

Meeting of the OECD Council at Ministerial Level
Paris, 25-26 May 2011



Secretary-General's Strategic Orientations for 2011 and beyond



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Executive Summary:

Strategic Orientations 2011 and beyond – Framing priorities for the next 50 years

We are celebrating the OECD's 50 Anniversary in the aftermath of the worst financial and economic crisis in our lifetime. This is an opportunity to take stock and to question ourselves: Why couldn't we avoid the crisis? What needs to be done to prevent another crisis? Are our economic theories, our economic models, and our assumptions still appropriate? What adjustments do we need in our mandate in order to fulfil our mission of "better policies for better lives"?

Simply returning to growth will not be sufficient. We must draw all possible lessons from the crisis. We need to do so against a background of climate change, high unemployment levels, particularly among the youth, increasing inequalities, large fiscal deficits and very high debt accumulation. The economic growth model we should champion must take into account the impact on the environment, its redistributive capacity and the international linkages, via trade, investment and migration. We need to challenge conventional wisdom, including our own, and advance new ways of addressing these issues. We are, after all, the institution that brought the increase in inequality to the attention of policy makers. We are the institution that has designed economic tools to better manage the environment. And we are also the institution that assesses, measures and analyses demographic and migratory changes and policies. So we need to build on our strengths to advance powerful solutions to the challenges we are confronting.

Indeed, growth remains the key driver for employment and wealth creation. Fair and open markets, competition, and innovation are all critical to growth. But we also need a more inclusive and greener model of growth based on sound institutions. Searching for new sources of growth that are also "green", more equitable and more "gender friendly" has become our common objective to overcome the effects of the crisis. All these policies have to be linked to employment and job creation. The OECD's work on employment, education, skills, and social policies has made the Organisation a strong ally of workers and businesses and of all stakeholders interested in job creation, equal opportunities and inclusive participation. This must continue to be the case. Targeted support for the most vulnerable, employment, skills and education to ensure lifelong employability must remain a central focus of our work. We need to address the "E" policy priorities: Employment, Entrepreneurship, Education, Environment and Equality. In order to make this work effective and helpful to our citizens, our call of "going structural" has to be accompanied by a "going social." As outlined in our recent Social Policy Ministerial, overcoming inequalities by targeted social policies, by family and gender policies, by fostering intergenerational solidarity and by investing in the future of our children, will be crucial ingredients for future growth and development. We must focus even more in our relations with the social partners to reach such joint goals. We will continue to explore ways and develop techniques to monitor the quality of life of our citizens and their level of satisfaction, as well as to assess the performance of our governments in the delivery of public services and public goods. The benefits of an eventual convergence of both strands of work for the quality of public policies are quite obvious.

The “D” in OECD is about development and it is therefore a strategic priority. The OECD story is about promoting coherent policies for development. In the fight against poverty, in our efforts to meet the MDG’s and to improve the lives of people we must take a broad view and leverage our expertise in several policy areas. We therefore propose to the 50th Anniversary Ministerial meeting to work on a broader OECD strategy for development.

It is also essential that we exchange knowledge, analysis and advice with our partners in emerging and developing countries. Emerging economies are now the main drivers of global growth, and enhancing our collaboration with them will be mutually-beneficial. Our standards and our experiences, good and bad, can contribute to their thinking and development process. They, in turn, can bring us fresh perspectives and help us address joint global challenges more effectively. Our Enhanced Engagement process has been extremely fruitful. However, to seize the full benefits of this co-operation going forward, we should jointly design better structured, more advanced modalities of work with these economies, within the context of a medium and long-term vision.

The regional dimension of our work must also be strengthened, including our work with Africa, Latin America, South East Asia, Central Asia, Eurasia, and South East Europe. In the case of our work with MENA, we should now focus on a broader number of policy areas to support the transition.

Finally, we need to improve our co-operation and coherence with other international organisations and strengthen our support for international fora like the G8 and G20. We could have done better before the crisis if there had been more connectivity, cross-fertilisation and co-operation both among countries and international organisations. Thus, we need to strengthen multilateralism, and create an expanded network of countries and partners to improve policy making and implementation worldwide. This new multilateralism must have an overarching goal – “Better Policies for Better Lives”- and its ultimate target must be the welfare of all citizens.

Angel Gurría

I. The OECD@50: “Better policies for better lives”

1. When the OECD was created 50 years ago, the concept of multilateral economic co-operation was still relatively new. Today, the OECD’s 50 anniversary presents us with a milestone to take stock of our achievements and look ahead to identify how we can best respond to global challenges in a rapidly changing world. As set out in the convention of 1960, this Organisation was created “to promote policies designed 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; and to contribute to sound economic expansion in member as well as non-member countries in the process of economic development [...]”. We have translated this mandate into an actionable directive fit for the 21st century: “Better policies for better lives”. By engaging with governments, parliamentarians, civil society, academics, business, financial circles, social partners, and with our citizens, the OECD is at the forefront of developing public policies designed to improve the lives of citizens all over the world. We stay true to our guiding values: openness, objectivity, boldness, a pioneering spirit and sound ethics.

2. Looking back, we can identify a host of accomplishments. From promoting European recovery and integration, to developing comparative statistics and indicators to measure economic and policy performance; from forging international consensus through peer review in a wide range of policies to strengthening macroeconomic policy coordination; from fostering tax information sharing to improving aid effectiveness. Evidence-based policy guidance such as our Jobs Strategy, our Programme for International Student Assessment (PISA), our pioneering work on climate change, and our Anti-Bribery Convention are just a few examples of the ways in which the OECD helps to develop higher international standards and rules. In terms of impact, there are plenty of examples where the Organisation has been a source of inspiration and a trigger of reforms. To start with, the accession process to the OECD has a transformational nature that has been recognised by candidate countries. On a day to day basis, the OECD supports Members and partner countries with analysis and debates to advance reform agendas.

3. Many international standards, agreements and public policy ideas originated at the OECD. The OECD has always worked on cutting edge issues and shall continue to do so. For instance, the global food and agriculture industry have relied on OECD standards for half a century, standards that are proving as relevant today as ever. Our legally binding Investment Codes have underpinned the expansion of wealth creation globally. The “polluter pays” principle was developed by the OECD in the early 1970s, as well as the carbon trading frameworks currently used to combat climate change. The OECD began examining the harmful effects of tax havens in the 1980s, well before the G20 launched a crackdown on them in the midst of the financial crisis, resulting in the creation of the Global Forum on Transparency and Exchange of Information for Tax Purposes which includes more than 100 members at its home in the OECD. The OECD also secured the international policy consensus on how governments should treat e-commerce at the end of the 1990s, which helped unleash growth in the new economy. The 1996 report by the Development Assistance Committee (DAC) *Shaping the 21st Century: The Contribution of Development Co-operation*, was later endorsed by G8 leaders in 1998 and constituted the basis for the UN Millennium Development Goals (MDGs). Sister organisations and related bodies, such as the IEA, NEA, ITF and the Development Centre, have gone from strength to strength, and the OECD has become the natural home for important international initiatives such as the FATF, the APF and the successfully concluded Heiligendamm L’Aquila Process.

