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MCM KEY ISSUES PAPER

OECD

BETTER POLICIES FOR BETTER LIVES

Key Issues Paper

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[OPENING] Shared Values and Global Partnerships[1]

What is the issue?

1. **The world faces economic, social, environmental, political and development challenges on a scale not witnessed for decades.** The ongoing impacts of Russia's war of aggression against Ukraine are devastating and require a strong and coordinated international response.

2. **As geopolitical uncertainty grows,** it is critical to restore public confidence in the value of global economic relationships and multilateral approaches for addressing shared challenges and opportunities.

3. **The role of the OECD as a community of like-minded nations, committed to the preservation of individual liberty, the values of democracy, the rule of law and the defence of human rights, remains as relevant as ever.** By strengthening ties within and beyond its membership and working with other countries, organisations and stakeholders, the OECD can further expand its global reach and influence.

4. **Addressing the pressing policy challenges of our time requires multilateral solutions and new approaches.** It also requires strengthening the commitment to our founding principles and the shared values set out in our 2021 Vision Statement: the pursuit of sustainable economic development while tackling inequalities and protecting our planet.

5. **Advancing the on-going accession processes, scaling-up the Organisation's regional programmes and enhancing co-operation with the Indo-Pacific region and with African partners,** are among key priorities to ensure the continued relevance of the OECD.

6. **The Indo-Pacific[2] has become increasingly important.** It is a vital engine of growth for the global economy and accounts for over two thirds of global GDP and more than half of the global population. It is an epicentre of world maritime trade, and provides essential links for global value chains, including for critical, high-demand inputs such as semiconductors and clean energy technologies. It is also at the forefront of the climate challenge, both in terms of its potentially significant role in global climate mitigation efforts and because of the region's vulnerability to the consequences of climate change.

What is the OECD doing?

7. The OECD has been working in close partnership with Ukraine to support its ambitious reform agenda for more than 30 years. In February 2022, the OECD Council unanimously condemned Russia's large-scale aggression against Ukraine and upgraded co-operation efforts to provide greater support during wartime, while bolstering the government's Recovery Plan [*see Session 2*].

8. Guided by the OECD Global Relations Strategy, engaging more deeply with the Indo-Pacific as well as with other regions and Key Partners is at the heart of the OECD's work:

- **The on-going accession processes of Brazil, Bulgaria, Croatia, Peru, and Romania**, and the continuing dialogue with Argentina will enhance the inclusiveness of the OECD and act as a catalyst for reform in these countries, by providing powerful leverage for the adoption of major legislative and policy changes across a broad policy spectrum.
- **Since 2007, the OECD has actively collaborated with its Key Partners, i.e., Brazil, the People's Republic of China (China), India, Indonesia and South Africa,** including in the context of their respective G20 Presidencies.

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[1] See also *The Secretary-General's Report to Ministers on the OECD's Global Relations* [C/MIN(2023)2]

[2] For the purposes of this paper, key figures on Indo-Pacific refer to a group including the Members of the Asia-Pacific Economic Cooperation (APEC) and the Association of Southeast Asian Nations (ASEAN) as well as India.

- **The OECD has designated Southeast Asia as a region of strategic priority with a view towards identifying countries for possible membership[3]. The Southeast Asia Regional Programme (SEARP)** supports domestic reforms and brings Southeast Asian countries closer to OECD standards and good practices. Co-operation is also delivered through a Country Programme with Thailand, a Memorandum of Understanding with Singapore, as well as country-specific engagement with Malaysia, the Philippines and Viet Nam.
- **The Africa-OECD Partnership** sets out a partnership on an equal footing to support Africa's economic transformation and reform agenda, including through greater African participation in OECD bodies and alignment with OECD standards, with focus on regional integration through trade and investment, resources mobilization for economic transformation, human capital development and green transition for sustainable growth. This complements the OECD's existing Country Programmes with Egypt and Morocco. The Organisation also looks forward to the successful implementation of the South Africa OECD Joint Work Programme.
- **The OECD's regional programmes with Eurasia, Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), and South East Europe (SEE)** are a key component of our Global Relations Strategy and play an important role in bringing these regions closer to OECD work and standards, fostering regional co-operation and integration. The OECD has recognised the increasing strategic importance and particular challenges facing Eurasia in the context of Russia's war of aggression against Ukraine and welcomes the growing interest of Eurasian economies to step up the engagement with the Organisation. The LAC region as a group of like-minded democracies that share our fundamental values has been increasingly converging with OECD standards. MENA is also of critical importance to the OECD due to its role in energy supply, migration flows, and global stability, and its young and educated population presents opportunities for inclusive and sustainable growth. Finally, SEE has stepped up its engagement with the OECD to further build resilience and address persisting policy challenges, including slow economic recovery, large-scale emigration and digital transformation.
- **The OECD Development Centre**, with non-OECD members from Africa, Asia and Latin America and the Caribbean, offers opportunities for countries at all levels of economic development to get closer to the OECD and learn with each other on an equal footing.
- **The OECD has been working in close partnership with the United Nations (UN) on the Sustainable Development Goals (SDGs)** – now at the mid-point of their 15-year timeframe. OECD work supports and complements that of the UN by providing significant data and analysis and by co-hosting and participating in meetings.

What can policy makers do?

9. Policy makers can:

- **Support Ukraine's efforts in rebuilding, reconstruction, and reform** *[see Session 2].*
- **Elevate the OECD's long-term, strategic partnerships with the Indo-Pacific through a new OECD Strategic Framework for the Indo Pacific.** The objective is to work together on global policy challenges, while increasing alignment with OECD standards and participation in OECD bodies. One of the key objectives should be to create the conditions to eventually welcome new OECD Members from the region.
- **Enhance institutional engagement with the Association of Southeast Asian Nations (ASEAN)** and the Asia Pacific Economic Cooperation (APEC) and identify priority areas for cooperation.

[3] C/MIN(2007)4/FINAL and C/MIN(2014)12

- **Seek enhanced OECD engagement with Africa that promotes better mutual understanding and stronger co-operation on an equal footing.**
- **Step up the engagement with OECD Regional Programmes (Eurasia, Latin America and the Caribbean, the Middle East and North Africa, and South East Europe)** to anchor and promote OECD standards, knowledge sharing, and good practices in these regions.
- **Continue collaboration with Key Partners and other countries on statistics, including gender disaggregated data** as a basis for evidence-based policy making, promoting OECD data standards, transparency and accountability (e.g., Total Official Support for Sustainable Development).
- **Continue to advocate for official development assistance (ODA) and forward-thinking investment** to unleash the untapped potential of developing countries and supporting those directly impacted by and most vulnerable to the recent crisis, climate change, and future shocks.

[SESSION 1] OECD Economic Outlook – Presentation with a focus on gender equality and women's economic empowerment

What is the issue?

10. **As highlighted in the March 2023 OECD Interim Economic Outlook, there have been some positive signs for the global economy since the start of 2023** (see Figure 1 in annex)**.** Food and energy prices have come down, and supply chain bottlenecks have eased, reducing inflationary pressures on goods. Over the Northern winter, Europe avoided gas shortages that could have hit industrial production markedly. Confidence has ticked up slightly and the reopening of China will provide some boost to global demand, especially tourism.

