5	25.5
Unemployment rates (%)	10.1	8.4
Long-term unemployment (% of unemployed)	61.3	48.5
Income inequality, rank out of 34 (1: least unequal)	..	27 [4]
Average hours actually worked (per year)	1 861	1 778
Taxes on average worker (all-in, % of labour cost)	46.9	46.9
Road fatalities (per mln inhabitants)	115	71 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Japan

Joined the OECD: 1964

Prime Minister: Yoshihiko Noda

Ambassador to the OECD: Motohide Yoshikawa

Delegation website: http://www.oecd.emb-japan.go.jp/home.english.files/home.english.htm

Parliament website: www.shugiin.go.jp/index.nsf/html/index_e.htm; www.sangiin.go.jp/eng/index.htm

Capital city: Tokyo

Highlights

- Real GDP growth reached 3.9% in 2010, up on 2.9% in 2000.
- General government debt already exceeded 100% of GDP in 2000, and rose towards 200% by 2010.
- Inflation remained negative, at an annual -0.7%.
- Unemployment stood at 5.1%, up slightly on a decade earlier, though well below the OECD rate of 8.6%.
- The employment rate of women stood at over 60%, compared with 80% for men, and an OECD figure of some 57%.
- Renewable energy accounted for 3% of Japan's energy supply, compared with 7.6% for the OECD.

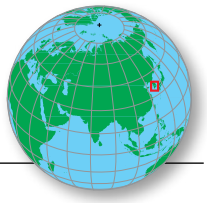
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	3 250.3	4 301.9
GDP per capita (US$)	25 608	33 772
Real GDP growth (annual %)	2.9	3.9
Household disposable income (annual growth %)	-0.9	..
Budget balance (% of GDP)	-7.6	-8.1
Public debt (% of GDP)	135.4	199.7
Current account balance (% of GDP)	2.6	3.6
Inflation rate: all items (annual %)	-0.7	-0.7
Unit labour cost (annual growth %)	-2.4	..
Long-term interest rates (%)	1.74	1.15
Public expenditure on health (% of GDP)	6.2	..
Private expenditure on health (% of GDP)	1.5	..
Public expenditure on education (% of GDP)	..	3.3 [2]
Private expenditure on education (% of GDP)	..	1.7 [2]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	3.2	3.0
Total energy production (Mtoe)	105.8	95.1
CO2 emissions from fuel combustion (mln tonnes)	1 184	1 093 [3]
R&D expenditure (% of GDP)	3.0	3.3 [3]
Tertiary graduation rates (% of population)	..	43.8 [3]
Households with Internet access (%)	..	67.1 [3]

GLOBALISATION		
Imports of goods and services (% of GDP)	9.5	..
Exports of goods and services (% of GDP)	11.0	..
Net official development assistance (% of GNI)	0.28	0.20
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	0.3	..
Outward FDI stocks (US$ bln)	278	831
Inward FDI stocks (US$ bln)	50	215

SOCIETY		
Population (thousands)	126 926	127 510 [3]
Life expectancy at birth (years)	81.2	83.0 [3]
Population, 65 and over (% of population)	17.4	23.1
Employment rates: men (%)	80.9	80.0
Employment rates: women (%)	56.7	60.1
Self-employment rates (% of employed)	16.6	12.3
Unemployment rates (%)	4.7	5.1
Long-term unemployment (% of unemployed)	25.5	37.6
Income inequality, rank out of 34 (1: least unequal)	..	24 [4]
Average hours actually worked (per year)	1 821	1 733
Taxes on average worker (all-in, % of labour cost)	24.8	30.5
Road fatalities (per mln inhabitants)	93	45 [3]

1. Unless otherwise indicated **2.** 2008 data **3.** 2009 data **4.** Late 2000s data, based on Gini coefficient



Korea

Joined the OECD: 1996

President: Lee Myung-bak

Ambassador to the OECD: Hur Kyung-Wook

Delegation website: http://oecd.mofat.go.kr

Parliament website: www.assembly.go.kr

Capital city: Seoul

Highlights

- GDP expanded sharply over the decade to 2010, reaching US$1,418 billion in purchasing power parity terms, up over US$600 billion on 2000. Real growth reached 6.2%, well above the OECD figure of 3%.
- Public debt came to nearly 34% of GDP, less than half the OECD total of 97.6% of GDP.
- Unemployment stood at 3.7%, down from 4.4% in 2000.
- The employment rate of women stood at almost 53%, compared with 74% for men, and an OECD figure of some 57%.
- Renewable energy accounted for 0.7% of Korea's energy supply, up from 0.4% in 2000, and compared with 7.6% for the OECD as a whole.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	808.4	1 417.5
GDP per capita (US$)	17 197	29 004
Real GDP growth (annual %)	8.8	6.2
Household disposable income (annual growth %)	0.4	0.9 [2]
Budget balance (% of GDP)	5.4	0.0
Public debt (% of GDP)	..	33.9
Current account balance (% of GDP)	2.8	2.8
Inflation rate: all items (annual %)	2.3	2.9
Unit labour cost (annual growth %)	-0.2	..
Long-term interest rates (%)	..	4.77
Public expenditure on health (% of GDP)	2.2	4.0 [2]
Private expenditure on health (% of GDP)	2.3	2.9 [2]
Public expenditure on education (% of GDP)	..	4.7 [3]
Private expenditure on education (% of GDP)	..	2.8 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	0.4	0.7
Total energy production (Mtoe)	34.4	44.6
CO2 emissions from fuel combustion (mln tonnes)	438	515 [2]
R&D expenditure (% of GDP)	2.3	..
Tertiary graduation rates (% of population)	..	38.8 [2]
Households with Internet access (%)	49.8	95.9 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	35.7	49.6
Exports of goods and services (% of GDP)	38.6	52.4
Net official development assistance (% of GNI)	0.04	0.12
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	..	139
Inward FDI stocks (US$ bln)	..	127

SOCIETY		
Population (thousands)	47 008	50 516
Life expectancy at birth (years)	76.0	80.3 [2]
Population, 65 and over (% of population)	7.2	10.9
Employment rates: men (%)	73.1	73.9
Employment rates: women (%)	50.0	52.6
Self-employment rates (% of employed)	36.8	28.8
Unemployment rates (%)	4.4	3.7
Long-term unemployment (% of unemployed)	2.3	0.3
Income inequality, rank out of 34 (1: least unequal)	..	20 [4]
Average hours actually worked (per year)	2 512	2 193
Taxes on average worker (all-in, % of labour cost)	16.3	19.8
Road fatalities (per mln inhabitants)	218	120 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient

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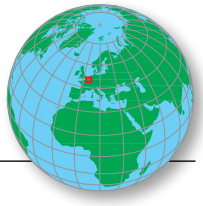


Luxembourg

Joined the OECD: 1961

Prime Minister: Jean-Claude Juncker

Ambassador to the OECD: Georges Santer

Delegation website: http://paris.mae.lu

Parliament website: www.chd.lu

Capital city: Luxembourg

Highlights

- GDP nearly doubled in purchasing power parity terms from 2000 to 2010, but real growth slowed from 8.4% to 3.5% in the same period.
- Public debt came to less than 20% of GDP, compared with 97.6% for the OECD as a whole.
- Development aid from Luxembourg to developing countries was over 1% of gross national income in 2010.
- Roughly a third of the population is foreign-born.
- The employment rate of women stood at over 57%, compared with just over 73% for men.

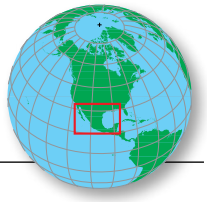
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	23.4	45.4
GDP per capita (US$)	53 646	89 633
Real GDP growth (annual %)	8.4	3.5
Household disposable income (annual growth %)	..	1.6 [2]
Budget balance (% of GDP)	6.0	-1.7
Public debt (% of GDP)	9.2	19.7
Current account balance (% of GDP)	13.5	7.5
Inflation rate: all items (annual %)	3.2	2.3
Unit labour cost (annual growth %)	3.4	-0.6
Long-term interest rates (%)	5.52	..
Public expenditure on health (% of GDP)	6.4	6.5 [2]
Private expenditure on health (% of GDP)	1.1	1.2 [2]
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	1.2	2.9
Total energy production (Mtoe)	0.1	0.1
CO2 emissions from fuel combustion (mln tonnes)	8	10 [2]
R&D expenditure (% of GDP)	1.7	1.7 [2]
Tertiary graduation rates (% of population)	..	34.8 [2]
Households with Internet access (%)	..	87.2 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	129.0	141.5
Exports of goods and services (% of GDP)	150.0	176.7
Net official development assistance (% of GNI)	0.70	1.09
Foreign-born population (% of population)	33.2	36.9 [2]
Migration rate (per thousand)	8.2	..
Outward FDI stocks (US$ bln)	..	192
Inward FDI stocks (US$ bln)	..	133

SOCIETY		
Population (thousands)	436	494 [2]
Life expectancy at birth (years)	78.0	80.7 [2]
Population, 65 and over (% of population)	14.1	14.6
Employment rates: men (%)	75.0	73.1
Employment rates: women (%)	50.0	57.2
Self-employment rates (% of employed)	7.4	..
Unemployment rates (%)	2.3	4.5
Long-term unemployment (% of unemployed)	22.4	29.3
Income inequality, rank out of 34 (1: least unequal)	..	11 [3]
Average hours actually worked (per year)	1 662	1 616
Taxes on average worker (all-in, % of labour cost)	37.5	34.0
Road fatalities (per mln inhabitants)	172	98 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** Late 2000s data, based on Gini coefficient



Mexico

Joined the OECD: 1994

President:
Felipe Calderón Hinojosa

Ambassador to the OECD:
Agustín García-López Loaeza

Delegation website: www.sre.gob.mx/ocde/

Parliament website:
www.senado.gob.mx; www.diputados.gob.mx

Capital city: Mexico City

Highlights

- GDP in purchasing power parity terms soared from US$987.1 billion in 2000 to $1,646.4 billion in 2010, on the back of strong real growth.
- Long-term interest rates were nearly 17% in 2000, but below 5% in 2010.
- Less than 6% of the Mexican population is over 65, compared with nearly 15% for the OECD generally.
- Mexicans worked 1,866 hours in 2010, above the OECD average of 1,749 hours.
- The employment rate of women stood at 44%, compared with over 78% for men, and an OECD figure of some 57%.
- Renewable energy accounts for around 10% of Mexico's energy supply, which is above the OECD total of nearly 8%.