4. Looking ahead, we need to focus on the recovery from one of the worst financial and economic crises ever. In doing so, we must identify new opportunities, new ideas and new partners. The centre of economic gravity is gradually spreading from industrialised countries to the large developing and emerging economies. 50 years ago, OECD countries accounted for some 70% of global GDP. Today their share has fallen to about 60% and is set to fall further. Against the background of the recent crisis, the emergence of

the G20 as a major forum for economic discussions illustrates this trend. Emerging economies have achieved growth and development perspectives by harnessing market forces to lift their populations out of poverty, just as advanced economies did in their history during the process of industrialisation. Together we can press forward with this process so that markets continue to expand the well being of people in all our countries. Sharing our experiences can guide and unite us in achieving our economic and social goals.

5. This has implications for policy making, for the global governance architecture, and indeed for the OECD itself. The OECD has proven that it is a relevant arena to discuss global challenges and to find common solutions. We need to do more, however, to involve our partners in all aspects of our policy dialogue, the developments of our analytical frameworks, our policy-making and our standard setting. Our aim is to build on the collective expertise and our tried and tested working methods to become an open and inclusive policy sharing organisation. We have made headway towards this objective already, through our inter-disciplinary policy work, our contributions to the G20 and our growing partnerships with developing and emerging countries. We will continue to do more as we move forward.

6. The OECD's 50th anniversary coincides with the renewal of my mandate as Secretary-General of the Organisation. Thank you for this vote of confidence in the strategy we have set together. It is an opportunity to reflect on the Organisation's past achievements, present role and future mission. It is also an opportunity to think about how we can build the foundations for the OECD to continue to promote better policies for better lives over the next 50 years.

II. The World in 2011 and beyond – Challenges and policy priorities for achieving inclusive and green growth

7. The world economy is still going through difficult times. The global crisis has left several countries with a legacy of low growth, high unemployment, unsound public finances and lower potential output. Although recovery is underway, it is unbalanced across countries and regions. In most of the emerging economies, high inflation driven by commodity and oil prices is a major concern. The food crisis affects all, particularly the poor. Recent natural catastrophes have drawn even more attention to questions about climate change and energy for the future. We are in the midst of a governance upheaval in the MENA region, the full implications of which are still unknown. We do know, however, that poverty, income gaps, high unemployment, food insecurity, lack of education and gender inequality all matter for governance outcomes. These challenges call for strong and collective action. The OECD will contribute with well developed forms of co-operation and engagement.

8. A key challenge of the past year has been finding the right balance between revitalising economic growth and consolidating public finances. The crisis facing many countries has led to tough decisions, such as cutting spending and raising taxes to bring public budgets under control. We have worked with a number of countries and regions to support their efforts in this difficult period and will continue to do so, ensuring that social and employment aspects are adequately taken into account. We have also supported those paths for fiscal consolidation that are less harmful to, and more supportive of, growth, and we just released a report on *Restoring Public Finances*, which illustrates the enormous efforts many countries have yet to make to get their fiscal accounts under control.

9. The other and even bigger challenges we face at the moment are creating jobs, providing equal opportunities and restoring the trust of our citizens. The OECD is maybe the only international organisation that offers evidence-based analysis and advice on a broad range of interlinked policies helping people to be better prepared and better qualified so they may live together in more balanced and equal societies. Hence, these strategic orientations reach beyond the need to find new sources of growth and explore policies to address the employment, social, environmental, and development aspects. The OECD @ 50 is an organisation that strives to improve the prospects of growth and welfare in Member and partner

countries, that encourages civic participation and equality of opportunities, and that seeks to realign the economy with the environment.

10. In the aftermath of the crisis, policy makers have been asking what kinds of reforms will be needed going forward. They have come to the OECD for policy advice based on what works and what does not. They have come for targeted policy support. They have asked the OECD to support change itself, and to advise on its implementation. This is not technical assistance but rather policy assistance to make reform happen.

11. On the basis of our flagship country surveys we have prepared short policy brochures for the United States, Spain, China, France, Greece, Mexico, United Kingdom, Hungary, Japan, Korea and the *Maintaining Momentum* publication on policy challenges in Chile. They are examples of how concise, well-targeted products can reach policy makers with concrete policy recommendations that lead to change. Our PISA report provides a powerful tool to trigger reform, and during the last decade, it has been referred to as a major support for policy makers that want to improve education performance. Our *Going for Growth* exercise, which this year has been expanded to cover the major emerging economies (Russian Federation, Brazil, China, India, Indonesia and South Africa), provides many examples of how well designed and well implemented reforms in the areas of taxation, education, employment, trade and investment, can yield generous dividends. Our recent publication on *The Political Economy of Reform and Making Reform Happen* accumulate many years of learning from successes and failures in structural reform efforts. Yet, there is still ample room to improve the impact of our analysis. We should pay close attention not just to defining the policy choices, but also to their implementation plans, and to the support the countries concerned may require.

12. With about 3% of OECD countries' potential output lost as a result of the crisis, the time has come for the OECD to develop bold new thinking to address changing economic realities. New sources of balanced, sustainable and equitable growth are necessary. Identifying these new sources of growth and tapping into their full potential is one of our key priorities. Structural reforms will be critical to help enhance the productive capacity of our economies, foster employment, unleash investment and address issues of inclusiveness and social cohesion, so that the benefits of sustained growth are shared equitably. But we also need to revise our analytical frameworks and update them based on the evidence and lessons from the crisis.

13. **Inclusive and Green Growth should permeate our thinking.** The OECD's strategic approach contains much more than growth and recovery – this strategic approach reflects the “stronger”, “cleaner” and “fairer” aspects of our vision and it focuses on our mission of achieving “better polices for better lives” for our citizens.

14. The pillars of our substantive focus include macroeconomic policies and financial markets, green growth, innovation, climate change and water, education, employment and skills, social policies, gender equality, migration, governance, anti-corruption and integrity, trade and investment, the OECD Better-Life-Initiative and a broader OECD development strategy which includes innovation, investment, domestic resource mobilisation, food security, measurement and knowledge sharing:

- *Macroeconomic policies and financial markets:* Our work on the key policy challenges in the areas of macroeconomic policy, fiscal consolidation, capital flows, financial markets, and imbalances in the global economy will continue to be a strategic priority of our work *i.e.* in the *Economic Outlook*, in country reviews or in our contributions to the G20 Framework for Strong, Sustainable and Balanced Growth. As we move out of the crisis we will carefully assess our theories, tools and assumptions, and underlying models.

