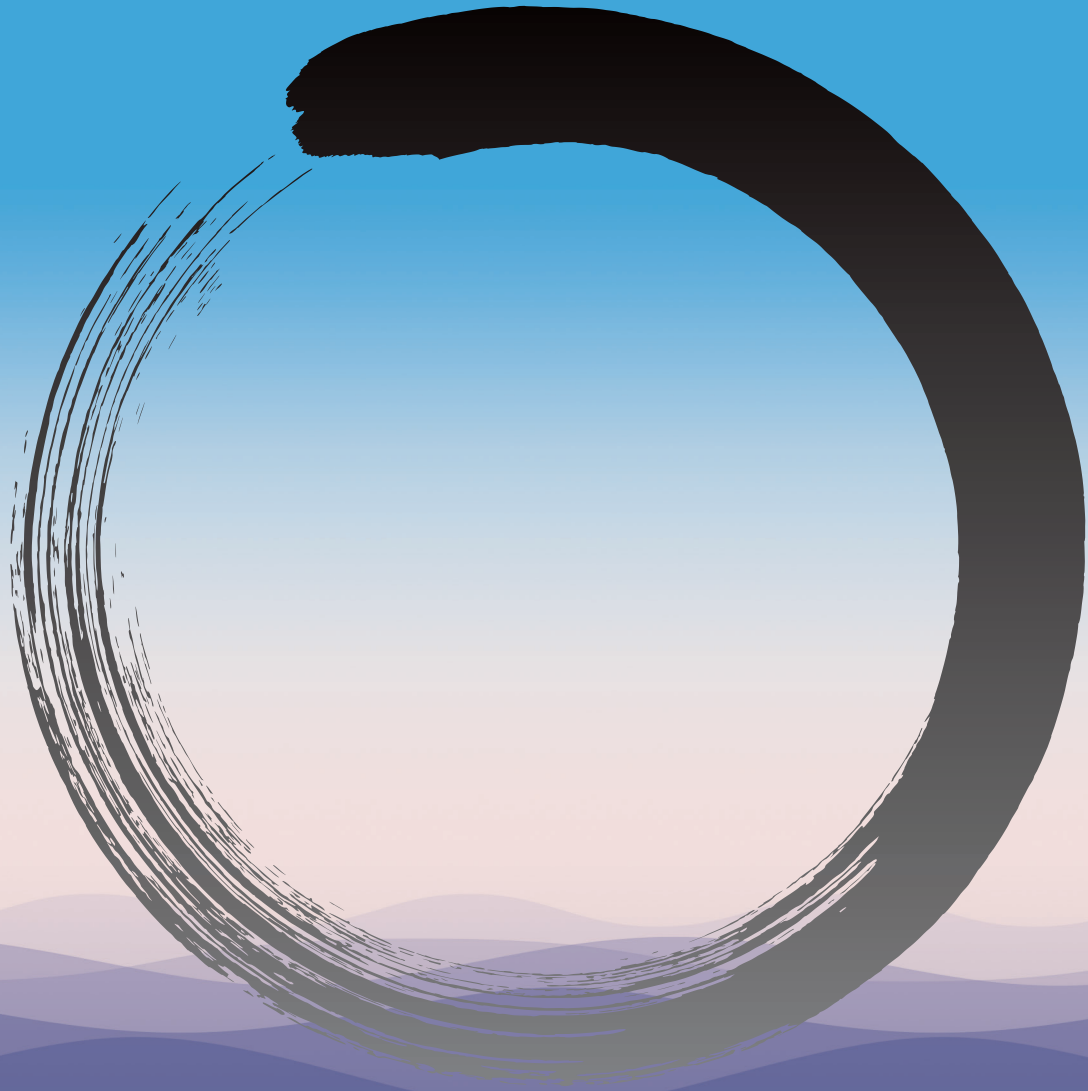


Meeting of the OECD Council at Ministerial Level

Paris, 2-3 May 2024



MCM KEY ISSUES PAPER

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[OPENING CEREMONY] 10TH ANNIVERSARY CELEBRATION OF THE LAUNCH OF THE SOUTHEAST ASIA REGIONAL PROGRAMME (SEARP)

What is the issue?