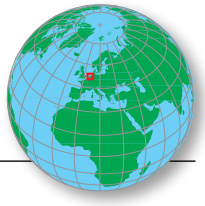
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	987.1	1 646.4
GDP per capita (US$)	10 046	15 204
Real GDP growth (annual %)	6.6	5.5
Household disposable income (annual growth %)	..	-8.1 [2]
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	-2.9	-0.6
Inflation rate: all items (annual %)	9.5	4.2
Unit labour cost (annual growth %)	11.1	..
Long-term interest rates (%)	16.94	4.86
Public expenditure on health (% of GDP)	2.4	3.1 [2]
Private expenditure on health (% of GDP)	2.7	3.3 [2]
Public expenditure on education (% of GDP)	..	4.7 [3]
Private expenditure on education (% of GDP)	..	1.1 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	11.7	10.3
Total energy production (Mtoe)	222.3	217.7
CO2 emissions from fuel combustion (mln tonnes)	349	400 [2]
R&D expenditure (% of GDP)	0.3	..
Tertiary graduation rates (% of population)	..	15.9 [2]
Households with Internet access (%)	..	18.4 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	30.0	..
Exports of goods and services (% of GDP)	28.2	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	0.5	0.8 [2]
Migration rate (per thousand)	-6.4	-5.1
Outward FDI stocks (US$ bln)	..	78
Inward FDI stocks (US$ bln)	97	298

SOCIETY		
Population (thousands)	98 439	108 396
Life expectancy at birth (years)	73.9	75.3 [2]
Population, 65 and over (% of population)	4.7	5.9
Employment rates: men (%)	82.8	78.4
Employment rates: women (%)	39.6	44.1
Self-employment rates (% of employed)	36.0	34.3
Unemployment rates (%)	2.5	5.4
Long-term unemployment (% of unemployed)	1.2	2.4
Income inequality, rank out of 34 (1: least unequal)	..	33 [4]
Average hours actually worked (per year)	1 888	1 866
Taxes on average worker (all-in, % of labour cost)	12.6	15.5
Road fatalities (per mln inhabitants)	53	46 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Netherlands

Joined the OECD: 1961

Prime Minister: Mark Rutte

Ambassador to the OECD: Edmond H. Wellenstein

Delegation website: http://oeso.nlvertegenwoordiging.org

Parliament website: www.tweedekamer.nl

Capital city: Amsterdam

Highlights

- GDP per capita in the Netherlands stood at US$42,478 in 2010, comfortably above the OECD figure of $34,025.
- Unemployment stood at 4.5%, compared with an OECD figure of 8.6%.
- The Dutch worked 1,377 hours in 2010, below the OECD average of 1,749 hours.
- Unit labour costs fell by 1.3% in 2010.
- The employment rate of women stood at 69.4%, compared with 80% for men, and an OECD figure of 56.7%.
- Renewable energy accounted for around 3.6% of Dutch energy supply in 2010, up from 1.7% in 2000.
- Development aid remains above the UN recommended target of 0.7% of GNI.

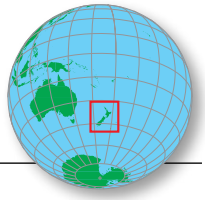
ECONOMY	2000	2010 [1]
Gross domestic product (USD bln, PPPs)	468.2	705.6
GDP per capita (US$)	29 406	42 478
Real GDP growth (annual %)	3.9	1.8
Household disposable income (annual growth %)	2.2	0.1 [2]
Budget balance (% of GDP)	2.0	-5.3
Public debt (% of GDP)	63.9	71.4
Current account balance (% of GDP)	1.9	7.6
Inflation rate: all items (annual %)	2.3	1.3
Unit labour cost (annual growth %)	3.1	-1.3
Long-term interest rates (%)	5.41	2.99
Public expenditure on health (% of GDP)	5.0	9.5 [2]
Private expenditure on health (% of GDP)	2.9	1.7 [2]
Public expenditure on education (% of GDP)	..	4.8 [3]
Private expenditure on education (% of GDP)	..	0.8 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	1.7	3.6
Total energy production (Mtoe)	57.6	69.7
CO2 emissions from fuel combustion (mln tonnes)	172	176 [2]
R&D expenditure (% of GDP)	1.9	1.8 [2]
Tertiary graduation rates (% of population)	..	32.8 [2]
Households with Internet access (%)	41.0	89.7 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	64.5	70.3
Exports of goods and services (% of GDP)	70.1	78.4
Net official development assistance (% of GNI)	0.84	0.81
Foreign-born population (% of population)	10.1	11.1 [2]
Migration rate (per thousand)	3.4	..
Outward FDI stocks (US$ bln)	305	954
Inward FDI stocks (US$ bln)	244	595

SOCIETY		
Population (thousands)	15 926	16 530
Life expectancy at birth (years)	78.0	80.6 [2]
Population, 65 and over (% of population)	13.6	15.5
Employment rates: men (%)	81.2	80.0
Employment rates: women (%)	62.7	69.4
Self-employment rates (% of employed)	11.2	..
Unemployment rates (%)	3.0	4.5
Long-term unemployment (% of unemployed)	..	27.6
Income inequality, rank out of 34 (1: least unequal)	..	14 [4]
Average hours actually worked (per year)	1 435	1 377
Taxes on average worker (all-in, % of labour cost)	39.7	38.4
Road fatalities (per mln inhabitants)	73	44 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



New Zealand

Joined the OECD: 1973

Prime Minister: John Key

Ambassador to the OECD: Rosemary Banks

Delegation website: www.nzembassy.com/france

Parliament website: www.parliament.govt.nz

Capital city: Wellington

Highlights

- GDP per capita in New Zealand was US$29,813 in 2010, below the OECD figure of $34,025.
- Unemployment stood at 6.5%, compared with an OECD figure of 8.6%.
- Spending on healthcare was over 10% of GDP in 2009, most of it public.
- Tertiary graduation at 40.1% of the population exceeded the OECD average of 30%.
- The employment rate of women stood at 66.7%, compared with over 78.2% for men, and an OECD figure of 56.7%.
- Renewable energy accounted for around 39% of energy supply in 2010, compared with an OECD figure of 7.6%.
- Taxes on the average worker were around 17% of labour costs in 2010, half the OECD average.

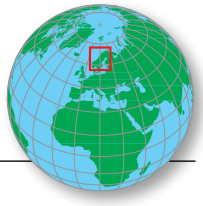
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	81.4	130.7
GDP per capita (US$)	21 039	29 813
Real GDP growth (annual %)	2.5	2.5
Household disposable income (annual growth %)	-4.1	..
Budget balance (% of GDP)	1.8	-4.6
Public debt (% of GDP)	36.9	38.7
Current account balance (% of GDP)	-4.6	-2.2
Inflation rate: all items (annual %)	2.6	2.3
Unit labour cost (annual growth %)	0.3	..
Long-term interest rates (%)	6.85	5.60
Public expenditure on health (% of GDP)	5.9	8.3 [2]
Private expenditure on health (% of GDP)	1.7	2.0 [2]
Public expenditure on education (% of GDP)	..	5.4 [3]
Private expenditure on education (% of GDP)	..	1.2 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	29.6	38.6
Total energy production (Mtoe)	14.1	16.6
CO2 emissions from fuel combustion (mln tonnes)	31	31 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	40.1 [2]
Households with Internet access (%)	..	75.0 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	33.4	..
Exports of goods and services (% of GDP)	35.0	..
Net official development assistance (% of GNI)	0.25	0.26
Foreign-born population (% of population)	17.2	22.7 [2]
Migration rate (per thousand)	-2.9	2.3
Outward FDI stocks (US$ bln)	6	16
Inward FDI stocks (US$ bln)	28	68

SOCIETY		
Population (thousands)	3 858	4 368
Life expectancy at birth (years)	78.3	80.8 [2]
Population, 65 and over (% of population)	11.8	13.0
Employment rates: men (%)	77.9	78.2
Employment rates: women (%)	63.2	66.7
Self-employment rates (% of employed)	20.6	..
Unemployment rates (%)	6.2	6.5
Long-term unemployment (% of unemployed)	19.8	9.0
Income inequality, rank out of 34 (1: least unequal)	..	25 [4]
Average hours actually worked (per year)	1 828	1 758
Taxes on average worker (all-in, % of labour cost)	19.4	16.9
Road fatalities (per mln inhabitants)	121	90 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Norway

Joined the OECD: 1961

Prime Minister: Jens Stoltenberg

Ambassador to the OECD: Tore Eriksen

Delegation website: www.norway-oecd.org

Parliament website: www.stortinget.no

Capital city: Oslo

Highlights

- GDP per capita in Norway was US$56,648 in 2010, well above the OECD figure of $34,025.
- The general government finances were in surplus by around 11% of GDP in 2010, reflecting revenue from the offshore petroleum sector.
- Unemployment stood at just 3.5%, while the employment rate of women was 73.3%, just below that of men, and well above the OECD figure of 56.7%.
- Renewable energy accounted for 37.3% of energy supply in 2010, down from 51.2% in 2000.
- Road fatalities have fallen sharply, to 45 per million people in 2009, compared with an OECD total of 75 per million.