- *Green Growth: The OECD Green Growth Strategy*, to be launched at this year's Ministerial, aims to develop an actionable policy framework with specific tools and recommendations in a broad range of areas including fiscal, innovation, trade, labour and social policies to help governments achieve the most efficient shift to greener growth. Innovation will play a key role in this shift. Greening the growth path of an economy depends on policy and institutional settings, level of development, resource endowments and particular environmental pressure points. Advanced, emerging, and developing countries will face different challenges and opportunities, as will countries with differing economic and political circumstances. There are, on the other hand, common considerations that need to be addressed in all settings. Making green growth work, implementing the strategy and supporting Member and partner countries in their policies for a greener growth path will figure among OECD's top strategic priorities for the next few years.

- *Innovation: The OECD Innovation Strategy*, launched at last year's Ministerial Council Meeting, serves as a benchmark and guide for governments in Member countries as well as a growing number of partner countries. We have learned that innovation does not just depend on investment in R&D or supporting science and technology, but on a plurality of other factors and the ability to bring them together in a comprehensive framework. Developing wide ranging skills, formulating public policies that promote entrepreneurship and supporting the creativity of young innovative firms can help foster innovation and inject higher productivity into the economy. The continuous implementation of the innovation strategy (including the support it provides for the green growth agenda) is a must as countries need to rebuild their productive base in a sustainable manner. Innovation is a *conditio sine qua non* for a green growth path: it is the crucial driver of productivity and an important new source of growth. We will explore more ways to support Member and partner countries' economies in reaping the full benefits of innovation, with our analysis and recommendations based on the innovation strategy.

- *Climate Change and Water*: Our pioneering work on a comprehensive policy mix including the use of economic instruments such as taxes and emission trading schemes provides the main tools needed in the fight against climate change. There is already evidence of leading companies shifting to a low-carbon business model starting with measuring their greenhouse gas emissions and then taking action to reduce them, and the OECD will continue to examine the policies and conditions that can best incentivise private sector action. Building on the successful results of the COP-16 United Nations Conference on Climate Change in Cancún, we will strengthen our work on climate change, in particular to help countries develop effective and least-cost policy mixes to reduce emissions and adapt to climate change. In our work on climate change, fossil fuel subsidies and energy related issues we will continue to work with the IEA. Considering the recent accident at the Fukushima nuclear power plant, we should work through the NEA on strengthening safety standards for both existing and future plants and ensuring that all the lessons from this accident are incorporated. This would help alleviate public concerns. We will build on OECD's role as the premier forum for monitoring international public finance flows, to develop systems for better tracking private financing and to assess the options for scaling-up financing for climate change. We will also continue our strong commitment to providing policy guidance on improving water policy through our work on the economic, institutional and policy responses to the water challenge. The OECD provides a forum for the exchange of country experiences and the identification of good practices, and helps improve the information base for meeting the water challenge. Our work on water (governance, pricing and infrastructure) becomes even more important in the context of climate change. We will continue to expand our contributions in these fields in the run-up to COP 17 in Durban and Rio+20 in 2012.

- *Education:* Enhancing educational achievements is fundamental for growth. We are continuing to extend our PISA programme which now covers over 70 countries with internationally comparable measures to evaluate competence among 15-year-old students. Through the Assessment of Higher Education Learning Outcomes (AHELO), a similar exercise is now being carried out to evaluate the performance of higher education systems and identify best practices. A new programme has also been established for the International Assessment of Adult Competencies (PIAAC) which provides comparable measures of the proficiency of adults in the core skills necessary for participation in the knowledge economy: literacy, numeracy and problem-solving in our technology-rich environments. Information will also be collected on the use of important generic skills at work. This data will add to our understanding of the human capital stock in participating countries, how skills are acquired and lost over a lifetime, and how the acquisition of skills affects individuals and society. But beyond the recipients of education, the OECD is also contributing to improving the quality of teaching through programmes like the Teaching and Learning International Survey (TALIS). We are also reflecting on the trends that will shape tomorrow's education systems through the work carried out by the Centre for Education Research and Innovation (CERI). We are using these tools to help countries implement reform through the GPS project. We will also deepen our work on financial education and consumer protection in order to help citizens of our Member and partner countries take greater advantage of financial markets in a sustainable way. Clearly, education is a key strategic priority and there is an increasing interest from emerging and developing economies in our expertise in this field. For this reason, we will deepen our work in this area and use the OECD Skills Strategy to link it to current economic, employment and social challenges.
- *Employment and Skills:* Tackling high unemployment and facilitating labour market entry in a period of slow growth, particularly for the youth, has been one of the most pressing challenges facing governments in recent years. Our recent report *Jobs for Youth* puts forward a number of actions to help the insertion of youth into the labour market, based on the collected experience of 16 national case studies. Through its *Skills Strategy*, to be delivered in 2012, the OECD is identifying new tools and approaches in education, research and training, to help societies develop the skills and concepts needed to work more productively. As we move from lifetime employment to lifetime employability we need to find new answers and models for the development of skills. At the same time, pro-growth policies that remove barriers to job creation would contribute to fiscal consolidation by creating revenue for the budget. We also examine targeted support schemes for the most vulnerable. Strengthening social protection would also alter people's savings choices as well as the balance of growth between domestic and external sources.
- *Social Policies:* Social Policies including health, pensions and family policies are crucial to support inclusive growth. Income inequality has been on the rise over the past two decades in most of the advanced and emerging economies. As our economies recover from the crisis, addressing the growing inequality gap, that already existed before the crisis, becomes even more urgent. The OECD Social Policy Ministerial on 2-3 May has highlighted the contribution of good and targeted social policies (tackling inequalities, fostering intergenerational solidarity, promoting family and gender policies) to long-term growth. We need to identify the causes of such increased inequality in order to address them. While redistribution through taxes and benefits is an important element of such a policy package, it will not be enough for a sustainable reduction of inequality. Better social policies, including labour market, health, pensions and family policies, and income support are crucial to achieve inclusive growth and can help diminish such inequality. The OECD has a leading role in cross-country comparisons of income inequality, as well as in employment policies, social expenditures, and family and child policies. Our work on the sustainability of pensions is the only cross-country evidence for best performers. In emerging and developing countries, OECD

advice is being requested for the development of social protection systems. We will need to deepen and mainstream our work for more inclusive growth perspectives.