11. **However, the situation remains fragile.** Inflation triggered by the major crises is high and persistent and productivity growth is too low. Monetary tightening by many Central Banks is starting to reduce inflationary pressures. Recent financial market developments highlight the importance of maintaining robust regulatory and supervisory practices and taking appropriate action to identify early on and mitigate financial stability risks, such as those posed by tighter monetary conditions.

12. **Low unemployment and high vacancy rates in most major economies, together with the extended period of high inflation, have put upward pressure on nominal wage growth.** However, in some countries, the pace of wage increases has now started to level off or even decline. Nonetheless, in most countries wage growth remains at rates that, if sustained for some time, would be inconsistent with inflation returning to target given weak underlying productivity growth, unless corporate profit margins contract.

13. **Unequal opportunities make societies and economies weaker and less prosperous.** Recent and ongoing crises have had profound distributional impacts, particularly in developing countries with high levels of informality and high labour market segmentation. This has shown the essential role that strategically targeted public support plays in responding to future crises and to address critical challenges.

14. **The current global context further challenges the pursuit of inclusivity and gender equality.** Unfortunately, gender equality remains unfinished business in every country of the world and a distant goal in many countries, particularly in low and middle-income countries. Recent global crises have exacerbated pre-existing inequalities and gender gaps persist in all spheres of economic, public and social life, especially in low-income developing economies. Closing the gender gap could mean substantial GDP gains.

15. **Despite some improvements, women in OECD countries are on average ten percentage points less likely to be employed than men**, and they are more likely to work part-time. They still spend significantly more time than men on unpaid care and housework, which places them at a disadvantage in the labour market, especially once they become mothers. Women often work in lower-paying jobs, while men

are disproportionally represented in higher paying ones. In many countries, the lack of representation of women in legislative and other public decision-making bodies is a barrier to much-needed progress.

16. **Women also face barriers to entrepreneurship and self-employment.** They are about 30% less likely than men to start or manage a new business across OECD countries. Under-representation of women also affects workers engaged in foreign direct investment (FDI), trade, energy, nuclear energy, and transport. In many countries, discriminatory laws and practices – including unequal land, property and inheritance rights – prevent women from accessing and controlling critical productive and financial resources and assets.

17. **All these factors result in substantial gender gaps in wages, life-time earnings, pension income and poverty in old age**. At the median, the gender pay gap for full-time workers across OECD Members stood at 12% in 2021.

18. **In addition, the digital transformation of our economies has exposed our international tax system to new challenges and risks, which require a multilateral response.** The international community has made significant progress towards addressing these challenges via the agreement on the two-pillar solution, which is designed to make our international tax arrangements fairer and work better in a digitalised, globalised world economy. Similarly, the rapid development and growth of the crypto-asset market poses risks to tax transparency, necessitating new and strengthened reporting frameworks.

19. **This backdrop underscores the importance of strengthening the governance of democracies and citizens' trust in them.** Public satisfaction with the way democracies are functioning across the world has decreased since the mid-1990s, including in a number of OECD countries. Low voter turnout and greater political polarisation are increasingly hindering policy-making and governments' abilities to address the major economic, social and environmental policy challenges of our time.

What is the OECD doing?

20. The OECD conducts regular and comprehensive monitoring of the global economy and all OECD Member countries and other key non-Member economies. It produces economic projections four times per year in two OECD Economic Outlooks and two OECD Interim Economic Outlooks.

- **The next edition of the Economic Outlook, to be presented at the 2023 MCM, will include a dedicated focus on gender and women's economic empowerment**.
- **OECD Economic Surveys** provide in-depth economic analysis of individual countries on a two-year cycle. They are reference publications for national decision-makers and international economic and financial actors. The **OECD Employment Outlook** is the OECD's annual flagship publication that focuses on developments in labour markets and social policies.
- **The OECD is developing Gender Policy Reviews,** which assess key pillars of governance for gender equality and analyses areas where further efforts could underpin greater gender equality outcomes.
- **The OECD is a global leader in measuring gender equality in its many dimensions, providing policy advice, and monitoring policy developments in OECD countries and beyond.** The OECD uses a multi-disciplinary approach to gender equality, covering policies across virtually all areas of economic, social and political activity.
- **The OECD has produced internationally comparable data on progress towards gender equality.** The OECD Gender Data Portal provides indicators on education, employment, entrepreneurship, public governance, health and development. The Development Centre's Social Institutions and Gender Index (SIGI) measures discrimination against women in social institutions across 180 countries. The Development Assistance Committee (DAC) gender equality policy marker tracks development finance in support of gender equality and women's empowerment.

- **The OECD Gender Recommendations and other standards help shape policies to promote gender equality and monitor their implementation.**[4]
- **The OECD has developed tools such as the OECD Toolkit for Mainstreaming and Implementing Gender Equality** to support countries and institutions in their efforts to implement gender mainstreaming.
- **The OECD Gender Budgeting Framework highlights the three key pillars of an effective approach to gender budgeting**, including a strong strategic framework, effective tools of implementation and a supportive enabling environment.
- The OECD forthcoming **Dashboard of Indicators on Equity in and through Education** looks at gender and other dimensions of diversity not just in the education system, but also in how equitably the economic and social outcomes of education are distributed.
- **The revised G20/OECD Principles of Corporate Governance** aim to strengthen policy and regulatory frameworks for corporate governance, sustainability and access to finance from capital markets, which in turn can contribute to the sustainability and resilience of the broader economy.
- **The OECD/G20 Inclusive Framework on BEPS is delivering on the landmark agreement to address the tax challenges arising from the digitalisation of the economy.** The global minimum tax under Pillar Two is already a reality and negotiations are well underway on the multilateral convention that will create new taxing rights for market jurisdictions under Pillar One. The proposed global minimum tax is expected to result in annual global revenue gains of up to USD 220 billion, or 9% of global corporate income tax revenues, and Pillar One is expected to allocate taxing rights on about USD 200 billion in profits to market jurisdictions annually.
- **The OECD is ensuring tax transparency standards remain relevant and effective by delivering the Crypto-Asset Reporting Framework** in October 2022, which creates standardised automatic information exchanges across jurisdictions and will reduce the use of crypto-assets for tax evasion, as well as a further set of amendments to the Common Reporting Standard for Automatic Exchange of Financial Account Information, which are intended to modernise its scope to comprehensively cover digital financial products and improve its operation.
- **The OECD is working towards strengthening the quality and resilience of infrastructure systems** and continues to support the various approaches of governments and the related G7 and G20 infrastructure initiatives, including in the Indo-Pacific region. The OECD is developing a common framework bringing together its various work on infrastructure.
- **The OECD Reinforcing Democracy Initiative aims to support Members reinforce democratic governance and protect it from existing and emerging threats**, including through the OECD Dis/Mis Information Hub, and the Gateway to Reinforcing Trust. Work under the Initiative also looks at the role of public governance institutions in enabling and enhancing the benefits of digital technologies for democracy while also mitigating potential downsides. The OECD Development Assistance Committee is also developing strategies to better defend and promote democratic governance in partner countries through development co-operation.

[4] The Gender Recommendations are the 2013 OECD Recommendation on Gender Equality in Education, Employment and Entrepreneurship [OECD/LEGAL/0398] and the 2015 OECD Recommendation on Gender Equality in Public Life [OECD/LEGAL/0418]. Additional standards include: the 2019 OECD DAC Recommendation on Ending Sexual Exploitation Abuse and Harassment in Development Co-operation and Humanitarian Assistance [OECD/LEGAL/5020].