1. **The convergence of economic and geopolitical trends is increasingly elevating Southeast Asia to a pivotal role in international co-operation.** Taken together, the ten ASEAN members represent the world's fourth-largest economy at Purchasing Power Parity, with a population of 685 million.¹ Southeast Asia's resilient economic growth, strong demographics and strategic location are seeing it increasingly embedded in key global supply chains, including for critical inputs.
2. The partnership between the OECD and Southeast Asia has never been stronger. Ten years after the launch of the Southeast Asia Regional Programme (SEARP) in 2014, the OECD has established close working relationships covering a wide range of policy areas, both with Southeast Asian countries and with the Association of Southeast Asian Nations (ASEAN) (see Figure 1 in annex). The OECD's work in the region is highly valued as a driver of economic prosperity, as demonstrated by Indonesia's and Thailand's requests to join the Organisation.
3. **The OECD and Southeast Asia can build on this strong foundation of mutual trust and respect.** SEARP could further support interested Southeast Asian countries to participate in meetings of OECD bodies and align with OECD standards. This will be a renewed focus of the Regional Programme as it enters its second decade.

What is the OECD doing?

4. **Since SEARP's establishment** there has been a doubling in adherences to OECD legal instruments by Southeast Asian countries, and a fourfold increase in OECD publications covering the region.
5. **The OECD Strategic Framework for the Indo-Pacific affirms the OECD's goal to welcome Southeast Asian countries into the OECD's membership.** It also includes objectives to increase their alignment with OECD standards and substantially enhance their participation in OECD bodies with the aim of bringing them closer to the OECD.
6. **The 10th anniversary celebration of SEARP is an opportunity to reflect on the growth of the OECD-Southeast Asia relationship** and to set the direction of SEARP's second decade.

What can policy makers do?

7. Policy makers can:
 - **Continue to engage with Southeast Asia through the SEARP**, with a renewed focus on identifying OECD standards and committees where greater alignment and participation would be of mutual interest and benefit.
 - **Support the SEARP as a vehicle to implement the OECD Strategic Framework for the Indo-Pacific**, including its objectives to boost alignment with OECD standards and participation in OECD bodies.
 - **Support accession candidate countries from Southeast Asia who can then share their experiences with other ASEAN members**, whether on the accession process or on particular standards or bodies of interest.

[SESSION 1] ACHIEVING A SUSTAINABLE, INCLUSIVE ECONOMY AND SOCIETY

What is the issue?

8. **We are facing a complex geopolitical environment with risks tilted to the downside.** The lingering repercussions of the COVID-19 pandemic, the impact of Russia's ongoing war of aggression against Ukraine and the evolving conflicts in the Middle East present a challenging context for the OECD's

external relations. This context underscores the importance of reinforcing our shared values and commitment to strengthening democracy.

9. **The global economy has shown real resilience, and growth is set to continue at a modest pace through 2025.** The [February 2024 OECD Economic Outlook Interim Report](#) projects global GDP growth of 2.9% in 2024 and 3.0% in 2025, as inflation declines further and real incomes strengthen.²

10. **Growth is facing multiple challenges**, including a long-term decline in productivity growth, weak investment, and ageing populations (see Figure 2 in annex).³ The share of the population above 65 in the OECD is projected to rise from 18% in 2021 to 27% by 2050, which will increase fiscal pressures from pension and health systems, and intensify labour shortages.⁴ Coupled with the needed efforts towards decarbonisation, and a combination of rising interest payments and slow growth, as well as demographic changes and the need to tackle climate change, these trends mean countries face a challenging fiscal outlook.

11. **Inequality has widened in many countries.** Living standards have not improved as much as hoped for, with particular challenges for vulnerable groups. Policy needs to tackle systematic inequality, and support vulnerable groups to adapt to changing circumstances and build their financial resilience in the face of shocks. Despite notable progress in recent decades, gender gaps in earnings, access to work, assets and representation persist. On average, in 2021, the gender wage gap at median earnings was still 12% in OECD countries.⁵ Inequalities in learning outcomes have compounding negative effects on individuals and societies. Conversely, targeted education policies can result in long-term economic productivity gains.⁶

12. **Many of these headwinds are set to continue along with the challenges of climate change, declining trust in public institutions, slowing trade and rapid technological evolution.** These continue to pose challenges to our drive for resilient societies, inclusive economies, and equal opportunities. At the same time, ensuring access to quality education and skills, as well as promoting productive investments in start-ups, critical and emerging technologies, including artificial intelligence (AI) and the clean energy transformation offers the opportunity for more robust and productive economies.

13. **Economic growth can allow populations to enjoy higher living standards and well-being.** Our essential mission of the past – to promote strong, sustainable, inclusive, and resilient economic growth and to tackle inequalities, raise employment, living standards and well-being – remains our essential mission for the future. The quality of growth matters – it is important to ensure that growth is sustainable, just, resilient to shocks and creates opportunities for people across society. Enabling people to reach their full potential, by investing in their skills and by building healthy working environments, also increases aggregate productivity⁷.

14. **In this policy environment, the OECD remains a unique like-minded community** with the ability and responsibility to contribute to shaping global economic and policy co-operation for the better.