- *Gender*: Gender has been a key part of our work for many years, as illustrated by our work on family and social policies, the DAC Gendernet, the WikiGender initiative and the MENA Women's Business Forum, among others. We are also redoubling efforts to mainstream gender across our various areas of work and activity. The crisis has underscored the crucial role of women for the economy. This is why our work in the Gender Initiative on *Education, Employment and Entrepreneurship* is so important. Not only does it identify the persisting barriers to gender equality, but it also highlights the potential to growth and job creation of having more and better qualified women actively participating in the labour market or contributing as entrepreneurs. To achieve truly inclusive growth, we need to actively unleash the potential of women in our economies.
- *Migration*: Just over 3% of the world's population – about 215 million people – live outside the country of their birth. These migrants bring energy, entrepreneurship and fresh ideas to our societies. Migration can be controversial, in part because it touches on so many areas of public life, including economics, demographics, national security, culture and even religion. The track record of young immigrants in schooling is mixed – some do exceptionally well but others encounter problems that can hold them back throughout life. Migrants can be a key addition to the workforce, even if their presence may be sometimes resented and they are not always able to make the best use of their skills. For developing countries, migration can be a blessing that provides remittances and overseas contacts but also a curse that deprives them of their best and brightest. We need to strengthen our strategic work on international migration which is one of the biggest challenges of the 21st century.
- *Governance*: The crisis has shaken many assumptions and some hard lessons have been learnt about the limits of markets. It has also called for revisiting the role of government, redefining the balance between state and market and searching for new ways to boost citizens' trust in both. We have a window of opportunity here to rethink and reform the public sector. Governments loom large in national economies. By most measures, governments have significantly expanded their footprint during the last 50 years. In 1961, when the OECD was established, the general government outlays of Member countries averaged less than 30% of GDP. Our 2011 *Government at a Glance* report shows that the average now exceeds 40%. The crisis demonstrated, on the one hand, that public policies are the critical anchor of national economies in time of crisis. Decisive and co-ordinated action by governments halted financial market freefall and avoided economic catastrophe. On the other hand, the ensuing fiscal pressures in many countries have increased the need to cut public expenditures, which in most cases means streamlining the state. This effort to restructure the state calls for reassessing where and how government should intervene and where it can step back. In short it is not about more or less government, it is about better and more effective governance, about sound institutions and efficient rules and procedures as shown by our recent report on *Restoring Public Finances*, and our regulatory reform reviews.
- *Anti-corruption and integrity*: For more than 15 years the OECD has been at the forefront of global anti-corruption efforts, which are critical for sustained economic growth. We have recently announced a new initiative, *clean.gov.biz*, which will enhance our anti-corruption tools (both in the public and private sector) and reinforce their implementation. The new initiative aims to improve coordination of anti-corruption and transparency initiatives worldwide –with all other relevant players and organisations. *Clean.gov.biz* is based on the longstanding OECD work to fight corruption in the private sector such as the *Anti-Bribery Convention* and the *Guidelines for Multinational Enterprises*, which are a powerful instrument for promoting responsible business

conduct by MNEs and improving governance in developing countries. The *Guidelines* have been updated this year together with a number of non-Member countries and complement the anti-corruption initiative in the realm of the G20. But we also address the “demand side” of corruption, by developing tools to enhance integrity in the public sector; public procurement systems, lobbying and conflict of interest. The Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance adopted at last year’s Ministerial Meeting provides us with a powerful framework to promote clean and efficient markets. Another area in which we need a comprehensive, whole-of-government approach is the issue of tackling financial crime and tax evasion. We have therefore recently launched a new initiative, the Oslo Dialogue. The objective of this initiative is to find more effective ways to counter economic and financial crimes, tax evasion and other illicit flows through better interagency and international co-operation. Finding synergies and addressing loopholes in our regulatory and standard-setting activities - in areas such as competition, anti-corruption, tax evasion, integrity in public markets, lobbying - remains a priority of our work.

- *Trade and Investment*: The OECD interacts with the stakeholders in the private sector, favours open markets and has the most comprehensive instruments to promote open trade and investment. Concluding the Doha Round is a policy priority of our Member and partner countries at this critical juncture, which we support with our analysis, policy dialogues and recommendations. We are pathfinders on important and upcoming “non-Doha” trade issues, as our work on trade in services and trade and employment, demonstrates. Our work on computing trade flows in value-added terms will clarify the role of imports, exports and global production networks contributing to inform the policy debate. We will continue to work with WTO and UNCTAD to monitor trade and investment measures to avoid protectionism. We will promote wider use of our Code on the Liberalisation of Capital Movements by opening it to non-Members and, if so decided after a thorough review, by updating it. Additional strategic aspects of this work include the analysis of global value chains and further levelling the playing field in the area of export credits.
- *The “OECD Better Life Initiative”*: After working on it for ten years, Measuring the Progress of Societies will continue to be one of the Organisation’s key priorities in the coming years. Focusing on people’s well-being and societal progress will require looking not only at the functioning of the economic system, but also at the diverse experiences and living conditions of our citizens. Economic resources, while important, are not the only determinants of a good quality of life. Also vital are people’s satisfaction, feelings and expectations. New initiatives such as the “My Better Life Index” and “How’s Life”, to be launched in the coming months, will strengthen public recognition of the OECD’s pre-eminent role in redefining progress and well-being for the 21st century, in keeping with its founding tradition.

III. The OECD as an open and inclusive forum for policy sharing – A new strategy for development

15. A major issue on which we will focus our attention in the years ahead is development. We aim to take advantage of our expertise on a wide range of policy areas together with lessons learnt from our longstanding development experience, particularly in the Development Assistance Committee (DAC), the Development Centre and many other bodies at the OECD, to launch a broader strategy to support a sustainable and dynamic growth process in middle and low income countries, as well as least developed countries. We will do this by enhancing our partnerships and knowledge-sharing efforts with a wider number of countries. Achieving higher, more inclusive, sustainable growth is at the centre of this strategy. It will complement efforts done in the context of the MDGs and enhance performance in developing economies, so as to increase their contribution to global growth. The Framework for an OECD Strategy on Development [C/MIN(2011)8] will put us on a path to achieving these objectives.

16. Over the past twenty years many developing countries have embarked on a successful development path by using innovation, labour mobility and skills, domestic and foreign investment, and trade. The OECD with its evidence-based analysis, best practices and policy options in many of these areas is uniquely placed to further support the development process in such countries. To make the most of OECD's comparative advantage in interdisciplinary policy analysis, we need a new strategy for development based on a comprehensive approach that draws on a broader range of policy areas and instruments and emphasises policy coherence for development.

17. *Designing new approaches:* Sharing knowledge and experiences can help improve development perspectives and unleash the existing potential of societies. Developing and emerging economies are increasingly interested in sharing and tapping into our knowledge banks. We need to accelerate the current OECD effort to identify, review and consolidate all the tools and policy instruments at our disposal, in light of their development "relevance". This means integrating the diverse perspectives and realities of developing countries into our core policy analyses and advice. We need to recognise that developing countries may have widely differing institutional settings, and these have to be taken into account when the Organisation launches broader initiatives.

