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"Recognise yourself"
Migration's historic moment

Sustainable Development Goals: A revolution begins?
Why modernise development aid
Education: A currency to invest in
Why data can make a difference
Tax: revenue statistics help
Investment: an OECD policy framework
Improving Nigerian investment
Green energy
China joins the OECD Development Centre
Spotlight: Financial inclusion for development

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OECD BETTER POLICIES FOR BETTER LIVES

Readers' views



What funding for gender equality?

As we embark on adopting a new development agenda, it is an opportune time to put the spotlight on the plight of millions of women and girls around the world who desperately need access to basic services, decent employment and freedom of choice to live a better quality life. Without money and proper funding, gender equality and women's empowerment will never be fully achieved.

Therefore, more and targeted funding is needed in areas of critical importance for gender equality. All actors including donors and private sector need to strengthen financial contributions in order to effectively address gender inequality. Women's organisations and civil society play a critical role in empowering women at the grass-roots level and they need adequate funding to continue this crucial role.

Samina Anwar, commenting on the online discussion "Mobilising financing for gender equality to deliver on the SDGs in practice", www.wikigender.org, June 2015

—

Your question is: How can we better mobilise "non-traditional" donors such as the private sector to step up investments in gender equality?

Who is "we"? It seems to me that "we" are all at different levels of access and knowledge about working with the private sector. In the South, the private sector is quite limited, and local organisations do not seem to have the capacity and skills to turn to the private sector. Training and information packs on how to change fundraising practices are clearly needed.

What other new initiatives, funds or partnerships are needed to implement the gender equality agenda of the Sustainable Development Goals (SDGs)?

I think we should find "champions" in all 17 SDGs among public, private and NGO [representatives] working or funding issues related to each SDG so that mainstreaming really takes place, as well as specific actions. We should maybe work on a global campaign targeting each of the sectors and better "divide" but also co-ordinate the work of gender activists doing this. Would a fund for each SDG be appropriate? Better co-ordination too is needed between different linguistic zones, as not all have the same experience and opportunities dealing with the private sector in particular.

We need to be better able to make visible and capitalise local fundraising initiatives for women's organisations, so that not only large NGOs and institutions capture funds, sometimes at the expense of small organisations, and publicise their work.

Claudy Vouhé, commenting on the online discussion "Mobilising financing for gender equality to deliver on the SDGs in practice", www.wikigender.org, June 2015

Investment needs regional co-operation

Private investment, particularly in infrastructure, is likely to be a key component of development finance going forward. Investment policies, as well as financial regulation, macroeconomic policies, environmental protection, trade policies, and other elements of the "beyond ODA" toolkit, will be a central means through which countries can affect their economic development and that of their neighbours.

Given the potential for cross-border spillovers, both good and bad, regional collaboration in investment policies is not only the smart thing to do, but is also very much in line with the notion of shared responsibility promoted by the post-2015 sustainable development agenda.

Julie B, commenting on oecdinsights.org, "Regional investment: Time to co-operate", July 2015

Twitterings

Erikwim During @ErikwimDuring
@OECD @A_Gurria @guardiannews @OECD_Social @OECDdev Refugees are neither liabilities nor assets. #refugees are human beings.

Project World Impact@prjworldimpact
@OECD @A_Gurria @OECD_Social @RefugeesMedia Something needs to change. Thank you for creating a discussion on this #migration #refugeecrisis

Markus Schuller @panthera_s
Interesting move. #China enters membership ranks of @OECD Development Centre. Another step in its transition to a new growth model.

Hetan Shah @HetanShah
Inequality is unjust, not bad for growth says @ChrisGiles_ in contrast to @IMFNews @OECD: http://on.ft.com/1hKSJkS

Rafel Fors #Sí Sí @RafelFors
Interesting tool by @OECD to check how income is distributed in your country. My conclusion: too much #inequality !!! http://bit.ly/1HjKEJk

Constantin Gurdgiev @GTCost
"@OECD: Plan to have #figs this weekend? over 300 varieties, see fig standards here http://bit.ly/1ErLZNr " oh dear! Bureaucratic overfeed…

Maurice Oduor @MauriceJOduor
@wef @OECD Minimum wage is irrelevant. What matters is the cost of living. A Kenyan teacher who earns $200 a month can even

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Migration should be harnessed, not feared



Put simply, Europe needs migrants and the new skills they can bring

Angel Gurría
Secretary-General of the OECD

We are facing an historic moment. By the end of this year, the number of people applying for asylum in the European Union will exceed 1 million. The human cost of this refugee crisis is appalling. Yet, in all but a handful of cases, the response of Europe's governments has been tentative, at best: acknowledging the need to do more, while fearing the implications.

Some politicians fear the burden that migrants will impose on local communities and taxpayers. Others fear extremists masquerading as genuine refugees. Above all, many are scared of public opinion, which–for all the heart-warming scenes of welcome and support for asylum-seekers–remains hesitant and even hostile to the prospect of still more migrants from war-torn, troubled countries, especially if they practise a different religion.

European leaders cannot afford to be afraid. The refugee crisis is not one from which they can opt out. No magic wand will empower leaders to transport more than a million people back across the Aegean and the Bosphorus to Mosul and Aleppo, or across the Mediterranean to Eritrea, Somalia and Sudan.

The reintroduction of border controls and the construction of fences may buy time for overstretched countries, but no one can seriously expect to keep out people who are so desperate to move. Given the dire conditions in the countries from which they are fleeing, perhaps half of the asylum-seekers will qualify for residency under even the strictest rules. So, whatever the sensitivity or ambivalence of public opinion, European leaders will have to find a bold, co-ordinated and unified response.

There are three challenges. The first is to agree on a fair allocation of refugees within Europe; despite their vast numbers, these desperate people must be provided with shelter, food and support. This will be difficult enough.

The second challenge is to start the process of integrating refugees into Europe's societies and economies. Some refugees will find it relatively easy to find jobs. A university-educated Syrian civil engineer arriving in Munich will need to learn some German, but once this is done, he or she is unlikely to have to wait too long before employers come knocking. Other asylum-seekers have lower levels of education, and many may well be traumatised by their experience of war and exodus. It will take time and effort to integrate them–and many voters will be sceptical of the process, especially given that successful integration or assimilation will not come cheap.

However, paying the price to accept and integrate today's asylum-seekers could reap significant benefits for the Europe of tomorrow. Our work at the OECD shows that migration, if well managed, can spur growth and innovation. Unfortunately, in the past, migration has not always been well managed: migrants have been concentrated in ghetto-like conditions, with few public services or employment prospects.

Even so, the evidence from the OECD's 34 member countries is that immigrants generally pay more in taxes and social security contributions than they receive in individual benefits. Put simply, Europe needs migrants and the new skills they can bring. Otherwise, as its population falls, it will struggle to pay pensions and health-care costs in the future–already in the decade to 2010, immigration accounted for 65% of the increase in the EU workforce.

Many will argue that refugees who lack the skills that the economy demands will be harder to integrate than other newcomers. Perhaps so. But because we now know a great deal about what has worked in resettling migrants, we can hope to avoid the mistakes of the past–not least by documenting and sharing the experiences of the countries that have managed migration well.

This brings us to the third, and greatest, challenge that leaders in Europe have to overcome: the fear of migrants. Integration is a precondition for the public acceptance of future legal flows. The presumption is that "we" are integrated, whereas "they" are not. And yet almost everyone has a migrant somewhere in their family tree, often not many generations back. The distinction between "us" and "them" is not as sharp as we might assume.

None of today's leaders expected to face a human tragedy on the scale of what we now see in the Mediterranean and across Europe. But how they respond will determine how they are judged by their citizens and by history.

This is not a numbers game. Leaders should shift their attention from questions concerning "how many" and "where" to the "what" of the crisis–namely, what they should be doing to integrate these newcomers into their societies and economies. They must exercise their leadership to convince the public that migrants–above all, those most in need of protection–give more than they take. In this moment of crisis, we should all heed the words of the Mexican novelist Carlos Fuentes: "Recognise yourself in he and she who are not like you and me."

Adapted from "We should not be afraid", published on Project Syndicate.org, 22 September 2015

www.oecdobserver.org/angelgurria www.oecd.org/about/secretary-general

News brief

No COP out on climate efforts

Countries must step up their efforts to fight climate change, the OECD has warned, in the run-up to the UN conference on climate change, known as COP21, in Paris in November/December. In September OECD Secretary-General Angel Gurría pointed out that governments were spending almost twice as much on supporting fossil fuels as the amount needed to meet the climate-finance objectives set by the international community of $100 billion a year by 2020. Such misalignment of policies props up carbon-based fuels. In July, in a keynote lecture at the London School of Economics, Mr Gurría urged governments to rethink the role of coal in energy supply, since, without new mitigation measures, coal generation was projected to emit more than 500 billion tonnes of CO_2 by 2050. This would use up half the remaining carbon budget consistent with keeping a global temperature rise below 2°C.

See www.oecd.org/env/cc/cop21.htm and http://oe.cd/12D



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Computer lesson

Students who use computers very frequently at school do much worse than students who use them moderately, a new report finds. *Students, Computers and Learning: Making the Connection*, which examines the first OECD PISA assessment of digital skills, argues that making sure each child reaches a baseline level of proficiency in reading and mathematics will achieve more for future opportunities than just expanding high-tech devices and services.

Nevertheless, more should be done to take advantage of the potential of technology in the classroom, the authors believe. "To deliver on the promises technology holds, countries need to invest more effectively and ensure that teachers are at the forefront of this change," said Andreas Schleicher, OECD Director for Education and Skills, in issuing the report.

See http://www.oecd.org/newsroom/new-approach-needed-to-deliver-on-technologys-potential-in-schools.htm. See article by Andreas Schleicher in this edition.

Soundbites

Slow climate

We are moving at a snail's pace on climate.

Ban Ki-moon, UN Secretary-General, in *Le Monde*, 27 August (our translation)

Refugee welfare

It's troubling that the [European] continent is having difficulty giving the people arriving on our shores the same chances and opportunities that uprooted Europeans, seeking shelter here from war and poverty, were themselves given only 70 years ago.

Eugenio Ambrosi, director of the International Organisation for Migration's regional office in the EU, in *The Wall Street Journal*, 26 August

Financial market blockage

Most of the investment projects that the emerging world needs are long term, as are much of the available savings–the trillions in retirement accounts, pension funds, and sovereign wealth funds. But our increasingly short-sighted financial markets stand between the two.

Joseph Stiglitz, in *Project Syndicate*, 6 August

OECD sense

Sensible policy has got us to where we are, and following the advice of the OECD could get us a lot further.

Jim Power, *Irish Examiner*, 18 September

Economy

The recovery is holding up in the world's advanced economies, but the outlook is unsettled due to stalling world trade and worsening financial markets in emerging economies, according to the OECD's latest interim economic outlook issued 16 September.

The latest OECD composite **leading indicators** support this view. These use the likes of order books, building permits and long-term interest rates to anticipate future activity and turning points in the cycle. Though stable growth momentum is expected overall, trends appear to be moderating in Canada, the UK and the US, and deteriorating in China.

GDP growth in the OECD area slowed to 0.4% in the second quarter of 2015, slightly down from 0.5% in the previous quarter, with the UK and the US recording the highest growth among G7 countries picking up to 0.7% and 0.6% respectively.

OECD-area **inflation** was stable at 0.6% in the year to July 2015, for the third consecutive month. Energy prices fell by 9.5% in the same period. Excluding food and energy, the OECD annual inflation rate was up slightly in July, to 1.7% compared with 1.6% in the previous month.

The **unemployment rate** in the OECD area remained stable at 6.9% in May 2015, for the third consecutive month. Some 42.2 million people were out of work, 6.7 million less than in January 2013, but still 7.7 million more than in July 2008, immediately before the crisis. In the euro area, unemployment was stable at 11.1%.

Meanwhile, the OECD area **employment rate** (people of working-age in employment) increased by 0.2 percentage point, to 66.1% in the first quarter of 2015; this was the eighth consecutive quarter of increase.

Country roundup

Improved employment services would help laid-off workers in **Canada** find a new job more quickly, according to a new OECD report. www.oecd.org/canada

Germany is both the OECD's second-largest country of immigration and one of the main origin countries of emigrants: 3.4 million people born in Germany were living in another OECD country in 2011, says a new OECD report. www.oecd.org/germany

Iceland has steadily recovered from the global financial crisis, but challenges remain for sustainable growth, according to the latest *OECD Economic Survey of Iceland*. www.oecd.org/iceland

Ireland's strong recovery must be sustained by reducing the public debt, strengthening the banking system and boosting skills for more inclusive growth, the *OECD Economic Survey of Ireland* said in September.

The OECD is encouraged by **Israel**'s recent investigative activity, but remains seriously concerned with overall efforts to enforce foreign bribery laws. www.oecd.org/israel

The **Japanese** economy is expected to return to growth, but fundamental structural reforms are needed, according to the latest *OECD Economic Survey of Japan*. www.oecd.org/japan

The quality of health care continued to improve in **Portugal**, according to a new OECD report. www.oecd.org/portugal

French connection

Najat Vallaud-Belkacem, France's minister for education, who spoke at the OECD on 10 July, and Emmanuel Macron, France's economy minister, who addressed the OECD on 18 September. Visit oecdobserver.org, People & Events



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Poland needs to lessen its economy's reliance on fossil fuels, according to a new OECD report. www.oecd.org/poland

The **New Zealand** economy has performed well in recent years, but sustaining high levels of growth and well-being will require further reforms, the latest *OECD Economic Survey of New Zealand* says. www.oecd.org/newzealand

While **Spain** is showing signs of recovery, future prosperity will depend on raising skills and innovation, according the OECD Skills Strategy Diagnostic Report. www.oecd.org/spain

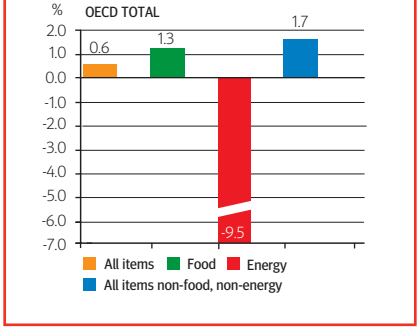
An inclusive **South Africa** needs more investment to reduce inequality further, says the *OECD Economic Survey of South Africa*. www.oecd.org/southafrica

Sweden should urgently reform its school system to improve quality and equity, according to a new OECD report. www.oecd.org/sweden

As for **trade**, total (seasonally adjusted) merchandise exports of the G7 and emerging markets continued to contract by 0.9% in the second quarter of 2015 compared to the previous quarter while merchandise imports fell by 1.2%. Exports and imports dropped sharply in China, Japan and Indonesia. In the US, France and Germany, exports grew by 4.1%, 1% and 1.4% respectively, while imports fell.

For latest updates on economic statistics, see www.oecd.org/std/statisticsnewsreleases.htm

Consumer prices



Smarter productivity

Productivity growth has been slowing for several years, and reversing the trend is about "working smarter" rather than "working harder", using new ideas, technological innovations and new business models, says "The future of productivity", a policy note published online in July as part of the OECD New Approaches to Economic Challenges project. See www.oecd.org/economy/the-future-of-productivity.htm and www.oecd.org/naec. See also "Productivity's wave goodbye" on OECDObserver.org

Corporate governance boost

G20 finance ministers have endorsed a new set of G20-OECD corporate governance principles as part of continuing efforts to promote market confidence and business integrity, and unlock investment. http://www.oecd.org/corporate/principles-corporate-governance.htm

Plus ça change...

"The European industrial countries which have relied on the constantly increasing supply of foreign labour over the last decade have recently taken a series of measures to limit considerably, or even stop, the influx of **migrant workers**. If the reasons for restricting the entry of new immigrants are not purely economic, economic constraints nevertheless limit governments' freedom of manoeuvre and specifically their ability to substantially reduce the number of foreign workers already in the country."

"A turning point for European migration" in Issue No 76, July-August 1975.

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OECD
BETTER POLICIES FOR BETTER LIVES

We are entering a new era of migration

Jean-Christophe Dumont, OECD Directorate for Employment, Labour and Social Affairs



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Even before the refugee crisis hit European countries, migration was at the top of the international policy agenda. All sides of such a sensitive debate have made appeals to people's emotions, but there must also be room for facts to inform policy discussions.

With approximately 232 million international migrants in a world of 7 billion inhabitants, migration remains small in proportion to the overall population. Nevertheless, this still accounts for a large proportion of people in some countries–on average about 13% of the population in OECD countries is foreign-born, albeit with a wide range of different proportions from one country to the next. Recent trends indicate that an increase in this ratio is likely to continue for some time.

Most world leaders and high-level policymakers gathering in New York for the UN Sustainable Development Summit (25-27 September 2015) increasingly recognise the potential of migration as a force for social and economic change. However, not everyone is convinced. Even with the refugees in Europe, there is a sense of public opinion being torn between sympathy for the personal stories of hardship and terror, and concerns about how asylum-seekers can be accommodated. The more positive picture, of migration as a source of shared prosperity and inclusive growth, should be highlighted.

Here to stay

A sensible starting point is to recognise that migration has always been part of human history and is here to stay. After a slowdown due to the great recession in 2007-08, the increase in migration flows to the OECD and to the rest of the world resumed. The recently published 2015 edition of *International Migration Outlook* records about 4 million new permanent immigrants to OECD countries in 2014 (see www.oecd.org/migration/imo). Moreover, there are almost as many temporary migrants, such as students. Asylum requests have reached an historical high of 800,000.

Overall, between 2000-2001 and 2010-2011 the total number of foreign-born people in the OECD increased by 40%. Today there are almost 120 million migrants worldwide, over half of whom are hosted in OECD countries. A closer look at these trends shows several patterns which policymakers need to take into account.

First, migrants tend more to be highly skilled than people who remain in their country of birth. Over the past decade, the number of tertiary educated immigrants aged 15 and older living in the OECD increased by 70% to 31 million, compared with a rise of just 10% among the low educated. This growth was largely driven by migrants coming from Asia.

In fact, the emigration rates of the highly educated are higher than overall total emigration rates in most countries. Some 10% of all highly educated people born in Africa were living in an OECD country in 2010/11, the highest incidence of brain drain in the world. Latin America and the Caribbean are close behind, with 8%.

The focus of policymakers on highly skilled migration is likely to continue, and may even increase in the coming decades. But lesser skilled migration will

> "Migration has always been part of human history and is here to stay

not disappear because of the persistent and unmet demand in OECD countries for workers in sectors such as agriculture, construction and domestic services.

Second, intra-regional migration is increasing as people move around more and more within their home continents. The recent waves of enlargement of the EU in 2004, 2007 and 2013 help explain this trend: the OECD estimates that about 18 million people have moved within the region, which is about 50% more than in 2004. Similar trends are observed in other parts of the world where regional agreements facilitate cross-border mobility, such as in Latin America in the context of Mercosur, in Asia with ASEAN and, to a lesser extent, in Africa.

Third is the obvious but still painful fact that recent migration trends, notably to Europe, have been fuelled by the geopolitical turmoil and conflict in the Mediterranean area, Africa and the Middle

East, with an upsurge in the flow of refugees who are in need of protection. As OECD Secretary-General Angel Gurría underlines in a statement in support of efforts to address this challenge, leaders must stand before history in dealing with this humanitarian tragedy. Migrants from Syria and Eritrea made up about half of the illegal entries recorded in the EU in 2014. The other half included people

> Integration is part of the positive migration story being emphasised at the summit on sustainable development in New York

from Afghanistan, Iraq and Ukraine, as well as relatively large numbers of people from peaceful and growing economies. This diversity is a new reality that policymakers must face up to in the years ahead.

Policymakers will have to consider how migration fits with other demographic changes, too. There is no automatic link between demographic and migration trends, and the role migration plays in meeting future labour market needs in destination countries will depend on the ability to match the supply and demand for skills in origin and destination countries. Nevertheless, Europe and the rest of the OECD are ageing rapidly, but Africa and several countries in Asia have an overabundance of young people. By about 2035 the gap between the dependency ratios–which is the size of the working age population relative to the population aged over 65–in Europe and Africa will be at its widest, with the former being five times higher than the latter (44% compared with 9%). This gap between the rest of Asia and Japan has already peaked, and will do so between the US and Latin America by around 2025.