What is the OECD doing?

15. The OECD brings countries together to exchange experiences, develop comparative data and policy analysis, and standards, and foster international co-operation in areas of mutual interest, with a view to securing strong, sustainable, inclusive, and resilient growth.

- **The OECD is expanding its work on ageing and its economic effects.** OECD work – including through Economic and Employment Outlooks, Economic Surveys and Long-term Scenarios – provides insights on the fiscal and employment consequences of ageing, analyses of employment and pension policies for longer working lives drawing on the [2015 OECD Recommendation on Ageing and Employment Policies](#), analyses of health and long-term care systems, and on the monitoring of migration trends and policies.
- **Further OECD work focuses on ensuring inclusive and sustainable green and digital transitions** and will provide deeper insights on the skills needs and mismatches related to these transitions, not least through the [Programme for the International Assessment of Adult Competencies](#) (PIAAC). The OECD also increasingly covers data, evidence and policy recommendations needed to adapt to the changing climate.

- **On digital, the forthcoming 2024 edition of the Digital Economy Outlook (DEO)** provides new insights on key technologies that underpin digital transformation and their impacts such as new estimate of the growth rate of the information and communications technology (ICT) sector.
- **To promote and mainstream gender equality, the OECD is implementing its [Contribution to Promoting Gender Equality](#)** and is delivering strengthened data, policy evidence, and outreach activities. In particular, the Organisation is working to incorporate gender policy reviews in Economic Surveys, and is continuing the Social Institutions and Gender Index (SIGI) as well as in-depth country specific analysis of gender equality in other policy areas. It is also setting up a OECD Forum on Gender Equality, a Roadmap for the implementation of the Gender Data Initiative and Dashboard on Gender Gaps.
- **The OECD is advancing health system performance and the understanding of the interconnectedness between health and other key economic and social sectors.** The results of the Patient-Reported Indicator Surveys (PaRIS) will provide additional policy insights on how health systems meet the needs of different socio-economic groups, including women. Recent work on mental health has emphasised its connection to people's economic well-being, as well as social and environmental living conditions. In the January 2024 meeting of the Health Committee at Ministerial level, [Health Ministers of OECD countries set out the priorities for building better policies for more resilient health systems and the importance of putting people at the centre of health care.](#)
- **The OECD's measurement efforts continue to improve metrics to capture multidimensional well-being, welfare and inclusion** as well as policy tools to more systematically embed this evidence in policy decision-making.⁸ The OECD has longstanding work charting countries' progress towards sustainable and inclusive societies, including: the How's Life? well-being report and database; the OECD Child Well-being Dashboard; work on Measuring Distance to the Sustainable Development Goal (SDG) Targets; the OECD Income and Wealth Distribution Databases; and several studies on equal opportunities and social mobility. The [Knowledge Exchange Platform on Well-being Metrics and Policy Practice](#) (KEP) provides a space for sharing experiences and solutions across countries on the development and policy application of well-being frameworks and associated metrics and tools. Dedicated analysis on the long-term costs of socio-economic disadvantage, including for children and young people, continues under the OECD Observatory on Social Mobility and Equal Opportunities.
- **The OECD has also been progressing action on more sustainable and inclusive economies in collaboration with the private sector.** For example, the OECD Employee Well-Being Survey is a valuable tool that public and private employers can use to measure the quality of working environments and to understand what drives workers' engagement and mental health in the workplace.
- **The OECD continues its efforts to implement the landmark global agreement on the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy,** as it continues to support the global fight against tax evasion and multinational tax avoidance.
- **The OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative** has led to the collection of over USD 2 billion in additional tax across 60 jurisdictions. The Platform for Collaboration on Tax, including with the OECD, the United Nations (UN), the International Monetary Fund (IMF) and the World Bank continues to gain strength.
- **The OECD tracks the use of taxation and related policy instruments** that strengthen the implementation of governments' climate and environmental priorities, including through work on taxes on energy use and carbon pricing, and on the use of tax incentives to stimulate green investment. In addition to considering the incentives to reduce pollution and greenhouse gas emissions, analytical work on revenue-raising potential is undertaken.
- **[The OECD Reinforcing Democracy Initiative](#)** aims to support Members to reinforce democratic governance and protect it from existing and emerging threats, including through the OECD Dis/Mis

Information Hub, and the upcoming publication on Facts not Fakes that will also include a Framework for Countering Disinformation and Reinforcing Information Integrity.

