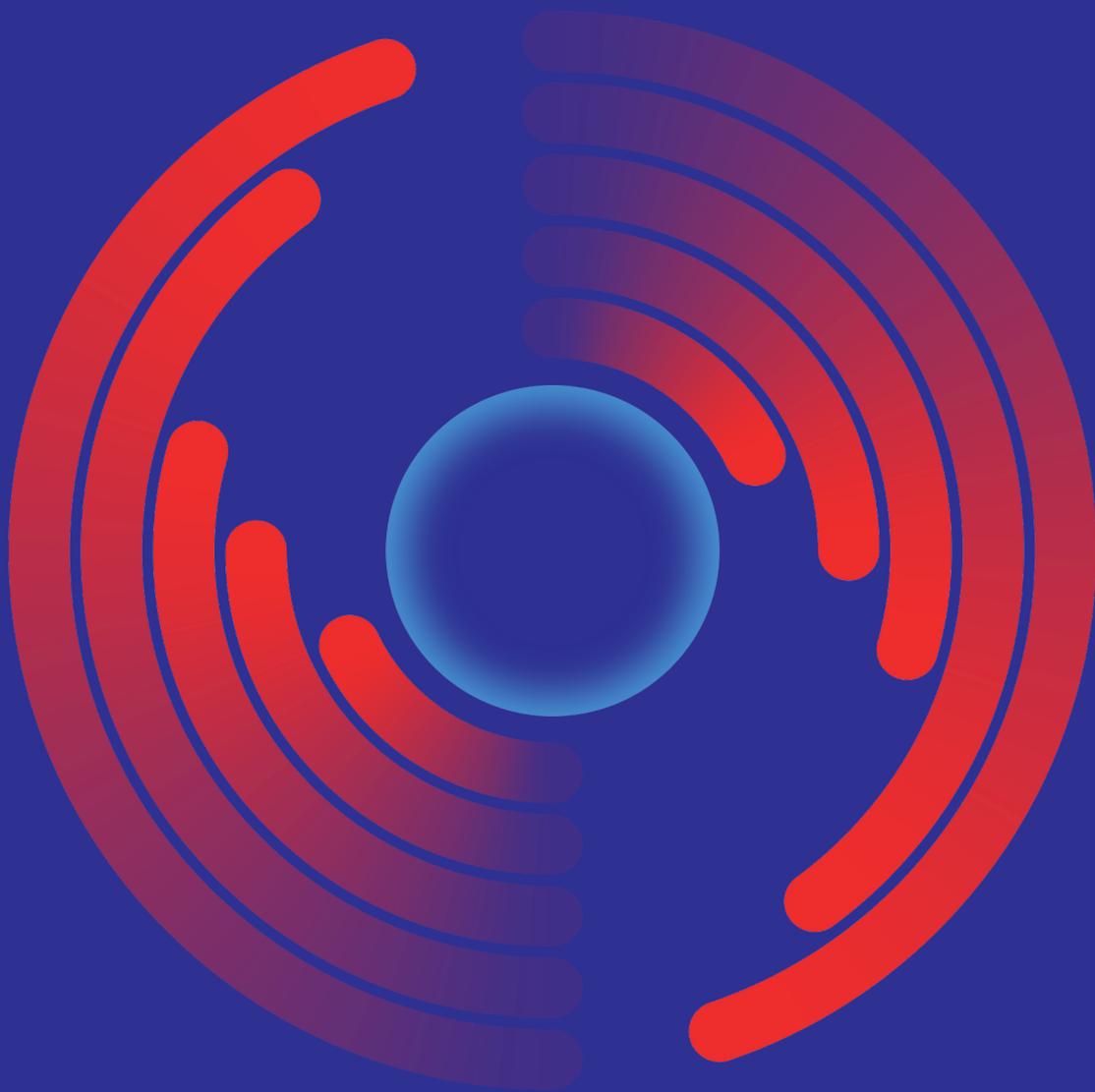


# Meeting of the OECD Council at Ministerial Level

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## 2020 STRATEGIC ORIENTATIONS OF THE SECRETARY-GENERAL

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# **2020 Strategic Orientations of the Secretary-General**

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*2020 STRATEGIC ORIENTATIONS OF THE  
SECRETARY-GENERAL  
Designing, Developing and Delivering Policies for Inclusive,  
Resilient and Sustainable Growth*

**A. Introduction**

1. As we approach the 60<sup>th</sup> anniversary of the OECD, the time is ripe to reflect on our past achievements and future directions. My 2020 Strategic Orientations – which build on previous annual editions, as well as my Guidance for the 2021-22 OECD Programme of Work and Budget (PWB) and the Ambassadors’ Informal Convergence Paper – are framed in this context. Balancing realism and ambition, they take into account both the challenges that we confront, and the opportunities that we must seize, to expand the OECD’s reach, relevance and impact.

2. In recent years, the OECD has changed and evolved, sharpening its strengths while remaining faithful to its *raison d’être*: better policies for better lives. We have become more dynamic and agile, equipping our Members and Partners with the data, evidence, policies and tools needed to build stronger, fairer, cleaner and more inclusive economies and societies. Our cross-cutting work on inclusive growth, productivity, well-being and sustainability has provided the building blocks for a strong, people-centred growth narrative that supports better policy design, development and delivery. Similarly, many of our standards, including those on international tax, digitalisation, Responsible Business Conduct, and anti-corruption have become landmarks for shaping the global playing field. The unique communication channels we have opened with emerging economies through our work with the G20, our relationships with Key Partners, and our regional and country programmes, have facilitated the dissemination of such standards.

3. The ‘whole-of-OECD’ response to the COVID-19 pandemic confirms our ability to adapt to rapidly changing environments and Members’ needs. OECD’s effectiveness lies in its multidisciplinary and horizontality, and in its ability to bring diverse policy communities together to deliver an integrated, evidence-based policy framework that can address urgent economic, social, environmental and institutional challenges. The OECD brings a unique value proposition to our Members and Partners. Our awareness of the latest megatrends affecting national and global development; our understanding of their implications for each policy area; our openness to innovation and to new approaches in our analytical toolbox; our ability to compare, distil and learn from best practices; and, ultimately, our capacity to turn all this knowledge into concrete policy actions that can help improve people’s lives, is unparalleled. These strengths are reinforced by our governance model, which includes bottom-up work with experts in committees, complemented with top-down, high-level guidance provided by Leaders, Ministers, the Council – including the Ministerial Council Meeting (MCM) – the annual Global Strategy Group (GSG), sectoral ministerials and other high-level meetings and fora.