An economic boon

There is a growing realisation that migration has the potential to play a positive role in the economic and social development not only of destination countries, but in origin countries, too, as migrants return with skills and money. The fact that under the Sustainable Development Goals, policymakers now view international migration as "a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination", opens the door for real progress in addressing key migration challenges and fostering international co-operation in this area. This builds on previous statements, for instance in the context of the Global Forum on Migration and Development since its launch in 2006, and of the UN High-Level Dialogue on International Migration and Development under way since October 2013.

What will this entail? For a start, it will reconcile positions taken in international fora with the growing hostility against migration that is increasingly visible in many major destination countries. One approach might be to spell out the potential benefits of migration more clearly, but also more honestly. Migration can be beneficial overall, but some groups, such as the unskilled, may suffer if many unskilled migrants enter a country. A balance must be struck between the need to offer opportunities to the local workforce and to allow for labour migration to fill structural skill shortages, for instance. Another crucial part is to promote policies which improve opportunities in countries of origin, including by harnessing the skills of returnee migrants. Above all, countries need strategies to integrate migrants into their social and economic life, preventing seclusion and alienation.

The last point is crucial because integration is one of the cornerstones of the positive migration story being emphasised in New York. The difference between "us" and "them" is not about background–after all, almost everyone is the fruit of migration, and often dating not that far back–but rather that "we" are the integrated ones, whereas "they" are not. All the more reason why integration is so vitally important for the public acceptance of future legal flows. Furthermore, only those who are successful in the destination country will have new skills and sufficient financial resources to share with their communities of origin.

But there is a long way to go. A recent OECD report on the integration of immigrants and their children has shown that "where you or your parents were born still casts a long shadow over your life chances". Even more remarkable is the fact that, in a context of global competition for talent, this statement also holds true for tertiary educated migrants; indeed, half of this group in the OECD area is either inactive, unemployed or in a job for which they are overqualified.

Moving forward

International migration is not cost-free in the short term, nor even in the medium term, and will remain challenging for both origin and destination countries. However, with the right approach policymakers can outweigh the costs by harnessing the benefits of migration and opening up new opportunities at national, regional and international levels. Whether we step into this new migration era with the best foot forward will depend largely on leadership. Leadership is needed, not only to develop robust migration policies (though more is known about what policies work in helping migrants than most people realise) and to communicate them clearly in a balanced, fact-based dialogue. It is time to shape a global consensus on the positive impact that migration has on our economies and societies, and on people's lives everywhere.

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For more on regional migration, visit the regional observatory systems set up with partner organisations for Asia, www.oecd.org/migration/building-human-capital.pdf, and Latin America, www.oecd.org/migration/sicremi.htm

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Capturing the "can do" spirit of the Sustainable Development Summit

Brenda Killen, Deputy Director, OECD Development Co-operation Directorate



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Malala Yousafzai at the UN summit

The adoption of the post-2015 Agenda for Development at the UN Sustainable Development Summit in New York 25-27 September will be an important driver of the OECD's work for the next decade and beyond.

UN summits can be fraught affairs, but this latest summit went remarkably smoothly. For starters, the 17 Sustainable Development Goals (SDGs) had been painstakingly prepared over a long period before finally being agreed in August, so there was no need for continued late-night horse-trading at the event. Moreover, many world leaders were present at the summit, including the Pope, so there was clear political will for a comprehensive agenda to address extreme poverty and exclusion in all countries, rich and poor, and in a way that would be sustainable for our planet.

Three achievements stand out in my view. First, gender: for once everyone at the New York summit was outraged that women and girls do not have equal rights and opportunities. As Hillary Clinton reminded us at the UN Conference on Women in 1995, women's rights are human rights. This year, Pakistan's renowned young Nobel laureat Malala Yousafzai set the scene for a summit that really delivered on putting women front and centre in sustainable development. The gender experts and advocates did not disappoint either. Having been at that Beijing conference 20 years ago, I look forward to seeing the world finally deliver on gender equality.

The second strong impression I had was that the SDGs are a job for everyone. And this summit drew more representatives from more groups than I have seen at any other UN gathering. The private sector's role in delivering the SDGs is fully accepted too, and it was encouraging to see how seriously private businesses, social enterprises and private philanthropic foundations took their roles and how much they are willing to be held to account.

Third, at this summit we got serious about data–both the need for timely, accurate, accessible and open data to track progress and guide policy decisions, and the urgency of bringing in the full range of data providers and users, from big data and data geeks, through official statisticians to the primary health care worker with a mobile phone. If we get the data right, the SDGs will be more achievable than ever before–and without the need for unhelpful bureaucracy. It will be complicated, but (as with gender) there was a great deal of enthusiasm and a "can do" spirit.

But while this UN summit went smoothly, a couple of issues bothered me. One was the lack of voice expressed by poor and marginalised groups. Although the summit was about forging a universal agenda and involved so many partners, the conversation was still dominated by relatively wealthy governments, businesses and civil society groups, all with a concern to "do" sustainable development on behalf of the poorest. Maybe this is inevitable at such high-level gatherings, but for the SDGs to succeed, the actual roll-out of the post-2015 agenda will have to take place from the bottom up and involve the poorest citizens. "Leave no one behind" must be more than the tag line of the conference.

Second, the three pillars of the sustainable development agenda–the Pope might call them a "trinity" of economic, social, environmental factors–were not addressed as an indivisible whole. There was too much focus on single issues or sectors, with little discussion of how to restructure the way we value resources or grow our economies while protecting the planet. Yet this is urgent, since we must resist the temptation to rebuild the global economy in its old mode if we are to address fossil fuel use or ensure refugees are treated as people rather than as numbers.

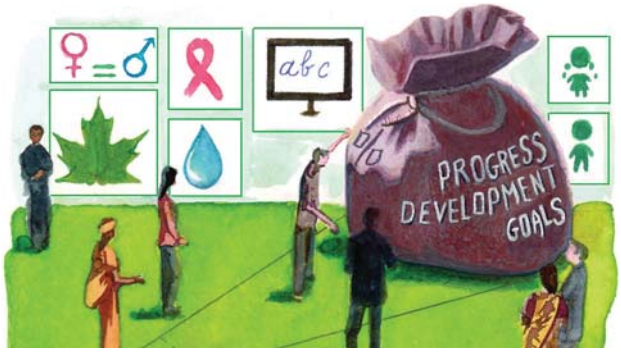
These warnings aside, the UN summit was a major step forward. But the next step will be the hardest one: we now have to implement the post-2015 agenda. The SDGs will soon run into difficulty if we can't quickly agree on things like the indicators to use to measure and monitor progress, and show progress towards a universal agenda. OECD has a lot to offer here (see article on data).

We must not repeat the mistakes of the past. While it is heartening to see so many new partners engaged in the SDGs, all of this has to come together at the country and village level in a landscape which the poorest citizens can also navigate. There is a long history of incoherence and high transaction costs blunting development efforts, but we can avoid such errors by adhering to the sound set of development principles agreed at Busan, Korea, in 2011 which led to the Global Partnership for Effective Development Co-operation. Let's bear these lessons in mind as we work to maximise the impact of all our efforts.

For an overview paper, "**Beyond the Millennium Development Goals: Towards an OECD contribution to the post-2015 agenda**", and a checklist of the 11 elements, including gender, data and policy coherence, which the OECD believes are crucial for a successful post-2015 development agenda, visit www.oecd.org/dac/post-2015.htm. See also www.oecd.org/development/effectiveness/busanpartnership.htm

Sustainable Development Goals
A revolution begins

Nicola Harrington-Buhay, Deputy Director, OECD Development Centre



As negotiations end on the Sustainable Development Goals (SDGs), countries are honing in on what it will take to implement them. There are currently 17 goals on the table, and by the time the UN summit to launch the goals takes place in September, the much-emphasised "transformative" nature of the goals could gain traction, as could the "revitalised global partnership" called for under Goal 17.

What might prove to be the single most effective instrument for implementing the SDGs is also in the call for "multi-stakeholder partnerships that mobilise and share knowledge". Countries need knowledge to inform their policy choices. The SDGs make the co-creation of new knowledge among countries, state institutions and non-state actors a must, and indeed for most countries, achieving the goals may well depend on it.

The proposed universality of the SDGs underscores the reality that most countries acknowledge, and this marks something of a departure from the year when the now expiring Millennium Development Goals (MDGs) were launched in 2000.

If the Millennium Development Goals were, as one of their architects, Mark Malloch Brown, puts it, about identifying "the pocketbook" issues–health, education, water–which people want money spent on, then perhaps the SDGs could be characterised as putting that money into the pocketbook in the first place. Economics has returned to share the centre stage in the SDG debate.

However, debates over growth have led to broad agreement that what matters is the quality of that growth. Growth needs to take care of people and of the future. Most would admit this is work in progress.

Equity is a key issue. As a consequence of the changing distribution of global economic weight–the so-called "shifting wealth" phenomenon–faster growth among developing countries in the 2000s fostered better livelihoods, a burgeoning middle class and greater optimism among people in middle and low income countries compared with their counterparts in the developed world. While inequality among countries remains a concern, who benefits domestically from growth is increasingly important for policymakers.

This applies not only to developing countries. Many developed economies are also witnessing rising inequality, in incomes and opportunities, particularly for young people. At the outset of the MDGs, this discussion might have been predominantly about what is fair. Today, it is about both what is fair and what is good for the economy. Compelling evidence shows that countries that promote equal opportunity for all are those that grow and prosper. Addressing high and growing inequality within countries is critical to strong, sustained–and sustainable–growth.

This debate spills over into discussions on education. Literacy received a significant boost due to the laudable progress under the MDGs to get more children, particularly girls, into school. The quality of educational outcomes and their relevance for the economy are now moving to centre stage: are today's children developing the skills that tomorrow's workforce will need?

Companies as much as governments have a stake in many of these issues–for their own countries and the foreign markets they wish to enter. In Latin America, companies are 13 times more likely than firms in Asia and the Pacific to cite insufficient workforce skills as a major constraint on their business. Addressing such mismatches is essential for narrowing gaps in living standards, and in the ability of countries to participate in an ever-denser global economy.

Improving evidence on new trade and production trends can help governments and the private sector identify concrete actions to promote development through greater integration into global value chains.

Many suggest that fully empowering women can be the single greatest accelerator for achieving the SDGs. The mixed results of the MDGs serve to push the debate beyond measuring outcomes to examining root causes in institutions and social practices that perpetuate discrimination against women in the public, economic and private spheres of their lives. Few countries, if any, can say "we got it right".

All this underscores the power of the holistic and universal agenda represented by the SDGs. Countries need to work together to build the practical tools that enable them to embrace a multi-dimensional approach to their challenges and opportunities. This means targeting multiple policy objectives (sustainability, equity, growth and well-being as a whole, for instance); taking a cross-cutting rather than sector-based lens to analyse competing challenges and their drivers; and considering compatibilities and complementarities between different policy options.

Scanning and leveraging existing global experience will help. However, countries also need to co-create a common knowledge base, and forge a new collective wisdom and shared understanding for the road ahead. This would not only improve awareness and dialogue, but draw more international attention to the critical issues where more attention is needed.

Therein may lie a key to Goal 17's revitalised partnership for sustainable development.

Visit https://sustainabledevelopment.un.org/sdgsproposal
Visit www.oecd.org/dev
See remarks by OECD Secretary-General Angel Gurría on achieving the SDGs at http://oe.cd/187

Education, learning and the 2030 Agenda for Sustainable Development

Michael Ward, OECD Development Co-operation Directorate

Over the last three years, the United Nations has been working to establish a global sustainable development agenda to succeed the eight Millennium Development Goals (MDGs) which expire in 2015. This important agenda, comprising 17 Sustainable Development Goals (SDGs) and 169 targets, is due to be adopted at the UN summit in September in New York.

As with the MDGs, education is also a fundamental priority under the SDGs, aiming to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all."

This is the fourth SDG, and it has 10 targets that together represent an ambitious and universal agenda to develop better skills for better lives. Five of the 10 targets are concerned with improving the quality of education for individual children, young people and adults, and to give them better and more relevant knowledge and skills. This emphasis on learning outcomes is a timely step forward from the MDGs, which focused on ensuring access to, participation in and completion of primary education, and on gender equality in primary, secondary and tertiary education. It also reflects the knowledge that enrolment and participation in early childhood development programmes, formal schooling or adult education are the means to attain results and improved learning outcomes at every stage, from school readiness among young children through achieving literacy and numeracy at primary school to equipping young adults with knowledge and skills for decent work and global citizenship.

However, being at school is not enough. Data from the OECD's Programme for International Student Assessment (PISA), the world's most widely used global metric to measure the quality of learning outcomes, as well as its adult version, the Programme for the International Assessment of Adult Competencies (PIAAC), underline this fact, with many countries having all their children in school but only a proportion of these achieving adequate levels of proficiency by the end of lower secondary education. As all the evidence shows, this augurs badly for economic, social and sustainable development. That is why the aim of achieving universal basic skills is at the heart of the SDG education agenda. The data gathered and used for global monitoring of the education SDG must emphasise this shift from the access-oriented MDGs towards the new focus on learning outcomes and skills.

PISA is a triennial internationally comparable assessment of 15-year-olds in school, with the next round due to be published in December 2016. It measures student performance not only in reading, mathematics and science, but also some of the broader social and emotional competencies that are essential for a successful life. It also collects contextual data about such factors as family background through questionnaires. A random sample of at least 5,000 students is tested in each country. Since its launch in 1997, PISA has become a global reference for education policymakers, with more than 70 countries taking part, including 44 emerging and developing countries, such as Brazil, Indonesia,



Vietnam and Tunisia. More recently, the PISA for Development (PISA-D) initiative has been designed by the OECD and its partners to enable greater PISA participation by low income and middle income countries.

The SDGs are concerned with knowledge, skills and lifelong learning for all, not just school attendance. To help monitor this need, the Survey of Adult Skills provides a valuable model. This international survey, the results of which were first released in 2013, covers 33 countries as part of PIAAC, and measures the key cognitive and workplace skills needed for individuals to obtain decent work and participate in society, and for economies to prosper.

The world now faces a challenge to define education indicators covering access, equity and quality for all levels of education that can be measured and tracked over time and on a global scale. This is a tall order, and several international organisations such as UNESCO and its Institute of Statistics (UIS), UNICEF, the World Bank and the OECD have been helping the World Education Forum and the UN Statistics Commission to develop them. These proposed indicators include harnessing existing international large-scale assessments, such as the OECD's PISA and PIAAC, to track progress.

In the months ahead the member states of the UN and UNESCO will be meeting to decide on the SDG education indicators for global monitoring. The OECD supports these discussions and shares the member states' commitment to a new and universal education agenda with its focus on learning outcomes and skills for all.

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Education post-2015: A currency to invest in

Andreas Schleicher, Director, OECD Directorate for Education and Skills



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The world is no longer divided between rich and well-educated countries and poor and badly educated ones.

Importantly, when it comes to education, the post-2015 agenda for sustainable development is no longer just about providing more people with more years of schooling, but about making sure that individuals acquire a solid foundation of knowledge in key disciplines; that they develop creative, critical thinking and collaborative skills; and that they build character attributes, such as mindfulness, curiosity, courage and resilience.

The first thing our 2015 report, *Universal Basic Skills: What Countries Stand to Gain*, shows is that the quality of schooling in a country is a powerful predictor of the wealth that the country will produce in the long run. Or, put the other way around, the economic output that is lost because of poor education policies and practices leaves many countries in what amounts to a permanent state of economic recession–and one that can be larger and deeper than the one that resulted from the financial crisis at the beginning of the millennium, out of which many countries are still struggling to climb.

Among the countries compared, Ghana has the lowest enrolment rate in secondary schools (46%) and also the lowest achievement levels for those 15-year-olds who are in school (291 PISA points, under the OECD's Programme for International Student Assessment). While it is difficult for Ghana to meet the goal of universal basic skills any time soon, if it did, it would see a gain over the lifetime of its children born today that, in present value terms, is 38 times its current GDP. This is equivalent to tripling Ghana's discounted future GDP every four years during the working life of those students with improved skills. For lower-middle income countries, the discounted present value of future gains would still be 13 times current GDP and would average out to a 28% higher GDP over the next 80 years. And for upper-middle income countries, which generally show higher levels of learning outcomes, it would average out to a 16% higher GDP.

The goal of universal basic skills also has meaning for high income countries, most notably the oil-producing countries. Many of them have succeeded in converting their natural capital into physical capital and consumption today, but they have failed to convert their natural capital into the human capital that can generate the economic and social outcomes to sustain their future. The report shows that the high income non-OECD countries, as a group, would see an added economic value

equivalent to almost five times the value of their current GDP if they equipped all students with at least basic skills. So there is an important message for countries rich in natural resources: the wealth that lies hidden in the undeveloped skills of their populations is far greater than what they now reap by extracting wealth from natural resources. And there is more: PISA shows a significantly negative relationship between the money countries earn from their natural resources and the knowledge and skills of their school population. So PISA and oil don't mix easily.

One interpretation is that in countries with little in the way of natural resources, education is highly valued and produces strong outcomes, at least partly because the public at large has understood that the country must live by its knowledge and skills, and that these depend on the quality of education. In other words, the value that a country places on education may depend, at least in part, on its view of how knowledge and skills fit into the way it makes its living.

One might be tempted to think that high income countries have had all the means to eliminate extreme underperformance in education and should already have achieved the education post-2015 goal and targets. But the report shows otherwise. For example, 24% of 15-year-olds in the United States do not successfully complete even the basic Level 1 PISA tasks. If the United States were to ensure that all students meet the goal of universal basic skills, the economic gains could reach over US$27 trillion in additional income for the US economy over the working life of these students. So even high income OECD countries would gain significantly from bringing all students up to basic skills by 2030. For this group of countries, average future GDP would be 3.5% higher than it would be otherwise. That is close to what these countries currently spend on their schools. In other words, the economic gains that would accrue solely from eliminating extreme underperformance in high income OECD countries by 2030 would be sufficient to pay for the primary and secondary education of all students.

> "In countries with little in the way of natural resources, education produces strong outcomes

The message of these rather complex analyses is simple: there is no shortcut to improved learning outcomes in a post-2015 world economy where knowledge and skills have become the global currency, the key to better jobs and better lives. And there is no central bank that prints this currency. We cannot inherit this currency, and we cannot produce it through speculation; we can develop it only through sustained effort and investment in people.

That raises the question of whether the improvements in learning outcomes suggested in our 2015 report are realistic–and how they can be achieved by 2030. The answer to the first question is unambiguously positive. PISA shows that top performers in education, such as Korea, Singapore and Shanghai in China, were able to further extend their lead over the past years, and countries such as Brazil, Mexico, Tunisia and Turkey achieved major improvements from previously low levels of performance–all at a speed that exceeds, by a large margin, the improvements described in this report. So the world is full of examples of improvements in education, and there is no time to lose. Without the right skills, people end up on the margins of the society, technological progress doesn't translate into economic growth, and countries face an uphill struggle to remain ahead in this hyper-connected world. Ultimately in this scenario, the social glue that holds our societies together will disintegrate. The world has become indifferent to past reputations and unforgiving of frailty. Success will go to those individuals, institutions and countries that are swift to adapt, slow to complain and open to change. The task for governments is to help their citizens rise to this challenge by ensuring that by 2030 all of their people are equipped with the knowledge and skills they need for further education, work and life.

Adapted from OECD Education Today blogspot, published May 2015

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The OECD Better Life Initiative

Progress for women and girls in the 2030 Agenda for Sustainable Development

Emily Esplen, OECD Development Co-operation Directorate



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The UN Sustainable Development Goals could be a real game changer for gender issues, with wins in fraught areas such as reproductive rights. But there will be challenges, and opposing voices, to contend with in the years ahead.

"It always seems impossible until it's done." Few words could have better captured the sentiment in the room when the Group of 77 (G77) and China quoted Nelson Mandela at the United Nations before announcing, "We are ready to adopt!" On 2 August, after three years of intense deliberations and negotiations, all 193 governments of the UN agreed what could prove to be a historic new agenda for people and planet.