18. *Promoting partnerships for development:* The OECD fosters and hosts a number of international partnerships for development in its development cluster and beyond, such as the Working Party on Aid Effectiveness, our Global Forums, our co-operation with Southeast Asia, the Latin American and the MENA initiatives, the African Partnership Unit, the International Dialogue on Peacebuilding and Statebuilding; and the Emerging Market Networks. These fora comprise a wide range of actors, reaching well beyond OECD membership and contribute to promoting South-South and triangular co-operation. Particularly important in this front is the Development Centre, which already has a membership that includes most major emerging and many less developed economies. But development co-operation alone will not be enough to achieve the MDGs and significantly reduce poverty. We need a broader and deeper partnership, more coherent policies, and we should avoid terms like "donor" and "recipient" or "north" and "south", which tend to divide rather than enhance co-operation.

19. The Organisation will move forward to apply this new approach to four strategic areas in line with the Framework for an OECD Strategy on Development.

- ❖ *Supporting innovative and sustainable sources of growth;*
- ❖ *Mobilising resources for development;*
- ❖ *Governance for development;*
- ❖ *Measuring progress for development.*

20. These areas of work should be complemented by a fifth pillar on *fostering agriculture and food security*. Poverty prevents most of the world's hungry population from accessing food. This becomes a vicious circle. Food insecurity then threatens social cohesion and political stability; and not just in the region most immediately affected by supply shortfalls. The recent hikes in food prices have only aggravated this long standing problem. Improving agricultural productivity and the functioning of local and global agricultural markets as well as the liberalisation of trade are essential. But durable solutions will also feature improvements in systems of governance and the overall business environment in developing countries and increased investments in health, education and physical infrastructure. The OECD, in co-operation with partner organisations, is uniquely well placed to provide key policy insights in each of these areas, building on current horizontal work and contributions to the G20. Going forward there is renewed urgency for improving the availability of world-wide commodity market information and for

developing advice on coherent and effective trade and sectoral policies for countries at different stages of development. Planned improvements in the system for monitoring and evaluating development assistance aim to increase capacity for providing evidence-based policy advice.

21. The OECD is an open and inclusive knowledge sharing forum. Putting our knowledge and best practices at the service of countries at different stages of development will bring in new perspectives for achieving sustainable growth globally, identifying new approaches to address inequality and poverty, and finding new pathways towards social and economic well-being. This also means drawing on the experiences of emerging economies to share them with a wide range of countries. With a more open and inclusive OECD, we can reach further and achieve more. The OECD can enhance its contribution to development by building on its own experience and on what its Members have learned by working together. But it will also require upgrading our skills when dealing with developing countries and embarking on analysis that considers institutional settings and differentiated public capacities.

IV. A strategy for openness, inclusiveness and impact

22. The OECD must respond to major developments and the shifting economic power equation in the world. The recent crisis has reinforced the need for co-operation between advanced, emerging and developing countries. The emergence of the G20 as the premier forum for economic discussions is a necessary first step in an ever more interdependent and interlinked global economy.

23. The OECD should pursue a two-pronged strategy to respond to the economic and social realities of our time:

- ❖ First, the OECD must continue to increase its relevance as an organisation that sets the highest standards for the world economy. This requires us to work closely, not only with our Member countries, but also with major emerging economies. Since my arrival at the OECD, I have made the strengthening of our relationship with emerging economies a core priority for the Organisation, and the latest developments have just confirmed that this is the right path. But we need to speed up our actions and move more decisively in this direction.
- ❖ Second, we need to provide concrete and well-targeted options for effective policy implementation, in close consultation with governments. Our MENA and the joint OECD/EU SIGMA Programmes are good examples of how this can be achieved. The test of relevance is how much the OECD can help countries to design and implement policies that will lead towards open, inclusive market economies. This relates to the Organisation's role as a platform for mutual learning; as advisers; as a forum for sharing best practices; as standard setters; and as pathfinders. Our "core" activities on policy areas like economics, health, social issues, employment, education, skills and the environment, among others, will continue to be top priorities of our work but we will have to deepen our efforts in supporting countries on the implementation side of the policy cycle. I will continue to launch and discuss our country reviews and flagship publications in Member and partner countries to identify policy areas where we can be of further help.

24. We are experiencing a truly global transformation and we thus need to step up our co-operation on a global scale. Last year we welcomed four new Members into the Organisation – Chile, Estonia, Israel and Slovenia, and we are working closely with the Russian Federation to ensure progress on its road to accession. Around 100 non-Member countries participate regularly in the work of our committees, expert meetings and forums.

25. The process of Enhanced Engagement, launched in 2007, has led to stronger relationships with emerging economies, both at the political and analytical level. The participation of the OECD in the G20 has reinforced this trend, and we are working more and more with these countries. I have actively promoted the work of the Organisation in Brazil, China, India, Indonesia and South Africa in many policy fields including investment, economics, environment, innovation, competition, inequalities. This increased interaction, as well as the work of the different policy areas at the OECD has resulted in more active participation of these countries at the OECD committees, which are at the core of the definition of policy agendas. They are also participating increasingly in several OECD instruments and tools. Brazil, along with a number of other non-OECD countries (Argentina, Egypt, Latvia, Lithuania, Morocco, Peru and Romania) adheres to the Declaration on International Investment and Multinational Enterprises and will participate in the adoption at the MCM of an important update of the Guidelines for Multinational Enterprises, in which South Africa was also actively involved. Brazil and India have become full adherents to the Council Act on Mutual Acceptance of Data in chemicals. Brazil, China, India, Indonesia and South Africa are showing interest in full participant status in some committees. Russia recently passed the required legislation on foreign bribery, and will shortly be invited to accede to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. China has also recently adopted foreign bribery legislation, and India and Indonesia are working on such legislation as well, which could pave the way for their accession to the Convention. We expect that Argentina, Brazil, Egypt, Latvia, Lithuania, Morocco, Peru and Romania will join OECD countries and adhere to the Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas at the time of its adoption at the MCM.

26. One important element to achieve greater impact is to interact at the highest political levels to support the countries' reform agendas. I have met with a growing number of senior policy makers not only in Member but also in partner countries, and the number of leaders and ministers who visited the OECD has increased (see Annex). We are providing more tailor-made advice to support reform agendas in our partner countries, and they are increasingly demanding our data and analysis.

27. At present, we have an active agenda in Brazil, China, India, Indonesia, Russia and South Africa, as well as important regional programs in the Middle East and North Africa, Latin America, Southeast Asia and elsewhere in Asia and Europe. These programs support improved performance in our economies as well as theirs. Our major partners participate as observers and, in some cases, full participants in OECD committees, projects, best practices and declarations. We already meet with partners and accession countries as a network of forty countries to prepare our Ministerial meetings, to work on our development agenda, at the Executive Committee in Special Session and at the Ministerial. We should build on our present efforts to implement the global policy network envisaged by our Members in their vision of the OECD's future as a more open and inclusive hub of best practices.