4. As the COVID-19 crisis continues to unfold, we must remain alert and continue to focus our efforts on best supporting our Members, advancing the evidence gathering and policy work in the OECD COVID-19 Digital Hub (which already comprises more than 160 policy briefs and statements), and advising individual countries as requested to tackle the

ongoing crisis and strengthen the subsequent recovery. We will continue to provide analysis and recommendations on measures to support jobs and businesses during this challenging period and address the side-effects of these measures, including on competition and indebtedness. As part of this work, we need to step up our calls for structural reforms to support productivity growth, business dynamism and employment, for open markets, for strong trade and investment that avoids protectionist measures, and for policies that will help countries leverage the opportunities from digitalisation. At the same time, we have an opportunity to chart a new policy course, building on a new growth narrative that prioritises improvements in well-being, in line with the 2030 Agenda for Sustainable Development and its 17 Goals.

5. Urgent action is required along three main axes.
  - i. First, when advising governments on their policy priorities to ensure a strong and quick recovery, we need to better integrate productivity and economic efficiency with inclusiveness, resilience and sustainability goals. Such goals should be at the core of public policy interventions and structural reforms. This will require rethinking some policies to make them more effective at addressing deficiencies such as: durable market power and concentration in both domestic markets and along international supply chains; insufficient investment in some essential goods and in research (as shown by the example of vaccines in the COVID-19 context); financial sector fragility; and political capture and corruption. At the same time, in view of the growing role and prerogatives of governments during the crisis, we must ensure that the rule of law and the right checks and balances are in place to safeguard accountability and good governance and secure a return to a well-functioning market economy.
  - ii. Second, we need to help governments build a strong social contract with current and future generations. The growth of inequalities and shrinking opportunities for the middle class are tearing many societies apart and fuelling populism, protectionism and autocratic governments. Tackling inequalities ex-post via redistribution is less efficient and effective than doing so early on, in education systems, in health systems, in infrastructure, and in exposure to environmental risks. Many countries will also need to recover some of the progressivity lost in their tax systems.
  - iii. Third, we must urgently address the long-term crisis around the corner: climate change, biodiversity loss, and environmental degradation. Our own well-being and that of future generations depends on it. The COVID-19 crisis has vividly and dramatically demonstrated the links between environmental and human health. As we rebuild our economies, it will be essential that we transform production and consumption patterns in a way that will avoid the worst impacts of impending environmental crises. Indeed, as our work has proven – investing in climate is investing in growth!
6. These three actions will help restore the trust of citizens in their governments' ability to enhance their well-being. The stakes have never been higher. In many countries, the erosion of trust has been especially significant among young people, posing new risks to the legitimacy of public institutions in the future. The OECD can be a best practice policy compass in this time of unprecedented volatility, uncertainty, complexity and ambiguity.
7. Beyond our evidence, tools and guidance to help countries through this major crisis, we have an opportunity and an obligation to advance global solutions to global

problems, from addressing the tax challenges of digitalisation and trade distortions to climate change and migration. Our standards, our growing links with partners, and our collaboration with the UN, the G20, the G7 and other global fora and international organisations are all at the core of the reinvigorated OECD of the last decade. They underpin the multilateral system that we need to preserve and continue to strengthen. The world today needs the OECD more than ever.

8. My Strategic Orientations are informed by the outcomes and mandates of previous MCMs and the new Ministerial Council Roundtables (MCRs) convened in the COVID-19 context, as well as the guidance provided by other high-level meetings and the invaluable work of our committees and subsidiary bodies. They have benefited from my regular conversations with Leaders, Ministers, Ambassadors, senior government officials, Business at OECD and TUAC representatives, and other key stakeholders from the private sector, civil society and academia. My Strategic Orientations are fully aligned with the current work and strategic priorities of the Organisation reflected in the 2019-20 PWB – including the policy pressures, priorities and questions emerging from the COVID-19 pandemic. They are also informed by key inputs to the 2021-22 PWB, including my PWB Guidance, as well as the priority themes – climate; digital; economic policy and structural reform, particularly around education, skills and the future of work; tax; and trade – and principles outlined in the Ambassadors’ Informal Convergence Paper. Ultimately, they respond to the long-term priorities identified in my “21 for 21” Agenda to increase the OECD’s relevance, responsiveness and impact, as well as to the Organisation’s mandate outlined in our Convention. They are also intended to help guide discussions on a new OECD Vision Statement on its 60<sup>th</sup> anniversary.

## **B. The Stakes are High**

9. The context in which we are operating is deteriorating day-by-day. We are in the midst of a once-in-a-century global health crisis, with far-reaching economic and social consequences, that is affecting the whole of our societies and hitting the most vulnerable hardest. The crisis arrived at an already difficult time for the global economy, which was grappling with very high levels of corporate and public indebtedness (above the 2008 Global Financial Crisis); serious trade, investment and geopolitical tensions; and pressure on multilateral organisations. The broader context of persistent weak productivity growth, increasing inequalities, and the opening of major cleavages in societies, as well as climate change, biodiversity loss and environmental degradation, has made for an explosive cocktail; a perfect storm.

10. While the COVID-19 pandemic has triggered a systemic crisis unlike any we have had to face, we cannot claim that it was impossible to see it coming. The SARS crisis, for example, highlighted the dangers of global contagion, and many stakeholders have repeatedly called their attention to the lack of preparedness for a global pandemic. For several years now, the OECD’s New Approaches to Economic Challenges (NAEC) Initiative has supported a view of the economy as a complex, adaptive system. As made clear during the 2019 NAEC Conference on ‘Averting Systemic Collapse’, the system needs to adapt, and transform, after each crisis. The COVID-19 crisis is thus unlikely to be a one-off aberration; rather, it represents a warning to expect future crises characterised by damage spilling over from one silo to another and cascading throughout economies and societies made less resilient by climate change and other emergencies.