- The [OECD Trust Survey](#) supports Members delivering evidence on the drivers of trust in public institutions and offering actionable data to monitor public confidence in democratic governments' reliability, responsiveness, integrity, fairness, and openness.
- **The OECD is enhancing its work on regional development** to support the implementation of the [2023 Recommendation on Regional Development Policy](#). This includes delivering new data through the [OECD Laboratory for Geospatial Analysis](#) and policy recommendations to address growing gaps, better link urban and rural areas and ensure that all regions play a full role in the green and digital transitions. This work also includes efforts to link indigenous communities with regional development, through the [OECD Mining Regions and Cities Initiative](#).
- The [OECD Recommendation on Creating Better Opportunities for Young People](#) promotes a government-wide strategy to improve youth measures, recognising young people's contribution to overall economic growth, social cohesion, trust in public institutions and the resilience of democracy. A Youth Policy Toolkit drawing on country good practices will be launched in 2024 to support its implementation.
- **To monitor economic, social and environmental developments, the OECD continues developing disaggregated and timely statistics** on areas such as economic growth, trade and digital trade, global value chains, environment, science and technology, labour markets, social affairs, and well-being.

What can policy makers do?

16. Policy makers should prioritise macroeconomic stability, structural reforms, smart fiscal policies and international co-operation to foster sustainable and inclusive growth.⁹ They can:

- **Restore sound macroeconomic policies to promote growth in the short and medium term**, gradually rebuilding fiscal buffers against future disruptions and ensure fiscal sustainability allowing the fiscal space for necessary public investments and support.
- **Respond to population ageing** by improving incentives to retire later, by providing better job opportunities for older workers – for example through age-diverse management practices and addressing employer disincentives, and by improving the health, working conditions and training opportunities of older workers.
- **Promote gender equality and mainstream it in policy making**, strengthening actions to promote a more equal sharing of paid and unpaid work, pay transparency, women's entrepreneurship, women and girl's career aspirations and participation in science, technology, engineering and mathematics, as well as actions to address sexual and gender-based violence, transform harmful social norms and eliminate discriminatory laws.
- **Make the most of the opportunities of open economies and resilient and sustainable global value chains**, enabling access to goods and services that would otherwise be unavailable or costly to both consumers and firms.
- **Encourage and harness responsible and trustworthy digital transformation and innovation** to counter the decline in economic growth prospects, bridge the digital divide and deliver on the climate transition. In particular, support innovation and entrepreneurship in digital and green technologies, as well as in healthcare and education to improve productivity and well-being. At a time of slower global growth, trustworthy AI can also be a powerful catalyst for economic dynamism.
- **Improve education and skills policies, social safety nets, family policies and promote sustainability, inclusiveness, gender equality and the resilience** of the digital and climate transitions.

- **Remove structural barriers to competition, investment, and business dynamism, including for Small and Medium-sized Enterprises (SMEs), as well as start- and scale-ups,** to ensure well-functioning labour markets that deliver high-quality jobs across all parts of the society, and in particular to harness the full potential of underemployed groups: persons with disabilities, older, younger, female and migrant workers.
- **Reinforce international co-operation and dialogue to improve economic growth and its quality.** Overcome geopolitical differences and harness digital transformation, AI and emerging technologies to tackle key global issues including poverty, inequalities and inclusion, digitalisation and AI, and climate change and the just transition in particular in low income countries.
- **Advance the goal of a fairer tax system to continue to support growth and the mobilisation of billions of euros in domestic resources.** Over 90 countries are aligning with the [2016 OECD Recommendation on the Application of Value Added Tax/Goods and Services Tax to the International Trade in Services and Intangibles](#) including many developing countries with significant revenue impacts.
- **Foster collaboration on tax issues between international organisations to ensure they are complementing, and not duplicating efforts,** and to support our collective interest in fighting tax evasion and avoidance, and other illicit financial flows, mobilising domestic resources to finance the SDGs, and fostering inclusive growth. Cooperation with developing countries should remain central to international tax reform efforts, including via the Inclusive Framework, capacity building and technical support.
- **Strengthen and deepen democratic governance to build trust in public institutions and reinforce democracy.** This includes: regularly monitoring and analysing the drivers of trust in public institutions; countering disinformation and promoting information integrity; ensuring that representation, participation and openness in public life meet the rising expectations of citizens, including as regards to 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.

GUIDING QUESTIONS ¹

1. *What are the prevailing views among Members regarding the most critical social challenges, such as demographic change, climate change and the impact of the accelerating and deepening digital transformation? What perspectives do Members hold regarding the concept of transforming social challenges into engines for economic growth, and how can this notion be optimised for greater impact?*
2. *What are the effective policy measures and the promising areas to promote productivity and science, technology, and innovation, and to expand economic frontiers (e.g., promotion of startups)?*
3. *What do Members expect for the OECD to support them to attain an inclusive economy and society with better well-being of people and gender equality (including women’s economic empowerment and labour force participation) while securing sufficient growth?*

[SESSION 2] PROMOTING FREE AND FAIR TRADE AND INVESTMENT FOR ACCELERATING SOUND ECONOMIC GROWTH

What is the issue?