28. As we move forward with partners, we recognise that we increasingly share a common agenda in terms of issues and concerns: marshalling market forces for development, leveraging assistance as a catalyst for growth, dealing with climate change while maintaining growth, expanding civic participation, empowering women in our economies and societies, improving well-being as well as economic results.

29. In consultation with our Members and partners, and building on our current arrangements, we should explore ways to strengthen our work on this common agenda to ensure that the OECD becomes more responsive to the concerns of people in countries at all stages of development. We should also study whether existing arrangements for observership could be generalised.

30. In this context, we could explore different models of association and partnership tailored to the circumstances of individual countries, taking into account existing precedents and ensuring mutual benefit.

Naturally, the exact content of any concept will have to be discussed and defined together with the Members and the partner countries concerned.

31. The OECD should also be prepared to increase the speed and density of its partnerships with developing and emerging economies. Colombia's recent bid for accession underlines the relevance of our Organisation and the added value of membership for major emerging economies that are trying to consolidate their progress towards sustained growth and greater social well-being. Countries like Ukraine and Vietnam have expressed strong interest in our work and are participating in several areas of our agenda. Also noteworthy is our work in Latin America and the Caribbean (LAC) which is building momentum. More and more of the region's governments are approaching the OECD requesting observership to committees, adhering to instruments, requesting peer reviews, hosting OECD regional meetings and making voluntary contributions.

32. *A comprehensive strategy for MENA Countries:* The recent developments in the Middle East have shown how important sound institutions are. They also represent a new strategic opportunity for the OECD. The OECD has been working with the MENA region since 2005 through the MENA-OECD Initiative on Governance and Investment for Development, to help countries modernise public governance and strengthen the business climate. Furthermore, the joint EU-OECD SIGMA programme provides technical assistance in public administration reform and includes five countries in the region (Egypt, Jordan, Lebanon, Morocco and Tunisia). Some MENA countries have already begun to engage in OECD committees and adhere to OECD legal instruments. As these countries advance in their transitions, OECD's experience with institutional building (mobilising domestic resources, including taxes and budgets; building sound regulatory frameworks and institutions in the area of governance, competition and fight against corruption) and our contributions to improve the business environment and attractiveness to investment will prove especially useful.

33. A comprehensive strategy to support MENA countries needs both a regional programme and a country approach, whereby individual countries have access to different levels of engagement on the basis of their progress in political and economic reforms. Particularly promising is a potential link with international donors and international financial institutions (IFIs) such as the European Investment Bank, the EBRD or the World Bank, which are preparing to channel a substantial amount of resources to countries in the region. OECD working methods (peer reviews and evidence-based analysis) can set the basis for a coherent and horizontal approach, including governance, growth and investment, employment, gender and reducing inequality, to make sure that such resources fall on fertile ground, to enhance their impact and to facilitate their allocation.

34. *Going for Impact.* The goal of public policy is to improve the lives of citizens. Whether focused on economic growth, trade, development, employment, social welfare, the environment, or any other area of public policy, our recommendations, standards and best practices should always have the well-being of people as their primary concern. This is the true test of our relevance, and it facilitates the visibility the OECD needs, for its work to have the fullest impact and influence.

35. Maintaining relevance means engaging stakeholders at all levels in the policy process, so that they can contribute in a meaningful way and share in the results. An effective communications and dissemination strategy is fundamental to this effort. While we communicate with partners in government, business and civil society on the substance of policy-making, we must also engage the broader public - citizens, consumers, taxpayers - who are the ultimate stakeholder and the key to lasting success of good public policy. We began to do so in 2009, at the height of the financial crisis, by making the OECD available via social media platforms such as Facebook, Twitter and YouTube complementing more traditional communications channels such as the print and audiovisual media. Similarly, in the publications field, our efforts to remain at the cutting edge of modern dissemination techniques have borne fruit through

the launch of *OECD iLibrary*. These initiatives, together with an overhauled www.oecd.org unveiled to coincide with the OECD's 50th Anniversary launch last December, have resulted in our information being made available to an ever-increasing global audience. Thus, in the 2011 Forum, and combining the latest in modern communications techniques with OECD's traditional substantive strengths, we launched OECD's *Better Life Index*, a unique and powerful instrument for citizens around the world to learn about the policy considerations that impact quality of life. We must continue to be innovative in creating means and points of access that educate, inform and empower those who actively want to participate in making their lives better.

V. A strategy for our role in the architecture of global governance

36. In our first five decades, we have proved that international co-operation among countries with different visions translates into policy convergence. It also reduces the level of friction and thus allows for more ambitious accomplishments to raise the quality of life globally. Multilateral co-operation is even more essential today. In the midst of the biggest financial, economic and social crisis in decades, the need for multilateral co-operation in fora such as the G20, the OECD and other organisations, where advanced, emerging and developing economies can find common solutions to global challenges has never been greater. Although much remains to be done, the unprecedented, co-ordinated initial crisis response of the G20 Leaders is a tangible illustration of the benefits from enhanced international co-ordination.

37. We are one of the institutions that participate regularly in the G20 meetings, at the Sherpa, Deputy and Finance Ministers and Leaders' level. We have a lot to contribute to reduce global imbalances and promote structural reform, as well as to the efforts on development and other areas on which the G20 is currently working. We will continue to support the G20 on the following priorities:

- on the adoption of structural policies within the Framework for strong, sustainable and balanced growth;
- on policies for employment, skills and jobs;
- on policies to liberalise trade, investment and capital flows;
- on the promotion and adoption of standards for anti-corruption;
- on the abolishment of fossil fuel subsidies;
- on policies for efficient, fair and transparent taxation systems;
- on food security and commodity markets;
- and on the Seoul Consensus for Development and its Multi-Year-Action Plan.

38. A key message we provided at the last G20 Summit in Seoul was the importance of accelerating the pace of structural reforms to reinforce the recovery and strengthen long term growth. The OECD has worked intensively with the G20 to make the case for comprehensive reforms and contributing its expertise in a wide range of areas such as taxes, balanced growth, investment, trade protectionism, anti-corruption and job creation. But we will also contribute to any other relevant fora where our expertise is required. This is the case of the G8, but also of APEC and the Iberoamerican Summit, among others.

39. We need to continue to show that there is added value in multilateral co-operation rather than acting unilaterally. We also need to strengthen our co-operation with other international organisations. We proposed the creation of a network for co-operation on policy coherence, bringing together the international organisations involved in the G20 (IMF, World Bank, FSB, ILO, WTO and OECD). The objective would be to improve co-ordination and exchange of information among international organisations. If we can foster a real cross-fertilisation of ideas, it will help us to stay at the frontier of new thinking and ensure we provide relevant and pragmatic advice to governments in their efforts to design and implement better policies for better lives. We also need to continue to produce norms and standards which by their quality and credibility can be embraced by the international community.