There were times when an ambitious agreement seemed fanciful. Fault lines had surfaced on a whole host of issues, from human rights to climate change, not to mention how to deal out responsibility. But governments hashed it out and Agenda 2030–with the so-called Sustainable Development Goals (SDGs) at its centre–will be formally adopted by world leaders at the UN General Assembly in September. While the real litmus test will lie in its implementation, could this new roadmap be as "game-changing" as proponents claim?

Take, for instance, the pledge that "no one will be left behind", which encapsulates the essence of the post-2015 agenda. No goal will be considered met unless it is met for everyone–or almost: in the final hours of this hard-fought issue, language on the goals being met for "all social and economic groups" was watered down to "all segments of society", reflecting a refusal from some governments to recognise the rights of LGBT people. This was a blow for many OECD and Latin American countries, including civil society supporters who campaigned tirelessly for its inclusion. A similar impasse threatened the inclusion of "other status" in the list of prohibited grounds for discrimination, although on this the EU and others held the line.

Despite this wrangling, the core imperative of reaching those furthest behind first remains intact and is the key leitmotif of Agenda 2030. Strong commitments to human rights were preserved, marking a fundamental shift from the Millennium Development Goals (MDGs) that the new goals replace. Under those goals, which expire this year, progress was based on national averages rather than equitability and failed to consider how specific groups fared within overall progress.

Will Agenda 2030 do any better? It won't

be easy, not least because the low-hanging fruit may have been picked during the MDG era, with the most marginalised groups harder to lift out of poverty than before. The impact of national decision-making through specific policies and actions to tackle inequalities will be key, for example through progressive taxation, the financing of essential services and social protection measures, legal reform, and affirmative action.

Within this, one of the most visible and transformative elements of the post-2015 agenda is the commitment to achieve gender equality and empower all women and girls. Agenda 2030 tackles the structural drivers of gender inequality, which were left largely untouched by the MDGs, committing among other things to eliminate violence, child marriage and female genital mutilation. Agenda 2030 promises women equal rights to economic resources and equal opportunities for leadership, and a clear role in peace and state building. In addition to Goal 5 of the new SDGs, 11 out of 17 goals contain targets on gender equality.

Arguably the biggest win is the promise to ensure universal access to sexual and reproductive health and reproductive rights, which formed one of the thorniest issues on the way to Agenda 2030. Conservative forces are increasingly visible and vocal in their opposition to women's rights at the UN. The fact that that agreement was reached at all on sexual and reproductive health owes much to civil society's staying committed and some governments' refusing to accept any removal, dilution or retrogression on gender equality.

The SDGs represent an indivisible agenda for people, planet, prosperity and peace: they all go hand in hand. For the OECD, this raises the question of how to support our member countries in developing policies that reflect the holistic, cross-cutting nature of the SDGs, rather than being drawn into 17 silos. What are the "integrators", for example in the way that funding or monitoring mechanisms are set up?

Universal goals and targets are a key feature of the SDGs, signalling a transition away from the old-fashioned north-south paradigm. Yet there is still a long way to go to fully understand the implications of a universal agenda for implementation, especially among OECD member countries. The very fact that OECD countries will have to report on their progress towards meeting the goals domestically as well as internationally could help to change that mindset. Three areas for action could further contribute to translating commitments into reality:

1. First, the development of national plans outlining how countries will meet the SDGs, which could include nearer-term targets as stepping stones on the way to 2030. National Action Plans will be particularly crucial to translate the commitments agreed at the Third International Conference on

> "Arguably the biggest win is the promise to ensure universal access to sexual and reproductive health and reproductive rights

Financing for Development Conference in Addis Ababa in July 2015 into specific financial commitments with deadlines. This applies to developed countries as much as developing countries, which will need to show how they plan to translate commitments into robust policies and action, at home and abroad. One example is the Addis Ababa Action Plan on Transformative Financing for Gender Equality developed by the OECD, UN Women and member states as a key tool for turning around historical underinvestment in gender equality (both reports available at www.oecd.org/dac/gender-development).

2. A second priority is strengthening national data systems and accelerating efforts at all levels to plug data gaps and establish baselines for targets where they do not already exist. Honouring the commitment to leave no one behind will require much more and better data to track the progress of women and girls, and the most marginalised social and economic groups, for each target.

3. Lastly, a more clearly defined framework is needed for monitoring and reviewing progress, which sets out what governments and other stakeholders are responsible for. The detail on this remains a little muddy, and a 2016 report of the UN Secretary-General will provide some clarity. In the meantime, the OECD could initiate a conversation among its member countries on how they might draw on peer learning processes and platforms, such as in the areas of gender equality, education and governance.

Agenda 2030 provides a foundation for making great advances in people's lives, not least for women and girls. The stakes are high. Organisations such as the OECD must "SDG-proof" their work to maximise their contribution and help translate political aspirations of Agenda 2030 into a reality. Agenda 2030 really can be a game changer.

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Getting the measure of the Sustainable Development Goals

Martine Durand, Chief Statistician, Director, Statistics Directorate, OECD

World leaders have just endorsed 17 Sustainable Development Goals (SDGs) comprising some 169 targets. To have a chance of reaching them, we must also meet another goal: improving our data.

Across the whole range of international concerns, from poverty and hunger through equality and climate action to peace and justice, we need good data to know where we are starting from, whether we're making progress and what we need to improve. Data allow governments to make evidence-based decisions, and citizens to hold governments to account. In short, good public policy requires good data.



The Millennium Development Goals (MDGs), in place between 2000 and 2015, can provide important lessons here. While they are widely perceived as a success story, and certainly mobilised increases in aid and other resources, tracking progress in the early years was hard. There were large data gaps, and not enough attention was paid at the outset to selecting indicators and making sure that reliable data would be available.

The SDGs are different: data are now recognised as central to achieving the 2030 Sustainable Development Agenda, and the UN Statistics Commission is already supervising work on an official set of SDG indicators. The commission should decide in March 2016 on the indicators to be used, and arrangements have also been agreed to govern follow-up and review in the years ahead.

Clearly, monitoring progress towards the SDGs will be even more challenging than it was for the MDGs. The new targets are universal—applying to all countries, and not just focused on development problems. Many of the new targets are complex and multifaceted, and they cover a much wider range of fields and sectors than the MDGs. The SDGs' emphasis on reducing inequalities will also require data articulated in multiple dimensions, such as gender, disability and socio-economic status.

But while monitoring will be challenging, there are good reasons to be confident. There are a lot more data available today than in 2000, and technological breakthroughs and improved methods now provide more detailed and granular data—for example, about household and business behaviour. New partnerships

are being set up to harness this data revolution. Moreover, the international co-operation that was forged during the MDG period has improved sharing and comparability, and boosted support and funding for the systems needed to track progress.

This progress must continue if we are to meet the data challenges posed by the SDGs. Even in this era of "big data", no country, not even among OECD members, has all the data it needs to monitor the SDGs. New resources must be tapped to fill the gaps, and an unprecedented and sustained international effort will be needed to develop the new information required.

Our organisation is renowned for its statistics and has been at the forefront of global innovations in statistical methods, systems and dissemination for over half a century. We are a recognised authority on a vast array of economic, social, environmental and development-related statistics.

Our value added in monitoring the SDGs will be wide-ranging. On the crucial issue of the "means of implementation" of the goals, we already report on country efforts to meet international financing goals reaffirmed in the SDGs, such as the well-known UN target for official development assistance of 0.7% of each provider country's gross national income, and the 0.15-0.20% sub-target for the least developed countries. To complement this work, we are developing new metrics, such as a measure of total official support for sustainable development (TOSSD), to give a more comprehensive view of resource flows.

For many years we have been leading the search for new statistical measures of progress that go beyond gross domestic product (GDP) by building indicators for well-being and measuring them consistently across OECD countries.

Through our world input-output tables we track the transboundary impacts of production and consumption in OECD countries on CO^2 emissions and critical natural resources.

On the education front, the OECD's Programme for International Student Assessment (PISA), already the world's most widely used metric to measure

> Building a statistical system capable of monitoring the SDGs will demand investment

educational outcomes, is being adapted to cater to more countries under our PISA for Development initiative (see article by Michael Ward). We have pioneered other useful tools and concepts that are now in everyday use: for instance, the polluter pays principle, so important in the battle against climate change, was forged at the OECD, as were measures in the area of science and technology, income distribution, health, labour, international investment, and regional analysis, to name just a few.

We work on methods and provide technical support too, designing the principles and approaches needed for statistical agencies to gather robust, comparable and pertinent data. The organisation's statistical quality framework and quality review process help promote international data quality and consistency. We will be supporting OECD members' and partners' own reporting on SDG progress and helping them to harmonise reporting, fill gaps and improve effectiveness.

Accessibility is also key. As the renowned Hans Rosling remarked, statistics are not for the bookkeeping of the state, but should be understood and used by the people. The OECD is committed to ensure that its data are open, accessible and free of charge. We invest in our data portals to make them user-friendly and sharable, both to maximise global dissemination and to allow users to give us feedback to help us improve the quality and accessibility of our information. Clearly, building a statistical system capable of monitoring the SDGs will demand investment in capacity and skills across the entire spectrum, from conceiving and collecting data to interpreting and communicating them clearly.

For nearly two decades the OECD-hosted initiative **PARIS21** (Partnership in Statistics for Development in the 21st Century), has worked alongside developing countries to help them strengthen their national statistical capabilities, while our Revenue Statistics programme has provided invaluable support in building the capacity of tax systems in several countries. Such mutually beneficial programmes capture the spirit of co-operation which the OECD represents.

The OECD has for decades been a vital contributor to the process of setting global goals. Its 1996 development co-operation strategy, Shaping the 21st Century, was a key step towards formulating the MDGs, and we have played a vital role in monitoring them over the past 15 years. We will be doing all we can now to help our member and partner countries and the whole international community to rise to the even greater measurement challenges presented by the SDGs.

Building better data for better lives is one goal we are determined to achieve.

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Visit www.Paris21.org

Why modernise official development assistance?

Christine Graves, OECD Development Co-operation Directorate



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"To eradicate poverty we need to direct more development assistance and concessional loans to the poorest nations and mobilise much more private finances for development." Official development assistance (ODA) reached an all-time high of $135.2 billion in 2014. Even so, not all developing countries rely on ODA to the same extent, and to some of them it may seem like a drop in the bucket compared to other international financial flows. However, for the least developed countries, such assistance represents over 70% of available external finance and more than one-third of their total public revenue and expenditure. This highlights the importance of the target set by the United Nations in 1970: for donors to allocate 0.7% of their gross national income as ODA.

Most ODA continues to be provided in the form of grants. Nonetheless, concessional loans, which are those provided on favourable terms to developing countries, will continue to play a key role in mobilising resources to support the Sustainable Development Goals (SDGs). The concept of ODA was developed by the OECD Development Assistance Committee (DAC) in 1969, yet until recently the definition of what made a loan "concessional" in character was open to interpretation. This resulted in inconsistent ODA reporting across DAC members.

For Erik Solheim, chair of the DAC, the time has come for a modernisation of ODA, particularly now as the world prepares for post-2015 and a new set of SDGs. However, beyond consistency is a deeper motivation, as quoted in the OECD's online DACnews: "To eradicate poverty and continue the huge development success of the past decades, we need to direct more development assistance and concessional loans to the poorest nations and mobilise much more private finances for development." In December 2014 DAC member countries agreed to important improvements. Whereas in the past the face value of both grants and loans was counted as ODA, they agreed that only grants and the "grant portion" of concessional loans would be considered. This should provide a more realistic comparison of loans and grants, and encourages the use of grants and highly concessional loans. The discount rate used in the calculation will also be differentiated by developing country groups, so that a loan to a least developed country (LDC) or other low-income country (LIC) will score higher in ODA terms than a loan provided under the same conditions extended to a middle-income country. This incentivises lending to poorer countries, based on the consideration that it involves greater effort by providers in terms of both the funding cost of the loan and the risk associated with it.

Furthermore, for countries most in need, higher concessionality thresholds have been introduced to fix softer terms and conditions. What does this mean? In the past, the threshold for ODA eligibility was set at a grant element of 25%. Under the new system, loans to LDCs and other LICs must reach a grant element of at least 45% to be reportable as ODA, while lower middle-income countries will require only a minimum 15% grant element and upper middle-income countries a minimum 10% grant element. Particular emphasis has also been placed on debt sustainability: to be reportable as ODA, loans must comply with the International Monetary Fund's (IMF) Debt Limits Policy and the World Bank's Non-Concessional Borrowing Policy. Finally, the maximum ODA interest rates permitted have been lowered for all country categories and nearly halved for LDCs and other LICs.

Why do these changes matter? This new statistical framework measures ODA loans more accurately and credibly, ensuring comparability of data across providers. It adds an incentive not only for more concessional resources to implement the SDGs, but a better allocation, too. It also promotes greater transparency and heightened accountability, helping to ensure that ODA goes where it is most needed and has the greatest development impact.

For the time being, ODA will be reported using both the new and the old systems to allow for full transparency regarding the impact of the changes on ODA volumes. Data on disbursements and repayments of loans will continue to be published in a fully transparent manner. The new system will become the standard for reporting from 2018 on (for which ODA reporting will take place in early 2019).

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For more on the OECD DAC and ODA, visit www.oecd.org/development

See also www.oecd.org/dac/financing-development.htm

Investment: The right framework



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Investment has been hit hard by the crisis, yet is vital for a sustainable recovery and future well-being. In 2008-14 private investment ran at some 25% below pre-crisis forecasts. From infrastructure and green energy to improving education and health care, all countries depend on investment in physical and human capital.

This is true of development policies too, with wide infrastructure gaps continuing to affect areas such as transport, renewable energy and skills in most countries, and more private and institutional investment will have to be mobilised to plug them.

Over $1 trillion flowed into developing countries through foreign direct investment in 2012-13. But not all regions have gained as much as they should: Africa's share of world trade in value added is just over 2%, and raising this number is less a question of financial resources–the cash reserves of corporations and the long-term investors such as sovereign wealth funds and pension funds are ample–than of the reforms needed to attract them. That means reducing trade costs, developing regional markets, involving global value chains, stopping corruption and so on.

The OECD's Policy Framework for Investment helps policymakers devise effective reforms. Used by some 30 emerging and developing economies since its initial launch in 2006, the aim is to help policymakers devise programmes capable of attracting investment funds, and to help them ensure that the investment goes where it is needed. The framework connects a dozen or so policy areas, such as promotion and facilitation; competition; trade; taxation; corporate governance; and human resources. An update in June 2015 has sharpened the focus on infrastructure, small and medium-sized enterprises and global value chains, and incorporates gender issues and green growth.

Whether policymakers want to boost investment in low-carbon activities, engage in long-term investment in infrastructure, or strengthen due diligence in agriculture, the OECD Policy Framework on Investment offers support.

Governments, investment agencies, development banks and private enterprises in countries from Botswana, Burkina Faso and Zambia to China, Peru and Myanmar have all used the framework as a global reference for investment policy reforms.

For them and the OECD, the Policy Framework for Investment is a valuable tool for development co-operation; for facilitating coherence at all levels of government for better policy formulation and implementation; for self-evaluation, peer reviews, knowledge and experience sharing, including for multilateral discussions on investment; and as a source of international good practices.

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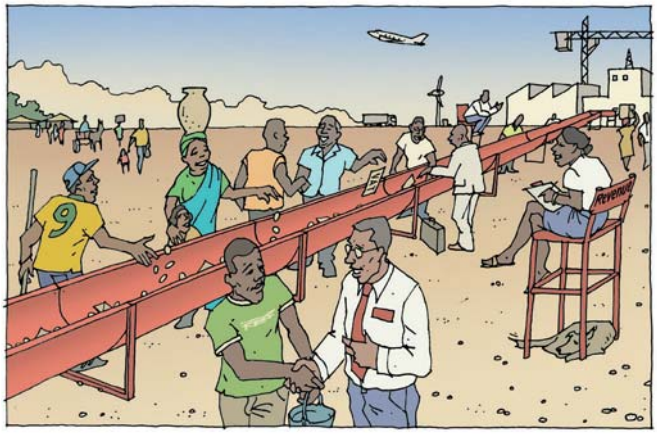
For these papers and more background, see www.oecd.org/daf/inv/mne/pfi.htm

Revenue statistics
Counting better to count more

Jocelyn Pierre, OECD Centre for Tax Policy and Administration



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Meeting budgetary targets is hard enough in any country, but for developing countries struggling to lift their economies to a higher stage of development, it can seem a near impossible task. Nevertheless, governments and local authorities everywhere in the world have a duty to provide proper public and social services for their citizens, and infrastructure that will attract investors. Tax revenues are therefore vital for meeting public demands as well as development aspirations. As a general rule of thumb, a stable and predictable budgetary framework helps foster growth and, in the longer term, reduces dependence on foreign financing, be it public or private. Taxation is a bedrock of "good government" and a driving force for wider reforms. However, devising the right framework and approach to tax is not easy, from getting the tax levels right to ensuring skills are in place to devise and implement them.

Ways in which development can be financed on a sustainable basis is a key debate today, culminating in a major political meeting in Addis Ababa this month, under the auspices of the UN. It's a fair bet that taxation will claim its rightful place on the agenda, alongside the traditional topic of official development assistance (ODA) and the new trend for private financing, particularly for investment and especially when the latter is "innovative". In the lead-up to Addis Ababa, there has been some focus on tax-to-GDP ratios and the role that they can play in helping to measure a country's revenue-raising effort. All countries are different and as a result, determining the right levels of tax in any country will necessarily involve a case by case assessment. That said, the increased focus on tax-to-GDP ratios has highlighted the need for better and more internationally comparable revenue statistics.

In recent months there has been a proliferation of initiatives and position papers calling for taxation that is more efficient, more attractive for investment, more transparent, more progressive, more straightforward, more stable, etc. How can this be achieved? How do public authorities or citizens grapple with the dense thicket of their tax systems? The prerequisite for designing and administering sound tax policy, whether it be in OECD countries, among developing countries or anywhere else, is a reliable, sustainable and readily available analytical tool for understanding tax data and making comparisons.

Governments, researchers and citizens all need access to reliable, detailed and up-to-date revenue data that are based on a common language. Does property tax cover movable goods, such as cars? Are VAT revenues calculated before or after refunds? Are the revenues of self-employed professionals classed as business income or personal income? Are we looking at the same years (fiscal, calendar)? Are levels of government the same in federal states and countries with hyper-centralised models? There can be significant differences in how countries define these issues, which if left unharmonised result in flawed comparisons and analysis. Having detailed data collected and consistently classified using transparent, internationally agreed methods strengthens the capacity of policymakers and others to make informed decisions about the optimal design of tax policy.

The Revenue Statistics project aims to meet these needs. The OECD, along with its regional partners, proposes to collect and publish the public revenue data of countries all over the world in a comparable format, offering 40 years of experience and a specific methodology for defining and classifying tax revenues. How this classification helps to realise more revenues, or to discover new sources of revenue or to shift policy to favour more efficient, more growth-friendly and fairer sources of taxation, is in the hands of the policymakers.

Having a common language for revenue statistics is common sense. After all, countries with similar revenue levels are often confronted with the same issues when it comes to tax policy. Countries with shared borders often want to integrate their economies, or at least coordinate their tax policies to prevent a race to the bottom. Decision-makers want to measure the impact of previous reforms or estimate the possible effects of a policy that seems to have worked somewhere else. *Revenue Statistics in Latin America* is a case in point. Published over four years using data produced jointly by the Inter-American Centre of Tax Administrations (CIAT), the Economic Commission for Latin America and the Caribbean (ECLAC), the OECD and the OECD Development Centre as part of the OECD's LAC Fiscal Initiative, *Revenue Statistics in Latin America* demonstrates how important consistent, high quality and internationally comparable revenue data are for informing discussions among key tax policymakers as they grapple with the challenges of supporting growth and domestic resource mobilisation.