11. Thus, our response to the systemic challenges we will face must also be systemic. This means shifting our thinking towards resilience and preparedness – where systems are

designed to help people and organisations to persist, perhaps even thrive, amid unforeseeable disruptions. We need resilience to provide communities and institutions with the flexibility, intelligence and responsiveness they need in the context of social, economic and environmental change. The need for resilience in our systems, from health care and global supply chains to environmental quality, and the need to build the post-COVID 19 world in an inclusive and sustainable manner, will become overarching OECD priorities.

12. Beyond the need to upgrade our understanding of the interconnectedness of systemic risks, and their cascading effects, the COVID-19 crisis has also exposed the many policy areas that were characterised either by market failures (investments in vaccines, anti-microbial resistance, and basic science more generally) or by government failures. Indeed, the immense human tragedy of the COVID-19 crisis has exposed weaknesses in the ability of our health systems to react to a large-scale epidemic. Nothing could so clearly demonstrate that health systems are not a cost: they are a critical investment in our economies and our well-being. Investments in health should be part of human capital formation in the growth and development process, as it is for education. Health coverage must be universal, with health care viewed as a global public good and as an investment, rather than a pure cost. But the consequences of the COVID-19 crisis go beyond our health systems. The human, social, financial and economic consequences of the pandemic are without precedent. They are putting at risk people's social connectedness, their trust in governments and institutions, their children's education, and their jobs and incomes, in addition to fuelling general anxiety. The post-COVID-19 world will need to address these consequences, while fostering more sustainable and inclusive growth.

13. The COVID-19 pandemic is occurring in a context where high and widening inequalities of income, wealth and opportunities were already affecting the life prospects of the bottom 40% of our populations. These inequalities are both vertical (among individuals and households), as well as horizontal (among groups defined by age, sex and their identity factors). As the OECD's work on inequalities has shown, disadvantages created by the unequal distribution of income affect people's chances to access good quality public services including health, education, infrastructure, jobs, justice, and broadband. Therefore, the COVID-19 crisis and the efforts to contain it are likely to disproportionately affect those at the lower end of the income distribution (low-paid workers in precarious jobs), as well as children and youth, migrants, the elderly, people with disabilities, and other vulnerable groups, thereby adding to social fragmentation, shrinking middle class prospects and a growing "geography of discontent". Women are more socially and economically affected by COVID-19: they represent 70% of the health workforce, continue to do the majority of unpaid care work in households, and face high risks of economic insecurity (both today and tomorrow) as well as increased risks of violence, exploitation, abuse and harassment. A "new social contract", underpinned by a strong multilateral system, is needed.

14. Widespread lockdowns have hit the labour market hard. Whilst the balance between open unemployment and reduced hours of work differs across countries, the combined impact of the demand and supply shocks on employment will remain long after the disease is brought under control. Structural weaknesses in the labour market may exacerbate the long-term damage to the quantity and quality of jobs. This is particularly true for the many in non-standard and often precarious forms of work, who tend to have limited access to social protection and skill development programmes. It is also the case for youth, who already faced a challenging employment situation. The new OECD Jobs Strategy, which was released in December 2018, is helping guide countries towards the most effective policy responses to these systemic challenges.

15. Across the world, the self-employed, small and medium-sized enterprises (SMEs) and firms operating in certain sectors (e.g., travel and tourism, catering) are among the most impacted by the crisis. Many are at an immediate risk of being forced out of business due to a collapse in demand and severe liquidity shortages, despite all the efforts by governments. There is also a concentration of certain highly affected sectors in particular in cities or certain regions that could have devastating consequences for local economies.

16. Developing countries are among those hardest hit by the COVID-19 pandemic and their hard-won development gains risk being erased. They are facing COVID-19 with lower fiscal buffers than they had in 2008-09. More than twice as many developing countries have approached the IMF for short-term emergency assistance as in the immediate aftermath of the 2008 Global Financial Crisis. OECD governments and the broader international community need to unlock ambitious support to developing countries, to prevent the loss of lives, contain the risk of aftershocks, and invest in their sustainable recovery. Official development assistance should, to every extent possible, be protected and stepped up, while expanding support to global public goods.

17. As the need for urgent health care and economic stability measures subsides, governments will need to turn to the question of how to promote an effective, sustainable and inclusive economic recovery and how to better prepare the population for future shocks. The transition will be long, as a vaccine is not expected for at least 12-18 months. Given the reigning uncertainty and the resulting decline in the propensity to consume or invest, the key to the recovery will be the extent to which governments, nationally and collectively, can muster the necessary resources and conditions to support jobs and incomes. Governments will need to step up their social protection systems and increase their institutional capacity to invest, as well as to support those in need by providing responsive and agile public services. They also need to safeguard financial consumers' interest, and support financial resilience and well-being, including through short- and long-term financial education measures. Public goods such as scientific capacities and institutions are often neglected, although they are prerequisites for instilling resilience.

18. Public investment will be central for the recovery, and should be fully aligned with inclusive and green growth objectives. Such broad-based investment action would be akin to an enhanced Marshall Plan that will reinvigorate our economies and set us on a transformational path towards sustainable development. Meanwhile, policy reforms will need to be accelerated to provide the necessary flexibility for the private sector to recover and eventually thrive again, while following a more sustainable and socially inclusive model. An important but challenging task will be for governments to decide when and how to wind down emergency measures, including subsidies, loans and guarantees, and in some cases the equity stakes or even the nationalisation of firms. Managing increased levels of public and private indebtedness will also be a daunting task and will require greater international and regional collaboration, for low-income countries, but also for middle-income countries.

19. The outbreak has amplified policy uncertainty, and continues to weigh on risk sentiment in financial markets. It has also overshadowed some positive developments over the past year, including the Phase 1 trade deal between China and the United States and the ratification of the United States-Mexico-Canada Agreement (USMCA), the reduction of a disorderly Brexit risk, and the stabilisation of selected indicators (e.g., export orders). As highlighted in the OECD's September *Interim Economic Outlook*, COVID-19 has exerted a substantial drag on global growth in 2020, and it will likely continue to affect the economic outlook in the 2021-22 biennium and beyond. This situation is taking place as

many countries still show deep scars from the 2008 Global Financial Crisis, which has resulted in more limited room for macroeconomic policy manoeuvre.