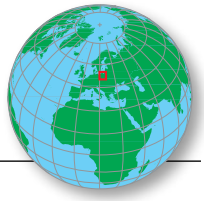
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	162.2	277.0
GDP per capita (US$)	36 126	56 648
Real GDP growth (annual %)	3.3	0.3
Household disposable income (annual growth %)	3.8	4.5 [2]
Budget balance (% of GDP)	15.4	10.5
Public debt (% of GDP)	32.7	49.5
Current account balance (% of GDP)	14.9	12.9
Inflation rate: all items (annual %)	3.1	2.4
Unit labour cost (annual growth %)	2.0	3.4
Long-term interest rates (%)	6.22	3.53
Public expenditure on health (% of GDP)	6.9	8.1 [2]
Private expenditure on health (% of GDP)	1.5	1.5 [2]
Public expenditure on education (% of GDP)	..	7.3 [3]
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	51.2	37.3
Total energy production (Mtoe)	227.0	205.1
CO2 emissions from fuel combustion (mln tonnes)	34	37 [2]
R&D expenditure (% of GDP)	..	1.8 [2]
Tertiary graduation rates (% of population)	..	36.7 [2]
Households with Internet access (%)	..	85.6 [2]

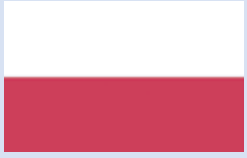
GLOBALISATION		
Imports of goods and services (% of GDP)	29.4	28.6
Exports of goods and services (% of GDP)	46.5	41.9
Net official development assistance (% of GNI)	0.76	1.10
Foreign-born population (% of population)	6.8	10.9 [2]
Migration rate (per thousand)	2.0	8.6
Outward FDI stocks (US$ bln)	23	..
Inward FDI stocks (US$ bln)	25	..

SOCIETY		
Population (thousands)	4 491	4 889
Life expectancy at birth (years)	78.8	81.0 [2]
Population, 65 and over (% of population)	15.2	15.0
Employment rates: men (%)	81.7	77.4
Employment rates: women (%)	74.0	73.3
Self-employment rates (% of employed)	7.4	7.7
Unemployment rates (%)	3.2	3.5
Long-term unemployment (% of unemployed)	5.3	9.5
Income inequality, rank out of 34 (1: least unequal)	..	3 [4]
Average hours actually worked (per year)	1 455	1 414
Taxes on average worker (all-in, % of labour cost)	38.6	36.8
Road fatalities (per mln inhabitants)	76	45 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Poland



Joined the OECD: 1996

President:
Bronislaw Komorowski

Ambassador to the OECD:
Pawel Wojciechowski

Delegation website: www.paryzoecd.polemb.net

Parliament website: www.sejm.gov.pl; www.senat.gov.pl

Capital city: Warsaw

Highlights

- Poland's GDP per capita leapt from US$10,567 in 2000 to $19,747 in 2010.
- The general government finances deteriorated, with a deficit of 7.9% and a public debt of 62.4% by 2010.
- Unemployment fell from 16.2% in 2000 to 9.6% in 2010, a quarter of whom are long-term unemployed.
- The employment rate of women was 53%, compared with 66% for men, and an OECD figure of 56.7%.
- Poland ranked 19th out of 34 countries in terms of income inequality in the OECD area, the first (least unequal) being Slovenia.

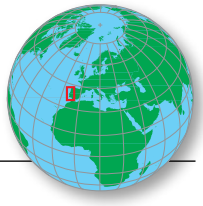
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	404.3	754.1
GDP per capita (US$)	10 567	19 747
Real GDP growth (annual %)	4.3	3.8
Household disposable income (annual growth %)	1.7	4.8 [2]
Budget balance (% of GDP)	-3.0	-7.9
Public debt (% of GDP)	45.4	62.4
Current account balance (% of GDP)	-6.0	-3.4
Inflation rate: all items (annual %)	9.9	2.6
Unit labour cost (annual growth %)	5.4	..
Long-term interest rates (%)	..	5.78
Public expenditure on health (% of GDP)	3.9	5.3 [2]
Private expenditure on health (% of GDP)	1.7	2.0 [2]
Public expenditure on education (% of GDP)	..	5.0 [3]
Private expenditure on education (% of GDP)	..	0.7 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	4.3	6.9
Total energy production (Mtoe)	79.6	67.8
CO2 emissions from fuel combustion (mln tonnes)	291	287 [2]
R&D expenditure (% of GDP)	0.6	0.7 [2]
Tertiary graduation rates (% of population)	..	21.2 [2]
Households with Internet access (%)	..	58.6 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	33.5	42.3
Exports of goods and services (% of GDP)	27.1	41.5
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	-0.5	..
Outward FDI stocks (US$ bln)	1	39
Inward FDI stocks (US$ bln)	34	201

SOCIETY		
Population (thousands)	38 256	38 187
Life expectancy at birth (years)	73.8	75.8 [2]
Population, 65 and over (% of population)	12.2	13.5
Employment rates: men (%)	61.2	65.6
Employment rates: women (%)	48.9	53.0
Self-employment rates (% of employed)	27.4	22.8
Unemployment rates (%)	16.2	9.6
Long-term unemployment (% of unemployed)	37.9	25.5
Income inequality, rank out of 34 (1: least unequal)	..	19 [4]
Average hours actually worked (per year)	1 988	1 939
Taxes on average worker (all-in, % of labour cost)	38.2	34.3
Road fatalities (per mln inhabitants)	163	120 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Portugal

Joined the OECD: 1961

President: Aníbal Cavaco Silva

Ambassador to the OECD: vacant

Delegation website: www.portugal-ocde.com

Parliament website: www.parlamento.pt

Capital city: Lisbon

Highlights

- Real growth in GDP slowed from 3.9% to 1.3% from 2000 to 2010.
- The general government finances deteriorated, from a deficit of 2.9% to one of 9.2% over the period, while public debt climbed above 100% of GDP.
- Unemployment rose nearly threefold to 12%, with over half of those classed as long-term unemployed.
- People over 65 account for 18% of the population, compared with an OECD total of 14.7%.
- R&D spending rose from 0.7% of GDP to 1.7% by 2009.
- Road fatalities plummeted by about two-thirds over the decade, and now stand below the OECD figure of 75 per million inhabitants.