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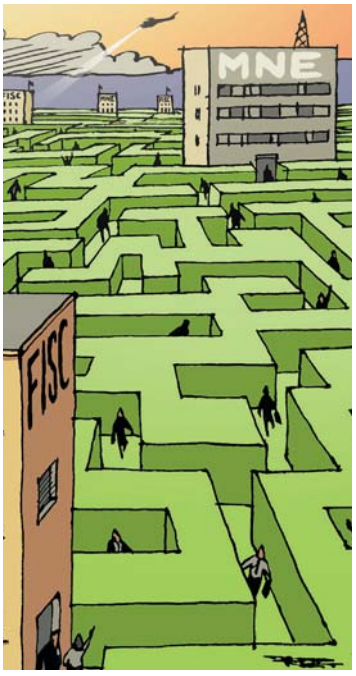
Tax inspectors without borders



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Most people probably scratch their heads when it comes to filling out their tax returns. But whatever challenges ordinary taxpayers face are nothing compared to what tax officials must confront, particularly when dealing with multinational firms.

The financial relationships between multinationals and their subsidiaries can be labyrinthine, involving several countries and jurisdictions. Take transfer pricing, for instance, which essentially covers transactions within multinationals as a firm buys goods and services from subsidiaries or vice versa. Think of automotive components shipped within Toyota, or customer services in Apple. In financial terms, these transactions can be substantial: it is estimated that around two-thirds of all cross-border transactions occur between entities belonging to the same group.

Putting a value on such transactions to determine how much tax is owed among different jurisdictions can be difficult. Sometimes that's because there is genuinely nothing to compare them with in the open market and sometimes it's because firms use such transactions to reduce their tax bills. Other problems also arise, says Anthony Munanda, a transfer pricing analyst at the Kenyan Revenue Authority who audits tax returns from multinational firms operating in Kenya. "Sometimes you realise you don't know who is the ultimate shareholder, so it becomes a challenge even to sustain an argument over whether the case involves transfer pricing."

To help meet such challenges, tax officials around the world have been increasingly turning to colleagues from other countries for help and advice. The need is especially great in developing countries, which typically have less experience in dealing with cross-border tax issues and far fewer resources than, say, OECD ones. "We really need more knowledge in this area," says Mr Munanda. "There is so much in transfer pricing and international pricing."

The challenges facing developing countries are now being acknowledged internationally with the launch of a partnership between the OECD and the United Nations Development Programme (UNDP) on Tax Inspectors Without Borders, an international programme designed to help developing countries by bringing together tax auditors from developing and developed countries. The new partnership on Tax Inspectors Without Borders will be launched at the Financing for Development conference at Addis Ababa in mid-July.

Tax Inspectors Without Borders is about "learning by doing". Tax auditors from mostly OECD countries will go to work alongside their peers in developing countries on real-time tax cases. Their joint efforts will focus on several key areas, including learning how to spot cases that may need to be looked into further, the mechanics of investigating cases and negotiating settlements with taxpaying firms. A joint OECD and UNDP team will operate a matchmaking service, linking requests for help from developing countries with the right experts from wherever they are located.

> "This has been revolutionary. This has really changed the way we do our work.

A number of pilot projects and international tax workshops have already taken place, and these give a taste of how Tax Inspectors Without Borders will operate. The Kenyan Revenue Authority has taken part in several such exchanges, and the benefits for staff are already clear, according to James Karanja, team leader in the Kenya Revenue Authority's international tax office.

"At the end of the day we have transferred the expertise of the international tax expert into the local officer who deals with the taxpayer," says Mr Karanja. "He's now confident, he knows what to ask for, knows what outcomes he should be looking for. This has been revolutionary. This has really changed the way we do our work." That change has been noticed by taxpayers and audit firms, adds Mr Karanja: "They do recognise that there is a shift in outlook, in attitude, in confidence that officers are expressing as they undertake this very difficult work."

There have been benefits, too, for the public purse, according to Mr Karanja: "As an example of how international tax expertise has helped us, in a period of three years we've seen our recovered tax revenue grow from about $52 million to $107 million last year."

If Kenya's experience so far is anything to go by, the benefits of Tax Inspectors Without Borders will also be felt not just nationally, but regionally. "We also have been able to share our experience with tax officials around the region," says Mr Munanda. "Last year we had officials coming from Tanzania and previously we had officials come from Zambia." *Brian Keeley*

For more information on Tax Inspectors Without Borders, visit www.oecd.org/tax/taxinspectors.htm

Patrick Love helped in preparing this article.

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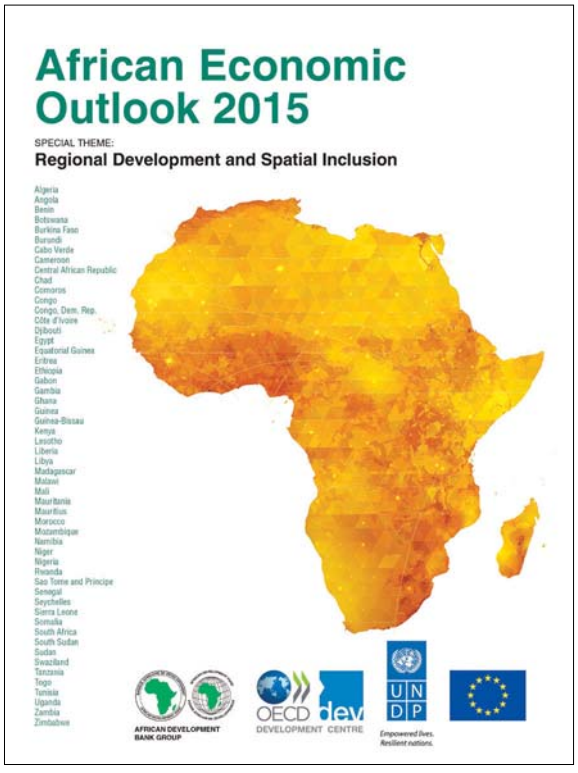
Africa's regions offer potential for development policy

Mario Pezzini, Director, OECD Development Centre

What will fuel Africa's economic growth and development? Will urban centres be the spark? Will agricultural areas drive productivity? The answer is both.

Consider first that the population of urban and rural areas in Africa is booming. The majority of Africa's population is still rural and likely to remain so until the mid-2030s. In 2015, rural population in Africa accounts for 60% of the total population, compared with 20% in Latin America and 52% in Asia. In 2035 this share in Africa is projected to decrease slightly to 51%, compared with 16% in Latin America and 42% in Asia. Second, urbanisation has advanced faster than industrialisation in Africa. As a result, rural migrants to urban centres have continued to face a lack of opportunities, leading some of them to return to their rural roots. Third, Africa's role in international trade–with a dependency on commodity exports and cheap food imports–has altered the market relations between cities and the countryside. In Asia and Europe, by contrast, the countryside supplied cities with natural resources and goods, driving structural transformation.

This complementarity between urban and rural places has not developed as well as it should in Africa. Fostering a mutually reinforcing dynamic between cities and countryside requires new thinking and bold strategies for accelerating a sustainable economic transformation.



A *regional* perspective is therefore paramount to better capture the emergence of the sorts of hybrid lifestyles and complex socio-economic behaviour associated with intensifying and diversifying rural-urban migration patterns and capital flows,

> Fostering a mutually reinforcing dynamic between cities and countryside requires new thinking and bold strategies

including the diffusion of new technologies. Continued demographic growth in rural areas offers real potential, but it means that productive opportunities must be created throughout regions, and not just in urban hubs. Policies focusing mainly on moving the rural labour force to productive activities in the cities could miss out.

The right policy cocktail–the strategy–is critical. Individual policies aimed at increasing industrialisation or generating growth through services, natural resources, green energy and agriculture must be gathered together strategically, tailored locally, and customised from country to country and from region to region.

By firing on all cylinders through this approach, African economies can liberate the potential of their many regions to foster endogenous growth and accelerate a structural transformation that is well-suited to regional capacities and needs. They will enable policymakers to shift the emphasis from top-down, subsidy-based interventions used to temporarily alleviate regional inequalities to a broader approach that empowers regional competitiveness and innovation, mobilises under-tapped resources, and stimulates the emergence of new wealth and welfare enhancing activities.

Take the joint management of the Senegal River basin by Mali, Mauritania, Senegal and Guinea, which is an excellent example of how cross-border co-operation can work by producing and distributing energy, facilitating irrigation and improving navigation, with widespread regional benefits. Similarly, the W Regional Park allows Benin, Burkina Faso, Niger and Nigeria to maximise their natural and cultural endowments to promote tourism and value-added processing of goods made from the region's natural resources. In addition, local products applying regional knowledge, such as dry figs or weaving from Béni Khedache in Tunisia, benefit regional heritage and create local quality jobs.

Such regionally led initiatives offer bright prospects for both urban and rural areas in Africa. "Decompartmentalising" policymaking optimises the potential of African resources, skills and people regionally and adds new momentum to the continent's economic growth and development.

NOTE: The *African Economic Outlook 2015* is a joint publication by the African Development Bank, the OECD Development Centre and the United Nations Development Programme, in collaboration with the French Agricultural Research Centre for International Development. The full report is available at www.africaneconomicoutlook.org

Eating soup with a knife
Confronting warfare in the Sahara

Olivier J. Walther, Consultant to the Sahel and West Africa Club (SWAC-OECD) at the OECD and Associate Professor, University of Southern Denmark



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"Like eating soup with a knife": Peter O Toole (right) portrays TE Lawrence, with Omar Sharif, in the 1962 film, "Lawrence of Arabia"

Insurgency is a cause of underdevelopment in large areas of West Africa, holding back the task of achieving social and economic progress.

Combating an insurgency is never easy at the best of times, but in a desert, it is slow and messy. Indeed, to quote Thomas Edward Lawrence–known to many as Lawrence of Arabia–it is "like eating soup with a knife". The enemy is shadowy, avoiding direct combat with regular forces. Mobility and speed allow him to strike anywhere, anytime, without apparent logic. Desert insurgents compensate for their small numbers by offering an elusive target. Their strength relies on their ability to control strategic cities and secure roads rather than on holding territory. Regular forces are often ineffective at combating such insurgents, argues Lawrence, because in the desert, "space is greater than the power of armies".

Almost a century later, the general principles of irregular warfare formulated by Lawrence in the Middle East resonate surprisingly well with today's security situation in the Sahara, the greatest desert of all. First, mobility and speed also characterise the Sahara situation today. As shown in a recent paper, militants from Al Qaeda in the Islamic Maghreb (AQIM), Ansar Dine and the Movement for Unity and Jihad in West Africa (MUJAO) have enjoyed a high level of trans-border activity over the last 10 years, travelling

> "In the desert, "space is greater than the power of armies"

across many regions of Algeria, Mali, Mauritania and Niger without much risk of being apprehended. Successive events chronologically connected through hypothetical lines between 2004 and 2011 indicate that terrorist attacks repeatedly occurred hundreds or thousands of kilometres apart, in different countries, and without apparent regularity (see map).

The military offensive of 2012, during which a temporary coalition of Islamist militants and secessionist rebels conquered northern Mali, also illustrates how quickly desert insurgents can move. Having left the Adrar des Ifoghas, a low-lying mountain range at the confines of Algeria, Mali and Niger in mid-January, the coalition had seized the cities of Tessalit, Kidal, Gao and Timbuktu by the end of March. As discussed in a recent SWAC/OECD publication, they expelled the disorganised and poorly equipped Malian army, whose members fled, or quickly changed sides according to their tribal allegiances.

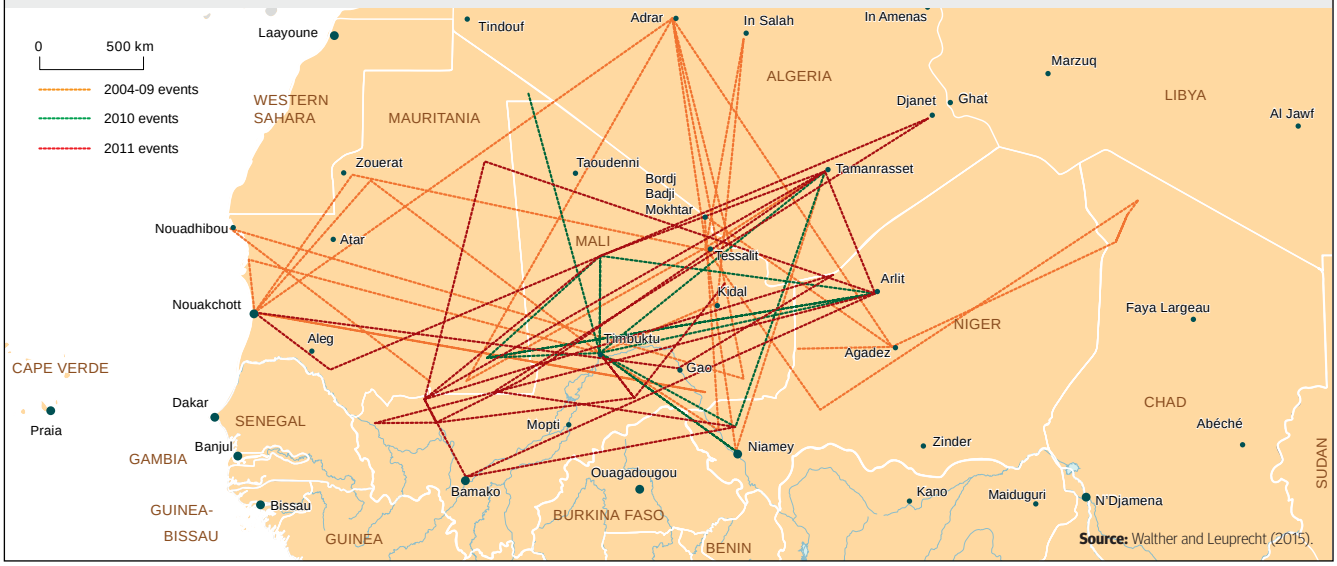
The French-led counteroffensive of 2013 also relied on a rapid and mobile response, placing considerable strain on air and land logistics. Following United Nations Security Council Resolution 2085 of 20 December 2012 and responding to appeals for help from the president of Mali, Operation Serval was able to regain control of the main cities in about two weeks, and pave the way for a United Nations mandate and the European Union Training Mission in Mali.

Special forces proved essential for conducting reconnaissance missions, securing distant airports before regular troops were deployed, tracking jihadist militants and destroying their weapons and food caches. The combined use of special forces and combat helicopters allowed Operation Serval to jeopardise the mobile strategies of jihadist militants when they threatened to invade the southern part of Mali and in the Adrar des Ifoghas, which they hoped to use as a safe haven. A limited number of drones were used in surveillance, reconnaissance and support of deployed troops.

A second point of convergence between the Arab Revolt and current Saharan warfare relates to the fact that in both situations capture of territory has widely been seen as pointless due to the impossibility of garrisoning it. However, control over territory is what motivated insurgents, and secessionist rebels of the National Movement for the Liberation of Azawad (MNLA) claimed to hold a pretty big chunk of Malian territory–the Azawad. On the other hand, their actual military presence was limited to a number of key locations. As for the Islamists, their immediate objective in the conflict against the Malian state seems to have been more socio-political than strictly territorial. "All we want is the implementation of Sharia", reportedly said a member of the Ansar Dine group. However, they had other

Chronological events attributed to violent trans-Saharan extremist organisations, 2004-11

Note: the map shows how violent events attributed to nine groups affiliated with Al Qaeda took place from 2004 to 2011. The dotted lines on the map should not be interpreted as a reconstitution of actual physical movements, which remain largely unknown, but rather a series of events that are related chronologically.



Source: Walther and Leuprecht (2015).

interests too, since insurgents fought for the control of key cities in the Adrar des Ifoghas and in the Niger Belt, along which circulate drugs and arms, as a recent report shows.

A third similarity is that in both Arabia and the Sahara, desert insurgents often avoided direct confrontation with regular forces. During Operation Serval, Islamist militants and secessionist rebels often fled and disappeared rather than attempting to combat the numerically superior regular forces. Timbuktu was retaken without resistance. So was Gao. Even Kidal, the historical stronghold of many past Tuareg rebellions, was occupied without combat. The most common form of confrontation has been through suicide attacks and improvised explosive devices.

Operation Barkhane, the anti-terrorist operation that took over Operation Serval in August 2014, relies on highly mobile forces. Contrary to previous military engagements that targeted "one country, one crisis, and one theatre of operations", Operation Barkhane explicitly addresses the regional and cross-border dimension of terrorism activities in the Sahel-Sahara region. The operation relies on three ports in the Gulf of Guinea, two main airports in the Sahel from which jet fighters and drones can be launched, and a series of Saharan outposts located at the extreme margins of Chad, Mali and Niger from which cross-border trafficking routes and terrorist networks can be disrupted. Considering that Algeria and Libya are out of the reach of the French military, Operation Barkhane is probably as regional as one can be at the moment.

Ultimately, T.E. Lawrence famously wrote, desert warfare is comparable to naval war in the sense that insurgents are mobile, ubiquitous, independent of military bases, and relatively indifferent to the constraints imposed by their environment. This is true, of course, of many irregular forces. What makes desert insurgents peculiar is that, like seafarers, they have developed a conception of space in which strategic areas, fixed directions and fixed points matter less than tribal allegiances, networks of cities and control of roads. The last century has not made these general principles obsolete. As during the Arab Revolt, a highly equipped force of the smallest size that possesses mobility, speed and knowledge of the country has faced a numerically stronger regular force in Mali and surrounding countries. But as Western armies and their African allies become more mobile and flexible in their regional responses to political violence, desert insurgency proves to be a double-edged sword which can also work against those who know the terrain best.

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The SWAC is an international platform for policy dialogue and analysis devoted to regional issues in West Africa. For more information please visit our website: www.oecd.org/swac, @SWAC_OECD

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Business brief

Innovation and urban mobility in Brazil



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Cesar Cunha Campos
Director
FGV Projetos

"What is the city but the people?" asked Shakespeare in *Coriolanus*. All city planning focuses on people and the quality of life. The big cities in Brazil took shape from the 1950s, when the country's population amounted to approximately 52 million inhabitants, only 36.2% of whom lived in cities. The development focus during the post-war period, led by the modernist canons that guided the conception of Brasília, spread across numerous cities where the automobile was the leading actor, and was supported by investments all over the country to build roads and other infrastructure, such as ports, railroads and electric power plants.

The population of the country in the 1980s was around 120 million inhabitants, 67.6% of whom were urban dwellers. The public transport systems in the major cities were practically all limited to buses; only São Paulo and Rio de Janeiro benefited from the first subway lines, inaugurated in 1974 and 1979, respectively. The railroad systems basically served the metropolitan regions, with their terminals delivering enormous numbers of passengers to the bus networks.

It is obvious that today's urban population of over 160 million, with the rate of urbanisation standing at 84.4%, is stimulating massive expansion, with ever-increasing distances and extremely high costs to attend to for public transport networks. The Brazilian government's policies remain quite unclear on this issue, and few of Brazil's cities have effective urban-mobility plans. On the other hand, the automobile industry delivers 200,000 vehicles to the market every month. This perpetuates the car/city combination, while forcing planners to find solutions for sustainable mobility that are compatible with the extending urban space.

The use of individual vehicles in big cities is not a matter of education, but rather of the lack of an efficient, safe, quality collective transportation system. When citizens take over two hours to travel to work in metropolitan areas, using the automobile is justifiable since it reduces this commuting time by about 50-60%. The question is therefore about integrated public policies that take into account aspects such as urban locations that can offer jobs, incomes and services.

The fundamental starting points for proper integrated city planning, and consequently mobility, are first, a deep familiarity with the clear social and economic profiles of the city's inhabitants (together with their expectations and demands as regards work, education and health), and second, to know the origin and destination of their journeys. Sustainable planning of mobility depends basically on city planning, and this requires a social, participative approach that reaches beyond how to manage just the city itself.

Accordingly, sustainable urban mobility must be planned with medium and long-term solutions that should obviously offer short-term remedies for the urgent problems of cities, while always seeking the participation of all the stakeholders–



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governments, citizens, universities and companies–with each of these actors contributing solutions that promote the commitment of all involved.