20. International co-operation will be key to delivering a comprehensive and coordinated response through this new phase of the crisis. The G7 and the G20 have convened “Extraordinary Virtual Ministerial and Leaders’ Summits” to support the global response. International collaboration on vaccine research has been strengthened and further efforts are being made to ensure medical supplies are directed to areas with the greatest incidence of COVID-19. Likewise new platforms that improve and broaden collaboration on science and technology and exploit new data-driven methods are encouraging. However, much remains to be done, in a context where many of the old tools of international co-operation and support are not fit for purpose in terms of adaptation, flexibility and speed.

21. Through the work presented in the COVID-19 Digital Hub, the OECD is well-placed to inform and facilitate global efforts to tackle the outbreak; identify ‘roll back’ strategies to containment measures; ensure trade and investment continue; support reforms to revitalise business dynamism and job creation; and advise on short-term emergency economic and social support. We will also need to continue to support individual Members through this long transition to help them strengthen the economic recovery and ensure policy responses are coherent and uphold sustainable global development.

22. Alongside the COVID-19 outbreak, the world remains in the grip of worsening climate change, biodiversity losses and other environmental emergencies. Without substantial changes to our economic systems, the social and economic impacts of these crises could eclipse those of COVID-19. While energy-related carbon dioxide emissions did not increase in 2019, and have dipped in 2020 as a result of lockdowns and reduced economic activity caused by COVID-19, the underlying trend remains far from that needed to meet the Paris Agreement targets. Extreme weather events – devastating wildfires, intense and prolonged heatwaves, catastrophic flooding, droughts and typhoons – are becoming commonplace. Plastic pollution, ocean acidification and warming, overfishing and unsustainable industrial practices are driving rapid and dramatic changes in marine ecosystems. Rising sea levels are threatening the livelihoods of millions of people, and of coastal cities. Biodiversity loss is accelerating, with nearly one million species threatened with extinction. Human interference in ecosystems, along with factory farming practices across the world, are the origin of many new zoonotic disease outbreaks. Air and water pollution have also contributed to the spread and health impacts of COVID-19.

23. Without bold and urgent climate action, global warming could reach 1.5 degrees above pre-industrial levels by as early as 2030 and the ecosystems on which our economies and well-being rely could be irreversibly damaged. The clock is ticking and the window of opportunity to reverse course and avoid reaching more tipping points is quickly closing. The COVID-19 pandemic offers a chance to rethink many aspects of our economic strategies and processes, which we should leverage in our efforts to enhance environmental health and resilience, and to foster greener, more sustainable growth.

24. Meanwhile, megatrends – led by digitalisation, migration and ageing – are intensifying, albeit at different speeds. One key question is how public policies can contribute to sustainable growth and well-being, after a long-term downward trend in productivity growth, and how public governance can ensure inclusion and innovation in the ways countries anticipate and respond to these megatrends.

- i. The digital transformation is rapidly reshaping the way we learn, live and work, redefining interactions between economic, social and government actors, and

creating new opportunities for growth and well-being. The COVID-19 crisis is accelerating the already fast pace of the digital transformation and underscoring the growing importance of digital technologies, such as Artificial Intelligence and blockchain, in our daily lives. Teleworking, telemedicine, online learning, digital public services, virtual leisure activities and remote conferencing are helping to ensure some normalcy as people, businesses and governments tackle the complexities and uncertainties of widespread lockdowns. The digital revolution can also contribute to reduce emissions and help boost productivity after a long-term decline. It is thus critical to step up efforts to bridge digital divides, particularly between younger and older generations, urban and rural populations, and developed and developing countries. Digitalisation is offering an opportunity for governments to fundamentally re-think their engagement and relationship with their citizens. At the same time, governments also need to tackle some of the challenges for the future of work, competition, digital security, data privacy, security and governance, and the increasing reliance on a few global platforms, among other issues.

- ii. Until the COVID-19 crisis put a sudden stop to international mobility, cross border migration flows were at record highs, and the issue remains one of the most divisive in our societies today. Migrants and refugees may be more exposed to the risks of the COVID-19 outbreak as they may lack access to health services and, in refugee camps, have very limited options for physical distancing. The spread of COVID-19 in refugee camps may be another crisis in the making, and the need to think of forced displacement beyond humanitarian terms, and more in longer-term development and integration issues, is higher than ever. At the same time, migrants may be a source of skills and labour much in need during and after the COVID-19 crisis.
- iii. Across the OECD, societies are ageing, which raises many complex and interconnected challenges for intergenerational justice, both social and financial, as well as domestic and international. On the other hand, several developing countries are experiencing a boom in young populations entering employment age, with few job opportunities and increasing expectations.

25. Across the world, there is a feeling – reinforced by the COVID-19 pandemic – that the world has moved into a “new normal”; that progress will never be what it used to be, both in quantitative and qualitative terms. There is a resignation that we should get used to lower growth and/or secular stagnation. The nature of growth is also being questioned: who benefits from it? And at what cost for the planet and the future? As a result, doubts abound on whether our systems will be able to continue to deliver on people’s demands, as they have done in the past. Corruption and elite/political capture – which are not new but have become more visible and acute in recent times – are further fuelling such doubts, and undermining public confidence and trust in institutions and governments, precisely when we need them most.

26. Multilateralism remains at a crossroads, marked by growing confrontation and disagreement among previously like-minded countries. As some of its main pillars – the United Nations and the Bretton Woods institutions are turning 75, while the OECD turns 60 – governments are increasingly questioning the ability of multilateralism to deliver timely and effective responses to global challenges. There is a growing perception that the processes that drive multilateralism may not have adjusted to the pace of globalisation. Thus, many countries are moving to unilateral and/or bilateral actions and policies, casting a further shadow over the future of the multilateral system. The deteriorating geopolitical

situation has also paralysed key OECD dossiers, including enlargement, for more than three years now. It has also affected our global relations strategy, including our engagement with Key Partners, whose greater proximity to OECD's work, standards and values is critical to help level the global playing field and maintain relevance and impact.