What can policy makers do?

21. Optimising growth will require decisive fiscal, monetary, and structural policy actions to boost growth in both the short and medium-term, while also securing longer-term sustainability, inclusiveness and resilience to future disruptions. Policy makers could:

- **Maintain restrictive monetary policy until there are clear signs that underlying inflationary pressures are lowered durably.** Further interest rate increases are still needed in many economies and regions around the world. With core inflation receding slowly, policy rates are likely to remain high until well into 2024.
- **Focus fiscal support on those most in need to mitigate the impact of high food and energy prices.** Better targeting and a timely reduction in overall support would help to ensure fiscal sustainability, preserve incentives to lower energy use, and limit additional demand stimulus at a time of high inflation. Credible fiscal frameworks setting out future expenditure and tax plans would help to provide clear guidance about the medium-term trajectory of the public finances and mitigate concerns about debt sustainability.
- **Boost underlying growth prospects**: strengthening workforce skills through well-designed adult learning policies, as well the number and gender mix of students studying science and technology, engineering, and mathematics (STEM) would help to boost the use of digital technologies and enhance labour market inclusion. Collectively, stronger skills, greater investment in high-speed broadband, and enhanced competition would substantially enhance the beneficial effects of digital technologies for productivity.
- **Use gender budgeting as a means to inform gender impacts of budgetary decisions** to systematically reflect gender perspectives in public spending decisions.
- **Pursue policies targeted at firms to promote women's access to better jobs and reduce gender wage gaps**. This includes pay transparency measures, gender equality audits, the use of job-classification systems, but also the use of target setting and quotas for women to help break glass ceilings and ensure equal access to career opportunities.
- **Pursue public policy targeted at households** to support the careers of women by promoting a more equal distribution of household responsibilities and unpaid care and domestic work. This includes supporting a better sharing of parental leave policies by fathers and mothers, investing in the capacity, quality, accessibility and affordability of early childhood education, care and out-of-school hours services, and ensuring that tax/benefit systems give both partners equally strong financial incentives to work.
- **Raise the Science, Technology, Engineering, and Mathematics (STEM) skills of women** to help increase the uptake of Information and Communication Technology (ICT). This will be key to raising productivity growth, which in OECD countries over the past decade was less than half of what it was in the 1990s.
- **Pursue achieving gender equality and the empowerment of women and girls in public, economic and social life, and in the context of the 2030 Agenda for Sustainable Development, as an integral part of diplomacy and development co-operation.** This includes a clear and sustained focus on gender equality in foreign and development policies and practices and ensuring the quality and sufficient quantity of development finance for gender equality.
- **Implement the landmark agreement on a two-pillar solution to address the tax challenges arising from digitalisation and gear up capacity building efforts to assist jurisdictions with more limited resources and administrative capacities to benefit from it.** The two-pillar solution

will help to stabilise the international tax system, enhance tax certainty and deliver a fairer allocation of taxing rights among jurisdictions.

- **Strengthen the quality and resilience of infrastructure systems.** This includes ensuring that the funding and ownership structure for public and private infrastructure projects are resilient to economic shocks, to protect the underlying assets and their uninterrupted operation.
- **Strengthen and deepen the democratic model of governance to build trust in public institutions and reinforce democracy.** This includes regularly monitoring and analysing the drivers of trust in public institutions; combatting mis and dis-information; ensuring that representation, participation and openness in public life meet the rising expectations of citizens, including as regards gender equality; building resilience to foreign undue influence; equipping governments to deliver on climate goals or "green governance"; and transforming public governance for digital democracy.

[SESSION 2] Ukraine

What is the issue?

22. **Russia's unprovoked, unjustifiable, and illegal war of aggression against Ukraine** continues to cause destruction, human suffering, and economic uncertainty around the world. The war has led to huge losses of life, life-changing injuries among civilians and the military – especially men, and a massive displacement of people – especially women and children.

23. **The war has also triggered a cost-of-living crisis, a refugee crisis and massive implications for energy and food security.** It has set the global economy on a course of slower growth and rising inflation – a situation not seen since the 1970s.

24. **While deeply challenging, this complex and disrupted geopolitical context demands us to reinforce our shared values and commitment to safeguarding democracies**, **the rule of law,** and the principle of territorial integrity of states to preserve peace and stability.

What is the OECD doing?

25. The OECD continues to support Ukraine's recovery and reconstruction efforts, consistent with the values of a free, open, market-based economy and the high standards expected of a prospective OECD Member:

- **In February 2022, the OECD Council condemned Russia's large-scale aggression against Ukraine and followed up with actions to sanction Russia**, including the formal termination of Russia's accession process, immediate closure of the OECD's Moscow Office, and the suspension of Russian and Belarusian participation in OECD bodies.
- **Following Ukraine's request to start the process of accession, the OECD Council recognised Ukraine as a prospective Member** and invited the Secretary-General to engage in an initial accession dialogue with Ukraine to increase adherence to OECD standards and participation in OECD bodies.
- **To that end, and with the overall objective of supporting the reconstruction and recovery in line with Ukraine's own priorities, in January 2023 OECD, Members invited Ukraine to undertake an OECD Country Programme.** It will consist of (i) policy reviews and capacity-building activities that directly support Ukraine's recovery and development, (ii) OECD legal instruments to which Ukraine could adhere and use as benchmarks for reform, and (iii) targets for enhancing Ukraine's partnership in OECD bodies, with all three of these deliverables supporting reform and recovery. The Country Programme will be implemented in alignment with the Multi-Agency Donor Co-ordination Platform, in which the OECD participate. (See Figure 2 in annex)

- **The OECD has opened a new OECD-Ukraine Liaison Office,** which is operating in-country since March 2023 on the premises of the Embassy of the Slovak Republic in Kyiv.
- **The OECD is part of the Multi-Agency Donor Co-ordination Platform,** co-chaired by Ukraine, the European Union and the United States, which brings together the G7, the European Union and a number of international organisations to co-ordinate support for Ukraine during and after the war. This includes the co-ordination of macroeconomic/budget support, physical reconstruction and policies to support a sustainable, resilient and inclusive economic recovery which enhances strong democratic institutions, the rule of law, and anti-corruption measures.
- **The OECD and Ukraine signed an agreement for Ukraine's participation in the Programme for International Student Assessment (PISA) from 2025.**
- **Building on the Council's decision to bring Ukraine closer to the Organisation**, Ukraine's President was invited to address the 2022 MCM, and Ukraine is invited to this year's MCM.
- **The OECD directly supports the Ukrainian public administration** to maintain resilience and prepare for post-war recovery, by providing support for the continuity of public services in wartime, as well as ongoing technical support for the design and implementation of key public administration reforms crucial for European integration and post-war recovery.

What can policy makers do?