17. **For trade to continue to provide the foundation of our shared prosperity and to ensure it delivers on our citizens’ expectations, including as regards sustainability and a level playing field,** renewed efforts are needed to remove unnecessary barriers to trade and investment to accelerate sound

¹ Suggested questions for discussion are from the latest version of the draft annotated agenda.

economic growth and to strengthen resilience to future shocks, while promoting a more sustainable trading system and ensuring that the environmental, social and human rights' impacts are much better managed and that the benefits of trade are more widely and more fairly shared.

18. **Global trade growth was surprisingly weak in 2023.** Volumes of traded goods and services are estimated to have grown by only 0.1% at an annualised rate in the first half of 2023, following the weak expansion in the latter half of 2022. Near-term indicators suggest that trade will recover only gradually from the current slowdown.¹⁰

19. **The resilience of global supply chains is tested** with multiple shocks impacting trade and logistics, which can lead to uncoordinated actions to secure supplies.¹¹ Deliberate attacks on shipping routes in the Red Sea are disrupting international maritime trade.

20. **Headwinds from rising trade restrictions, inward-looking policies and the restructuring of global value chains** are contributing to the uncertain outlook for global trade, which is a key concern given the importance of trade for productivity and development.¹²

21. **In an attempt to address vulnerabilities and in response to geopolitical tensions, governments have resorted to various measures, a number of which have the potential to distort trade and investment.** This has contributed, for example, to a significant increase in the use of government support across sectors, including agricultural support (historical high)¹³, fossil fuel subsidies (doubling between 2022 and 2023)¹⁴ and the industrial sector.¹⁵ Countries are also increasingly relying on the use of export restrictions, with export restrictions for critical raw materials having increased fivefold over the past decade.¹⁶

22. **Open, dynamic trading markets will be key to reinvigorating global growth.** Additional market opening efforts should be pursued in all sectors. In particular, further reforms could unlock the potential of global services trade, by tackling regulatory fragmentation and uneven conditions for access to services markets across countries (see Figure 3 in annex). Although services make up more than two-thirds of global GDP, they account for just under a quarter of global trade. The cost of trading is estimated to be typically twice as high for services than for goods, reflecting regulatory divergence across countries and complex procedures.

23. **Equally, the potential for digitalisation to contribute to increased and more inclusive trade in both goods and services relies on enhancing digital connectivity, including to address digital divides, and on cross-border data flows.** These can be impacted by barriers on cross-border data flows, data localisation requirements, and lack of pro-competitive regulation on interconnection across communication networks.¹⁷

24. **A key challenge for trade and investment policies is to balance a rising number of policy objectives within an increasingly complex geopolitical environment.** Steps to enhance the resilience of global value chains to supply chain disruptions, including by reducing over-reliance on individual suppliers, or maximise growth opportunities from supply chain diversification, should avoid eroding the benefits that globally integrated markets and supply chains provide, including for goods essential for the green transition. The growing use of subsidies remains a concern, and there is a need to ensure that, in designing strategic industrial policies, any necessary measures are appropriately and effectively designed to safeguard the benefits of open markets and rules-based trade.

What is the OECD doing?

25. **The OECD continues making the case for free and fair trade**, most recently through implementing the "[OECD's Contribution to promoting open markets and a rules based international trading system in good working order](#)" across the three identified priorities (supply chain resilience, sustainable trade and support for the World Trade Organization (WTO)). The OECD provides data and cutting edge analysis and standards, bringing countries together for dialogue underpinned by evidence to solve problems.

- **The OECD analyses emerging issues related to subsidies and industrial policy, global value chains**

and trade, with a lens on the effectiveness and efficiency of policies and their spillovers, impacts on the level playing field, open and well-functioning markets, productivity and on vulnerable groups, and analyses trade impacts on women. This is supported by continued efforts to improve the granularity, scope and timeliness of data on international trade, global value chains and industry performance, as well as ongoing investments in measuring subsidies and industrial policy, including government support and state enterprises in industrial sectors.