### C. Charting a New Course for our Economies and Societies

27. We now need to start preparing a new course for our economies in the post-COVID-19 era, once a vaccine has been found. It will be a challenging period until then, which will test the resilience of our institutions and political systems. Our governments are stepping up support for the economy, but will soon be facing the consequences of rapid increases in public indebtedness. Applying the lessons from the 2008 Global Financial Crisis will be critical in restoring public finances. There is a major risk of a humanitarian emergency in developing countries, and of social and political upheaval across the world.

28. The OECD is well-placed to engage in this deep, multi-disciplinary, whole-of-government reflection of the changes needed in our economic systems. Over the last six decades, we have built unique expertise and know-how as we have sought to support our Members to “*achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy*”, in line with the OECD Convention (Article 1a). Our work on competition, trade, investment and regulation has been geared with these objectives in mind. We have developed world-reference indicators such as Product Market Regulation, Regulatory Policy and Governance (iREG), FDI Restrictiveness, Trade-in-Value-Added, Services Trade Restrictiveness, and state subsidies. We have helped countries advance structural reforms to promote growth. Such work must continue and be further developed. But when using such indicators, tools and modelling techniques for policy analysis and recommendations, or implementing OECD standards and best practices, we must also take account of other policy objectives, in particular inclusiveness and sustainability. We should also monitor the difficulties created by increasing market concentration and durable market power in certain markets and supply chains, by the rapid growth of debt and the emerging financial sector fragilities, and by deficient market incentives for productive investment, among other issues.

29. In addressing these trade-offs, governments need to create the conditions for policy analysis, evidence and evaluation to be effectively understood and used in decision-making processes. We can benefit, for example, by improving our knowledge of what governments should do to recover and maintain public trust. OECD work indicates that perception of public integrity and fairness are crucial determinants of trust in government. At the same time, restoring and maintaining trust depends on demonstrating the capacity of government to perform its principal functions in an innovative, transparent and participatory way. Upholding good regulatory practices and maintaining the rule of law are thus key.

30. We also need a deeper reflection on the underlying and chronic weaknesses of our economic systems, as well as on the social and the environmental systems on which all economic activity relies. Eight years ago, we launched two major initiatives, both triggered by the 2008 Global Financial Crisis: one was NAEC, and the other was the Inclusive Growth and Well-Being Initiative. These initiatives were important then. They are critical today. NAEC is a vehicle to bring the concepts of resilience, complexity and systems thinking into our policy design and recommendations. Our work on Inclusive Growth and Well-Being underpins the integration of inclusiveness, intergenerational justice and

sustainability considerations into our economic analysis. The Centre for Well-Being, Inclusion, Sustainability and Equal Opportunity has been created to coordinate better our whole-of-OECD work on these issues. We need to change the way we measure success, building on our well-being framework, to go beyond GDP. Success and challenges that countries encounter in applying well-being frameworks in many policy areas will also be central to our understanding of how to refine our metrics for inclusive growth and well-being. Some countries are leading the way by measuring well-being in specific policy areas, such as in public procurement. We need to mainstream, replicate, learn from and build on these initiatives. We also need to support the reform of financial accounting and reporting frameworks for business, to include the “externalities” and the social and environmental cost of production processes, as well as the positive impact of business actions to support workers and communities. And we should continue to engage directly with the business sector to foster a change in mindset, away from a sole focus on profit maximisation and shareholder benefit. Our engagement with companies through the Business for Inclusive Growth (B4IG) initiative and the Emerging Markets Network, along with work on standards and on Responsible Business Conduct, can help with this transformation, pushing for “business with purpose”. Our Centre on Green Finance and Investment and related work across the OECD can help ensure that environmental risks and performance are assessed by public and private actors and clearly communicated to inform policy and markets. We have to step up this agenda and make our standards count on a global scale.

31. Over the coming months and into the next biennium, our work on the social and environmental agenda will be of utmost priority. We will advance analysis on social policies and help countries reform their education, health, and infrastructure systems to make them more inclusive and resilient. We need to bring the success of PISA in education to other social indicators, particularly health. We should continue to advance the gender mainstreaming agenda across all policies, while redoubling our efforts to tackle entrenched gender gaps and promote women’s empowerment, including by tackling discriminatory social norms and institutions through our Social Institutions and Gender Index (SIGI). We also need to delve deeper into policies to foster child well-being. Our work to support the design and implementation of country-specific housing policy strategies, targeting all levels of government, will continue, and we will take a closer look at the links between housing policies and inclusiveness, housing finance, spatial planning and prices, and productivity and environmental sustainability. We will also intensify our important work on tax policy design, helping countries recover some of the progressivity lost in their tax systems in recent decades, and aligning it with environmental goals, including through carbon taxes. We will, more broadly, put the environment and the transition towards a low-carbon future at the centre of our work, as a core part of our people-centred agenda.

32. It is high time to reconcile all these parallel agendas. We need to bring efficiency, inclusiveness, resilience and sustainability together. While we have made some progress in this direction, more work remains to be done. We need to develop an integrated growth narrative that will underpin all our major flagships, in particular the Economic Outlook, Going for Growth, Regional Outlooks on Africa, Asia and Latin America, country-specific Economic Surveys and Multi-Dimensional Country Reviews. This narrative responds to a longstanding mandate from Members – agreed at the 1998 MCM – in which the term ‘sustainable growth’ in Article 1a of the OECD Convention was reinterpreted as ‘integrating economic, environment and social policies to enhance welfare’ (1998 MCM statement).

33. Such a transformation in our economic models, toolkits and indicators will also be essential to help governments respond to the major underlying megatrends we are facing, in particular digitalisation, migration and ageing.