Brazil was a pioneer in creating the BRT (Bus Rapid Transport), with exclusive corridors and boarding stations that reduce waiting times for commuters. Based on TOD (Transit-Oriented Development), a worldwide city planning approach that combines walking, cycling and public transport spaces with compact, well-serviced, population centres, this medium-size system is far less costly than building subway lines. Nevertheless, the BRT systems, which can use sustainable fuels like biodiesel or electric power, still need infrastructure work to guarantee large-scale viability.

Meanwhile, the use of technologies to control and oversee transit has helped to improve the quality of city commuting. The centres for monitoring with cameras and GPS localisation devices on collective vehicles, as well as collaborative applications which commuters use, such as Waze and Google Maps, on about 7 million smartphones have increased the efficiency of commuting. Not only smartphones, but also vehicles and objects that rely on tiny sensors to provide masses of data, can help make mobility more efficient.

Integrated planning, supported by clear public policies, new technologies and ways to safeguard the environment, is the path towards sustainable mobility in cities in Brazil, as elsewhere.

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Spotlight
Financial inclusion for development



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Why financial literacy matters for development

Sarah Bel, UNCDF Better Than Cash Alliance, and James Eberlein, OECD Development Centre



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"Most of our problems are based on finances. Money is always an issue. I have to still provide for both my parents who are not working and make sure they are fed; I must pay their insurance policies because they no longer have the ability to pay them. I don't earn enough money to afford all of that."

These are the words of 35-year-old man from Lesotho, interviewed as part of the UNCDF Making Access Possible initiative. Low-income consumers must make complex financial decisions even more frequently than middle- or high-income consumers, given their smaller operating margins and their limited and irregular incomes. In Lesotho and Swaziland, many workers forfeit up to 40% of their income because of burdensome loan repayments. Indebtedness in the informal consumer market is often an indicator not only of poverty, but also of limited financial literacy.

Yet these problems are not limited to poor consumers or low-income countries. In response to the growing concerns about over-indebtedness, policymakers across the world are focusing on "predatory" lending, which takes advantage of financial illiteracy to push inappropriate loans to consumers who cannot repay them. Some common-sense reforms, like one implemented in France, now require lenders to include a disclaimer, such as "you are responsible for paying back a loan" and "verify your ability to repay the loan before borrowing". Additionally, all marketing material must include plain-language explanations of the long-term cost of loans (interest rate, total amount due and the final cost of the credit). South Africa's Broad-Based Black Economic Empowerment legislation has specific regulations around financial education and consumer empowerment. The purpose of these types of regulations is to improve financial capability and increase financial inclusion. But while such reforms have helped improve the protection of financial consumers, they address only part of the problem.

Many people, in developed and developing countries alike, know little about basic financial concepts and do not engage in savvy financial behaviour. An OECD working paper by Adele Atkinson and Flore-Anne Messy shows that in almost all of the 14 countries across four continents taking part in the study, at least half of the adult population failed to identify the impact of interest compounding on their savings, and revealed that fewer than one in five people would shop around when buying financial products. Unfortunately, the picture isn't any brighter when it comes to young consumers. The *Students and Money* report from the 2012 OECD PISA financial literacy assessment revealed that around one in seven students in the 13 OECD countries and economies taking part in the assessment are unable to make simple decisions about everyday spending, and only one in ten can solve complex financial tasks. This result is astonishing and requires prompt action to ensure that tomorrow's adults understand bank statements, the long-term costs of consumer credit and how insurance works, among other basic financial services and products. Indeed, improving the financial literacy of young people will help ensure that they can benefit from savings, retirement and health care coverage– much-needed safety nets in the absence of parents or social systems.

To help governments design and implement policies to increase financial skills, including among young people, the OECD and its International Network on Financial Education (INFE) developed High-Level Principles on National Strategies for Financial Education, which were endorsed by G20 leaders in 2012. They encourage countries to develop nationally co-ordinated frameworks for financial education policies and provide general guidance on the main elements of an efficient national financial education strategy, such as an effective mechanism to co-ordinate with civil society and the private sector.

Governments may involve financial service providers and other key stakeholders to build the financial capabilities of young people and adults through a variety of delivery channels. Rwanda's national strategy, for instance, underlines the importance of using not only schools to deliver financial education, but also other innovative channels to reach vulnerable, out-of-school youth. Umutanguha Finance, one of the ten institutions supported by the UNCDF initiative YouthStart, empowers

teenagers to deliver financial education on issues such as savings to younger children. This peer-to-peer approach is particularly useful because young people tend to listen to their peers more than adults, and the participative approach helps foster youth as agents of change in their own communities.

Financial literacy programmes can play an important role in reducing economic inequalities as well as empowering citizens and decreasing information asymmetries between financial intermediaries and their customers. Public authorities have a responsibility to develop financial education policies and set up robust financial consumer protection frameworks to ensure that consumers are informed and understand the financial products available to them. Innovations such as electronic payments are tipping the economic scales in favour of those who have, for too long, been excluded from the system. But unless consumers are equipped to make sound decisions when using financial services, no amount of innovation will bridge the gap.

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This *OECD Observer* Spotlight focuses on how access to financing can contribute to inclusive social and economic development. The articles are adapted from a series published on www.oecdinsights.org, which was prepared jointly by the OECD Development Centre and the United Nations Capital Development Fund (UNCDF).

Financing smallholder farmers: Growth potential

Kameshnee Naidoo, UNCDF



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Joacquim is a subsistence farmer from Etatara in Mozambique. At 46 years old, he is his family's sole breadwinner, responsible for supporting his wife and three orphaned grandchildren. He lives in a traditional house, which he is unable to use as collateral, and grows maize, sorghum, cassava and beans. They consume a lot of the produce themselves, and what is not consumed is sold. Joacquim earns US$300-500 per month depending on the season and his produce.

In the attempt to understand the real livelihoods of lower-income individuals and households in markets such as Mozambique, the lack of data and field-based insights are challenging. UNCDF's project focusing on financial services, Making Access Possible (MAP), for instance, seeks to place demand-side analysis at the centre of the research process to focus the minds of multiple stakeholders on the end consumer. Better provision of appropriate financial services is an ancillary tool to wider development goals of enabling more sustainable livelihoods for low-income populations.

Millions of smallholder farmers like Joacquim live in or close to poverty and rely on agriculture for their livelihoods. Agriculture is fundamental to poverty reduction, driving economic transformation and ensuring that growth includes the poor. Pathways out of poverty–whether through farming, employment, non-farm processing and trade, or migration–are all heavily reliant on agriculture. Moreover, improving agricultural productivity–while conserving and enhancing natural resources–is an essential requirement for farmers to increase global food supplies on a sustainable basis and enhance their livelihoods. Over the longer term, increasing agricultural productivity plays an even greater role in economic development by enabling economic transformation through a new green revolution.

For agriculture to work better and improve livelihoods, financial services need to work better in helping the poor to diversify their activity and become more resilient to periodic shocks and prevent them from falling into poverty traps. The rural economy requires a wide range of financial services and products, which no single type of financial institution is capable of efficiently providing. Microfinance, for example, can help to meet the short-term needs of farmers and other low-income residents and help to finance microbusinesses, though it is not as suitable for larger businesses to raise productivity.

As the OECD's *Multi-dimensional Review of Myanmar* shows, the rural sector is the

most underserved by the formal financial system, receiving only about 2.5% of total loans, even though it accounts for 30% of GDP and two-thirds of employment. Some groups, such as landless farmers, are effectively cut off from financial services.

The current financial system is unlikely to be able to support the broader development of the rural economy in Myanmar.

Apart from the basic loan products, other financial products and services have been quite limited. For instance, remittance

> The rural economy requires a wide range of financial services, which no single type of financial institution is capable of efficiently providing

services are particularly important to Myanmar's rural sector, given that an estimated 2-5 million of its citizens are working in other (mainly ASEAN) countries and annually send a substantial amount of funds back to their families.

Finance is also needed for the agricultural investment that is a major catalyst for job creation, higher incomes and increased productivity across the economy as a whole. Financing agriculture and rural development more broadly, however, is complex. All of the challenges that hinder financial outreach in regular markets are larger in a rural context. Rural populations are poor, sparsely distributed, poorly literate and mostly engaged in informal activities. Agricultural activity–mostly smallholder farming–has low returns and high risks. For suppliers of financial services, the cost of operating in rural areas is often extremely high, which, when combined with the low and risky returns available, leads to a large undersupply of financial services.

If financial services are to work better for rural and agricultural populations, they need to be based on an understanding of the needs of the users, which can be very different to those of urban populations. But financial service providers, governments and donors do not have a good understanding of the financial behaviour, usage and needs of rural populations, and this restricts the effectiveness of rural outreach.

On the supply side, an increasing number of traditional and non-traditional financial service providers are innovating in the agricultural space, driven by a combination of declining profitability in more advanced markets and the huge potential offered by the unbanked millions in rural areas. Innovation is taking place in delivery models led by technology and building alliances between those who have assets and those who have low-cost outreach; in risk management enabled by big data and leveraging existing relationships within the value chain (buyers and sellers, farmers' associations, co-ops); and in products driven by a better understanding of what farmers need, while matching repayment schedules to agricultural cash flows.

Understanding how agriculture shapes the demand for financial services and how the rural context affects the costs, risks and returns of supplying financial services is central. A key component of the MAP diagnostic is to build a target market profile based on the main income-generating activities of consumers and their financial services access, usage and needs. The analysis is informed by the context of the country and ultimately seeks to meet the policy objectives of financial inclusion as a tool to improve welfare and poverty alleviation.

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Philanthropy, digital payments and financial inclusion

Emilie Romon, OECD Global Network of Foundations Working for Development (netFWD) and Sabrina Sidhu, Better Than Cash Alliance

Access to financing can contribute to inclusive social and economic development. How might digital transactions help? Here's how.

What do a family foundation based in Canada, a semi-public foundation established in the United Arab Emirates (UAE) and a corporate foundation from one of the world's leading banks have in common? At first sight, not much beyond the fact that they are all charitable organisations. But a closer look tells us that they all dedicate time and resources to the same cause: financial inclusion.

There is growing evidence that financial sector development offers the opportunity to address inequality through interventions to ensure that economic growth translates into poverty reduction and employment. These efforts help to alleviate worries that economic integration and liberalisation of financial markets will lead to narrow, impervious corridors of spectacular growth surrounded by a hinterland of poverty. According to a report by the World Bank Development Research Group, governments can save up to 75% with electronic payment programmes–because the costs of handling, securing and distributing cash and administering these cash programmes is so expensive.



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Better Than Cash Alliance supporter, Bill Gates, visited the OECD to meet with Secretary-General Angel Gurría on 26 June 2015; see www.flickr.com/photos/oecd

By empowering poor households to take a long-term view of education and health, financial inclusion complements government policy. It also helps reap the demographic dividend by ensuring that healthier and educated young people raise productivity and attract further investments in the real economy.

Many foundations work to support those living in developing countries who do not have access to formal financial services, such as loans, insurance and savings accounts. They may also lack the skills needed to manage their financial assets in a sustainable way. Through financial inclusion, foundations empower individuals to lift themselves out of poverty, enhance their livelihoods and avoid excessive indebtedness.

Why do foundations get involved? Firstly, foundations are generally more willing to take risks and have more flexible means of operation than traditional aid agencies. They have also taken the lead in innovation, for example by inventing and making new digital payment systems accessible to the poor. An OECD Development Centre study on venture philanthropy paints a generally positive picture of the approaches used by foundations.

The Lundin Foundation works with farmers and small enterprises in sub-Saharan Africa to enhance employment opportunities and bring their products to market. Because farmers often do not have access to formal financial services–which constrains their ability to scale up–the foundation makes financial services accessible to these farmers. Lundin recently invested in Agriculture and Climate Risk Enterprise Ltd (ACRE), which provides affordable insurance to farmers against climate risk, and sponsored the development of West Africa's first dedicated agribusiness SME venture capital fund.

In the UAE, where 70% of Emiratis under the age of 30 are indebted, rising depression among youth is often attributed to financial stress. Increasing divorce rates in the country have also been linked to excessive debt. Faced with a problem of such magnitude and because no nationwide initiative was addressing the issue, the Emirates Foundation for Youth Development decided to make financial inclusion and literacy one of their six core programmes. Through the Esref Sah ("spend true") programme, the foundation raises awareness among the Emirati youth on the importance of managing their assets and provides adequate capacity building training. In 2014, the Emirates Foundation has engaged 2,434 youth and parents through a series of workshops across the country.

> "Foundations are more willing to take risks than traditional aid agencies

Similarly, the Citi Foundation follows a "more than philanthropy" approach, by giving not only money to their grantees, but also coaching and training in order to reinforce their capabilities. In addition to financial literacy programmes delivered around the globe, the foundation seeks to strengthen microfinance institutions (MFIs) that offer small loans to low-income individuals, by helping them build their institutional and management capacity.

While these programmes gain considerable momentum, a larger range of development actors are also coming together to leverage their comparative advantages in support of financial inclusion. The Better Than Cash Alliance for example is a unique UN-based group that is funded by three major foundations (Bill and Melinda Gates Foundation, Ford Foundation and the Omidyar Network), three financial services

providers (Citi Foundation, MasterCard and Visa) and one bilateral donor (USAID).

Housed at the United Nations Capital Development Fund, the Better Than Cash Alliance provides expertise in the transition to digital payments to achieve the goals of empowering people and growing emerging economies. In addition to raising awareness of the benefits of replacing physical cash with electronic payments, the alliance facilitates the transition for governments, the development community and the private sector. While physical cash payments are more effective than distributing in-kind goods, there is a growing body of evidence that digitising payments can create lasting benefits for people, communities and economies. Why? Because they are a more cost-effective, efficient, transparent and safer means of disbursing and collecting payment.

The support from the three foundations to the Better Than Cash Alliance and their commitment to work with governments, private sector and development partners is deeply rooted in their own vision for increased financial inclusion in developing countries. Bill Gates, the co-chair of the Bill and Melinda Gates Foundation, predicts that in the future all "transactions will be digital, universal and almost free". Increasing financial inclusion at a national level is a complex task and requires a number of actors, in order to ensure that the vast range of products, services, policies and regulations, as well as infrastructure upgrades, are met. This will require both technical skill, significant human capital to ensure the change happens and deep financial resources. Thus, a multitude of players will be required for multi-dimensional sectoral change at country level and there is no doubt that foundations have a key role to play in increasing financial inclusion globally.

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Myanmar and financial inclusion: A leapfrog in development

James Eberlein, OECD Development Centre, and Kameshnee Naidoo, UNCDF



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U Chit Po is 49 years old and runs a grocery store in Myanmar. He is responsible for his wife and two children. He recently had a major health scare and consequently would like to retire soon. U Chit Po has no medical coverage, as there is no licence for the health insurance market in Myanmar. His income consists of profit from his small business and interest on loans to others, which he lends at 20% interest per day. He has never saved in a formal banking institution, but his knowledge about the value and complexities of saving are highly sophisticated. He feels that banks have so much red tape, especially for provisions which he might need to access at short notice, and the interest offered by banks on savings is so little that it is not worth the hassle.

Like U Chit Po, most adults in Myanmar do not use formal financial services. More than half of all credit in the country is sourced informally, through people like U Chit Po who on-lend their savings as a way of generating additional income. While such local intermediation plays an important role in the local economy, from a public policy perspective it means that such funds are not available for national investment.

For people who do use formal financial services, it is common for such usage to be limited to one service–a phenomenon known as being thinly served. Some 30% of the total adult population have access to a regulated financial service from a regulated institution, but only 6% have access to more than one (a combination of credit, savings, insurance and payments); this is higher for urban adults than rural ones.

The development of the rural financial system is particularly critical. Of all the segments of Myanmar's economy, the rural sector is the most underserved by the formal financial system: only 2.5% of all loans go to this sector, even though it represents 30% of GDP and two-thirds of employment. Improving access to finance in rural areas could catalyse a process of agricultural modernisation and the creation of non-farm jobs, which would be critical for the future.

Thinly served populations result in adults using "inappropriate" financial services to meet a particular financial need. Like U Chit Po, 31% of the adult population in Myanmar experienced illness within their household or family that resulted in medical expenses. However, in the absence of health insurance, 47% of adults reported using credit, 27% sold assets or reduced expenditure, 22% used their savings, and 4% did nothing. In all these responses, adults are forced to rely on wealth-depreciating mechanisms, leaving

them more vulnerable to shocks in the future and undermining the productive allocation of resources.

The UNCDF's Making Access Possible (MAP) programme unpacks the realities of adults like U Chit Po across various economic groups based on their income profile to understand the needs of different segments of the population and to position the supply-side response within the current contextual and market challenges. These include a heavy reliance on paper-based banking systems, a rapidly changing political economy, and a modernising financial sector that will require new skills and approaches to meet needs on the ground.

MAP targets low-income consumers, as well as small and micro businesses, and hence its application in Myanmar is supporting the government's objectives to improve access to financial services, reduce poverty, and catalyse jobs and economic activity.

To achieve this, UNCDF, in partnership with the Ministry of Finance of Myanmar, developed a roadmap for financial inclusion. By analysing the various options available, timelines and resources required, it will assist the ministry in developing policy and setting out its priorities for financial inclusion in the short, medium

> "The development of Myanmar's rural financial system is particularly critical

and long terms, and in attracting development partners to support specific areas of financial or other need.

The roadmap was presented at the Association of Southeast Asian Nations (ASEAN) Financial Inclusion Conference in Yangon in October 2014, which concluded with the Yangon Outcomes for Financial Inclusion, a set of recommendations to accelerate financial inclusion in the ASEAN region.

The Yangon conference was part of UNCDF's programme Shaping Inclusive Finance Transformations (SHIFT), which aims to double financial inclusion in the ASEAN region by 2020.

With the recent changes in government and new investor interest, Myanmar is poised for growth. In its *Economic Outlook for Southeast Asia, China and India 2015*, the OECD Development Centre forecasts that Myanmar's economy will grow by nearly 7.8% over the next five years. This has the potential to move millions of people out of poverty. There is growing evidence that financial inclusion can play a critical role in contributing to equitable growth policies that reduce poverty and inequality.

Given the current level of development of the financial sector in Myanmar, much work needs to be done to further expand access and, importantly, to improve the quality and depth of services offered to those already financially included. The roadmap will provide a structured approach so that the benefit of economic growth is shared across the poor and marginalised groups.

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Why technology matters for advancing women's financial inclusion

Beth Porter and Nancy Widjaja, UNCDF, and Keiko Nowacka, the OECD Development Centre

Women are consumers, business owners, farmers, employees and entrepreneurs. They are dependent on market systems and need access to finance to manage their livelihoods.

The gap between women and men in access to formal financial services is great. In developing economies, women are 20% less likely than men to have a bank account and 17% less likely to have borrowed from a formal institution in the past year. This disparity, particularly within the population at the bottom of the socio-economic pyramid, has knock-on effects: women's inability to access finance also impedes their tapping into market opportunities, thus widening the gender gap.

Legal frameworks and cultural norms condition market dynamics and may limit the space in which women can operate and interact. OECD analysis has shown that in many countries, such as in the Middle East and North Africa region, custom and legal frameworks insist on male signatures for women to open bank accounts.

Moreover, women are typically found to have lower awareness and knowledge than men about financial matters, and have lower confidence than men about their financial skills. This can present significant challenges to women in making decisions about their income or assets.

To close the gender gap in financial inclusion–and to expand women's overall level of access–policymakers and financial services providers need to understand what women value when it comes to financial products and services. In a variety of settings, the answers given by women are strikingly similar: convenient, reliable, secure, private. When these attributes are taken into consideration, the benefits to women, in terms of greater economic participation and empowerment as well as greater account ownership and asset accumulation, are significant.

There is also great value in drawing lessons from informal financial systems in order for financial service providers to cater to women's financial needs and preferences, as women are often found



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within this sphere. Because of collateral and other requirements imposed by formal financial institutions, informal services such as microcredit represent an easier source of revenue for women, who are less likely to own land or assets. In the 2014 edition of the OECD's Social Institutions and Gender Index (SIGI), two-thirds of the countries surveyed had discriminatory laws or practices that restricted women's access to land, assets and financial services.