- **The OECD helps promote the resilience of global supply chains through the [4 Keys to resilient supply chains](#)**, the Supply Chain Analysis Network (SPIN) and the Forum on Critical Supply Chains. It is also developing new trade interdependencies indicators, providing insights on vulnerabilities in supply chains and the policy toolkit for addressing them.
- **The OECD supports a strengthened WTO.** Work on subsidies across agriculture, fisheries, fossil fuels and industrial sectors is promoting transparency and informing deliberations about rules at the WTO, including efforts to tackle trade distorting and environmentally harmful subsidies. OECD work on fisheries support is supporting phase 2 of the WTO fisheries subsidies negotiations, along with complementary efforts to develop a draft Recommendation on eliminating subsidies encouraging illegal, unreported and unregulated (IUU) fishing. The OECD provides analytical underpinnings on digital trade to support the Joint Initiative negotiations on e-commerce and the renewal of the Moratorium on customs duties on electronic transmissions. The OECD's Trade Facilitation Indicators support the monitoring of implementations of the WTO Trade Facilitation Agreement. The OECD has provided analytical work in support of the WTO Investment Facilitation for Development Agreement and helped develop a needs assessment process to inform technical assistance and capacity building for developing and least developed country participants for its implementation.
- **The OECD promotes trade and sustainability** through work on facilitating the circular economy, reform of environmentally harmful subsidies and liberalisation of environmental goods and services, greening of the STRI and the TFIs, and efforts to map carbon footprint monitoring initiatives for agri-food, mining and steel supply chains. The 2023 Modernisation package on export credits includes further incentives for supporting green and climate-friendly projects.
- **The OECD promotes socially sustainable and inclusive trade that works for all.** This is done through: country-level work on trade and gender to spread best practices; work on the role of trade in economic empowerment for indigenous communities; modelling and analysis of the distributional consequences of trade policies across and within countries; and its unique standards for responsible supply chains through the Responsible Business Conduct (RBC) instruments.
- **The OECD assists developed, emerging and developing economies in attracting more, better, and safe Foreign Direct Investment (FDI) through a comprehensive set of OECD policy tools** such as: the [Policy Framework for Investment](#) (PFI); the 2022 OECD Recommendation on [FDI Qualities for Sustainable Development and its Toolkit](#); and the [2009 Guidelines for the design of policies to manage security implications of FDI](#).
- **The recent revision of the [1976 OECD Declaration on International Investment and Multinational Enterprises](#)** aims at better capturing the current approach to investment policy to strengthen the importance of keeping markets open, enhancing sustainable impacts and addressing potential security risks associated with some transactions. The Investment Committee (IC) is working on a forward-looking implementation roadmap to further revise the Declaration.
- **Revisions to the [2015 OECD Recommendation on Guidelines on Corporate Governance of State-Owned Enterprises](#)**, will promote SOEs' contributions to sustainability, economic security and resilience by maintaining a global level playing field and high standards of integrity and business conduct.

What can policy makers do?

26. Policy makers will need to navigate shifting geopolitics and concerns around supply chain fragmentation to safeguard the important benefits of globally integrated markets.

- **Enhanced multilateral co-operation is required to revive global trade.** In an interconnected world, open and well-functioning international markets under a rules-based global trading system with the WTO at its core are a key source of long-term prosperity for both advanced and emerging-market economies. Trade measures should be based on robust science and evidence and limited to those necessary to meet objectives.
- **Diversification and coordinated policies are key for ensuring the resilience of global value chains.**¹⁸ A key policy challenge is to balance the need for enhanced resilience of global value chains while avoiding protectionism, eroding their benefits for efficiency, or losing sight of the income gains that could accrue from lowering trade barriers, especially in service sectors.
- **Governments should support WTO deliberations on subsidies reform,** notably by expanding work to measure and analyse subsidies in industrial sectors, including the role of below-market finance and state enterprises, to understand the trade distorting and environmental impacts of government support across sectors.
- **Trade in environmentally-related goods can help diffuse technology.** In the first half of 2023, trade in these goods has picked up in Europe, Japan and the United States. As efforts to accelerate the climate transition increase, the potential impact of industrial and trade policies on trade in environmentally related goods should be carefully considered.¹⁹
- **Concerted efforts are needed to support the enabling environment for digital trade.** Raising digital connectivity between countries can support more and more inclusive trade in services as well as in goods. Governments need to find an appropriate balance between safeguards and ensuring adequate competition in digital services. A set of mutually recognised and interoperable legal and regulatory framework for cross-border data flows, privacy and consumer protection would have significant knock-on benefits for trade in goods and services.²⁰
- **Promote more inclusive trade that works for all,** through efforts to promote RBC and due diligence, to enhance the opportunities for trade for women and Indigenous Peoples, and to better understand and address the distributional impacts of trade and trade policies. Emphasise the importance of integrating Micro-, Small and Medium-sized Enterprises (MSMEs) into international trade to achieve resilience and sustainability of supply chains and trading systems.
- **Governments can facilitate “more, better and safe” FDI,** including by fostering open, transparent and non-discriminatory investment policies, ensuring these are aligned and coherent with national priorities to reap the benefits of FDI to meet the SDGs and net-zero ambitions, and identifying and managing economic security implications, including dependency risks.