#### **D. Preserving and Strengthening the Seven Pillars of OECD Success to Best Support our Members and Partners**

34. Our core operational and functional strengths – building on solid comparable data, applying high-quality analysis, distilling best international practices, developing actionable policy solutions and global standards – position the OECD well to help Members and Partners respond to the extraordinary demands of our time and help them chart a new course. Seen in perspective, the OECD has undergone a crucial, irreversible transformation that will allow it to face successfully the challenges of an uncertain future for the benefit of its Members and Partners. This transformation is based on seven pillars:

- i. Putting people at the centre. All our policy work should be geared to supporting inclusive, sustainable growth that delivers greater well-being. In recent years, we have succeeded in better integrating productivity, inclusiveness and sustainability considerations in our analysis, but much remains to be done. Our flagship work on well-being and on the inequalities of income and opportunities (middle class, social mobility, the resilience and well-being of children and youth, gender, and discriminatory practices), and the policy framework developed through the Inclusive Growth Initiative, have helped to put these issues high on the international policy agenda. We have led other stakeholders to join the fight against inequality, as evidenced in 2019 with the successful launch of our Business for Inclusive Growth (B4IG) Initiative in the context of the G7 in Biarritz. We have also shown how more socially-oriented economic policies can lead to more inclusive and sustainable forms of growth. Looking ahead, we will need to focus our work on the most vulnerable groups in society, including the poor, ethnic minorities, migrants, children and youth. We should also intensify gender mainstreaming across the Organisation, particularly in relation to the environment, to trade and investment, and to help countries end violence against women. We will help countries redesign their public services to make them more responsive, innovative and people-centred.
- ii. Leading the promotion of a rules-based international economy. Our best practice international standards – on tax; public governance and investment; anti-corruption and integrity; corporate governance; responsible business conduct; infrastructure; financial education and financial consumer protection; digital economy (including AI); and ending sexual exploitation, abuse, and harassment in development co-operation and humanitarian assistance, among others – remain the backbone of our efforts to level the global playing field and foster responsible, effective and inclusive multilateralism. Even though the majority of OECD standards are not legally binding, political commitment to their implementation – coupled with the OECD’s hallmark peer review mechanisms and other tools to support their dissemination and compliance – have made them a powerful means to level the playing field, save costs, promote international co-operation and disseminate best practices both across and beyond our Membership. Our standards serve to level the playing field, to promote international co-operation and to save costs as well as to inspire better domestic policymaking for the benefit of citizens. To reinforce this capacity, we are presently engaged in a multi-year Standard-Setting Review exercise, to update and strengthen these standards, as well as to identify areas where

new or revised standards may be needed. This Review will lay the foundations for regular stocktaking, to maintain the continued impact and relevance of OECD standards, and to ensure that we remain responsive and agile to face the policy challenges that lie ahead. Advancing our successful work on tax policies will remain central to promoting a rules based international economy. We will continue strengthening the global tax architecture by advancing agreements and their implementation, in particular the key initiative on the tax challenges arising from the digitalisation of the economy. We need to devote special attention to better understanding the links between international trade and investment, ensuring fair global rules and lack of discrimination. We also need to advance our measurement work on GVCs, the monitoring and analysis of trade distortions, and to strengthen the implementation of our standards on responsible business conduct. Further focus is needed to adapt competition, enforcement policy and regulatory frameworks to modern industrial structures and strategies that rely on intangible capital, network effects and digital platforms that can reshape competition.

- iii. Supporting Members’ domestic reform agendas. Growing requests for collaboration on domestic reforms sends a strong, positive signal about Members’ trust in the quality and relevance of OECD work. Building on our evidence-based, comparative policy analysis, our efforts to “Go National” have helped our Members strengthen the timing, sequencing and impact of national reforms, through a whole-of-government approach that takes account of cross-sectoral synergies and spillovers. This work has become even more relevant in the context of the COVID-19 crisis. Going forward, we will continue to improve our targeted advice to countries’ on reform design and implementation, coordination and strategic planning, with a focus on timeliness, sequencing, monitoring and impact evaluation, as well as analysing the trade-offs and spill over effects of the different reforms. This will involve refining our framework to quantify the benefits of structural reforms in labour and product markets, and extending its application to the sectoral level. With the goal of providing more “whole-of-government” support, we will beef up our Centres of Government network and our work on policy coherence for sustainable development to help countries achieve their SDG plans and monitor their progress. This will also allow countries to leverage innovation effectively to build capacity to adapt, anticipate change and build resilience in the face of systemic threats, including climate change. We will explore ways of ensuring more articulated, and better-coordinated support to Members, to avoid fragmentation of our work.
- iv. Reinforcing multidisciplinary and openness to new research. We have increasingly connected the dots across policy areas through our Horizontal Projects and initiatives that have gradually broken longstanding silos. Our NAEC Initiative has opened up the Organisation to cutting-edge research, theories and methodologies in every field, attracting leading thinkers to help advance our work. This has allowed us to understand better the increasing complexity that characterises our societies. This effort has been bolstered by the OECD-IIASA Task Force on Systems Thinking, Anticipation and Resilience. The NAEC Innovation LAB will continue to help the Organisation and Members to adopt the new tools and techniques required to do this, including agent-based modelling and networks, machine learning, and big data. The continued sharpening and mainstreaming of our strategic foresight capacity in all key policy areas facing rapid change and a high degree of uncertainty also remains critical, particularly as we

grapple with the complexities of a world transformed by COVID-19. Only by continually exploring and preparing for a variety of plausible developments, can we design effective, innovative, and future-ready policies. We also have to continue to reinforce and update our statistical capacity and our ability to measure what matters to people. Solid data and measurement is at the foundation of everything we do. We therefore need to advance our new Smart Data Strategy that can provide us with the integrated measurement tools connecting the economic, social and environmental spheres, the quality frameworks, and the skills needed to modernise our existing data-gathering capacity, draw on new sources and techniques to meet the policy demand for new, more granular and timely data. We also need to get better at more closely linking data on the OECD Better Life Initiative with our broader work on well-being, social policy, and inclusive, green growth.