26. OECD Members are providing extensive fiscal and humanitarian support for Ukraine's democratically elected government and its people. Policy makers could:

- **Support Ukraine in creating the framework conditions to secure a strong post-war recovery**. Important steps have already been taken to enhance the anti-corruption framework. Further measures to strengthen public integrity and improve the business environment are needed.
- **Continue to support Ukraine's recovery and reconstruction,** in alignment with the Multi-Agency Donor Co-ordination Platform, via policies to support educational continuity of young Ukrainian refugees and facilitate access to labour-market opportunities, including training programmes, for adult refugees in OECD countries. In addition, measures to strengthen trade and transport connectivity to sustain Ukraine's export capacity would be valuable. Particularly, the smooth operation of the Black Sea grain initiative should continue to be supported.
- **Support Ukrainian participation in OECD bodies and further develop projects with Ukraine to support alignment with OECD standards and good practices.** Given the challenges Ukraine now faces, particular attention is needed in areas such as public administration and decentralisation, electricity sector reform, education, sustainable development, return and reintegration of refugees and displaced persons, tax policy and administration, and infrastructure reform.

[SESSION 3] Economic resilience: trade policies for resilient and inclusive growth

What is the issue?

27. **The lingering impacts of the pandemic, trade tensions and Russia's on-going war of aggression against Ukraine have slowed growth, pushed up inflation and put significant pressure on the rules-based international trading system.** These reinforce the risks not only for inclusion but also for future resilience. The OECD community of like-minded countries, committed to the promotion of economic strength and prosperity, needs to act in an effective and coordinated manner to make our economies stronger and more resilient.

28. **A fundamental challenge is also how to ensure economic resilience and prosperity while preserving the benefits of open markets and a rules-based international trading system in line with the OECD's founding values and principles.** Continued efforts to remove barriers to trade and investment are essential to facilitate a strong and sustained economic recovery to strengthen resilience to future shocks and promote a more sustainable trading system. Imposition of new barriers and protectionist measures in many key sectors demonstrate the need for renewed efforts to open markets.

29. **Trade flows are expected to be affected by continued tensions, the intensified use of new trade-related policy measures and major economic transition processes**. New pressure points may also arise as countries are looking to diversify their trade and investment relations and supplier base to enhance supply chain resilience. As in other regions, barriers to services trade remain high in the Indo-Pacific region, contributing to global regulatory fragmentation and uneven conditions for services market access.

30. **The ongoing twin digital and green transitions are expected to put medium-term pressure on international supply chains as demand for certain inputs, including critical raw materials, is likely to exceed supply for a period of time.** A five-fold increase in the global incidence of export restrictions on critical raw materials threatens to exacerbate these shortages (see Figure 3 in annex).

31. **To foster trade as a driver of resilient, diversified, and sustainable supply chains**, we must anticipate risks, minimise exposure, build trust and keep markets open, strengthen cooperation in the World Trade Organization (WTO), and seek to achieve further trade and investment liberalisation, including through promoting international cooperation and partnership. We must also work towards enhancing the positive impact of Foreign Direct Investment (FDI) and managing security implications that may arise in the context of international investment.

What is the OECD doing?

32. The OECD is taking a holistic approach to lay the groundwork for high-quality economic growth, while promoting open markets and a rules-based international trading system in good working order.

- **With its evidence-based analysis and policy recommendations, the OECD is promoting open markets and a rules-based international trading system** with the World Trade Organization (WTO) at its centre, including through: intensifying work on supply chain resilience; work on measuring government support in agriculture, fossil fuels, fisheries, subsidies and state-owned enterprises in key industrial sectors to support a more level playing field (including through its related portal); social and environmental sustainability; and continued engagement with the WTO. The interactive webtool Keys to Resilient Supply Chains helps policy makers to enhance resilience of supply chains whilst in a context of open markets.

- **To contribute to more inclusive trade policies, the OECD has developed a framework for analysing trade's impacts on women** and has recommended policy reforms to ensure trade supports women in its first Trade and Gender country review. Work has also explored what governments can do to promote the integration of SMEs in global supply chains.

- **The OECD has a long-standing engagement on trade with economies in the Indo-Pacific region,** fostering greater dialogue on services trade, digital trade, supply chains, and trade facilitation. The OECD works with ASEAN and APEC to measure the regulatory environment for services trade in the region through the OECD Services Trade Restrictiveness Index and supports capacity-building efforts to promote greater understanding of the benefits of open services markets.

- **The OECD's work on industrial raw materials helps policy makers to better understand markets for raw materials for the green transition and assess possible supply chain vulnerabilities.** The OECD supports members in understanding how common standards facilitate the functioning of sustainable supply chains. Platforms like the 2023 **Global Forum for Agriculture** aim at facilitating convergence and coherence in international carbon footprint reporting and monitoring at the firm level to enhance the sustainability of agri-food chains.

- **To foster investment,** the OECD will continue its efforts to support implementation of the 2009 OECD **Recommendation on Guidelines for Recipient Country Investment Policies relating to National Security,** and the 2022 **OECD Recommendation on Foreign Direct Investment Qualities for Sustainable Development and related Policy Toolkit.**
- **With the targeted update of the OECD Guidelines for Multinational Enterprises the** OECD is strengthening its role as the leading government-backed standard on responsible business conduct. The OECD is working closely to strengthen international cooperation for enhanced predictability for business on Responsible Business Conduct (RBC) policies and regulations.

What can policy makers do?

33. To ensure economic resilience while preserving the benefits of open markets in line with the OECD's founding values and principles, policy makers could:

- **Ensure that trade is a driver of resilience and enhance resilience of supply chains without jeopardizing openness.** More open markets for trade and investment provide flexibility and diversification in supply chains and deliver benefits when competition in markets is fair. Instruments and policies that can further strengthen this dynamic include refraining from and disciplining export restrictions, adopting best regulatory practices in essential services sectors, and undertaking collective supply risk assessment. Equally important is engaging in public-private co-operation to ensure that efficient risk management strategies are in place.
- **Take steps to ensure that domestic policy and regulatory frameworks support positive impacts of investment on sustainable development** based on the FDI qualities Recommendation.
- **Foster international co-operation on issues at the intersection of trade and environment.** While the multilateral trading system under the WTO should be the preferred approach to establish trade and environment disciplines, Regional Trade Agreements offer a pragmatic approach to explore the possibilities in better addressing environmental objectives in trade agreements. The Agreement reached among Participants to the Arrangement on Officially Supported Export Credits, which modernizes the rules on export credit support and further incentivizes green and climate friendly projects, can be seen as an example of concrete steps forward.

SUGGESTED QUESTIONS FOR DISCUSSION[5]

Breakout Group 1: Trade Policies for Economic Resilience and growth.

1. *How can we best work together to address the key economic challenges we are all facing?*
2. *How can governments best preserve the benefits of open and competitive markets and deliver growth while increasing economic resilience?*
3. *How can the OECD support to the delivery of these goals?*

Breakout Group 2: Resilient Critical Supply Chains.

1. *Given global demand for key inputs, including raw materials which are essential for the transition to net zero, how do we best manage our trade interdependencies?*
2. *What policies are needed to keep markets for critical inputs open, competitive and resilient?*
3. *How can the OECD best support?*

[5] Suggested questions for discussion are from the latest version of the draft annotated agenda.

Breakout Group 3: Sustainable and Inclusive Growth.

1. *How do we best build a resilient and sustainable international trading system that is inclusive?*
2. *What policies can best support businesses to drive an inclusive global economy which creates opportunities, maximises the potential of women's participation, and drives up standards?*
3. *How can the OECD best support?*

[SESSION 4] Future frontiers: innovative technology for net zero economies

What is the issue?