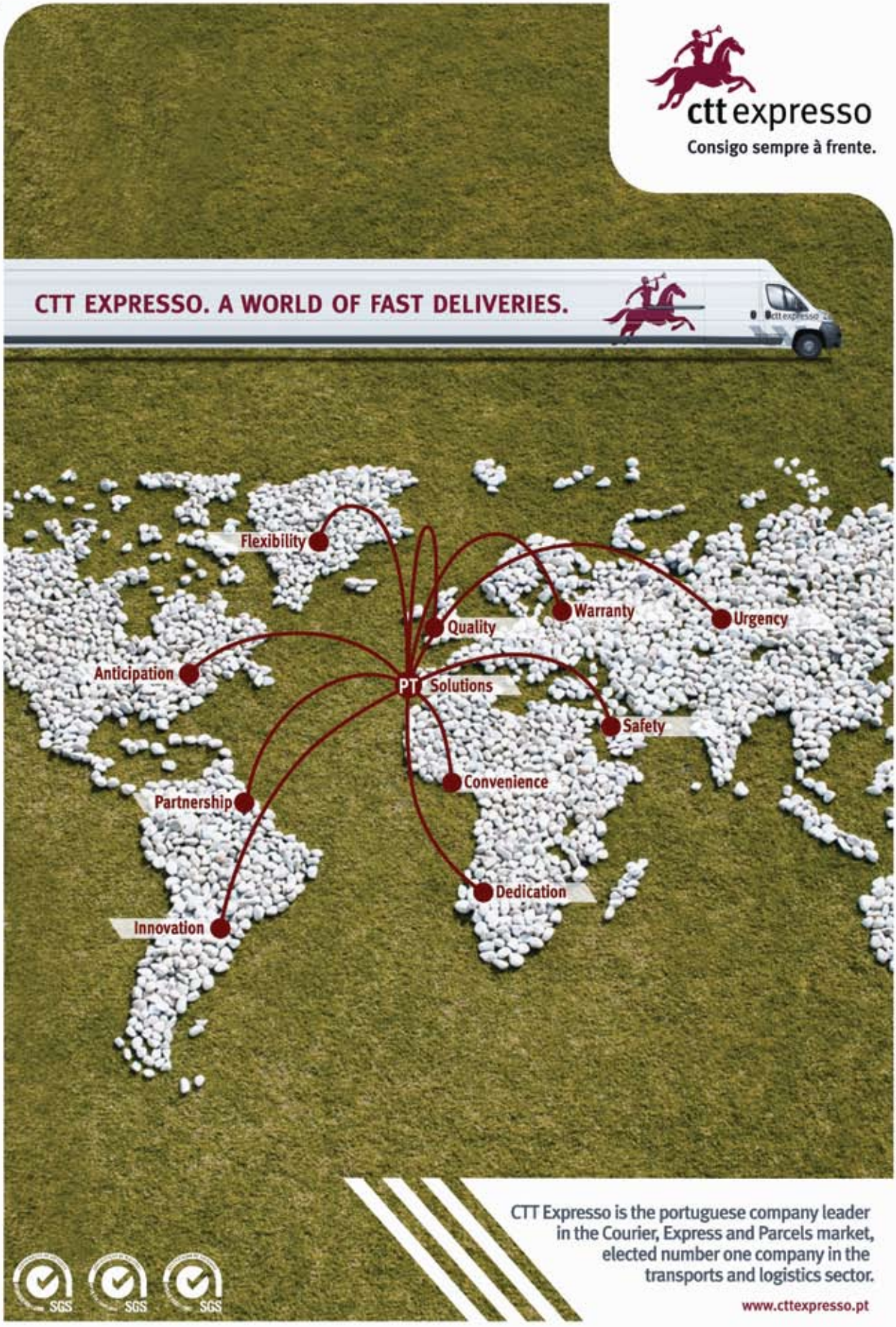
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	181.5	272.4
GDP per capita (US$)	17 749	25 609
Real GDP growth (annual %)	3.9	1.3
Household disposable income (annual growth %)	3.6	3.3 [2]
Budget balance (% of GDP)	-2.9	-9.2
Public debt (% of GDP)	60.2	103.1
Current account balance (% of GDP)	-10.4	-9.7
Inflation rate: all items (annual %)	2.9	1.4
Unit labour cost (annual growth %)	4.5	-1.4
Long-term interest rates (%)	5.60	5.40
Public expenditure on health (% of GDP)	6.2	..
Private expenditure on health (% of GDP)	3.2	..
Public expenditure on education (% of GDP)	..	4.7 [3]
Private expenditure on education (% of GDP)	..	0.5 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	15.2	24.0
Total energy production (Mtoe)	3.8	6.0
CO2 emissions from fuel combustion (mln tonnes)	59	53 [2]
R&D expenditure (% of GDP)	0.7	1.7 [2]
Tertiary graduation rates (% of population)	..	14.7 [2]
Households with Internet access (%)	8.0	47.9 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	40.0	38.1
Exports of goods and services (% of GDP)	29.0	31.0
Net official development assistance (% of GNI)	0.26	0.29
Foreign-born population (% of population)	5.1	6.3 [2]
Migration rate (per thousand)	4.6	..
Outward FDI stocks (US$ bln)	20	65
Inward FDI stocks (US$ bln)	32	110

SOCIETY		
Population (thousands)	10 226	10 632 [2]
Life expectancy at birth (years)	76.7	79.5 [2]
Population, 65 and over (% of population)	16.2	18.0
Employment rates: men (%)	76.3	70.1
Employment rates: women (%)	60.5	61.1
Self-employment rates (% of employed)	26.0	22.9
Unemployment rates (%)	4.5	12.0
Long-term unemployment (% of unemployed)	42.9	52.3
Income inequality, rank out of 34 (1: least unequal)	..	29 [4]
Average hours actually worked (per year)	1 765	1 714
Taxes on average worker (all-in, % of labour cost)	37.3	37.7
Road fatalities (per mln inhabitants)	186	69 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



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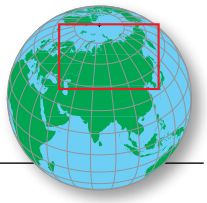


Russian Federation

President: Dmitry Medvedev

Parliament website: www.duma.gov.ru

Capital city: Moscow

Highlights

- GDP per capita in Russia rose from US$6,798 in 2000 to $19,833, still well below the OECD figure of $34,025.
- Inflation has come down, falling from over 20% in 2000 to just below 7% in 2010.
- Tertiary graduation at 54% of the population exceeds the OECD average of 30%.
- The employment rate of women stood at 63.5%, compared with over 71.6% for men, and an OECD figure of 56.7%.
- Average hours worked came to 1,976 per year, above the OECD number of 1,749.
- Road fatalities remain high, at 184 per million, more than twice the OECD figure of 75.

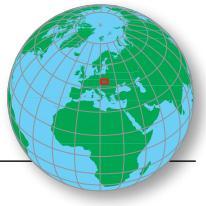
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	998.6	2 812.4
GDP per capita (US$)	6 798	19 833
Real GDP growth (annual %)	10.0	4.0
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	..	..
Inflation rate: all items (annual %)	20.8	6.9
Unit labour cost (annual growth %)	..	..
Long-term interest rates (%)	35.16	7.83
Public expenditure on health (% of GDP)	3.2	3.5 [2]
Private expenditure on health (% of GDP)	2.2	1.9 [2]
Public expenditure on education (% of GDP)	..	4.1 [3]
Private expenditure on education (% of GDP)	..	0.7 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	2.9	..
Total energy production (Mtoe)	978.0	..
CO2 emissions from fuel combustion (mln tonnes)	1 506	1 533 [2]
R&D expenditure (% of GDP)	1.1	1.2 [2]
Tertiary graduation rates (% of population)	..	54.0 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	24.1	..
Exports of goods and services (% of GDP)	44.1	..
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	8.1	8.7 [2]
Migration rate (per thousand)	2.5	..
Outward FDI stocks (US$ bln)	20	369
Inward FDI stocks (US$ bln)	32	493

SOCIETY		
Population (thousands)	146 758	142 958
Life expectancy at birth (years)	65.7	68.7 [2]
Population, 65 and over (% of population)	12.4	12.8
Employment rates: men (%)	67.7	71.6
Employment rates: women (%)	59.8	63.5
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	10.5	7.5
Long-term unemployment (% of unemployed)	46.2	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	1 982	1 976
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	203	184 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data



Slovak Republic

Joined the OECD: 2000

Prime Minister: Iveta Radičová

Ambassador to the OECD: Ingrid Brocková

Delegation website: www.mzv.sk/oecdpariz

Parliament website: www.nrsr.sk

Capital city: Bratislava

Highlights

- GDP per capita doubled, from US$10,982 in 2000 to $23,448 in 2010.
- The general government balance remained in deficit, though showed some improvement over the period as public debt eased from 57.6% of GDP to 44.5%.
- Unemployment fell from 18.8% in 2000 to 14.4% in 2010, nearly two thirds of whom are long-term unemployed.
- Renewable energy accounted for 6.7% of energy supply in 2010, sharply up on 2000 when it accounted for 2.8%.
- The Slovak Republic ranked 5th out of 34 countries in terms of income inequality in the OECD area, the first (least unequal) being Slovenia.

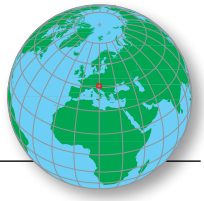
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	59.3	127.3
GDP per capita (US$)	10 982	23 448
Real GDP growth (annual %)	1.4	4.0
Household disposable income (annual growth %)	2.0	2.2 [2]
Budget balance (% of GDP)	-12.3	-7.9
Public debt (% of GDP)	57.6	44.5
Current account balance (% of GDP)	-3.4	-4.0
Inflation rate: all items (annual %)	12.0	1.0
Unit labour cost (annual growth %)	11.0	-1.5
Long-term interest rates (%)	..	3.87
Public expenditure on health (% of GDP)	4.9	6.0 [2]
Private expenditure on health (% of GDP)	0.6	3.1 [2]
Public expenditure on education (% of GDP)	..	3.5 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	2.8	6.7
Total energy production (Mtoe)	6.3	6.1
CO2 emissions from fuel combustion (mln tonnes)	37	33 [2]
R&D expenditure (% of GDP)	0.6	0.5 [2]
Tertiary graduation rates (% of population)	..	15.8 [2]
Households with Internet access (%)	..	62.2 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	73.0	81.9
Exports of goods and services (% of GDP)	70.4	80.9
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	0.3	0.6
Outward FDI stocks (US$ bln)	0	3
Inward FDI stocks (US$ bln)	5	51

SOCIETY		
Population (thousands)	5 401	5 431
Life expectancy at birth (years)	73.3	75.0 [2]
Population, 65 and over (% of population)	11.4	12.4
Employment rates: men (%)	62.2	65.2
Employment rates: women (%)	51.5	52.3
Self-employment rates (% of employed)	8.0	16.0
Unemployment rates (%)	18.8	14.4
Long-term unemployment (% of unemployed)	54.6	59.3
Income inequality, rank out of 34 (1: least unequal)	..	5 [4]
Average hours actually worked (per year)	1 844	1 786
Taxes on average worker (all-in, % of labour cost)	41.9	37.8
Road fatalities (per mln inhabitants)	120	71 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Slovenia