- v. Providing high-level guidance and a platform to forge consensus. In the past decade, the OECD has increased its engagement and presence at the highest political levels, advising Leaders and serving the most influential global fora, particularly the G20 and G7. This has made the Organisation more aware of and sensitive to priorities at the top, allowing us to better target our work. Through our substantive contributions and efforts to advance common understandings and facilitate agreements and new standards, we have spearheaded progress on systemic global issues, including inequality, digitalisation, excess capacity, gender, migration, the Future of Work, and taxation. We have also helped advance key UN agendas, including the 2030 Agenda for Sustainable Development; the Addis Ababa Action Agenda on Financing for Development; the UN BAPA+40 Conference on South-South Co-operation; the renewed Beijing + 25 Declaration and Platform for Action; the Paris Agreement; the Convention on Biological Diversity; the Strategic Approach to International Chemicals Management; as well as efforts to preserve the oceans, better manage migration flows, foster digital inclusion, and promote peace and security through better economic outcomes. Going forward, we will reinforce our contribution to multilateralism and international fora, in particular the G20, G7 and APEC, with a view to strengthening rules-based globalisation. We will put special emphasis in supporting forthcoming presidencies of these fora through our analysis and policy advice, including through greater collaboration with other international organisations to exploit synergies.
- vi. Enhancing our global reach and relevance. Today's OECD is more open to the world than ever, while maintaining its technical rigour, its responsiveness and its main focus on Members. Our work has been enriched through strengthened co-operation with our Key Partners – Brazil, China, India, Indonesia and South Africa – and our regional and country programmes, which have provided new data, experience and insights. Since 2010, seven new Members have joined the OECD, and we look forward to welcoming Costa Rica soon. Openness has enabled our tools, practices and standards to be increasingly implemented worldwide and enhanced their influence and relevance for the benefit of all Members. It has also helped to catalyse “OECD-style” policy reforms in non-Member countries. We should continue to pursue selective engagement, starting with the six countries that have been waiting for a response to their request to join the Organisation (Argentina, Brazil, Bulgaria, Croatia, Peru and Romania) for more than three years. We also need to deepen our engagement with South East Asia, Latin America, MENA, Eurasia, Southeast Europe and Africa. We will continue to promote and

leverage the work of the OECD’s “Development Cluster”, and its diverse membership and mandates, to enhance our work on global development and increase dialogue and knowledge exchange with non-Members. We will continue drawing on the OECD Development Centre, as well as the Sahel Club and the DAC, as inclusive platforms for policy dialogue on development.

- vii. Strengthened communications and stakeholder engagement. Our communications tools have been developed to tap better into social media and take the temperature of public opinion. We have also engaged in a closer outreach to business and civil society, through our traditional partners, Business at OECD and TUAC, as well as direct engagement with business and civil society leaders. The launch of the Observatory of Civic Space will allow us to support better an enabling environment for a thriving civil society. Our committees are establishing a range of formal mechanisms and fora for regular and meaningful consultation with civil society and business. Going forward, communications and stakeholder engagement will remain the very meaningful “other half” of what we do. We will listen more and better to all stakeholders. We will also reinforce longstanding mechanisms that bring their voices to the OECD, like Business at OECD and TUAC, while reaching out to other communities. We will promote a more structured and effective engagement with civil society, including NGOs, foundations, philanthropic organisations and academic and expert communities.

35. These seven pillars have been underpinned by a culture of continued improvement in our management, administrative, and financial systems. The OECD has become an enormous source of net revenue for our Members, rather than a budget cost, providing either income or savings worth hundreds of times the size of our budget. The 2008 Financial Reform established a new financing scheme for the Part I Budget that put the Organisation on a sound financial footing and achieved the objective of rebalancing contributions between larger and smaller economies. Internally, the Secretariat has gradually adapted its structure, staff, working methods and tools to gain agility, transparency and efficiency. The decade-long process of reviewing and upgrading our decision-making and working methods has modernised our ways of working and consolidated the Organisation’s core strengths. The benefits of these forward-looking efforts were demonstrated during the COVID-19 crisis, as the OECD moved swiftly to full teleworking, and designed and implemented the “Consolidated Framework for Council and Standing Committees Remote Working Methods During the Coronavirus Outbreak” to ensure continuity in the functioning of the highest bodies of the Organisation.

36. Unfortunately, the Secretariat’s efforts have been constrained – and the OECD put under instability and uncertainty – by Members’ decision to move to a Zero Nominal Growth budget for the 2019-20 biennium. Things have only gotten worse by the further erosion of the OECD’s financial position, following Members’ decision to have the Organisation absorb the increased costs of Members’ pension contributions in 2019-20 and 2021-22, further reducing OECD’s capacity to deliver, and increasing the materialisation of critical risks, such as the security and sustainability of our digital platforms. We even missed a one-time opportunity to pre-fund the long-term repair and investment needs for our infrastructure, with money that had been generated thanks to the effective management of the Organisation’s Office Space Strategy.

37. To deliver on the OECD’s ambitious agenda, we will continue to improve and enhance our management practices, to conduct system upgrades, and to modernise our policies and contracts, to maintain the robustness of our Integrated Management System.

Securing value-for-money (V4M) for our Members – as documented in our regular V4M reports – as well as the implementation of Members’ decisions on ethics and whistleblowing, are ongoing priorities. We will continue advancing V4M plans in all areas, encouraging forward-looking initiatives for improving the V4M of OECD outputs (i.e., leveraging digital platforms; implementing more coordinated, strategic and coherent approaches; and achieving measurable savings in resource use to continue compensating at least a part of the ongoing budget pressures). The problem is that the pressures are around 6% of the budget and our ability to cut expenses without cutting substance has reached its limits. We will also continue improving our Voluntary Contribution (VC) management framework to ensure best practices in VC monitoring, reporting and risk management.

38. Through the design and implementation of our New Employment Package and additional efforts to attract and retain diverse and talented staff, we will also modernise and develop our human resources policy to ensure a pleasant job environment in which all employees can thrive. This will encompass new initiatives to strengthen office well-being; the continued improvement of integrity, ethics and whistleblowing policies; the advancement of gender equality and equal opportunity measures; the promotion of cultural diversity among our staff; and ensuring zero tolerance on harassment. It will also imply redoubling our efforts to: ensure the proper and safe operation of buildings and the protection of financial assets; continue to foster diversity; advance gender equality; strengthen our technological infrastructure, including remote conferencing and big data analysis (critical in COVID-19 times); ensure digital security and data privacy; and make the Organisation carbon-neutral. We will also take a look at the lessons learned during the pandemic, which will shape OECD’s future working methods, as well as helping us reduce our carbon footprint.