34. **Climate change, biodiversity loss, and other environmental issues including air pollution and ocean deterioration, are defining challenges for this generation.** They are deeply interlinked and must be considered together. The Indo-Pacific has experienced intense heatwaves, droughts, and floods, which highlight the vulnerability and heightened exposure to climate impacts. The region, as others, faces other major environmental challenges including sustained critical levels of air pollution, high-rates of deforestation and plastic pollution. Africa in particular is a region extremely vulnerable to the impacts of climate change, despite the continent's greenhouse gas emissions representing a very small share of the global total. Similarly, even though Latin America contributes, on average, less than 10% of global greenhouse gas emissions, it is also one of the most affected regions. These global challenges require effective global responses and partnerships.

35. **Countries around the world are confronting the existential threat of climate change by setting ambitious net-zero targets.** To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050. The Glasgow Climate Pact is aiming to turn the 2020s into a decade of climate action and support. However, the 6th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) shows that the pace and scale of climate action remain insufficient to tackling climate change.

36. **Reaching climate neutrality by mid-century requires rapidly adopting net zero-carbon energy sources and production processes across all economic sectors and across all sizes of firms, including SMEs**. There is no silver bullet for success, but a key force multiplier is science, technology, and innovation.

37. **Many of the solutions required are yet to be discovered or realised**; half of the global reductions in energy-related CO2 emissions through 2050 will have to come from technologies that are currently at the demonstration or prototype phase. In addition, as indicated in the most recent IPCC report, behaviour change and demand-side measures can significantly reduce emissions.

38. **The current pace of technological development is not in line with the carbon neutrality challenge**. Evidence on patent filings over the past decade suggests that rather than developing new innovations, the business sector has been focusing on diffusing and commercialising existing technologies.

39. **Urgent increases are needed in public expenditure for research, development, and demonstration for low-carbon technologies**, Despite recent announcements of large spending packages to enhance the competitiveness of net-zero industries, related public expenditure remains less than half of what it was after the energy crisis of the 1970s. A key objective of climate policy should be to bring about the necessary cost reductions that would make low and carbon-free technologies competitive with higher-carbon alternatives.

40. **Education, skills, and labour market policies are also essential** as the adoption of cleaner technologies and greener work processes require new skills and create new jobs, while changing or eliminating existing ones.

41. **Emerging technologies for net-zero carry vast opportunities, but also entail broader implications for society, raising issues of equity and inclusion, gender equality, human rights, good governance, and ethics.** A global effort is needed to keep pace with innovative technologies and harness them for sustainable and inclusive growth. Applying a gender lens to climate and a just transition to net zero policies is equally important in order to improve gender equality outcomes and women's economic empowerment.

What is the OECD doing?

42. The OECD plays a key role in helping governments to navigate the green and digital transition, and is a recognised source of international standards in this policy domain:

- **The OECD brings together multidisciplinary expertise to support governments in designing climate policies that are effective, long-lasting and resilient to changing circumstances.** The flagship project *Net Zero+: Climate and economic resilience in a changing world* is continuing into Phase II (2023-2024), with an emphasis on enabling transitions to net zero.
- **The OECD International Programme for Action on Climate (IPAC),** a key component of Net Zero+, supports country progress towards net-zero emissions, through regular monitoring, policy evaluation and feedback on results and best practices.
- **The OECD's Inclusive Forum on Carbon Mitigation Approaches (IFCMA)** is an initiative designed to help improve the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and inclusive multilateral dialogue. It brings together all relevant policy perspectives from a diverse range of countries from around the world, participating on an equal footing basis, to take stock of and consider the effectiveness of different carbon mitigation approaches.
- **The OECD and the IEA have been jointly supporting the international climate change negotiations for the past 30 years.** Providing technical analysis and a valued informal convening space for climate negotiators and experts from developed and developing countries, the Climate Change Expert Group (CCXG) actively informs the United Nations Framework Convention on Climate Change (UNFCCC) negotiations and supports implementation of the Paris Agreement.
- **The OECD is building the *Science and Technology Policy 2025* framework to bring together international best practice for enabling the net-zero transition through science, technology and innovation.**
- **The fourth phase of the OECD Going Digital Horizonal Project will analyse the interplay of the twin green and digital transitions.** The OECD is also revising the 2010 OECD Recommendation on ICTs and the Environment to account for technological and policy developments and is building the necessary evidence base for accurate and reliable measures of the environmental impacts of computing.
- **The OECD has developed pioneering Recommendations on Artificial Intelligence, Responsible Innovation in Neurotechnology and on Agile Regulatory Governance to Harness Innovation** to help Adherents seize the benefits and manage the risks of emerging technologies.
- **An important avenue for convening global dialogue on future technological frontiers is the new OECD Global Forum on Technology.** Meeting for the first time in the margins of the 2023 MCM, it will facilitate inclusive, in-depth, multi-stakeholder and values-based discussions among OECD Members and partners on specific technologies and their long-term opportunities and challenges, including for the environment.

- **The OECD is supporting the implementation of the Kunming-Montreal Global Biodiversity Framework**, adopted in December 2022 at the 15th Conference of the Parties to the Convention on Biological Diversity (COP15): with new work on scaling up positive incentives for biodiversity conservation and sustainable use; and continuing work on tracking positive incentives and the finance they mobilise. The OECD will continue supporting governments to implement the outcomes of COP15, such as to progressively phase out or reform by 2030 subsidies that harm biodiversity by at least $500 billion per year, and by developing a framework on biodiversity-related financial risks.
- **The OECD is actively working to bring transparency to subsidies across sectors** to better understand both the priorities for reforming existing subsidies that are environmentally harmful, and the lessons we can draw for the design of subsidies that help create, not undermine, competitive markets.

What can policy makers do?

43. To keep pace with the rapid technological change and harness it for clean and inclusive growth, policy makers could:

- **Prioritise zero-emissions research and development (R&D) in their budgets to signal long-term commitment to innovation efforts**. Public support to low-carbon innovation should place greater emphasis on technologies that are not mature yet and currently receive less than 10% of total public R&D funding for low-carbon technologies. Government support for R&D undertaken by business should primarily be direct (e.g., research grants) than horizontal (e.g., tax credits). Between 2000-2022 however, OECD Members' policy mix has become less directive in the research and technologies it supports (see Figure 4 in annex).
- **Ensure larger investment and greater directionality for the vital, transformative science, technology and innovation needed to reach net-zero.** Mission-oriented innovation policies are one response to this call. They combine resources and knowledge across disciplinary, sectoral and policy silos to collectively address clear and inspirational goals.
- **Ensure that domestic and international finance and investment regulations are aligned with and reinforce** internationally agreed objectives**,** including commitments under the Paris Agreement and Sustainable Development Goals and the principles of a Just Transition, and stimulate investment and build technical capabilities related to low-carbon technologies, services and infrastructure.
- **Ensure that domestic and international finance is guided by the 'do no harm' principle** with regard to economic, environmental and social impacts and development.
- **Encourage a whole-of-government approach to managing the impacts of climate change**, informed by impact assessment and consideration of trade-offs and complementarities with other policy domains.
- **Embed low carbon innovation policies in a broader package** that includes carbon pricing and the reform of environmentally harmful subsidies, demand-side policies such as public procurement and standard setting**,** as well as agile regulatory frameworks at the international level. In parallel, heavy industries like steel (accounting for 30% of direct global industrial emissions) need urgent attention for decarbonisation.
- **Ensure that the green transition leverages the digital transformation to reach net-zero**. Digital tools like artificial intelligence can balance smart electricity grids and optimise transportation. But digital tech itself needs to become greener: from data centres to blockchain to AI, improved efforts are needed to reduce the carbon footprint of computation and of communication networks, including in public sector digitalisation.