Joined the OECD: 2010

President: Dr Danilo Türk

Ambassador to the OECD: Andrej Rant

Parliament website: www.dz-rs.si

Capital city: Ljubljana

Highlights

- GDP per capita reached US$27,545 in 2010, though growth in household disposable income all but stagnated a year earlier.
- The general government deficit widened to 5.6% of GDP, as public debt was contained at a relatively modest 47.5% of GDP, less than half the OECD figure.
- Unemployment at 7.3% was below the OECD total of 8.6%, though over 40% of those were long-term unemployed.
- Slovenia was ranked 1st out of 34 countries in terms of income inequality in the OECD area (least unequal).
- Road fatalities were almost halved, from 157 per million inhabitants in 2000 to 84 in 2009.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	34.9	56.4
GDP per capita (US$)	17 549	27 545
Real GDP growth (annual %)	4.3	1.2
Household disposable income (annual growth %)	4.4	0.1 [2]
Budget balance (% of GDP)	-3.7	-5.6
Public debt (% of GDP)	..	47.5
Current account balance (% of GDP)	-3.1	-1.2
Inflation rate: all items (annual %)	8.9	1.8
Unit labour cost (annual growth %)	6.5	0.3
Long-term interest rates (%)	..	3.83
Public expenditure on health (% of GDP)	6.1	6.8 [2]
Private expenditure on health (% of GDP)	2.2	2.5 [2]
Public expenditure on education (% of GDP)	..	4.8 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	12.3	12.7
Total energy production (Mtoe)	3.1	3.5
CO2 emissions from fuel combustion (mln tonnes)	14	15 [2]
R&D expenditure (% of GDP)	1.4	1.9 [2]
Tertiary graduation rates (% of population)	..	23.3 [2]
Households with Internet access (%)	..	63.9 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	57.2	63.0
Exports of goods and services (% of GDP)	53.7	63.6
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	..	..
Migration rate (per thousand)	1.3	..
Outward FDI stocks (US$ bln)	1	7
Inward FDI stocks (US$ bln)	3	14

SOCIETY		
Population (thousands)	1 985	2 020 [2]
Life expectancy at birth (years)	75.5	79.0 [2]
Population, 65 and over (% of population)	14.0	16.4
Employment rates: men (%)	..	69.6
Employment rates: women (%)	..	62.6
Self-employment rates (% of employed)	16.1	17.3
Unemployment rates (%)	6.7	7.3
Long-term unemployment (% of unemployed)	..	43.3
Income inequality, rank out of 34 (1: least unequal)	..	1 [4]
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	46.3	42.4
Road fatalities (per mln inhabitants)	157	84 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient

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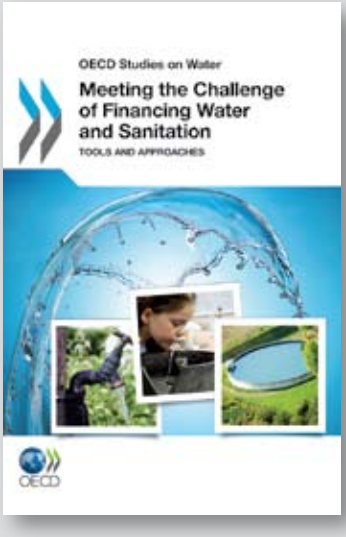

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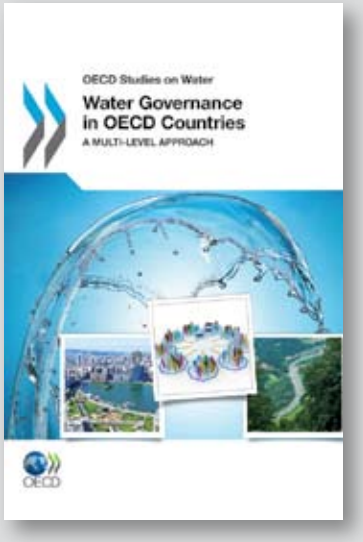

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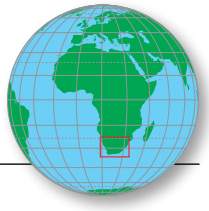


South Africa

President: Jacob Zuma

Parliament website: www.parliament.gov.za

Capital city: Pretoria

Highlights

- GDP per capita edged above US$10,000 in 2010.
- Long-term interest rates fell more than five percentage points to 8.62% over the decade.
- Inflation has been contained, at 4.1% in 2010.
- Unemployment rose gently though, affecting a quarter of the workforce.
- Unit labour costs grew by 7.6%, up from 4.7% in 2000.
- Tertiary graduation rates were around 4%, compared with 30% for an OECD country.
- Life expectancy declined by four years to 51.7 in 2009.

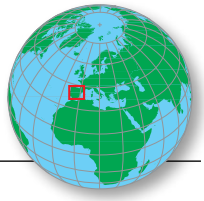
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	295.6	524.0
GDP per capita (US$)	6 640	10 498
Real GDP growth (annual %)	4.2	2.8
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	..
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	-0.1	..
Inflation rate: all items (annual %)	5.3	4.1
Unit labour cost (annual growth %)	4.7	7.6
Long-term interest rates (%)	13.79	8.62
Public expenditure on health (% of GDP)	3.4	3.4 [2]
Private expenditure on health (% of GDP)	5.0	5.1 [2]
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	11.1	..
Total energy production (Mtoe)	145.6	..
CO2 emissions from fuel combustion (mln tonnes)	298	369 [2]
R&D expenditure (% of GDP)	..	..
Tertiary graduation rates (% of population)	..	4.3 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	24.9	27.5
Exports of goods and services (% of GDP)	27.9	27.4
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	2.3	3.7 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	32	..
Inward FDI stocks (US$ bln)	43	..

SOCIETY		
Population (thousands)	44 760	50 133
Life expectancy at birth (years)	55.9	51.7 [2]
Population, 65 and over (% of population)	3.7	4.6
Employment rates: men (%)	..	..
Employment rates: women (%)	..	..
Self-employment rates (% of employed)	..	..
Unemployment rates (%)	23.3	24.9
Long-term unemployment (% of unemployed)	..	..
Income inequality, rank out of 34 (1: least unequal)	..	..
Average hours actually worked (per year)	..	..
Taxes on average worker (all-in, % of labour cost)	..	..
Road fatalities (per mln inhabitants)	196	..

1. Unless otherwise indicated **2.** 2009 data



Spain

Joined the OECD: 1961

Prime Minister:
Mariano Rajoy Brey

Ambassador to the OECD:
Ricardo Díez-Hochleitner

Delegation website:
www.maec.es/subwebs/representaciones/OCDE/

Parliament website: www.congreso.es

Capital city: Madrid

Highlights

- GDP per capita was US$32,076 in 2010, well up on 2000, but the economy contracted slightly.
- The deficit in general governance finances widened from a fairly modest 1% of GDP to just over 9%, though public debt stayed quite steady in GDP terms over the decade.
- By the end of the decade unemployment was nearly twice its 2000 rate, at 20.1%.
- The foreign-born population nearly tripled in relation to the total, reaching 14.3%.
- Road fatalities were more than halved, at 60 per million, which is below the OECD total of 75.

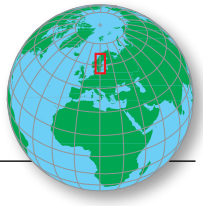
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	858.4	1 477.8
GDP per capita (US$)	21 320	32 076
Real GDP growth (annual %)	5.0	-0.1
Household disposable income (annual growth %)	..	1.9 [2]
Budget balance (% of GDP)	-1.0	-9.2
Public debt (% of GDP)	66.5	66.1
Current account balance (% of GDP)	-4.0	-4.5
Inflation rate: all items (annual %)	3.4	1.8
Unit labour cost (annual growth %)	2.7	..
Long-term interest rates (%)	5.53	4.25
Public expenditure on health (% of GDP)	5.2	7.0 [2]
Private expenditure on health (% of GDP)	2.0	2.5 [2]
Public expenditure on education (% of GDP)	..	4.5 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	5.7	11.4
Total energy production (Mtoe)	31.7	33.9
CO2 emissions from fuel combustion (mln tonnes)	284	283 [2]
R&D expenditure (% of GDP)	0.9	1.4 [2]
Tertiary graduation rates (% of population)	..	29.7 [2]
Households with Internet access (%)	..	54.0 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	32.2	28.4
Exports of goods and services (% of GDP)	29.0	26.3
Net official development assistance (% of GNI)	0.22	0.43
Foreign-born population (% of population)	4.9	14.3 [2]
Migration rate (per thousand)	8.9	..
Outward FDI stocks (US$ bln)	129	655
Inward FDI stocks (US$ bln)	156	604

SOCIETY		
Population (thousands)	40 264	46 073
Life expectancy at birth (years)	79.4	81.8 [2]
Population, 65 and over (% of population)	16.8	17.0
Employment rates: men (%)	72.7	65.6
Employment rates: women (%)	42.0	53.0
Self-employment rates (% of employed)	20.2	16.9
Unemployment rates (%)	11.1	20.1
Long-term unemployment (% of unemployed)	47.6	45.1
Income inequality, rank out of 34 (1: least unequal)	..	22 [4]
Average hours actually worked (per year)	1 731	1 663
Taxes on average worker (all-in, % of labour cost)	38.6	39.6
Road fatalities (per mln inhabitants)	143	60 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Sweden

Joined the OECD: 1961

Prime Minister: Fredrik Reinfeldt

Ambassador to the OECD: Anders Ahnlid

Delegation website: www.swedenabroad.com/oecd

Parliament website: www.riksdagen.se

Capital city: Stockholm

Highlights

- Real GDP growth came to 5.7% in 2010, compared with 3% for the OECD area.
- General government debt stood at 49.1% of GDP, well below the OECD figure of 97.6%.
- The total population approached 9.4 million in 2010, of which 18.3% were aged 65 and over, compared with 14.7% for the OECD.
- Long-term unemployment at 16.6% of the total in 2010, was sharply down on 10 years earlier.
- Renewable energy accounted for 32.7% of Sweden's energy supply, compared with 7.6% for the OECD.