Correspondingly, commercial viability must be part of the business proposition to target women and in order to be able to cope with growing demand and be sustainable. This is particularly important, as financial service providers still perceive women as a higher-risk, less profitable client group, despite the fact that women in many contexts have been proven to be reliable clients.

The use of digital financial services has the potential to address women's preferences in new and exciting ways, as well as to reduce the cost and time of service delivery. In Malawi, for example, with UNCDF support, Women's World Banking and NBS Bank designed the Papfupi Savings Account to give "mtima myaa" or "peace of mind" to its clients. It does so by using mobile phones in rural areas

> Women in developing countries are 21% less likely to own a mobile phone than men

as a transaction point to make deposits and withdrawals, and with the help of the mobile sales team, clients can even open an account in ten minutes from anywhere. The product conveys information simply and visually so that the customer does not need to be literate.

In Niger, evidence from the social cash transfer programme demonstrates that the greater privacy and control of mobile transfers compared with manual cash transfers shifts intra-household decision-making in favour of women.

In Kenya, the arrival of mobile money transfers increased women's economic empowerment in rural areas by making it easier to request remittances from their husbands who migrated to urban areas for work.

In India, trust was a particularly important issue for women, especially when dealing with unfamiliar mobile technology. In these settings, agents played an essential role in training and supporting women in their use of the technology.

Digital financial services can be offered in many forms, including automated teller machines (ATMs), point of sale terminals, cards (pre-loaded or debit), and mobile phones. However, the "digital divide" between women and men cannot be ignored. In many contexts, women have less access and are less adept in the use of technology. For example, the large gaps in mobile subscriptions (there are some 300 million fewer women subscribers than men worldwide) and ownership (women in developing countries are 21% less likely to own a mobile phone than men) means that if digital financial services are going to deliver on their promise to women, these gaps need to be taken into consideration.

Take, for example, the Benazir Income Support Programme (BISP) in Pakistan. It was thought that mobile phones would be a low-cost and convenient way for women in remote areas to interact with a bank. The reality was that many of the women neither had a phone nor knew how to use one.

Governments also have an essential role by creating an enabling regulatory environment, establishing an appropriate financial consumer protection framework and catalysing a digital ecosystem. They also have a responsibility to remove discriminatory practices and laws for women's access to finance.

The post-2015 Sustainable Development Goals feature financial inclusion as a key enabler to multiple goals.

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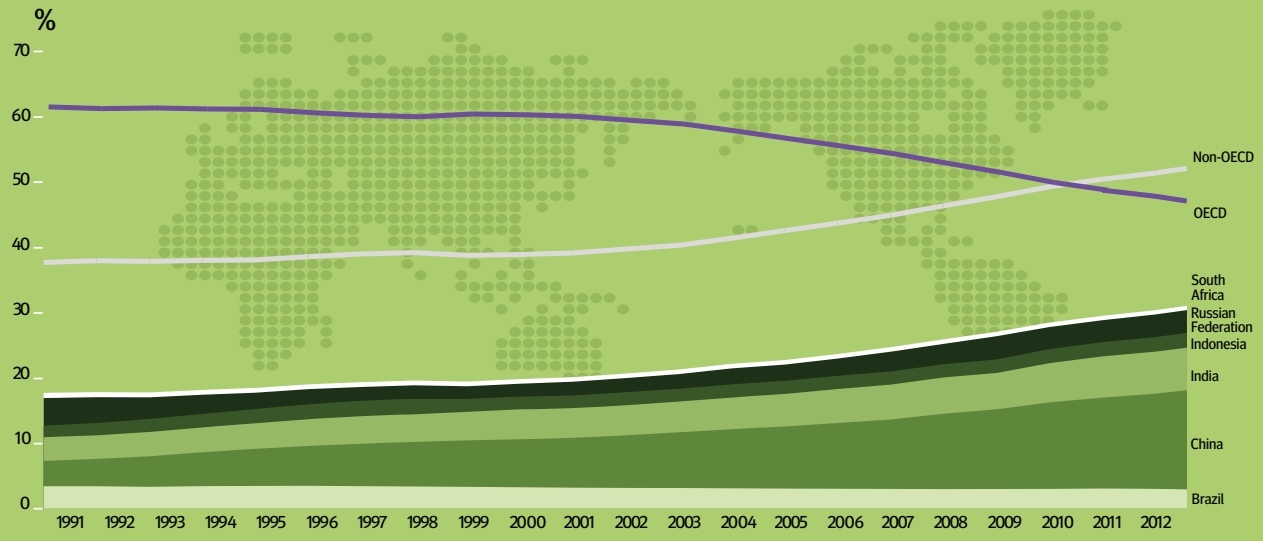

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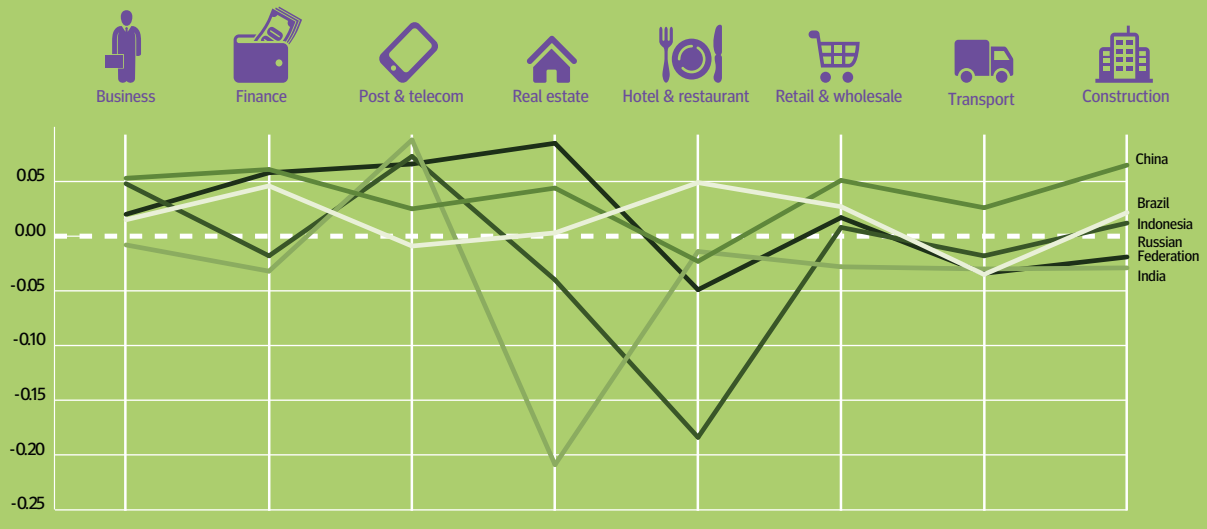

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Aid for trade is working

Angel Gurría, Secetary-General of the OECD*

International trade is a key driver of development. But high trade costs prevent a large number of developing countries from fully exploiting the opportunities that the global market offers: increased development, stronger growth and more jobs.

Landlocked, remote, and small economies are marginalised by costs that reflect geography, not capability. Indeed, while producers in low-income countries are often competitive at the farm and factory gate, they are priced out of the international market. This is because of cumbersome border procedures, poor infrastructure, lack of finance, and complex standards.

This is exactly why we launched the Aid-for-Trade Initiative: to help developing countries build their supply-side capacities and overcome the constraints that prevent them from connecting to global markets.

The good news is that we are making progress. Since the start of the initiative 10 years ago, donors have disbursed US$264.5 billion in financing for aid-for-trade programmes, with annual commitments now standing at $55 billion. A further $190 billion in other official trade-related flows have been disbursed, while south-south trade-related support is also helping developing countries reduce high trade costs.

But it is not just about the numbers. It is about the jobs created, increased domestic and foreign investment and, ultimately, better lives for men and women across the globe. The OECD found that $1 in aid for trade generates $8 in extra trade for all developing countries and $20 for low income countries. These are impressive returns on investment!

And let's not forget that aid for trade is a complement, not a substitute, for broader market liberalisation. That is why the WTO's 161 members made a renewed commitment to open international trade to developing countries with the agreement of the Bali package almost two years ago.

The WTO Trade Facilitation Agreement (TFA) creates a significant opportunity to reduce trade costs and enhance participation in the global value chains. Making improvements in trade facilitation is possibly the policy reform with the greatest potential to impact on foreign input sourcing decisions.

At the OECD, we calculated that the implementation of the Trade Facilitation Agreement could reduce worldwide trade costs by up to 17.5%. And for those that do more, the benefits are even greater! Countries that implement the TFA in full will reduce their trade costs by up to four percentage points those that do only the minimum that the TFA requires.

Aid also has a key role to play in assisting countries with the implementation of the Trade Facilitation Agreement. Donors that report to the OECD have already disbursed some US$1.9 billion in aid for trade facilitation since 2005. Annual commitments now stand at US$668 million; an eight fold increase in donor support since 2005. And, according to the OECD-WTO survey, even more support is on its way!

> I firmly believe that reducing trade costs through trade facilitation and aid for trade should be a crucial pillar of international efforts under the Sustainable Development Goals

The OECD has also developed Trade Facilitation Indicators, covering 152 countries, which can assist with the implementation of the TFA agreement. This tool allows countries to monitor and benchmark their trade facilitation performance, prioritise areas for action and mobilise technical assistance and capacity building in a targeted way.

Finally, let me remind you that we must join forces with the private sector if we are to see trade costs cut. Not only can they help identify the most distorting trade costs and suggest how best to reduce them, but they can also advise on the effective use of different development finance instruments offered by a wide range of providers.[…]

The OECD is committed to joining forces with governments, international organisations and the private sector to raise the bar for development. I firmly believe that reducing trade costs through trade facilitation and aid for trade should be a crucial pillar of international efforts under the Sustainable Development Goals. We are making progress, so let's keep up the good work![…]

*Extract from speech delivered to launch the joint OECD/WTO report, *Aid for Trade at a Glance: Joining forces to reduce trade cost for inclusive and sustainable growth*, 30 June 2015. See http://oe.cd/12A.

www.oecdobserver.org/angelgurria

China joins OECD Development Centre, strengthens OECD co-operation



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Li Keqiang, premier of the People's Republic of China, is greeted by OECD Secretary-General Angel Gurría, on a historical official visit of to the organisation, 1 July 2015.

The People's Republic of China joined the OECD Development Centre on 1 July, in a move described as an important step in support of China's transformation and transition to a new growth model.

China becomes the 49th member of the Development Centre, which was created in 1961 to help world leaders find policy solutions to stimulate growth and improve living conditions in developing and emerging economies.

China accepted the invitation to join during an historic visit by Chinese Premier Li Keqiang to the OECD, the first to the Paris-based organisation by a Chinese state leader, and coincides with the 20th anniversary of OECD-China relations. China is a key partner of the OECD, alongside Brazil, India, Indonesia, and South Africa, which are already members of the OECD Development Centre.

Li Wei, the president of the Chinese Development Research Centre of the State Council (DRC), accepted the OECD's official invitation to join the OECD Development Centre, endorsing China's membership in the centre in the presence of the Chinese premier and OECD Secretary-General Angel Gurría.

Mr Gurría welcomed China's entry as a "historic and transformative opportunity for mutually beneficial knowledge-sharing. Membership recognises both China's sound experience in development and the Development Centre's role in convening a policy dialogue between OECD and non-OECD countries to advance policy solutions and best practices for sustainable development."

"The OECD Development Centre has carried out significant research and dialogue on inclusive growth, economic restructuring, poverty reduction, the United Nations post-2015 agenda, the G20, global value chains and sustainable development and has achieved remarkable results", stated President Li Wei. "We would like to exchange our experience in development with other members of the OECD Development Centre, including the lessons we have learned", he added.

"China's membership in the Development Centre will help strengthen partnerships with governments and institutions in countries throughout Africa, Latin America and the Caribbean, and Central and Southeast Asia", added Mario Pezzini, director of the OECD Development Centre.

The OECD Development Centre hopes to inform China's increasing engagement with developing countries and the global community, including through endeavours such as the One Road, One Belt Initiative.

China's global momentum, including its role in setting up both the Asia Infrastructure Investment Bank and the New Development Bank of the BRICS, its 2016 forthcoming presidency of the G20, and its role in furthering the UN Sustainable Development Goals due to be issued in September, is key to deepening co-operation with the international community and shaping a more inclusive process of globalisation.

China and the OECD

As well as joining the OECD Development Centre, co-operation between the OECD and China was also strengthened, under a Medium-Term Vision Statement and a joint Programme of Work for 2015-16 signed in the presence of Premier Li by Secretary-General Gurría and Chinese Minister of Commerce Gao Hucheng, who is in charge of co-ordinating the Chinese government's collaboration with the OECD.

The Programme of Work focuses on 20 policy areas, ranging from macroeconomic management and structural reform to regulatory and public governance to green growth. It will also support China's efforts to further open up its economy.

The OECD will offer its evidence-based expertise, its working methods and its global governance know-how to support China's G20 presidency in 2016, in particular in the quest for new sources of growth for a more open and more inclusive world economy.

"China and the OECD are each undergoing substantial transformations in the 21st century," said Secretary-General Gurría. "Today's agreements are a testimony to our ongoing partnership and to our mutual desire to create better policies for better lives. China's upcoming G20 presidency 2016 will offer another opportunity to pursue these goals to the benefit of many people around the world."

For more on OECD work with China, see www.oecd.org/china and in Chinese www.oecdchina.org

For more on China's accession to the OECD Development Centre, visit www.oecd.org/dev/oecddevelopmentcentreandchina.htm

Unlocking investment for sustainable growth and jobs

OECD Ministerial Council Meeting 2015



OECD/Julien Daniel

The 2015 OECD Ministerial Council Meeting (MCM) was held at the OECD headquarters in Paris on Wednesday and Thursday 3-4 June 2015, back to back with the OECD Forum, which started on 2 June (www.oecd.org/forum; see next article).

The MCM took place under the chairmanship of the Netherlands, with the Czech Republic, France and Korea as vice-chairs.

The meeting brought together OECD member and partner countries, and several international organisations, to discuss policies that can help unlock stronger, fairer and greener growth.

Special attention was paid to: promoting investment; enhancing innovation; fostering education and skills; improving the business climate, including through responsible business conduct; strengthening the multilateral trading system; supporting the Post-2015 Agenda for Development.

The discussions addressed the legacies of the crisis, with a strong focus on identifying new policy initiatives to meet the challenges of our time.

As well as the customary plenary sessions, this year's MCM featured discussions in an innovative breakout group format. In addition, ministers discussed forward-looking policy scenarios and exchanged views on how best to further stimulate international economic and development co-operation.

A media conference closed the MCM on 4 June.

References

Chair's Summary http://oe.cd/17O

Ministerial Council Statement http://oe.cd/17P

Strategic Orientations of the Secretary-General http://oe.cd/17S

New Approaches to Economic Challenges http://oe.cd/17Q

Inclusive growth report update: http://oe.cd/17R

Other reports from the 2015 meeting, and from annual Ministerial Council Meetings held since 2009, are available at www.oecd.org/ mcm/documents (scroll to bottom).

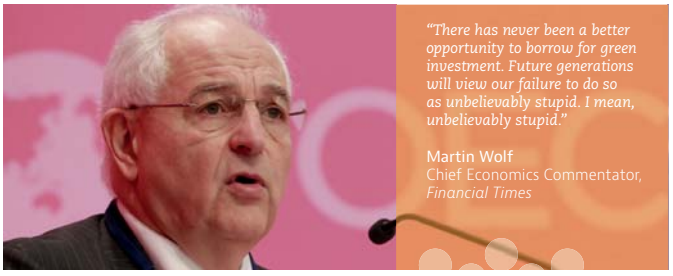
Communiqués from 1976 to 2008 are available at www.g8.utoronto.ca/oecd/index.html

For all archives, contact Library&Archives@oecd.org

Investing in the Future: People, Planet, Prosperity

OECD Forum 2015





Jobs, climate change and widening inequalities are major concerns of citizens and policymakers, and these issues guided the key cross-cutting discussions at the OECD Forum on 2-3 June. The OECD Forum is a valuable opportunity to debate the issues and garner new ideas ahead of the annual OECD Ministerial Council Meeting. Indeed, since it was established in 2000, the OECD Forum has asserted itself as a "must-go" multi-stakeholder event on the global calendar, and the 16th edition was no exception. Some 2,000 people from over 70 countries gathered to listen to experts, meet authors and network among idea factories, discovery labs, lunch debates and discussion cafés. Many thousands of people followed the OECD Forum online (and participated via social media), commenting on innovation, climate change, investment and inclusiveness, and trying out the latest release of the OECD Better Life Index. For highlights and a list of main speakers, see www.oecd.org/forum



Extracts from Highlights

Recent speeches by Angel Gurría



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For a complete list of the speeches and statements, including those in French and other languages, go to: **http://www.oecd.org/about/secretary-general/**

Shifting gear: policy challenges for the next 50 years

Keynote address at Iveagh House in Dublin, Ireland, 15 September 2015

We can and we will make the SDGs happen

Remarks at the launch of the *OECD Development Co-operation Report 2015* in Paris, France, 7 September 2015

Bringing gender equality to the core of the G20 agenda

Keynote speech at Women-20 official launch in Ankara, Turkey, 6 September 2015

G20/OECD Principles of Corporate Governance

Presentation in Ankara, Turkey, 5 September 2015

Session on framework for strong, sustainable and balanced growth

Remarks at meeting of Finance Ministers and Central Bank Governors in Ankara, 5 September 2015

Session on global economy

Speech delivered at meeting of Finance Ministers and Central Bank Governors in Ankara, 4 September 2015

Increasing investment in human resources

Remarks at G20 Labour and Employment Ministers meeting in Ankara, Turkey, 4 September 2015

G20 Ankara Labour and Employment Ministers Meeting

Remarks at introductory session in Ankara, Turkey, 3 September 2015

Launch of the *2015 Economic Survey of Iceland*

Speech delivered at Reykjavik, Iceland, 1 September 2015

Launch of the *2015 Economic Survey of South Africa*

Presentation at Pretoria, Republic of South Africa, 16 July 2015

Leveraging pension funds for financing infrastructure development in Africa

Introductory remarks at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, 15 July 2015

Making the connection: Linking transparency and information exchange to domestic resource mobilisation

Speech delivered at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, 14 July 2015

International Business Forum

Remarks at Addis Ababa, Ethiopia, 14 July 2015

Mobilising domestic resources through tackling base erosion and profit shifting

Presentation at the Third International Conference on Financing for Development during a side event on base erosion and profit shifting (BEPS) in Addis Ababa, Ethiopia, 14 July 2015

Launch of Tax Inspectors without Borders

Speech at the Tax side event during the Third International Conference on Financing for Development in Addis Ababa, 13 July 2015

Third International Conference on Financing for Development–Roundtable 1: Global partnership and the three dimensions of sustainable development

Remarks delivered in Addis Ababa, Ethiopia, 13 July 2015

Side event on strengthening international cooperation to mobilise and measure public finance for sustainable development

Remarks at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, 13 July 2015

Ambassadors

Mr Marten Kokk, Estonia

Ms Berglind Ásgeirsdóttir, Iceland

Mr Nicholas Bridge, United Kingdom

Mr Michael Forbes, Ireland

Mr Paul Dühr, Luxembourg

Mr Pavel Rozsypal, Czech Republic

Mr Paulo Vizeu Pinheiro, Portugal

Mr Sihyung Lee, Korea

Mr Dionisio Pérez-Jácome Friscione, Mexico

Ms Marlies Stubits-Weidinger, Austria

Mr Klavs A. Holm, Denmark

Mr Okko-Pekka Salmimies, Finland

Mr Noé Van Hulst, Netherlands

Mr Kazuo Kodama, Japan

Mr Mithat Rende, Turkey

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Ms Annika Markovic, Sweden

Ms Claudia Serrano, Chile

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Ms Elin Østebø Johansen, Norway

Mr Ulrich Lehner, Switzerland

Mr Carmel Shama-Hacohen, Israel

Mr Jakub Wiśniewski, Poland

Mr Zoltan Cséfalvay, Hungary

Mr Gabriele Checchia, Italy

Mr Pierre Duquesne, France

Mr James Kember, New Zealand

Ms Michelle d'Auray, Canada

Mr Brian Pontifex, Australia

Mr George Krimpas, Greece

Mr Matei Hoffmann, Germany

Mr José Ignacio Wert Ortega, Spain

Mr Jean-Joël Schittecatte, Belgium

Mr Juraj Tomáš, Slovak Republic
Chargé d'Affaires a.i.