40. “Better Policies for Better Lives” also means that we bring our work closer to the people in our Member and partner countries. We work for governments, we work for parliaments, we work for regions and for cities, but first and foremost we work for the citizens of our countries. The OECD’s ultimate relevance has to be measured by its impact on the quality of life and the well-being of the men, women and children of our Members and the growing number of partner countries with which we work.

ANNEX
Increasing impact, inclusiveness and relevance
The Secretary-General's activity since the last Ministerial Council Meeting

Overview

1. The period between May 2010 and May 2011 has witnessed an increase in the activity carried out by the Secretary-General, contributing to the “pursuit of relevance” goal he set at the beginning of his mandate. This enhanced activity has continued to strengthen the Organisation’s visibility as a policy advisor and pathfinder in Member and partner countries, as well as the OECD’s active participation in international fora. The celebration of the 50th Anniversary has also boosted activities during this period, serving as a springboard to communicate the Organisation’s achievements since its establishment and the role it can play in the years to come.

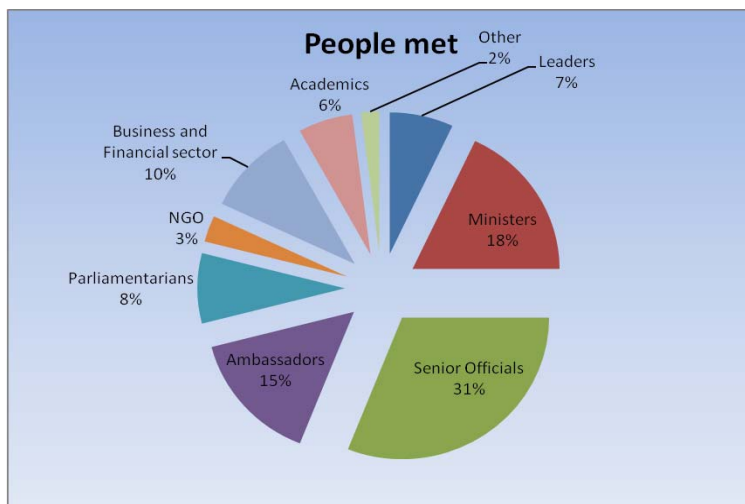
2. The number of visits carried out by the Secretary-General abroad has grown by 20% from the previous period, and the number of high-level visitors received by the Secretary-General in Paris has also increased considerably in the last 12 months, by almost 50%. Since the last MCM, the OECD has firmly consolidated its presence and contribution to the G8, G20 and other relevant policy fora. Media visibility, outreach and impact have also increased both quantitatively and qualitatively.

Leaders and high level visitors at the OECD

3. An important illustration of the Organisation’s increased relevance is demonstrated by the number of leaders that have visited the OECD in the last 12 months. While last year’s Ministerial was marked by the presence of five Heads of State and Government—Mr. Silvio Berlusconi, Prime Minister of Italy; Mr. Benjamin Netanyahu, Prime Minister of Israel; Mr. Andrus Ansip, Prime Minister of Estonia, Mr. Borut Pahor, Prime Minister of Slovenia; and Ms. Doris Leuthard, President of the Swiss Confederation, this year’s meeting will commemorate the 50 years of the Organisation with around 20 leaders joining us.

4. The presence of high-level political figures has become a regular feature of our day-to-day operations. On many occasions we have had the opportunity for some of the leaders to address the OECD Council, including Mr. Sebastián Piñera, President of Chile, and Mr. Juan Manuel Santos, President of Colombia. Italian President Mr. Giorgio Napolitano, Greek Prime Minister Mr. George A. Papandreou, Czech Prime Minister Mr. Petr Nečas and Hungarian Prime Minister Mr. Victor Orbán also visited the OECD during this period. In most cases, specific seminars were held to analyse how the OECD can contribute to ongoing reform efforts in their respective countries. During this period, the Secretary-General also had the opportunity to meet bilaterally with 440 high-level public officials, 170 of them Ministers. He also held bilateral meetings with more than 70 MPs, 23 heads of international organisations and 32 Heads of NGOs.

Graph 1. Secretary-General’s bilateral meeting by sector/responsibility (05/2010 to 05/2011)



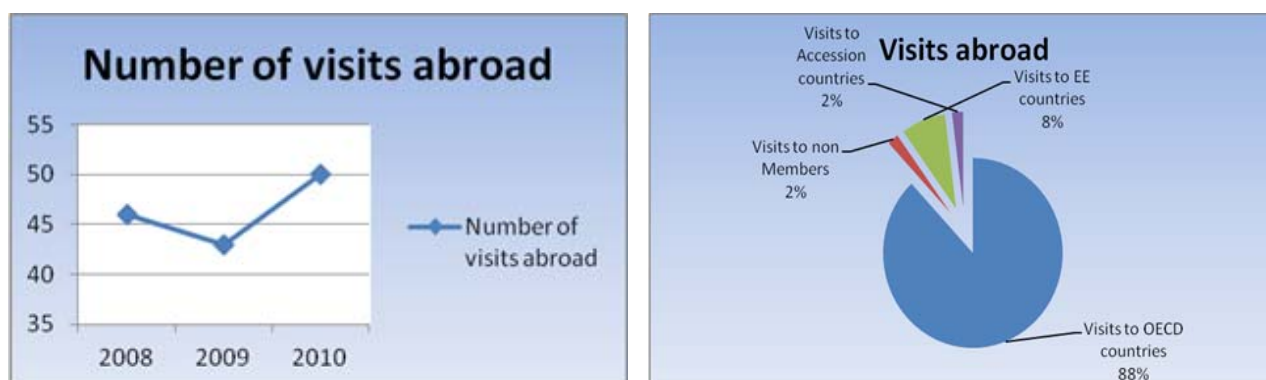
Visits abroad and OECD's advisory role to Member and partner countries

5. Since the last Ministerial Council Meeting, the Secretary-General has undertaken 50 visits abroad. 44 of those visits were made to Member countries, including all four new Members (Chile, Estonia, Israel and Slovenia). He also made an important official visit to Russia in the context of the country's accession process to the Organisation, and travelled to four of the five Enhanced Engagement countries (China, India, Indonesia and South Africa – a trip to Brazil is foreseen for the second half of 2011). The Deputy Secretaries-General and other high officials have visited Russia and all EE5 countries several times.

6. These official visits have allowed the OECD to further develop its advisory role to Member and partner economies, and served to launch economic surveys, thematic reports and policy recommendations aimed at supporting ongoing reform efforts. At the request of interested governments, the Office of the Secretary-General has continued the publication of specific country brochures, as illustrated by the visits to China, Hungary, Japan, Mexico and the United Kingdom, Chile, or the request by Colombia to have an assessment of its economic situation. The Secretary-General also had the opportunity to address cabinet meetings (Israel), economic councils (Finland), parliamentary commissions reviewing economic growth (France) and parliamentary sessions (Chile), as well as to continue to meet with business leaders, trade unions, civil society representatives and students.