## **E. Fostering Members’ Support and Consensus**

39. Today, the OECD is a modern institution that is helping Members take informed action on the broader cross-cutting and interconnected challenges they face. In the coming years, these seven pillars will remain central to the OECD’s efforts to deliver bold, innovative, coordinated and effective policies at the multilateral, national, regional and local levels. My PWB Guidance on substantive priorities for the 2021-22 biennium sets out the main areas for future analysis, including proposals for horizontal initiatives, and incorporates the priorities contained in the Ambassadors’ Informal Convergence Paper.

40. Last year’s Strategic Orientations highlighted the importance of urgent action, greater ambition and stronger co-operation in all areas of our work. Those principles should continue to guide us as we work to break down policy silos further, and provide new perspectives, new evidence, new ideas, new analytical frameworks, and new tools that set our Members on a path towards resilient, sustainable and inclusive growth and development. The experience gained from working under the exceptional environment of the COVID-19 crisis should be leveraged to support the more efficient delivery of the Organisation’s work, while preserving its quality and the engagement of Members and Partners.

41. Strong Members’ support will be critical for the OECD to fulfil its mandates. However, it has become more time consuming and more complex to agree, and over the last few years it has not been possible to reach consensus on issues of strategic importance on the OECD agenda, including Ministerial Council Statements at the annual MCM, enlargement to new Members, adequate budgets, resourcing, and funding of pensions, and other important issues. We are finding it harder to operate, harder to advance, harder to

focus on substantive agendas. For the consensus rule to work, it is important that Members want to agree and are willing to find common ground to do so.

42. I am very conscious of the difficult budgetary context for all our Members, and the need for all institutions, including ours, to make additional financial efforts to save costs for our taxpayers and ensure efficiencies. While we are, of course, committed to maintaining a lean, agile Organisation, our efforts to deliver efficiency savings have reached a natural limit. While Members have now reached consensus on a budget envelope for the 2021-22 biennium, reinforced by 11 commitments to strengthen the OECD's administrative, management, and financial systems, OECD's future work will depend crucially on an adequate budget.

43. **A major goal for 2020 and beyond is thus to work with Members to strengthen trust among them and between Members and the Secretariat, as well as fostering convergence on the OECD's future role, so that the OECD remains useful and meaningful at a time when our economies and societies are facing unprecedented challenges.**

44. We will do so by strengthening Members' direct engagement in, and ownership of, our seven pillars of success:

- We will use every policy tool at our disposal to provide Members and Partners with the evidence-based analysis and advice needed to underpin a strong, job-rich, inclusive recovery from the COVID-19 pandemic.
- We will continue to provide coordinated discussions with Leaders, Ministers, Ambassadors and policymakers in capitals, ensuring that our Organisation gets high-level political guidance and clear mandates at the annual MCM, in sectoral Ministerial and High-Level meetings, in G7/G20 gatherings, and other relevant fora.
- We will improve and refine our "whole-of-government" support capacity, strengthening coordination with national policymakers to provide a holistic accompaniment to structural reforms in countries, at their request.
- We will ensure multidisciplinary and openness to new ideas, which are necessary to ensure the continued relevance of the Organisation, and to meet the standards of quality and objectivity that characterise our work. Likewise, we will remain open to all viewpoints, particularly on issues in which the views of Members diverge, to try to find common ground to move forward.
- We will enhance our global reach in closer consultation with Members, ensuring that our global relations and our work with Partners advances the Organisation's goals.
- We will be more attuned to Members' priorities on global issues, so that our engagement in key global governance fora, our leadership on certain international agendas, and our support to the United Nations and other multilateral actors reflect their priorities.
- We will leverage further our efforts to level the global playing field and promote, through our inclusive standard-setting capacity, a rules-based international economy that reflects the principles and values of our Members, particularly in new areas where the OECD's lead can facilitate a gradual convergence towards global standards and best practices.

- We will continue to adapt our communications approaches and tools to the changing global context and to support our Members better in communicating OECD policy advice, and engaging with stakeholders in their countries.
- We will continue to evaluate the impact of OECD work on national policies, for learning and accountability, and to improve the relevance of our activities for our Members.
- We will also continue to adapt our management and functions to the rapidly changing context, reinforce our efforts to attract and retain diverse and talented staff, and implement internal reforms and changes that ensure the OECD remains at the cutting-edge on management and administrative issues.

## F. Conclusions

45. The OECD is ready to continue to support Members navigate these complex and uncertain times. Over the past decade, our Organisation has transformed, and adapted. Based on the core mission stated in our Convention, we have strengthened the OECD's reach, relevance and impact to help our Members design, develop and deliver people-oriented, sustainable growth.

46. As the OECD turns 60, we have an opportunity to reflect on where we came from, where we are and where we want to go, as well as how we can do it. Reviewing and updating our 2011 Vision Statement in the coming months, as I advanced in my speech of the "Vœux" last January, will facilitate such reflection. At a moment when the founding pillars and values of the multilateral order of the past 75 years are being questioned, the OECD can be a reference, a pathfinder, and an innovator. Our rigour and expertise should guide us when engaging in the cutting-edge, frontier conversations that will shape the future.

47. Building on the three Ministerial Council Roundtables held throughout the year, the 2020 MCM will focus on how to deliver a strong, resilient, green and inclusive recovery from the COVID-19 crisis. This will be a critical step in pursuit of a type of growth that creates, shares and sustains our collective well-being, and accounts for the radical transformations that are taking place in our economies and societies. In the coming years, the entire Organisation should align its efforts, across all policy areas, to this overarching framework.

48. Achieving the vision set out in these Strategic Orientations requires sound financing and adequate resourcing to carry out our mandates. In the coming years, Zero Real Growth as the OECD's budgetary baseline, and Members' agreement to continue to pay the OECD's cost of pensions in full, are critical to put the OECD back on a stable financial footing. The world is counting on our work. And the amounts are so modest, especially when compared to the benefits Members receive.

49. I look forward to working closely with our Members to rebuild the trust and convergence that can provide the solid foundations of an OECD that is fit for purpose for the next 60 years.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

OECD  
**MINISTERIAL  
COUNCIL MEETING**  
2020

[www.oecd.org](http://www.oecd.org)

OECD Paris  
2, rue André-Pascal, 75775 Paris Cedex 16  
Tel.: +33 (0) 1 45 24 82 00