European Union
Ms Maria Francesca Spatolisano

Calendar highlights

Please note that many of the OECD meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For a comprehensive list, see the OECD website at **www.oecd.org/newsroom/upcomingevents**

SEPTEMBER

9	Africa Forum 2015: Africa Beyond 2015, Berlin, Germany.
15	Launch of OECD Economic Surveys: Ireland 2015.
15	International Day of Democracy
15-16	Workshop on measuring inequalities of income and wealth, Berlin, Germany.
15-16	4th OECD Forum on Tax and Crime, Amsterdam, Netherlands.
15-28	70th session of the UN General Assembly, New York City, US.
16	Launch of OECD Interim Economic Assessment.
16	OECD Agriculture and Climate Change Conference, Paris, France.
16-17	G7 Forum for Dialogue with Women, Berlin, Germany.
19-20	European Heritage Days
22	Launch of *International Migration Outlook 2015*.
25-27	United Nations summit for the adoption of the post-2015 development agenda (Sustainable Development Goals), New York City, US.

OCTOBER

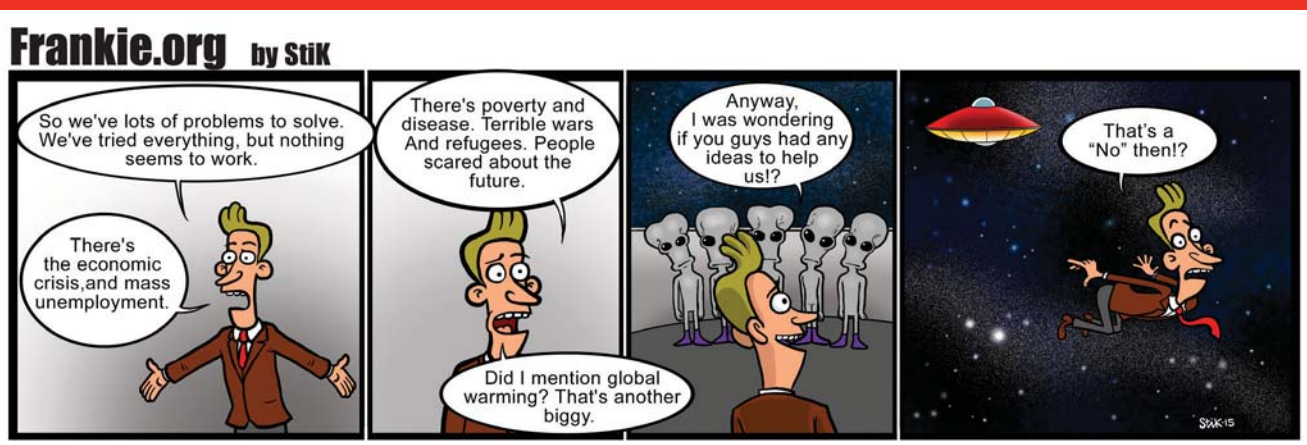
1	Meeting of the OECD Global Parliamentary Network, Paris, France.
2	G20 Energy Ministers meeting, Istanbul, Turkey.
5-6	G20 Trade Ministers meeting, Istanbul, Turkey.
12-15	13th European week of Regions and Cities, Brussels, Belgium.
13-15	5th World Forum on Statistics, Knowledge and Policy: Transforming Policy, Changing Lives, Guadalajara, Mexico.
14-16	Women's Forum Global Meeting 2015, Deauville, France.
15-16	DevCom Annual Meeting and Workshop on development communications and the Sustainable Development Goals.
19-20	Global Education Industry Summit, Helsinki, Finland.
16	6th OECD Roundtable of Mayors and Ministers, Mexico City, Mexico.
26-30	Sahel and West Africa Week (Expo Milano 2015), Milan, Italy.
28	OECD Public Governance Ministerial meeting, Helsinki, Finland.
29-30	14th OECD Global Forum on competition, Paris, France.

NOVEMBER

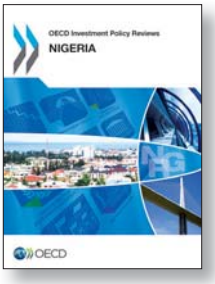
9-10	New World Forum 2015, Paris, France.
10	Launch of *Economic Outlook, Volume 2015 Issue 2*.
13-14	L20 Summit, Antalya, Turkey.
14-15	B20 Summit, Antalya, Turkey.
15-16	G20 Leaders Summit, Antalya, Turkey.
28-30	India Economic Summit, New Delhi, India.
30 Nov-11 Dec	UN Climate Change Conference (21st Conference of the Parties, COP 21), Paris, France.

DECEMBER

2-3	OECD Global Strategy Group meeting, Paris, France.
3	Statistics Day 2015
14-15	2015 Green Growth and Sustainable Development Forum, Paris, France.



Improving Nigerian investment



Since democracy was restored in 1999, Nigeria has engaged in ambitious reforms towards greater market liberalisation and economic openness. By far the most populous country of the continent–with more than 170 million people Nigeria is home to 18% of Africa's population–it now claims to be the largest economy in Africa, with an estimated nominal GDP of US$510 billion. Its GDP growth has never been below 5% since 2003, and since 2009, it has become the preferred destination for foreign direct investment (FDI) in Africa, ahead of South Africa. Despite this steady growth, the country still records poor business and investment climate: according to the World Bank Doing Business ranking, Nigeria ranks 170th out of 189 countries, significantly lower than South Africa (43rd), Ghana (70th), Botswana (74th) and Kenya (136th).

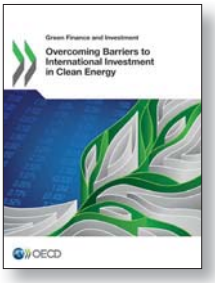
The *OECD Investment Policy Reviews: Nigeria 2015* attempts to assess the quality of Nigeria's investment policies through the OECD Policy Framework for Investment (PFI)–a tool to improve investment conditions. It analyses the legal protection granted to domestic and international investors, as well as the legal regime for land property rights and the rules of expropriation: to reassure investors, the government should consider strengthening current land ownership rights. Although the 1999 Constitution states that all citizens have the right to acquire and own immovable property, the main law governing access to land is the 1978 Land Use Act, which nationalised all land in Nigeria. Customary law can get around this, but more reliable reform would help. The report provides policy recommendations on several fronts, such as trade, infrastructure investment and competition.

For the first time, the PFI is being applied at a subnational level: a special chapter of the review looks into the investment framework in Lagos State, Nigeria's economic powerhouse, contributing to about one-sixth of its GDP. The state has taken a leading role in promoting innovative dispute resolution means and in developing legislation and experience in clean energy and public-private partnerships.

OECD (2015), *OECD Investment Policy Reviews: Nigeria 2015*, OECD Publishing, http://dx.doi.org/10.1787/9789264208407-en

Visit www.oecd.org/investment/pfi.htm

Investing in green energy



A warming planet and a flat world economy have propelled the issue of investment in clean energy to the top of the policy agenda. The question has become all the more crucial in view of the landmark global summit on climate change to be held in Paris in December 2015. Investing in solar, wind, hydroelectric, geothermal and biomass carbon sectors seems indispensable in order to meet the goal of limiting temperature increases to 2°C set by the international community. Governments have already initiated the energy shift: *Overcoming Barriers to International Investment in Clean Energy* notes a sixfold increase in clean-energy investment between 2004 and 2011, reaching US$279 billion that year. The 2008 crisis has also contributed to this trend, since "the perceived potential of clean energy to act as a lever for growth and employment has led several OECD and emerging economies to design green industrial policies aimed at encouraging domestic solar panel and wind-turbine manufacturers".

But what if government incentives backfired and did not support the clean energy sector? This report particularly highlights the negative effects of the local-content requirements (LCR) in the solar-photovoltaic and wind-power industries, implemented in 21 countries, including 16 OECD countries since 2009. These, defined as requirements for "investors to source a specific share of manufactured components, equipment locally", may actually impede international investments in these sectors.

Focusing on midstream manufacturers through local-content requirements may result in a misallocation of resources by encouraging the substitution of potentially better imports by domestic goods, without regard to their quality or price. By stifling competition, such local-content requirements may also increase overall costs for power producers, installation service providers and other downstream operations by forcing firms to purchase more expensive (and even less efficient) equipment. A better designed approach would allow for imports, as this would also bolster value-added and job-creation potential in downstream activities. Local initiatives would be better off addressing local impediments that hinder competitiveness and consider well-targeted support to research and development.

OECD (2015), *Overcoming Barriers to International Investment in Clean Energy*, Green Finance and Investment, OECD Publishing, http://dx.doi.org/10.1787/9789264227064-en

See article by Geraldine Ang at http://oe.cd/10u

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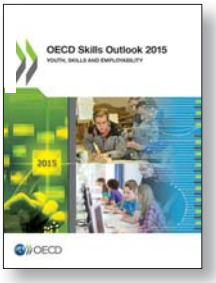

OECD Skills Outlook 2015: Youth, Skills and Employability

Young people around the world are struggling to enter the labour market. In some OECD countries, one in four 16-29 year-olds is neither employed nor in education or training. *The OECD Skills Outlook 2015* shows how improving the employability of youth requires a comprehensive approach.

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OECD Business and Finance Outlook 2015

This new Outlook on finance and investment presents unique data, analysis and instruments, looking at what might affect and change tomorrow's world of business finance and investment.

ISBN 978-92-64-23261-7 June 2015, 260 pages
€65 $78 £52 ¥8 400



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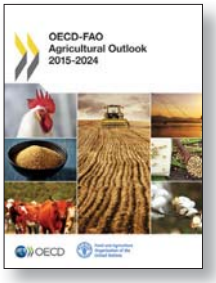
This publication discusses the impacts of innovation and innovation policies on industrial, territorial and social inclusiveness in the world economy.

ISBN 978-92-64-22941-9 11-Jun-2015, 104 pages
€21 $29 £18 ¥2 700



OECD-FAO Agricultural Outlook 2015

This edition of the Agricultural Outlook provides projections to 2024 for major agricultural commodities, biofuels and fish. OECD member countries (European Union as a region) and key non-OECD agricultural producers, such as India, China, Brazil, the Russian Federation and Argentina.

ISBN 978-92-64-23190-0 July 2015, 160 pages
€75 $105 £68 ¥9 700



In It Together: Why Less Inequality Benefits All

This book highlights the key areas where inequalities are created and where new policies are required, including the consequences of current consolidation policies, structural labour market changes with rising non-standard work and job polarisation, persisting gender gaps...

ISBN 978-92-64-23266-2 June 2015, 300 pages
€45 $63 £41 ¥5 800



Tackling Harmful Alcohol Use: Economics and Public Health Policy

This book examines trends and social disparities in alcohol consumption. It assesses the health, social and economic impacts of key policy options for tackling alcohol-related harms in Canada, the Czech Republic and Germany, extracting policy messages for a broader set of countries.

ISBN 978-92-64-18085-7 June 2015, 250 pages
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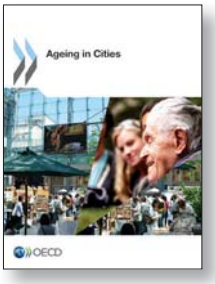

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ISBN 978-92-64-23114-6 May 2015, 204 pages
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OECD Economic Outlook, Volume 2015 Issue 1 No. 97, May 2015

The OECD Economic Outlook is the OECD's twice-yearly analysis of the major economic trends and prospects for the next two years. The Outlook puts forward a consistent set of projections for output, employment, prices, fiscal and current account balances.

ISBN 978-92-64- 22020-1 July 2015, 290 pages
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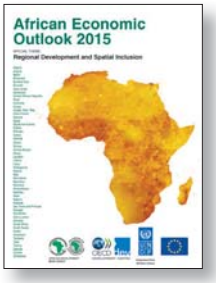

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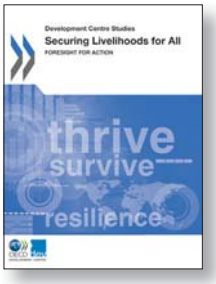

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This book presents five possible future scenarios for livelihoods, whose positive or negative outcomes depend on how several emerging challenges are dealt with. It concludes with ideas for global, national and local action that hold significant promise for securing resilient livelihoods for all.

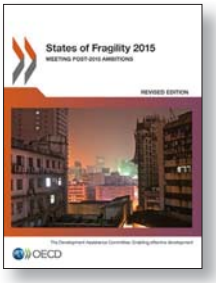
ISBN 978-92-64-23174-0 April 2015, 160 pages
€30 $42 £27 ¥3 900



Fishing for Development

This publication highlights the main conclusions of the Fishing for Development joint meeting, held in Paris in April 2014 to initiate a dialogue between the fisheries and development policy communities.

ISBN 978-92-64-23276-1 June 2015, 60 pages
€24 $34 £22 ¥3 100



States of Fragility 2015: Meeting Post-2015 Ambitions

This 2015 OECD report on fragility contributes to the broader debate to define post-2015 Sustainable Development Goals (SDG), and argues that addressing fragility in the new framework will be crucial if strides in reducing poverty are to be made.

ISBN 978-92-64-22178-9 April 2015, 124 pages
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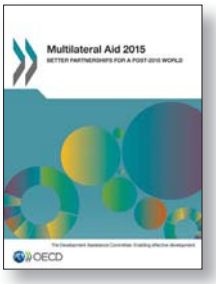

Multilateral Aid 2015: Better Partnerships for a Post-2015 World

Multilateral Aid 2015 identifies policy areas where action is most needed to enable well-functioning multilaterals in the post-2015 era.

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Development Co-operation Report 2015: Making Partnerships Effective Coalitions for Action

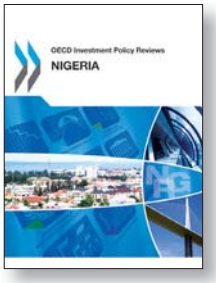
The Development Co-operation Report 2015 explores the potential of networks and partnerships to create incentives for responsible action, as well as innovative, fit-for-purpose ways of co-ordinating the activities of diverse stakeholders.

ISBN 978-92-64-23312-6 September 2015, 380 pages
€100 $120 £80 ¥13 000

Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth

The Aid for Trade Initiative has allowed for the active engagement of a large number of organisations and agencies in helping developing countries and especially the least developed build the infrastructure and supply-side capacity they need to connect to regional and global markets.

ISBN 978-92-64-23579-3 June 2015, 424 pages
€70 $98 £63 ¥9 100



OECD Investment Policy Reviews: Nigeria 2015

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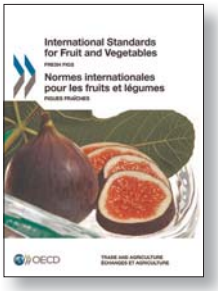
Not worth a fig?



What have "*bursa siyahi*" and "*sarilop*" got in common? They are both varieties of figs. If you enjoy fresh figs in the summer or puddings in the winter, you may be interested to know that there were more than 300 fresh fig varieties growing on earth. The biggest producers are Turkey and Egypt.

How can anyone ensure that the fruit they just bought is neither rotten nor unripe? How can producers know whether their crop will be sold as Extra, Class I or Class II? And how can importers ensure that their merchandise is in impeccable condition?

Standards play a pivotal role: besides facilitating farmers', exporters' and traders' work, they offer traceability, to the great comfort of consumers.

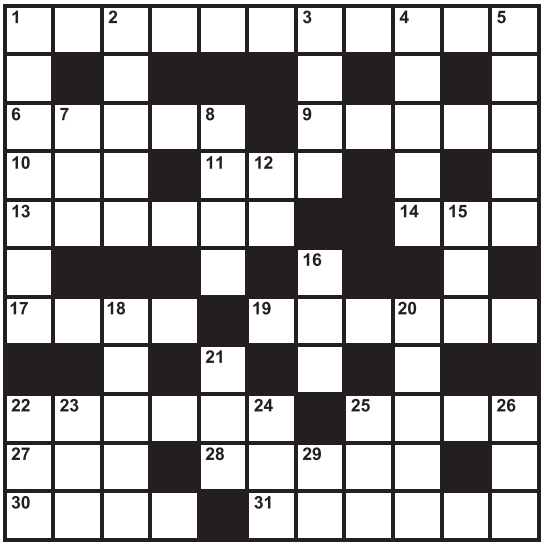
Since it set up its Scheme for the Application of International Standards for Fruit and Vegetables in 1962, the OECD is the main worldwide reference for the certification of fruit and vegetables, as well as for the standardisation of seeds, agricultural and forestry tractors, and forest reproductive material.

The OECD regularly publishes brochures comprising explanatory notes, colour gauges and detailed pictures explaining what is and what is not allowed not just for figs but for mushrooms, melons and pomegranates, among others–more than 25 vegetables and fruits in total–sold among the 25 countries who have signed on to the programme.

As for fresh figs: not only must they be intact, "sound", clean, fresh, and practically free from pests and abnormal external moisture, but their minimum diameter's size must be 40mm. Even the packaging is regulated. Only fresh figs of superior quality are awarded an "Extra" class. The standardisation does not intend to judge figs' flavour, even if fresh figs stored or transported under poor conditions shall be free of strange smell and taste, the brochure specifies. And the brochure does allow readers to enjoy the mouth-watering pictures of the most traded fresh fig varieties.

OECD (2015), *Fresh Figs*, International Standards for Fruit and Vegetables, OECD Publishing.
DOI: http://dx.doi.org/10.1787/9789264234086-en-fr
See www.oecd.org/tad/code/fruitandvegetables.htm

OECD Observer Crossword No 2, 2015



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Across

1 Sustainable development takes into account
6 Shrinking ice cap
9 Farmland units
10 OECD's web ending
11 Published
13 Paine's "The Age of ___"
14 Popular summer vacation destination
17 Small time increments, for short
19 Word that goes with warming and economic growth
22 Slang term relating to Greece potentially leaving the euro area
25 Mature
27 Acorn or almond
28 Waterway
30 Lose skin in the summer sun
31 Playground equipment for use in summer, water ___

Down

1 Commodities sold to another country
2 European river
3 All spruced up
4 Continental coins
5 Serbian American engineer whose name is now associated with an electric car
7 Excavation find
8 Origin
12 Ban Ki-moon is its Secretary-General
15 Environmental watchdogs, for short– in the US
16 European mountain
18 Greek island popular for summer tourists
20 Construct
21 Tourist's digital photo
22 Econ. indicator
23 French street
24 Australian island, for short
25 Heyerdahl craft or North African music genre: also popular in Paris
26 Lt.'s subrdinate
29 Netherlands internet address

For crossword soloutions do the OECD crossword online.
See www.oecdobserver.org/crossword

Food prices on a declining trend

Just like many other commodities, food prices have fallen in the last couple of years. Over the next 10 years, prices for all agricultural products are projected to stabilise without dropping above their pre-2007 levels, according to the 2015 *OECD-FAO Agricultural Outlook*.

How times have changed since 2008 when real food prices had increased sharply, sparking widespread criticism about speculation. But in this magazine, Loek Boonekamp wrote that this spike was "neither unique nor the biggest one to occur" in the previous three decades. Indeed, many factors triggered the rise in food prices, including the weak dollar, surging demand for food and biofuels, and the emergence of new traders in commodity markets.