GUIDING QUESTIONS ²

1. *How can the Members achieve the common goal of sustainability and inclusivity through trade, in particular, by addressing the issues including trade and environment, unlocking the potential of women to participate in the global trade economy, utilising the OECD’s relevant discussions and analysis?*
2. *How can we work together with the OECD to address systemic challenges posed by the impact of government support on trade, in particular, by developing rules and norms in the multilateral trading system building upon existing disciplines in various plurilateral, regional and bilateral agreements?*

² Suggested questions for discussion are from the latest version of the draft annotated agenda.

[SESSION 3] ECONOMIC RESILIENCE

What is the issue?

27. **Economic resilience frequently refers to the capacity of an economy to reduce vulnerabilities, increase resilience to shocks and recover quickly.**

28. **Traditionally, many economic resilience considerations revolved around issues such as prevention of severe recessions and financial crises, management of such events and the mitigation of their social and economic consequences.**²¹ While the nature of large economic downturns varied across time and countries, such analysis frequently focused on identification of macroeconomic and financial imbalances, like high private or public debt and large current account deficits, and formulating policy recommendations to reduce them and to facilitate recovery following recessions (see Figure 4 in annex).

29. **In recent years, economic resilience considerations have expanded to intersect with economic security issues.** Although there is no one single definition of “economic security”, this issue has attracted renewed attention with disruptions to supply chains during the COVID-19 pandemic, with volatility in energy and agricultural markets in the wake of Russia’s war of aggression against Ukraine, disruptions of international maritime trade from deliberate attacks on shipping routes in the Red Sea, and with a rising sense of fragility and vulnerability. Pandemics, natural disasters and geopolitical tensions highlighted the vulnerabilities in economies to supply disruptions of critical goods and their components, such as critical minerals, energy, pharmaceuticals, and semiconductors, or of advanced technologies, may threaten the economic security of countries. This includes high dependencies of critical goods on imports from specific countries and firms in key stages of supply chains.

30. **Other recent examples of economic resilience concerns include governments and businesses being increasingly confronted by the urgent need to mitigate climate change and to adapt to it.** Reducing the use of fossil fuels and securing stable supply of clean energy are key for boosting environmental and economic resilience in the longer term. Today’s clean energy supply chains face several security concerns – notably the high dependence on imports from individual countries and firms in key stages of clean energy supply chains. Building transparent, diversified, secure, sustainable, trustworthy and reliable supply chains in clean energy technologies, among others, is critical to ensure a resilient and sustainable clean energy transition and energy as well as economic security. There is also a need to better comprehend the implications of policies that countries implement to secure clean energy supply chains.²²

31. **Policy makers may face trade-offs between efficiency and economic resilience, especially related to economic security for supply chains, energy and the green transition.** Some measures to boost resilience can be economically costly, and heighten the need for coordination between trading partners, including in the context of diversification in open international markets.

32. **Concerns about the security implications of FDI continue to shape policymaking,** particularly concerns about the leakage of sensitive technologies that have national and global security implications. Appropriate measures could be taken including investment screening and potentially targeted controls on exports. This may also requires promoting and ensuring integrity and security of research.

33. **There have been specific cases where economic vulnerabilities and dependencies have been exploited through measures** affecting trade and investment in an abusive, arbitrary, or pretextual manner threatened or imposed to interfere with a partner’s exercise of its legitimate sovereign rights or choices, thereby undermining an open and well-functioning rules-based international order.

34. **There is also a need to enhance security and resiliency in critical infrastructure** in particular in the digital domain, including mobile, core and satellite networks, and cloud infrastructure. As technology continues to advance, there are growing concerns about malicious practices presenting risks to the security in the digital sphere, including illegitimate influence, espionage, illicit knowledge leakage, and sabotage.

What is the OECD doing?

35. **Identification of risks, assessment of resistance to shocks and the ability to recover, as well as design of government policies to strengthen economic resilience require adequate data, tools and economic analysis.** The OECD has a long track record of supporting governments in building economic resilience in various areas and it will continue to do so. This is possible because of its multidisciplinary expertise in collecting and analysing data, and in formulating evidence-based policy recommendations.