- **Promote mobility of workers and firms across sectors and occupations through active labour market policies, competition, and entrepreneurship policies**, while considering the promotion of gender equality. Vocational education and training to up- and reskill employees for a greener labour market should be explored from a systemic perspective that incorporates innovation and industrial policy agendas.
- **Ensure the mobility of capital across borders:** the promotion of green investment flows can help provide emerging and developing economies with the necessary resources to finance the green transition.
- **Integrate a gender responsive approach in green and sustainable finance.** As we take urgent action to address climate change, only about 2.5% of the environmental and green recovery measures introduced as a response to the COVID-19 pandemic can be characterised as gender-relevant.
- **Deliver on the USD 100 billion climate finance goal.** OECD analysis shows climate finance provided and mobilised by developed countries for climate action in developing countries reached USD 83.3 billion in 2020. More needs to be done to build trust to enable ambitious multilateral action on climate.

SUGGESTED QUESTIONS FOR DISCUSSION[6]

Breakout Group 1: Net zero, sustainability, biodiversity.

1. *What are the actions for technological change that we need to take during this critical decade to ensure we achieve our long-term climate goals (1.5º, net-zero)?*
2. *What are the opportunities for international collaboration in respect to existing, new and emerging technologies to address the interlinked challenges of climate change and biodiversity loss?*
3. *What is the role of the OECD in ensuring that access to and use of new technologies plays a net positive role, and does not increase inequalities, including for gender, within and between societies?*

Breakout Group 2: Tech that promotes and protects values based and rights-oriented technology.

1. *How can we ensure that new and emerging technologies, such as generative AI, are developed and deployed in ways that are ethical, accountable, protect and promote human rights, and advance shared values, including defending democracy?*
2. *How can we better enable diverse stakeholders to play a part in ensuring new and emerging technologies have a net positive societal impact?*
3. *How can we pool the knowledge and expertise of the multistakeholder community, including through the OECD Global Forum on Technology, to better anticipate and address future risks and opportunities?*

Breakout Group 3: Development, bridging divides and inclusivity.

1. *How can we seize the opportunities of digital transformation and technology leapfrogging for development gains, and promote inclusive access to the benefits of new technologies?*
2. *What obstacles need to be overcome to prevent technological change from increasing inequalities, including those within and across regions, between genders, generations, and communities?*
3. *How can the OECD increase its engagement with non-Members, enhance the prosperity of the developing world and contribute to global economic development?*

[SESSION 5] Energy Futures

What is the issue?

[6] Suggested questions for discussion are from the latest version of the draft annotated agenda.

44. **Energy markets began to tighten in 2021 because of a variety of factors**, including the rapid economic rebound following the pandemic. Russia's war of aggression against Ukraine in February 2022, further accelerated these pressures, with the world now facing the first global energy crisis The price of natural gas reached record highs, and as a result so did electricity in some markets, while oil prices hit their highest levels since 2008.

45. **The energy crisis triggered by the war is a stark reminder of the need to accelerate the clean energy transition,** while reducing energy demand and dependency on fossil fuels. This also has the potential to transform our energy systems towards becoming more inclusive, sustainable, clean and affordable.

46. **Concerns about security of supply and risks of concentration extend beyond mining to other segments of the clean technology supply chain** – prompting fears that this may lead to even higher levels of government intervention in markets.

47. **The current crisis could accelerate the rollout of cleaner, sustainable renewable energy** such as wind and solar, as well as nuclear power in those countries opting to use it, and demand side measures such as electric vehicles and heat pumps, just as the 1970s oil shocks spurred major advances in energy efficiency.

48. **The International Energy Agency (IEA)** – an autonomous body within the OECD framework– **projects a global net gain of 9 million jobs in the energy sector by the end of this decade** if the world was to be on a pathway to net zero emissions by 2050.

49. **Clean energy transitions will also require a greater participation from a diverse talent pool.** Despite making up 39% of the global labour force, women only account for 16% of the traditional energy sector. The barriers women face in this sector are similar to those they face elsewhere in the economy.

What are the OECD and the IEA doing?

50. The OECD and the IEA have been closely partnering to support both Member and partner countries to develop and assess climate policies:

- Since the start of the crisis, **the IEA has made significant adjustments to its work programme to provide support and advice to governments, businesses and citizens** on practical steps that can be taken to ensure energy security while ensuring climate goals remain within reach. This includes the *Energy Technology Perspectives* 2023 report, as well as work on the Just Energy Transition Partnerships.
- **The IEA officially welcomed Ukraine as an Association country on 19 July 2022,** providing a framework for closer collaboration on energy security and reconstruction.
- **The OECD provides guidance on finance for the energy transition, including blended finance, transition finance, and on data and sustainability standards.** The OECD Clean Energy Finance and Investment Mobilisation (CEFIM) programme aims to strengthen domestic enabling conditions to attract finance and investments in renewables, energy efficiency and decarbonisation of industry in emerging economies.
- **The OECD is working on quantifying support measures including for fossil fuels and other forms of environmentally harmful subsidies** to help reform those that are most distortive from both a trade and environmental angle (see Figure 5 in annex).

What can policy makers do?

51. Governments need to make progress on the triple challenge of shoring up energy security, cushioning the cost burden on vulnerable households and firms, and remaining on track to achieving climate neutrality by 2050. Policy makers could:

- **Boost private-sector investment in low-emissions technologies and foster energy efficiency** to realign energy security with climate mitigation objectives and ease the need to use fossil fuels.

- **Strengthen enabling conditions to attract finance and investment** in renewable energy, energy efficiency and industry decarbonisation solutions.
- **Supply diversification, energy efficiency and demand-side measures** to tackle high gas and electricity prices and reduce the risk of shortages, especially in Europe.
- **Establish clear short-, medium- and long-term mitigation frameworks at national level with clear and ambitious targets to limit global warming to around 1.5°C.** This requires global GHG emissions to peak before 2025 at the latest and be reduced by 43% by 2030 compared to 2019.
- **Design frameworks to help overcome investment uncertainties, especially in carbon-intensive sectors, and thus spur innovation.**
- **Reform subsidies that are most environmentally harmful** and redirect fiscal savings to more environmentally friendly subsidies, while complying with the rules-based trading system.

SUGGESTED QUESTIONS FOR DISCUSSION[7]

1. *How do we turbo-charge the clean energy transition and what are the bottlenecks that slow us down?*
2. *How do we address the energy trilemma of energy security, affordability, and sustainability whilst transforming our energy systems?*

[7] Suggested questions for discussion are from the latest version of the draft annotated agenda.