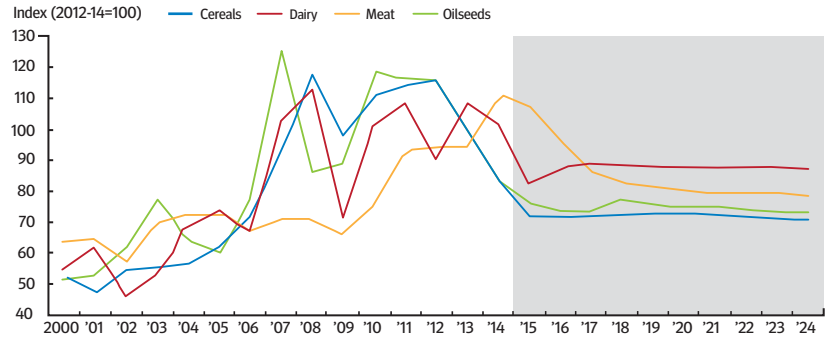
OECD work shows that the period of low prices in the early 2000s was followed by a period of high and volatile prices starting in 2007. Prices began to moderate in 2013: among crops, two years of strong harvests put further pressure on prices of cereals and oilseeds in 2014, while tighter supplies–due to herd rebuilding and disease outbreaks, among others–supported high meat prices. The prices of dairy products dropped steeply.

The question of whether real food prices are on a higher or lower trend depends on the period over which they are examined. When analysing the evolution of real prices over the last century, the projected prices will continue on a long-term declining trend.

Loek Boonekamp, "Food prices: The grain of truth", in *OECD Observer* No 267, May-June 2008, http://oe.cd/14n

See www.oecd.org/agriculture

Medium-term evolution of commodity prices in real terms



Source: OECD/FAO (2015), *OECD-FAO Agricultural Outlook*, OECD Agricultural Statistics (database)

StatLink http://dx.doi.org/10.1787/888933228861

Emerging tax trends

Between 2010 and 2014, taxes on wages rose by 1 percentage point to 35.9% for the average worker in OECD countries, according to *Taxing Wages 2015*. The result is a widening wedge between overall wages costs and what workers take home. But what about emerging markets?

The story is mixed. In Brazil and China, the tax wedges for the single average worker in 2013 were between 33% and 34%, slightly below the OECD average. In Indonesia and South Africa the averages were low compared with OECD countries–8.2% and 14.3% respectively. In India the situation is quite similar: for an employee working in a business with more than 20 employees, the tax wedge reaches 6.2%.

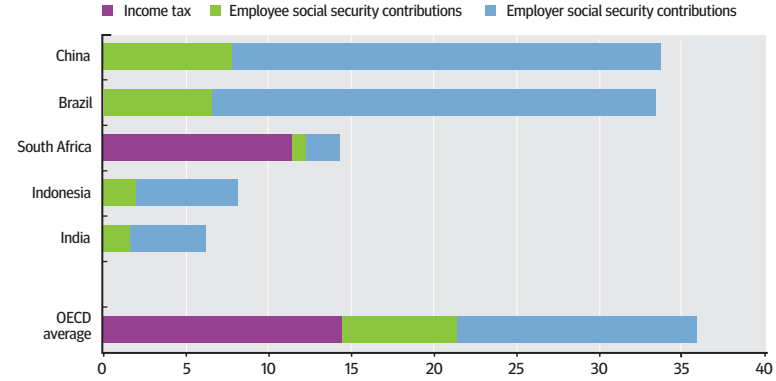
In Brazil, China, India and Indonesia, the average worker pays little or no income tax, while the employer social security contributions component forms 70-80% of the tax wedge. In South Africa, income tax represents 11.4% of total labour costs, and accounts for about 80% of the total tax wedge.

Unlike the OECD average, the presence of children has little or no impact on the tax burden in these OECD partner countries, except in Brazil, where the second earner earning 33% of the average wage receives a family benefit called the *salário família*, which reduces the tax wedge slightly.

See www.oecd.org/tax

Emerging tax burdens?

Income tax plus employees' and employers' social security contribution as % of labour costs, 2013



Source: OECD (2015), *Taxing Wages 2015*, OECD Publishing.

StatLink http://dx.doi.org/10.1787/888933196088

			% change from: previous period	% change from: previous year			level: current period	level: same period last year
Australia	Gross domestic product	Q2-2015	0.2	2.0	Current balance	Q1-2015	-8.4	-6.9
	Industrial production	Q2-2015	-1.2	1.3	Unemployment rate	Q2-2015	6.1	6.0
	Consumer price index	Q2-2015	0.7	1.5	Interest rate	Q2-2015	2.2	2.7
Austria	Gross domestic product	Q2-2015	0.1	0.7	Current balance	Q1-2015	2.8	-0.8
	Industrial production	Q2-2015	-1.1	1.1	Unemployment rate	Q2-2015	5.9	5.6
	Consumer price index	Q2-2015	1.2	1.0	Interest rate	Q2-2015	0.0	0.3
Belgium	Gross domestic product	Q2-2015	0.4	1.3	Current balance	Q1-2015	2.6	1.6
	Industrial production	Q2-2015	-0.5	-1.7	Unemployment rate	Q2-2015	8.6	8.4
	Consumer price index	Q2-2015	0.7	0.5	Interest rate	Q2-2015	0.0	0.3
Canada	Gross domestic product	Q2-2015	-0.1	1.0	Current balance	Q1-2015	-14.1	-9.3
	Industrial production	Q2-2015	-2.3	-2.4	Unemployment rate	Q2-2015	6.8	7.0
	Consumer price index	Q2-2015	1.1	0.9	Interest rate	Q2-2015	0.9	1.2
Chile	Gross domestic product	Q2-2015	0.0	2.2	Current balance	Q1-2015	0.0	-1.6
	Industrial production	Q2-2015	-1.5	-0.2	Unemployment rate	Q2-2015	6.3	6.2
	Consumer price index	Q2-2015	1.4	4.2	Interest rate	Q2-2015	2.9	3.8
Czech Republic	Gross domestic product	Q2-2015	1.0	4.4	Current balance	Q1-2015	1.8	1.9
	Industrial production	Q2-2015	1.2	4.9	Unemployment rate	Q2-2015	5.1	6.2
	Consumer price index	Q2-2015	0.7	0.7	Interest rate	Q2-2015	0.3	0.4
Denmark	Gross domestic product	Q2-2015	0.2	1.8	Current balance	Q1-2015	5.3	4.6
	Industrial production	Q2-2015	0.6	2.7	Unemployment rate	Q2-2015	6.2	6.4
	Consumer price index	Q2-2015	0.7	0.6	Interest rate	Q2-2015	-0.2	0.3
Estonia	Gross domestic product	Q2-2015	0.8	1.7	Current balance	Q1-2015	0.0	-0.2
	Industrial production	Q2-2015	-0.4	-1.9	Unemployment rate	Q2-2015	6.3	7.2
	Consumer price index	Q2-2015	1.1	-0.1	Interest rate	Q2-2015	0.0	0.3
Finland	Gross domestic product	Q2-2015	0.2	0.0	Current balance	Q1-2015	-0.6	-1.7
	Industrial production	Q2-2015	-0.3	-2.9	Unemployment rate	Q2-2015	9.5	8.6
	Consumer price index	Q2-2015	0.2	-0.1	Interest rate	Q2-2015	0.0	0.3
France	Gross domestic product	Q2-2015	0.0	1.0	Current balance	Q1-2015	-1.3	-10.1
	Industrial production	Q2-2015	-0.7	1.0	Unemployment rate	Q2-2015	10.3	10.2
	Consumer price index	Q2-2015	0.9	0.2	Interest rate	Q2-2015	0.0	0.3
Germany	Gross domestic product	Q2-2015	0.4	1.6	Current balance	Q1-2015	66.4	69.9
	Industrial production	Q2-2015	0.2	1.2	Unemployment rate	Q2-2015	4.7	5.0
	Consumer price index	Q2-2015	0.6	0.5	Interest rate	Q2-2015	0.0	0.3
Greece	Gross domestic product	Q2-2015	0.9	1.6	Current balance	Q1-2015	-0.2	1.2
	Industrial production	Q2-2015	-5.6	-2.5	Unemployment rate	Q1-2015	25.9	27.1
	Consumer price index	Q2-2015	1.5	-2.1	Interest rate	Q2-2015	0.0	0.3
Hungary	Gross domestic product	Q2-2015	0.5	2.5	Current balance	Q1-2015	1.8	1.2
	Industrial production	Q2-2015	1.8	6.2	Unemployment rate	Q2-2015	7.0	8.1
	Consumer price index	Q2-2015	1.5	0.2	Interest rate	Q2-2015	1.5	2.8
Iceland	Gross domestic product	Q1-2015	-1.5	2.3	Current balance	Q1-2015	0.1	0.0
	Industrial production	Q1-2015	4.2	19.6	Unemployment rate	Q2-2015	4.1	5.0
	Consumer price index	Q2-2015	1.3	1.5	Interest rate	Q2-2015	5.5	6.1
Ireland	Gross domestic product	Q1-2015	1.4	6.1	Current balance	Q4-2014	4.2	3.4
	Industrial production	Q2-2015	-3.5	9.9	Unemployment rate	Q2-2015	9.6	11.6
	Consumer price index	Q2-2015	1.0	-0.4	Interest rate	Q2-2015	0.0	0.3
Israel	Gross domestic product	Q2-2015	0.1	2.1	Current balance	Q1-2015	2.9	4.7
	Industrial production	Q2-2015	-1.6	2.7	Unemployment rate	Q2-2015	5.1	6.1
	Consumer price index	Q2-2015	0.8	-0.4	Interest rate	Q2-2015	0.1	0.7
Italy	Gross domestic product	Q2-2015	0.3	0.7	Current balance	Q1-2015	9.6	9.2
	Industrial production	Q2-2015	0.4	0.6	Unemployment rate	Q2-2015	12.4	12.5
	Consumer price index	Q2-2015	0.5	0.1	Interest rate	Q2-2015	0.0	0.3
Japan	Gross domestic product	Q2-2015	-0.4	0.7	Current balance	Q1-2015	32.5	-12.9
	Industrial production	Q2-2015	-1.3	-0.6	Unemployment rate	Q2-2015	3.3	3.6
	Consumer price index	Q2-2015	0.7	0.5	Interest rate	Q2-2015	0.2	0.2
Korea	Gross domestic product	Q2-2015	0.3	2.2	Current balance	Q1-2015	30.5	21.8
	Industrial production	Q2-2015	-0.9	-1.8	Unemployment rate	Q2-2015	3.8	3.7
	Consumer price index	Q2-2015	0.3	0.5	Interest rate	Q2-2015	1.8	2.7
Luxembourg	Gross domestic product	Q1-2015	0.7	4.9	Current balance	Q1-2015	0.8	0.3
	Industrial production	Q2-2015	-0.6	0.1	Unemployment rate	Q2-2015	5.7	6.0
	Consumer price index	Q2-2015	1.0	0.5	Interest rate	Q2-2015	0.0	0.3
Mexico	Gross domestic product	Q2-2015	0.5	2.2	Current balance	Q1-2015	-9.8	-10.3
	Industrial production	Q2-2015	-0.1	..	Unemployment rate	Q2-2015	4.4	4.9
	Consumer price index	Q2-2015	-0.2	2.9	Interest rate	Q2-2015	3.3	3.7

			% change from: previous period	% change from: previous year			level: current period	level: same period last year
Netherlands	Gross domestic product	Q2-2015	0.1	2.0	Current balance	Q1-2015	21.3	24.4
	Industrial production	Q2-2015	-5.7	-5.7	Unemployment rate	Q2-2015	6.9	7.6
	Consumer price index	Q2-2015	1.6	0.9	Interest rate	Q2-2015	0.0	0.3
New Zealand	Gross domestic product	Q1-2015	0.1	2.9	Current balance	Q1-2015	-1.3	-0.7
	Industrial production	Q1-2015	-1.7	-0.3	Unemployment rate	Q2-2015	5.9	5.7
	Consumer price index	Q2-2015	0.4	0.3	Interest rate	Q2-2015	3.5	3.4
Norway	Gross domestic product	Q2-2015	-0.1	1.2	Current balance	Q1-2015	9.7	17.5
	Industrial production	Q2-2015	-1.2	1.2	Unemployment rate	Q2-2015	4.4	3.3
	Consumer price index	Q2-2015	0.9	2.2	Interest rate	Q2-2015	1.4	1.8
Poland	Gross domestic product	Q2-2015	0.9	3.6	Current balance	Q1-2015	1.9	-1.5
	Industrial production	Q2-2015	-0.5	4.4	Unemployment rate	Q2-2015	7.8	9.2
	Consumer price index	Q2-2015	0.5	-0.8	Interest rate	Q2-2015	1.7	2.7
Portugal	Gross domestic product	Q2-2015	0.4	1.5	Current balance	Q1-2015	0.4	-0.3
	Industrial production	Q2-2015	3.2	2.1	Unemployment rate	Q2-2015	12.5	14.4
	Consumer price index	Q2-2015	1.8	0.7	Interest rate	Q2-2015	0.0	0.3
Slovak Republic	Gross domestic product	Q2-2015	0.8	3.1	Current balance	Q1-2015	0.4	0.6
	Industrial production	Q2-2015	-2.9	4.2	Unemployment rate	Q2-2015	11.8	13.4
	Consumer price index	Q2-2015	0.5	-0.1	Interest rate	Q2-2015	0.0	0.3
Slovenia	Gross domestic product	Q2-2015	0.7	2.5	Current balance	Q1-2015	0.7	0.8
	Industrial production	Q2-2015	0.7	4.3	Unemployment rate	Q2-2015	9.2	9.7
	Consumer price index	Q2-2015	1.2	-0.6	Interest rate	Q2-2015	0.0	0.3
Spain	Gross domestic product	Q2-2015	1.0	3.1	Current balance	Q1-2015	4.5	2.9
	Industrial production	Q2-2015	1.7	3.2	Unemployment rate	Q2-2015	22.5	24.7
	Consumer price index	Q2-2015	1.8	-0.3	Interest rate	Q2-2015	0.0	0.3
Sweden	Gross domestic product	Q2-2015	1.0	2.9	Current balance	Q1-2015	9.3	10.5
	Industrial production	Q2-2015	3.0	3.0	Unemployment rate	Q2-2015	7.6	7.9
	Consumer price index	Q2-2015	0.4	-0.2	Interest rate	Q2-2015	-0.3	0.6
Switzerland	Gross domestic product	Q2-2015	0.2	1.3	Current balance	Q1-2015	14.4	9.8
	Industrial production	Q2-2015	-1.4	-2.6	Unemployment rate	Q1-2015	4.4	4.8
	Consumer price index	Q2-2015	0.1	-1.1	Interest rate	Q2-2015	-0.8	0.0
Turkey	Gross domestic product	Q1-2015	1.3	2.5	Current balance	Q2-2015	-5.8	-11.0
	Industrial production	Q2-2015	1.7	4.0	Unemployment rate	Q1-2015	10.1	9.2
	Consumer price index	Q2-2015	2.9	7.7	Interest rate		..	..
United Kingdom	Gross domestic product	Q2-2015	0.7	2.6	Current balance	Q1-2015	-43.5	-40.7
	Industrial production	Q2-2015	0.7	1.5	Unemployment rate	Q1-2015	5.5	6.7
	Consumer price index	Q2-2015	0.6	0.0	Interest rate	Q2-2015	0.5	0.5
United States	Gross domestic product	Q2-2015	0.9	2.7	Current balance	Q1-2015	-113.3	-96.4
	Industrial production	Q2-2015	-0.5	1.6	Unemployment rate	Q2-2015	5.4	6.2
	Consumer price index	Q2-2015	1.2	0.0	Interest rate	Q2-2015	0.2	0.1
European Union	Gross domestic product	Q2-2015	0.4	1.6	Current balance		..	..
	Industrial production	Q2-2015	0.0	1.5	Unemployment rate	Q2-2015	9.6	10.3
	Consumer price index	Q1-2015	..	0.1	Interest rate		..	..
Euro area	Gross domestic product	Q2-2015	0.3	1.2	Current balance	Q2-2014	85.1	80.6
	Industrial production	Q2-2015	-0.2	1.1	Unemployment rate	Q2-2015	11.1	11.6
	Consumer price index	Q1-2015	0.0	0.2	Interest rate	Q2-2015	0.0	0.3
Non-members								
[1]Brazil	Gross domestic product	Q2-2015	-1.9	-2.4	Current balance	Q4-2014	-25.6	-18.7
	Industrial production	Q2-2015	-2.1	-6.6	Unemployment rate		..	..
	Consumer price index	Q2-2015	2.8	8.5	Interest rate		..	..
[1]China	Gross domestic product		..	..	Current balance		..	..
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q2-2015	-0.3	1.4	Interest rate	Q1-2015	5.2	5.6
[1]India	Gross domestic product	Q2-2015	1.6	7.2	Current balance		..	..
	Industrial production	Q2-2015	1.3	3.2	Unemployment rate		..	..
	Consumer price index	Q2-2015	1.8	5.9	Interest rate		..	..
[1]Indonesia	Gross domestic product	Q2-2015	1.1	4.7	Current balance		..	..
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q2-2015	0.9	7.1	Interest rate	Q2-2015	8.5	8.5
Russian Federation	Gross domestic product	Q1-2015	-1.3	-1.9	Current balance		..	..
	Industrial production	Q2-2015	-2.3	-4.1	Unemployment rate		..	..
	Consumer price index	Q2-2015	2.3	15.8	Interest rate	Q2-2015	14.1	8.8
[1]South Africa	Gross domestic product	Q2-2015	-0.3	1.6	Current balance		..	..
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q2-2015	2.3	4.5	Interest rate	Q2-2015	5.8	5.8

Gross domestic product: Volume series; seasonally adjusted. **Leading indicators:** A composite indicator based on other indicators of economic activity, which signals cyclical movements in industrial production from six to nine months in advance. **Consumer price index:** Measures changes in average retail prices of a fixed basket of goods and services. **Current balance:** Billion US$; seasonally adjusted. **Unemployment rate:** % of civilian labour force, standardised unemployment rate; national definitions for Iceland, Mexico and Turkey; seasonally adjusted apart from Turkey. **Interest rate**: Three months.

Current balance data are reported according to the BPM6 classification except Mexico and non-members.

..=not available, [1]Key Partners.

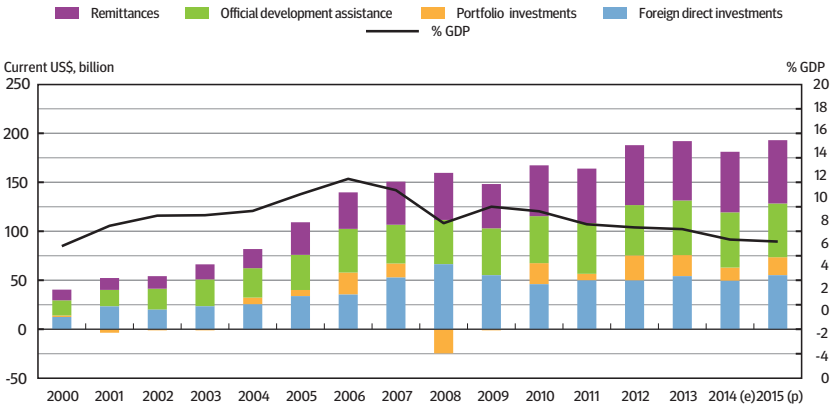
Source: *Main Economic Indicators*, September 2015.

Shifting landscape in African development finance

The financial landscape has changed considerably in Africa since 2000. Private external flows in the form of investment and remittances now drive growth in external finance, according to the *African Economic Outlook 2015*. Foreign investments are expected to reach US$73.5 billion in 2015, underpinned by increasing greenfield investment from China, India and South Africa. Foreign direct investment (FDI) is diversifying away from mineral resources into consumer goods and services and is increasingly targeting large urban centres in response to demand among a growing middle class. African sovereign borrowing is rocketing. Remittances have increased six-fold since 2000 and are projected to reach $64.6 billion in 2015 with Egypt and Nigeria receiving the bulk of flows. Conversely, official development assistance (ODA) will decline in 2015 to $54.9 billion and is projected to diminish further. More than two-thirds of states in sub-Saharan Africa, the majority of which are low-income countries, will receive less aid in 2017 than in 2014. Despite significant improvements in tax revenue collection over the last decade, domestic resource mobilisation remains low. Financing the post-2015 development goals will depend on the capacity of African policymakers and the international community to harness these diverse funding options and exploit their potential to leverage additional finance.

Visit www.africaneconomicoutlook.org/en/

External financial flows to Africa, 2000-15



Source: African Economic Outlook 2015

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