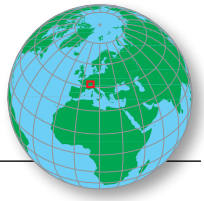
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	248.0	365.9
GDP per capita (US$)	27 948	39 013
Real GDP growth (annual %)	4.5	5.7
Household disposable income (annual growth %)	5.2	1.6 [2]
Budget balance (% of GDP)	3.6	-0.3
Public debt (% of GDP)	64.3	49.1
Current account balance (% of GDP)	3.8	6.3
Inflation rate: all items (annual %)	0.9	1.2
Unit labour cost (annual growth %)	4.5	-2.0
Long-term interest rates (%)	5.37	2.89
Public expenditure on health (% of GDP)	6.9	8.2 [2]
Private expenditure on health (% of GDP)	1.2	1.9 [2]
Public expenditure on education (% of GDP)	..	6.1 [3]
Private expenditure on education (% of GDP)	..	0.2 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	31.0	32.7
Total energy production (Mtoe)	30.5	32.5
CO2 emissions from fuel combustion (mln tonnes)	53	42 [2]
R&D expenditure (% of GDP)	..	3.6 [2]
Tertiary graduation rates (% of population)	..	33.0 [2]
Households with Internet access (%)	48.2	86.0 [2]

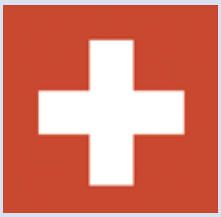
GLOBALISATION		
Imports of goods and services (% of GDP)	40.2	44.1
Exports of goods and services (% of GDP)	46.5	50.0
Net official development assistance (% of GNI)	0.80	0.97
Foreign-born population (% of population)	11.3	14.4 [2]
Migration rate (per thousand)	2.8	5.3
Outward FDI stocks (US$ bln)	123	336
Inward FDI stocks (US$ bln)	94	349

SOCIETY		
Population (thousands)	8 872	9 379
Life expectancy at birth (years)	79.7	81.4 [2]
Population, 65 and over (% of population)	17.3	18.3
Employment rates: men (%)	76.3	75.0
Employment rates: women (%)	72.2	70.3
Self-employment rates (% of employed)	10.3	10.9
Unemployment rates (%)	5.6	8.4
Long-term unemployment (% of unemployed)	26.4	16.6
Income inequality, rank out of 34 (1: least unequal)	..	7 [4]
Average hours actually worked (per year)	1 642	1 624
Taxes on average worker (all-in, % of labour cost)	50.1	42.7
Road fatalities (per mln inhabitants)	67	39 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Switzerland



Joined the OECD: 1961

President:
Eveline Widmer-Schlumpf

Ambassador to the OECD:
Stefan Flückiger

Delegation website: www.eda.admin.ch/paris_ocde

Parliament website: www.parlament.ch

Capital city: Bern

Highlights

- GDP per head increased by almost $15,000 in the past decade, to $46,480, one of the highest in the OECD.
- There was a budget surplus of 0.5% of GDP in 2010, compared with a deficit of 7.7% for the OECD.
- The total population was over 7.8 million in 2010, of which 17.5% were aged 65 and over. The foreign-born population accounted for over 26% of the total in 2009.
- Renewable energy accounted for 18.8% of Switzerland's energy supply, compared with 7.6% for the OECD.
- The unemployment rate, at 4.2%, was below the OECD rate of 8.6%. Over one third of the unemployed were in long-term unemployment.

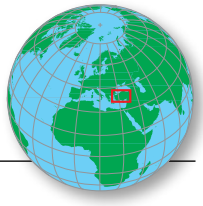
ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	227.9	361.9
GDP per capita (US$)	31 618	46 480
Real GDP growth (annual %)	3.6	2.6
Household disposable income (annual growth %)	3.7	..
Budget balance (% of GDP)	0.1	0.5
Public debt (% of GDP)	52.4	40.2
Current account balance (% of GDP)	12.0	14.7
Inflation rate: all items (annual %)	1.6	0.7
Unit labour cost (annual growth %)	1.0	..
Long-term interest rates (%)	3.93	1.63
Public expenditure on health (% of GDP)	5.6	6.8 [2]
Private expenditure on health (% of GDP)	4.5	4.6 [2]
Public expenditure on education (% of GDP)	..	5.3 [3]
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	17.7	18.8
Total energy production (Mtoe)	12.0	12.7
CO2 emissions from fuel combustion (mln tonnes)	43	42 [2]
R&D expenditure (% of GDP)	2.5	..
Tertiary graduation rates (% of population)	..	35.0 [2]
Households with Internet access (%)	..	..

GLOBALISATION		
Imports of goods and services (% of GDP)	40.7	42.1
Exports of goods and services (% of GDP)	46.5	54.2
Net official development assistance (% of GNI)	0.34	0.41
Foreign-born population (% of population)	21.9	26.3 [2]
Migration rate (per thousand)	2.8	..
Outward FDI stocks (US$ bln)	232	889
Inward FDI stocks (US$ bln)	87	543

SOCIETY		
Population (thousands)	7 184	7 822
Life expectancy at birth (years)	79.9	82.3 [2]
Population, 65 and over (% of population)	15.3	17.5
Employment rates: men (%)	87.3	84.8
Employment rates: women (%)	69.4	72.3
Self-employment rates (% of employed)	13.2	..
Unemployment rates (%)	2.5	4.2
Long-term unemployment (% of unemployed)	29.0	34.3
Income inequality, rank out of 34 (1: least unequal)	..	17 [4]
Average hours actually worked (per year)	1 688	..
Taxes on average worker (all-in, % of labour cost)	21.6	20.8
Road fatalities (per mln inhabitants)	82	46 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient



Turkey

Joined the OECD: 1961

Prime Minister:
Recep Tayyip Erdoğan

Ambassador to the OECD:
Kadri Ecvet Tezcan

Delegation website: http://oecd.pr.mfa.gov.tr

Parliament website: www.tbmm.gov.tr

Capital city: Ankara

Highlights

- Real GDP growth was 8.9% in 2010, one of the highest growth rates in the OECD.
- The inflation rate, at 8.6%, declined significantly from 2000, when it approached 55%.
- The employment rate for women was at 26.2%, compared with 66.7% for men and significantly below the OECD figure of 56.7%.
- All-in taxes on the average worker came to 37.4% of labour cost, slightly higher than the OECD average of 34.9%.
- Renewable energy accounted for 11% of Turkey's energy supply, compared with 7.6% for the OECD.
- Road fatalities were at 58 per million inhabitants in 2009, compared with 75 per million for the OECD.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	589.2	1 116.0
GDP per capita (US$)	9 170	15 320
Real GDP growth (annual %)	6.8	8.9
Household disposable income (annual growth %)	..	..
Budget balance (% of GDP)	..	-4.6
Public debt (% of GDP)	..	..
Current account balance (% of GDP)	-3.7	-6.5
Inflation rate: all items (annual %)	54.9	8.6
Unit labour cost (annual growth %)	33.1	..
Long-term interest rates (%)	..	..
Public expenditure on health (% of GDP)	3.1	..
Private expenditure on health (% of GDP)	1.8	..
Public expenditure on education (% of GDP)	..	..
Private expenditure on education (% of GDP)	..	..

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	13.2	11.0
Total energy production (Mtoe)	25.9	30.3
CO2 emissions from fuel combustion (mln tonnes)	201	256 [2]
R&D expenditure (% of GDP)	0.5	0.8 [2]
Tertiary graduation rates (% of population)	..	12.7 [2]
Households with Internet access (%)	6.9	..