ANNEX

Figure 1. ***Latest estimates from the March 2023 Interim Economic Outlook.***

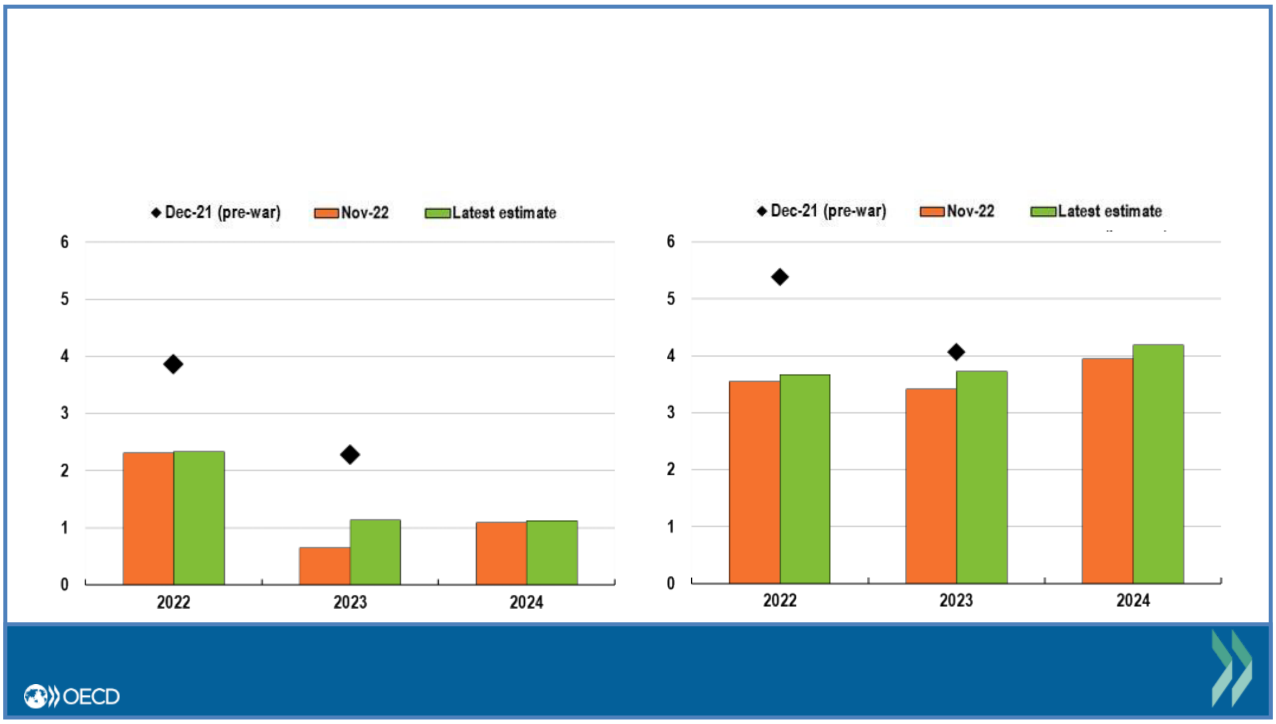


Figure 2. ***Country Programme for Ukraine.***

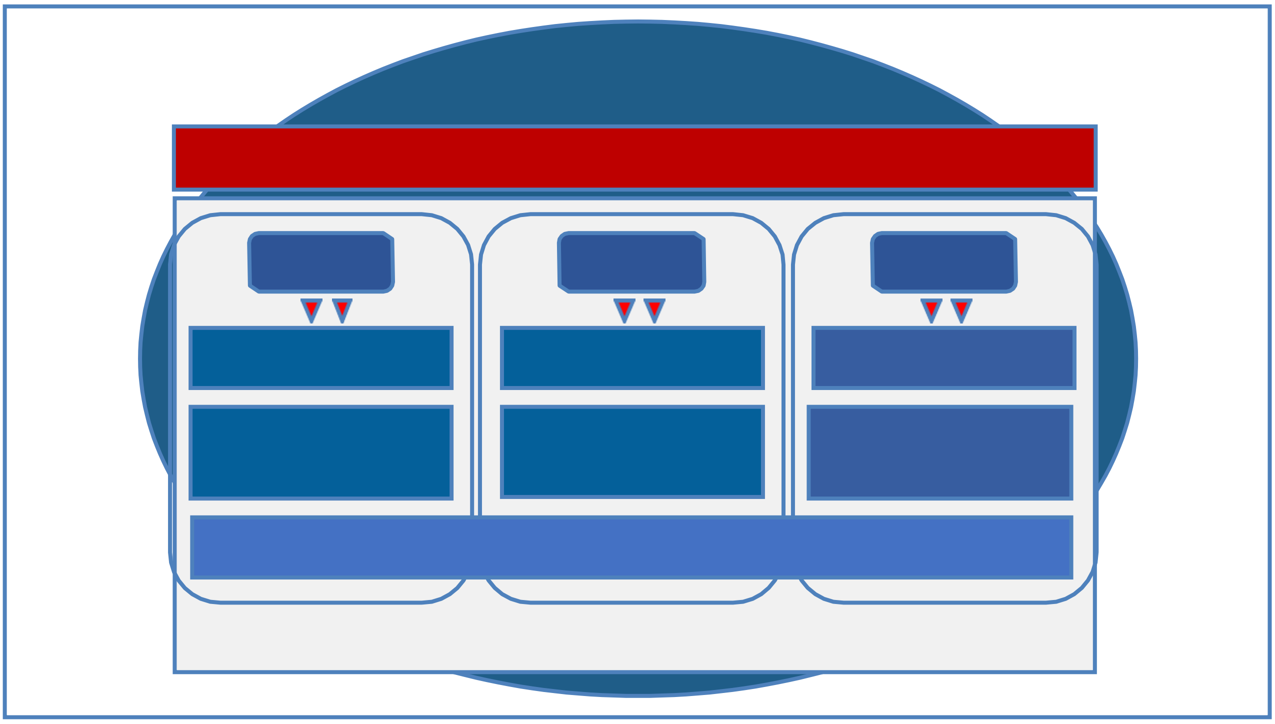


Figure 3. ***Export restrictions on critical raw materials.***