7. In most visits, the Secretary-General was received by the highest authorities, including President Piñera in Chile, Chancellor Merkel in Germany, Prime Minister Netanyahu in Israel, President Calderón in México, Prime Minister Sócrates in Portugal, President Zapatero in Spain, Prime Minister Erdogan in Turkey, Prime Minister Cameron in the United Kingdom, Prime Minister Kan in Japan, President Medvedev in Russia and many others. His most recent official visits have also helped signal the 50th Anniversary of the OECD in Member countries. Official celebrations started with receptions hosted by President Calderón, last October in Mexico, and by French President Sarkozy at the Elysée Palace, in December.

Graph 2. Secretary-General's missions abroad



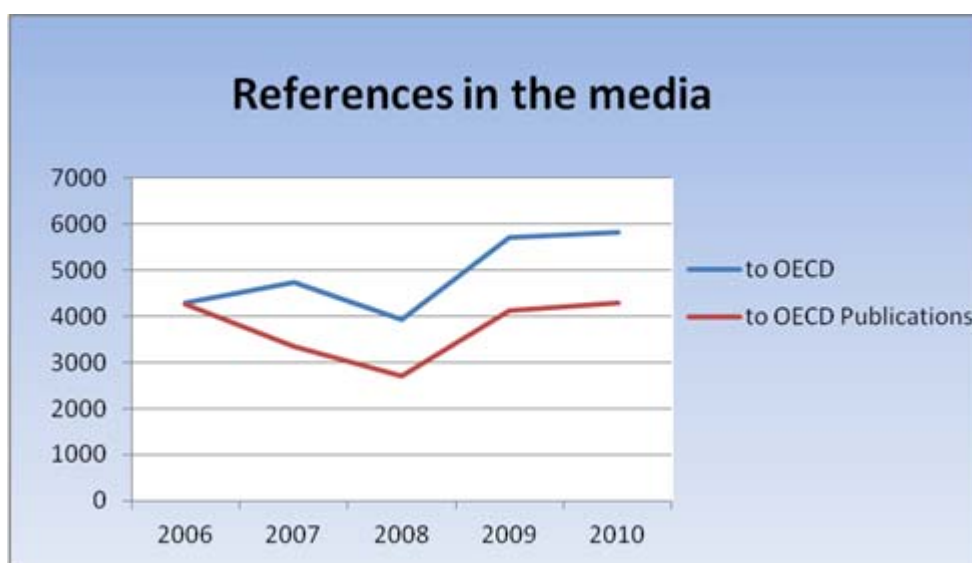
Media visibility and Meetings on Ministerial Level

8. The activity carried out during this period has helped upgrade the OECD's impact and improve its policy outreach. In 2010, the Secretary-General delivered 149 public speeches. His media presence was stronger than ever, with over 1200 original citations and 25 op-eds published. He directly participated in the launch of 33 outlooks and flagship publications, which continue to be one of the Organisation's most powerful contributions to a better world economy. Throughout the period, the OECD published a total of 323 titles, 246 of which were reports and 77 statistical publications. Most launches received widespread media coverage, as exemplified by the case of the new round of PISA, whose results still make headlines and inform policy discussions in many countries around the world.

9. Complementing the OECD's outreach to traditional institutional stakeholders, there has been the effort to continue to engage new audiences, especially focused on Enhanced Engagement countries and broader publics in both Member and non-Member countries. The Enhanced Engagement Media Fellowships programme, has allowed the OECD to build valuable relationships with leading media Organisations resulting in significant coverage of major OECD initiatives destined for our partner countries. This was particularly evident in coverage of recent OECD Economic Surveys in the Brazilian and South African media. We have seen a significant increase, both in the frequency and depth of our coverage in these media markets. The OECD's work to reach broader audiences through social media platforms has delivered important results in the last year: fans and followers of OECD have increased by over 100 per cent on Facebook and by over 300 per cent on Twitter during this period.

10. This greater outreach effort is also reflected in the steady increase in the number and quality of events held by the OECD, including the Ministerial meetings on Social Policy, on Education and on Health which took place in Paris and the Public Governance Ministerial held in Venice, Italy, last November. The various OECD Global Forums and major meetings, like the recent conference on *Joining Forces Against Corruption: G20 Business and Government*, co-organised with the French Presidency of the G20, or the Conference on *Challenges and Policies for Promoting Inclusive Growth*, co-organised with the World Bank, illustrate this progress. In addition, the OECD Conference Centre has itself become the location of choice for high-level meetings organised by third parties, as shown by the meeting of the International Socialist Leaders and the Extractive Industries Transparency Initiative (EITI) Annual Conference hosted in March, among others.

**Graph 3. Secretary-General's and OECD's presence in the media
(By original citations in leading media outlets)**



OECD's presence in the G20, G8 and other Fora in the new architecture of global governance

11. During this period, the OECD has worked very closely with the Canadian, Korean and French Presidencies of the G20. This has resulted in greater participation at meetings and in working groups. The Secretary-General is now a regular participant in G20 Leaders Summits and Finance Minister Meetings, and the OECD's Chief of Staff and Chief Economist regularly attend Sherpa and Deputy Finance Minister Meetings, respectively. Since the last MCM, senior OECD officials took part in 17 G20 high-level meetings. The OECD also produced five major reports for the G20 on Taxation, Sustainable Growth, and the benefits of Trade for Employment and Growth, Fossil Fuel Subsidies and Trade and Investment Measures. Regular seminars and briefing sessions in Council and other bodies provide updates to Member countries on the OECD's G20 contributions.

12. The Secretary-General's participation in relevant fora goes beyond the G20, and included his attendance to the annual meetings of the World Bank and IMF, as well as the World Economic Forum in Davos, where OECD's work featured prominently thanks to his presence. He participated in international summits like the COP-16 United Nations Conference on Climate Change in Cancún, Mexico, last December, and the Summit that reviewed progress toward the achievement of the Millennium Development Goals last September in New York. His participation at the special ECOFIN meeting of European Finance Ministers in Budapest, in April, was an important milestone in the road to greater engagement with European institutions. Besides economic and financial issues, co-operation with the European Union has also been reinforced in areas like regional and territorial development, MENA and development coherence policy.

13. During this period, the Secretary-General has also joined the meetings organised by Chancellor Merkel with the heads of the five leading international financial institutions (alongside the International Monetary Fund, World Bank, World Trade Organization and International Labour Organization). The benefits of further engagement with other international organisations are also illustrated by his active participation in fora like the Broadband Commission for Digital Development, which is benefitting from OECD's work on innovation and the internet.



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