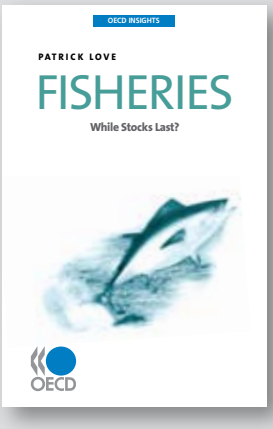
GLOBALISATION		
Imports of goods and services (% of GDP)	23.1	26.6
Exports of goods and services (% of GDP)	20.1	21.1
Net official development assistance (% of GNI)	..	..
Foreign-born population (% of population)	1.9	..
Migration rate (per thousand)	0.0	..
Outward FDI stocks (US$ bln)	4	22
Inward FDI stocks (US$ bln)	19	186

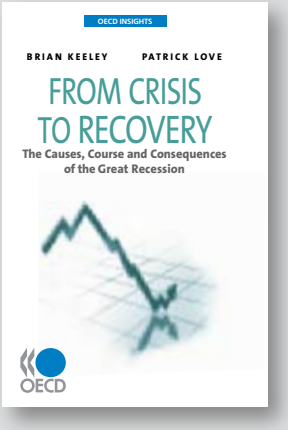
SOCIETY		
Population (thousands)	64 259	72 698
Life expectancy at birth (years)	71.0	73.8 [2]
Population, 65 and over (% of population)	6.8	7.7
Employment rates: men (%)	71.7	66.7
Employment rates: women (%)	26.2	26.2
Self-employment rates (% of employed)	51.4	39.1
Unemployment rates (%)	..	10.6
Long-term unemployment (% of unemployed)	21.1	28.6
Income inequality, rank out of 34 (1: least unequal)	..	32 [3]
Average hours actually worked (per year)	1 937	1 877
Taxes on average worker (all-in, % of labour cost)	40.4	37.4
Road fatalities (per mln inhabitants)	58	58 [2]

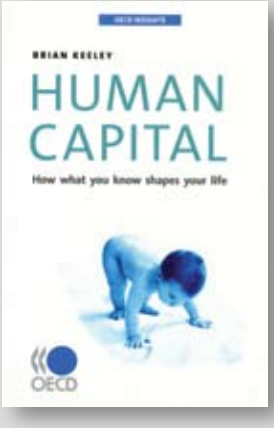
1. Unless otherwise indicated **2.** 2009 data **3.** Late 2000s data, based on Gini coefficient

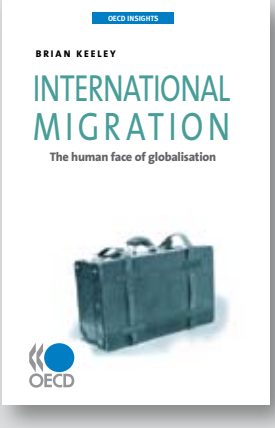
BETTER POLICIES FOR BETTER LIVES

OECD Insights: Understanding the issues









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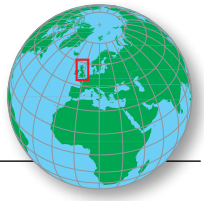

United Kingdom

Joined the OECD: 1961

Prime Minister: David Cameron

Ambassador to the OECD: Nick Bridge

Delegation website: http://ukoecd.fco.gov.uk/en/

Parliament website: www.parliament.uk

Capital city: London

Highlights

- Household disposable incomes grew by just 1% in 2009, compared with 4% in 2000.
- General government debt came to 82.4%, below the OECD total of 97.6%.
- The total population was over 61.3 million in 2010, of which 16% were aged 65 and over, compared with 14.7% for the OECD.
- Unemployment stood at 7.8%, up from 5.4% in 2000 but below the OECD rate of 8.6%. A third of the total were long-term unemployed.
- Road fatalities, at 38 per million in 2009, were at around half the OECD number of 75 per million, and were the lowest in the OECD area.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	1 535.2	2 233.9
GDP per capita (US$)	26 071	35 917
Real GDP growth (annual %)	3.9	1.4
Household disposable income (annual growth %)	4.0	1.0 [2]
Budget balance (% of GDP)	3.7	-10.3
Public debt (% of GDP)	45.1	82.4
Current account balance (% of GDP)	-2.6	-2.5
Inflation rate: all items (annual %)	0.8	3.3
Unit labour cost (annual growth %)	2.8	2.0
Long-term interest rates (%)	5.33	3.61
Public expenditure on health (% of GDP)	5.6	8.2 [2]
Private expenditure on health (% of GDP)	1.5	1.6 [2]
Public expenditure on education (% of GDP)	..	5.1 [3]
Private expenditure on education (% of GDP)	..	0.6 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	1.0	3.3
Total energy production (Mtoe)	272.5	149.7
CO2 emissions from fuel combustion (mln tonnes)	524	466 [2]
R&D expenditure (% of GDP)	1.8	1.9 [2]
Tertiary graduation rates (% of population)	..	36.9 [2]
Households with Internet access (%)	19.0	76.7 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	29.5	32.8
Exports of goods and services (% of GDP)	27.6	29.4
Net official development assistance (% of GNI)	0.32	0.56
Foreign-born population (% of population)	7.9	11.3 [2]
Migration rate (per thousand)	..	..
Outward FDI stocks (US$ bln)	923	1 689
Inward FDI stocks (US$ bln)	463	1 086

SOCIETY		
Population (thousands)	58 886	61 349
Life expectancy at birth (years)	77.9	80.4 [2]
Population, 65 and over (% of population)	15.8	16.0
Employment rates: men (%)	78.9	75.3
Employment rates: women (%)	65.6	65.3
Self-employment rates (% of employed)	12.8	13.9
Unemployment rates (%)	5.4	7.8
Long-term unemployment (% of unemployed)	28.0	32.6
Income inequality, rank out of 34 (1: least unequal)	..	28 [4]
Average hours actually worked (per year)	1 700	1 647
Taxes on average worker (all-in, % of labour cost)	32.6	32.7
Road fatalities (per mln inhabitants)	62	38 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient

Enabling Transformation in Public Sector Financial Management

Filippo Sabatini, Global Transaction Services Public Sector Head Citi

A major focus for both G20 governments and the World Bank is the rollout of effective and transparent governance models, best practices in operational efficiency and optimisation of treasury activities. At Citi, we actively support government and public sector bodies through our skills, expertise, regional presence and comprehensive spectrum of banking solutions. These are enabling a growing number of local and national governments globally to enhance efficiency and control, reduce costs, increase financial transparency and build public confidence.

Global Financial Challenges

Government entities and agencies have huge challenges in automating payments and collections, particularly in countries where financial exclusion is high. Volumes can also be enormous, from taxes and utility payments, to social benefits and salaries. Paper and cash remain the two greatest barriers to achieving efficient financial processing. Transporting and issuing cash payments bring significant risks including lack of control, potential for fraud, error and theft. Cheques also bring considerable challenges as they are costly and time-consuming to produce, the value date is unpredictable, and auditability is low.

Digitising Payments

Automated payments, combined with sophisticated document management and identity management systems, enable governments globally to improve efficiency, security, convenience, cost control and stakeholder confidence. One example is the use of prepaid cards. These are prefunded cards (either physical or virtual) with the value stored on a server-based electronic account as opposed to a bank account. Cards can be used for one-off amounts, (e.g. tax rebates, grants or student loan payments) or make regular payments (e.g. employee expenses, pensions, social security or benefit payments). Cash is held securely with immediate access to funds, unlike cheques, with full information and assistance available to card holders.

Public sector bodies as well as individuals can make use of cards, such as for paying suppliers using procurement cards. Policies can be defined and enforced, and card usage is supported with detailed information and automated processes. Emergency procurement cards have a major role during crisis situations, enabling governments to respond quickly with rapid procurement of supplies and services without compromising financial transparency or integrity.

Pioneering Mobile Technology

Increasingly, governments and citizens are leveraging mobile telephony e.g. for automating low value payments such as parking charges, public transport costs etc. In countries with a large unbanked population, the opportunities are even greater. In Kenya, for example, where fewer than 20% have bank accounts, mobile money enables individuals to pay and be paid electronically securely and conveniently without the need for a bank account. We worked with Vodafone's Kenyan affiliate Safaricom to enable M-PESA as payments and collection channel for our corporate and public sector clients. Around 60% of payments nationally are now transacted through M-PESA, with similar solutions now being rolled out to other parts of Africa.

Good Governance

By demonstrating transparent financial processes and decision-making, public sector bodies can build public trust and are in a better position to manage and plan their financial requirements. From cashless hospitals in Mexico to electronic tax and fee payments in Mumbai and state-of-the-art asset management in Chicago, Citi is helping to create the cities, states and countries of the future, with the transaction, document and identity management tools that benefit citizens and enhance financial transparency.

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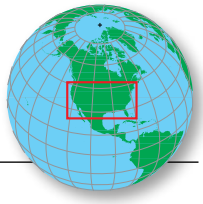

United States

Joined the OECD: 1961

President: Barack Obama

Ambassador to the OECD: Karen Kornbluh

Delegation website: http://usoecd.usmission.gov

Parliament websites: www.house.gov; www.senate.gov

Capital city: Washington, DC

Highlights

- GDP approached US$15,000 billion in 2010, a third bigger than China in purchasing power parity terms.
- General government debt came to 93.6% of GDP, up from 54.5% in 2000.
- Tertiary graduation rates were at 41.2% of the population in 2009, compared with an OECD average of 30%.
- Long-term unemployment rose from 6% of the jobless total in 2000 to 29% in 2010.
- The employment rate for women was at 62.4%, compared with 71.1% for men, and an OECD figure of 56.7%.
- Renewable energy accounted for 5.6% of total energy supply, compared with 7.6% for the OECD.