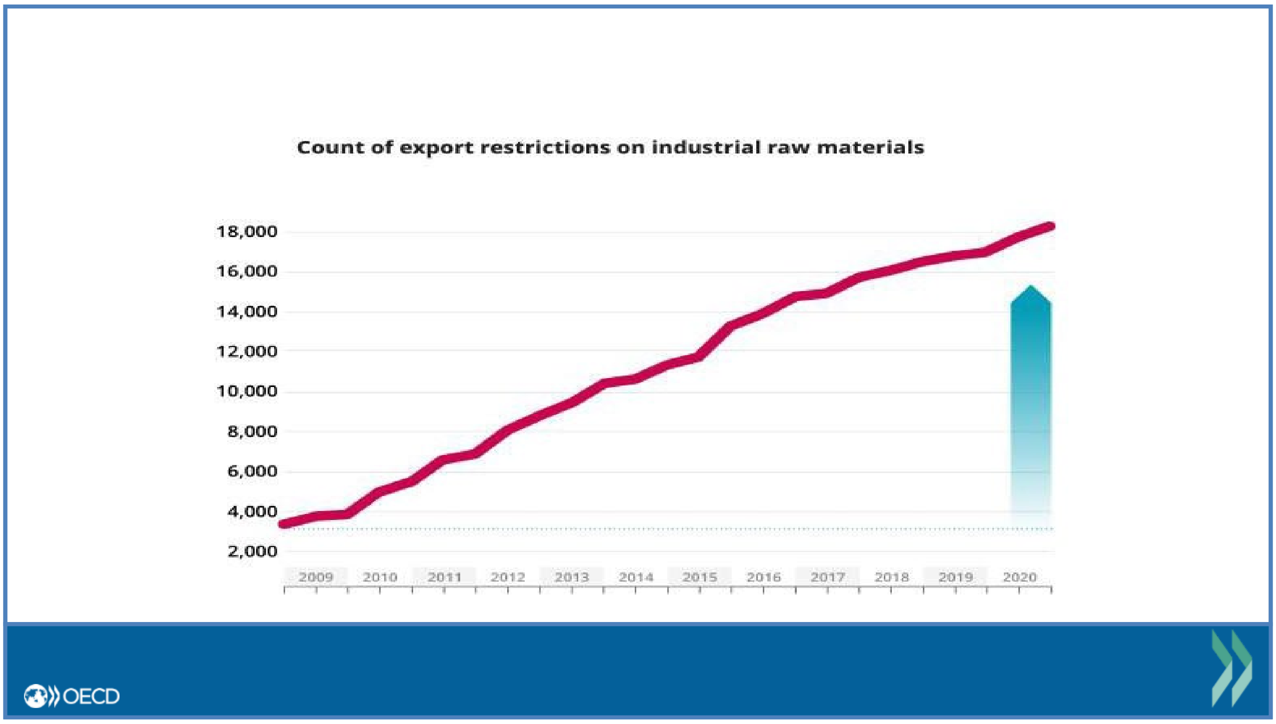


Figure 4. ***Shift in government support policy mix for R&D, 2000 – 2020.***

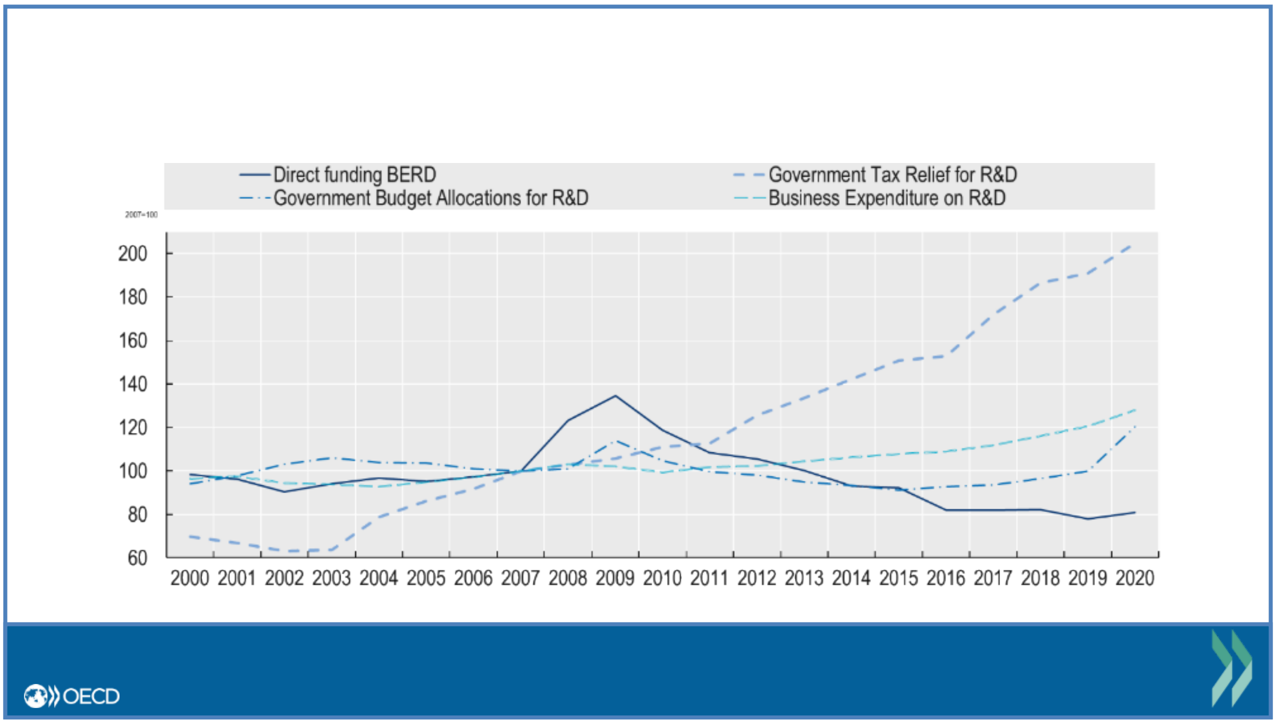
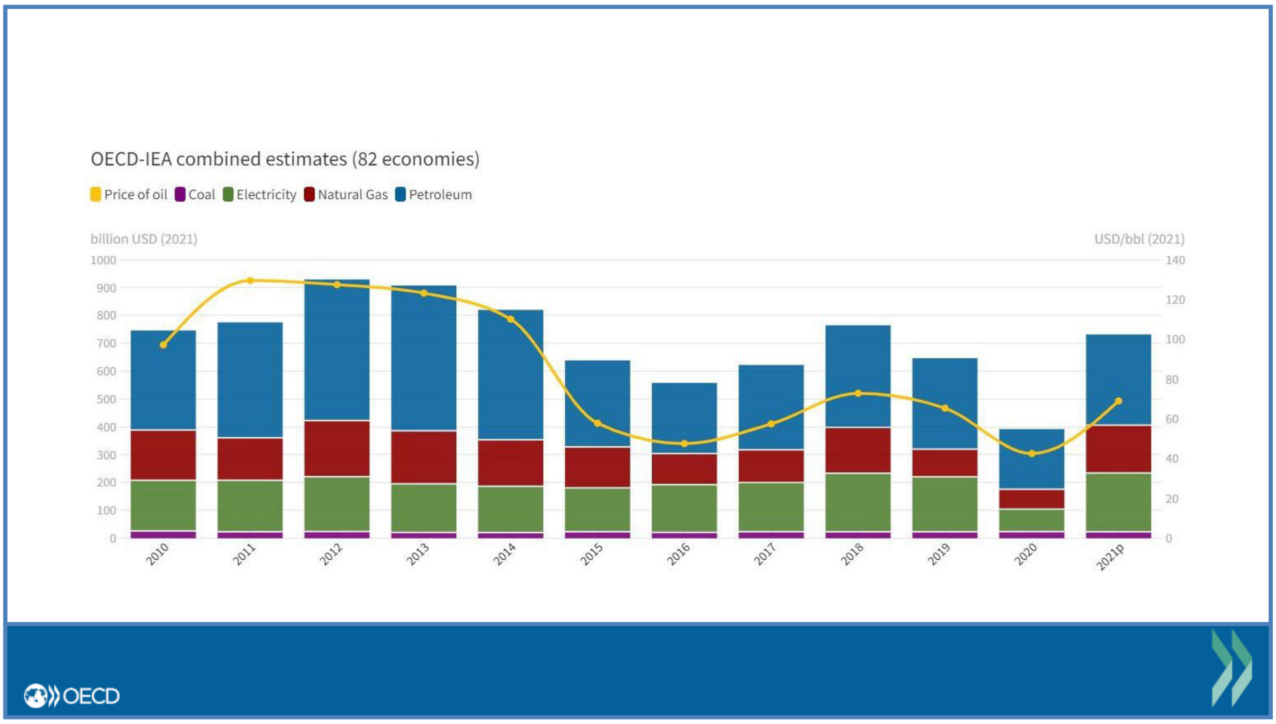


Figure 5. ***Fossil fuel support by energy product.***



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