ECONOMY	2000	2010 [1]
Gross domestic product (US$ bln, PPPs)	9 898.8	14 582.4
GDP per capita (US$)	35 050	47 024
Real GDP growth (annual %)	4.2	2.9
Household disposable income (annual growth %)	4.8	0.9 [2]
Budget balance (% of GDP)	1.5	-10.6
Public debt (% of GDP)	54.5	93.6
Current account balance (% of GDP)	-4.2	-3.2
Inflation rate: all items (annual %)	3.4	1.6
Unit labour cost (annual growth %)	3.6	..
Long-term interest rates (%)	6.03	3.21
Public expenditure on health (% of GDP)	5.9	8.3 [2]
Private expenditure on health (% of GDP)	7.8	9.1 [2]
Public expenditure on education (% of GDP)	..	5.1 [3]
Private expenditure on education (% of GDP)	..	2.1 [3]

NEW SOURCES OF GROWTH		
Renewable energy (% of energy supply)	4.5	5.6
Total energy production (Mtoe)	1 667.3	1 740.9
CO2 emissions from fuel combustion (mln tonnes)	5 698	5 195 [2]
R&D expenditure (% of GDP)	2.7	..
Tertiary graduation rates (% of population)	..	41.2 [2]
Households with Internet access (%)	41.5	68.7 [2]

GLOBALISATION		
Imports of goods and services (% of GDP)	14.9	..
Exports of goods and services (% of GDP)	11.0	..
Net official development assistance (% of GNI)	0.10	0.21
Foreign-born population (% of population)	11.0	12.7 [2]
Migration rate (per thousand)	4.6	..
Outward FDI stocks (US$ bln)	1 532	4 429
Inward FDI stocks (US$ bln)	1 421	2 659

SOCIETY		
Population (thousands)	282 166	309 051
Life expectancy at birth (years)	76.7	78.2 [2]
Population, 65 and over (% of population)	12.4	13.1
Employment rates: men (%)	80.6	71.1
Employment rates: women (%)	67.8	62.4
Self-employment rates (% of employed)	7.4	7.0
Unemployment rates (%)	4.0	9.6
Long-term unemployment (% of unemployed)	6.0	29.0
Income inequality, rank out of 34 (1: least unequal)	..	31 [4]
Average hours actually worked (per year)	1 836	1 778
Taxes on average worker (all-in, % of labour cost)	30.4	29.7
Road fatalities (per mln inhabitants)	149	111 [2]

1. Unless otherwise indicated **2.** 2009 data **3.** 2008 data **4.** Late 2000s data, based on Gini coefficient

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CONTACT: ANNE DE SOUCY, SECRETARY GENERAL OF THE LTI CLUB
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anne.de-soucy@ltic.org

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European Investment Bank | IDFC | kfw | MUBADALA | OMERS Worldwide | TSKB | VNESHECONOMBANK

How has your company managed to ride out the current economic recession?

Victor Philippe Dahdaleh, Chairman and Owner, Dadco Group Ltd

We are operating in a commodity-type heavy industry, alumina and alumina chemicals production, where revenues are quite volatile and very vulnerable to economic sentiment at any time. In 2009, unit revenues and demand for our products both plummeted. Costs did not respond as quickly. We ended up making some losses. However, we were able to ride out what might have otherwise been a severe pressure on a company our size.

The most important element in surviving tough economic circumstances was a strong balance sheet. Dadco is a rare commodity in the aluminium industry in that it has no debt, and this helped enormously! It has always been our approach to operate with no debt. Until recently, many had considered this approach old-fashioned, preferring to leverage assets as much as possible. I suspect, following the events of recent years and growing concerns with unsustainable debt, our approach is coming back into fashion.

Please tell us about your vision for corporate development in the coming years.
For Europe, the dominant factor in future development will be energy. The challenge for Dadco is to find ways of producing more using less energy. Dadco's AOS refinery has been awarded an Operational Excellence Award. We have the lowest energy consumption and carbon emission rate per tonne of alumina in the world. But we can always do better. As such, we made a strategic decision two years ago to invest in its future energy needs with the development of a gas fired co-generation plant, an innovation that will further reduce our carbon footprint.

We are also evaluating new business areas for diversity and strength, based on our view of what challenges the world might face in the coming decade. In our list are fertiliser projects, other minerals, sustainable energy projects and agri-business projects. In these areas we intend to use our company's network, experience and financial strength to bring together markets, producers and finances needed to create these new businesses.

How has your company factored in social and environmental responsibility?
As a first principle Dadco is committed to operating the company in a way that preserves the environment and provides a safe work place for all employees.
This is testified to by our decision to invest in a co-generation power plant to secure future energy supply, and our desire to nurture and invest in our employees. At Dadco we employ workers in a nation where standards for employment are amongst the world's highest—while competing with many who operate in less-socially responsible business environments. We remain competitive by investing in human capital and providing amiable working conditions, which helps us retain the skilled workers we need to continually innovate and improve efficiency.

You are yourself actively involved in several foundations and universities. Could you tell us the reasons behind this?
A major goal is to help improve the future for others. It is a way of giving back and of saying thanks for the opportunities and good fortune we have seen in our lifetimes.

My experience suggests that one learns best as a member of a society rather that as an individual. As such, I have guided the Victor Phillip Dahdaleh Charitable Foundation to provide scholarships to needy students of several universities around the world including the London School of Economics and McGill University in Canada. Furthermore, we support the William J Clinton Presidential Foundation, the Tony Blair Faith Foundation, the Heart and Lung Foundation, Cancer and Medical research, and contribute to a wide range of other issues such as the economic and social development of poorer countries.

There is a great personal satisfaction and fulfilment derived from these activities and I intend to continue to grow them.

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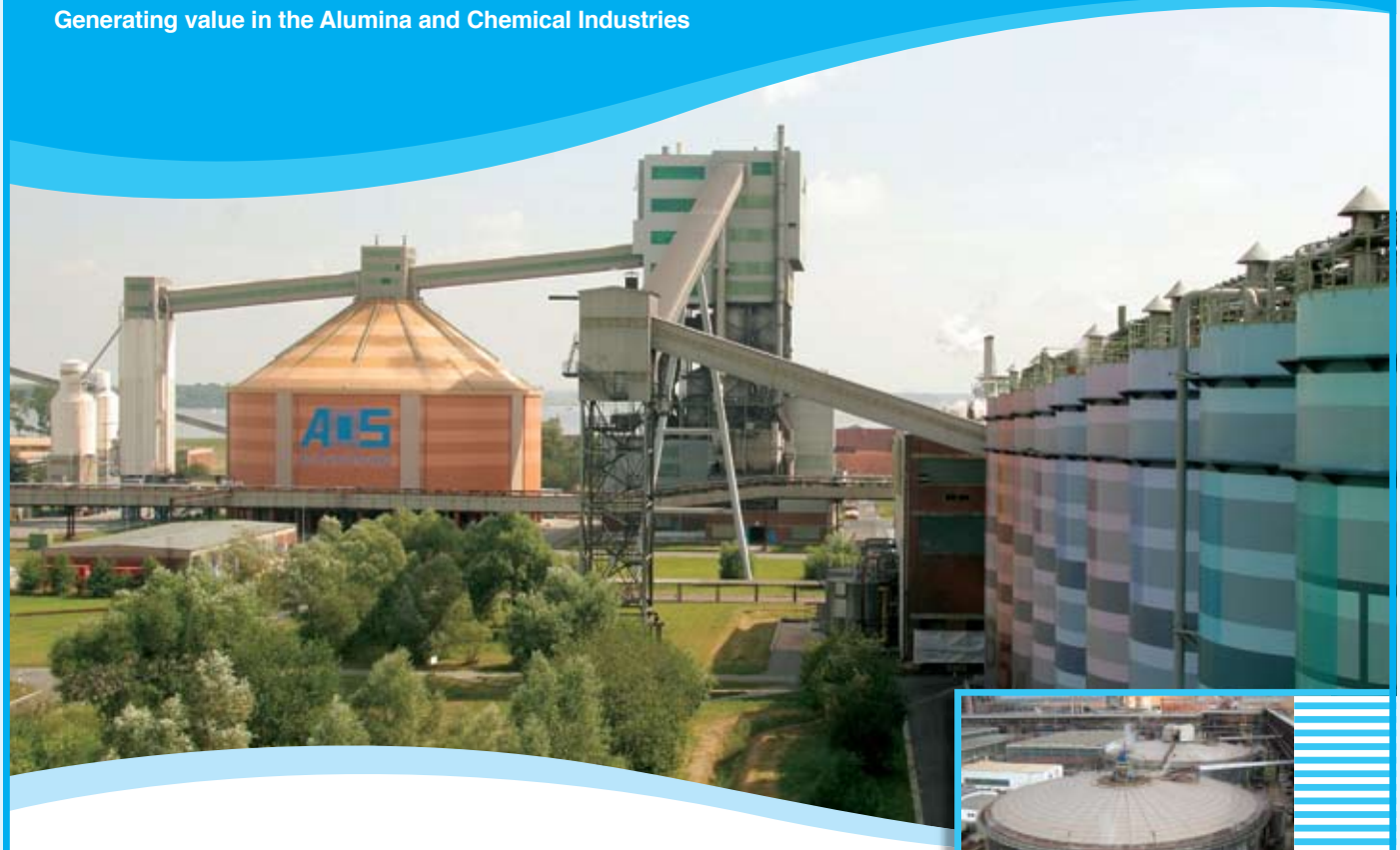
Generating value in the Alumina and Chemical Industries



38 years and still leading

Our technology leads the World's Alumina Industry:

- **Quality** – Our refinery enjoys a worldwide reputation for high quality products and excellent product support.
- **Efficiency** – We have the lowest specific energy usage in the industry.
- **Environmental impact** – We generate the lowest emissions per tonne produced.

Our commitment to the environment and the societies we serve:

- **Employment** – Providing jobs in the local community.
- **Investment in worldwide economy** – Procuring of raw materials, energy and services.
- **Creating opportunities** – By applying advanced skills and innovation.
- **Supporting local communities** – Through sponsorship and participation.

Our relentless commitment to continuous improvement ensures that **everybody benefits**.

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