36. The recent contributions of the OECD and the International Energy Agency (IEA) on economic security and resilience include:

- **The Economic and Development Review Committee (EDRC) conducts biennial country surveys** of each of its Members and selected non-Member countries that identify economic security vulnerabilities, including those related to macroeconomic and financial imbalances.
- **Resilience of global supply chains and the availability of critical materials:** OECD work has highlighted the role of global markets and diversification in underpinning economic resilience and security. It has pointed to the strategies that firms and governments can use to ensure supply of critical goods and services. OECD work also focused on the threats from the rise of export restrictions on critical raw materials and the need to better understand interdependencies and potential vulnerabilities.²³ Relevant work includes [Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected- and High-Risk Areas](#) and the interactive web tool [4 Keys to Resilient Supply Chains](#) drawing together evidence to assist policy makers enhancing resilience without jeopardising openness, as well as [Securing Medical Supply Chains in a Post-Pandemic World](#).
- **The OECD in-depth reviews of the lessons of the COVID-19 pandemic** show that health systems were not resilient enough. The reviews put forward detailed policy recommendations for health systems – including workforce, digitalisation, continuity of care and mental health – long-term care, supply chains and international co-operation to ensure the global community is ready for the next crisis. At their meeting in January 2024 OECD Ministers welcomed the renewed Health System Performance Assessment Framework and asked the OECD to help them implementing it in their countries.
- **The OECD has been at the forefront of international efforts in guiding policy makers in digital security** and has become the primary international standard setter in this area. The OECD Digital Security Recommendations and related [Policy Framework](#) helps developing digital security public policies for economic and social prosperity.
- **Through [country energy policy reviews and topic-specific reports](#),** the IEA conducts analysis on energy security, critical mineral supply chains, and current and future risks for oil supply disruption, emerging gas security challenges, and increasing system flexibility and resilience of the electricity sector. The [IEA's World Energy Outlook Special Report](#) provides the most comprehensive analysis to date of the complex links between critical minerals and the prospects for a secure, rapid transformation of the energy sector.
- **The OECD monitors FDI restrictions including those motivated by national security concerns.** It also advises governments on good policy design based on its [2009 guidelines](#), and facilitates global dialogue or related issues.
- The recently [updated OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) recommend enterprises on the basis of risk based due diligence how to minimise or prevent environmental, labour or human rights risks in their supply chains in all sectors.
- The OECD has been working on the revision of the [2015 OECD Recommendation on Guidelines on Corporate Governance of SOEs](#) to ensure that SOEs do not undermine economic security and resilience or a global level playing field.

What can policy makers do?

37. In this context, governments should, for example:

- **Identify potential economic security risks and assess costs and benefits of measures** to mitigate them by reducing vulnerabilities and countering malign practices in a comprehensive manner, including digital security risk management.
- **Raise awareness of the risks and challenges to economic resilience and economic security** among the general population, businesses and public institutions, and ensure collaboration of all stakeholders in managing risks and addressing those challenges.
- **Strengthen international co-operation on economic resilience and economic security in the assessment, management, and mitigation of risks**, informed by OECD evidence and research.
- **Co-operate strategically to reduce vulnerabilities and build resilient and reliable supply chains without impeding competitive neutrality.** Joint strategies may include efforts to facilitate trade in clean energy supply chains, joint measures to promote Research & Development (R&D) and end-of-life-recycling, and joint efforts to combat harmful non-market policies and practices and deter economic coercion. They may also include multilateral engagements to support resource- rich countries to play bigger roles in the middle and downstream of clean energy supply chains. And they can include agreements to promote social and environmental standards in clean energy supply chains, making them both resilient and inclusive.²⁴
- **Foster implementation of the [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#)**, which can help with building sustainable and resilient supply chains in all sectors.
- **Implement the [2009 OECD Recommendation on Guidelines for Recipient Country Investment Policies relating to National Security](#)**, which can help countries design and implement investment policies for safeguarding national security with the smallest possible impact on investment flows.
- **Be mindful of trade offs, and that some measures for strengthening economic security can be ineffective and economically costly.** In practice, it is difficult to know the precise degree of economic costs and risks from geopolitical conflicts, wars, pandemics, climate change, or natural disasters. Consequently, quantifying *ex-ante* economic costs, benefits and effectiveness of economic security policies is difficult.
- **Effectively co-operate to ensure the security and integrity of the research ecosystem as countries pursue open science**, in partnership with the research community, preventing the theft, misuse, and inappropriate exploitation of our intellectual property and personal data, and other forms of misconduct, and creating a trusted environment in which openness and international co-operation can flourish
- **Take appropriate measures and co-operate on enhancing security and resilience in critical infrastructure** including in digital infrastructure.

GUIDING QUESTIONS ³

1. *How can we build resilient and reliable supply chains, in particular for critical goods that are essential for green and energy transition, in view of existing progresses, and how can we strengthen engagement with developing countries, private sector, and the wider international community to enhance their supply chain resilience?*
2. *How can we further collaborate to respond to economic coercion exploiting economic vulnerabilities and dependencies and undermining foreign and domestic policies and positions?*

³ Suggested questions for discussion are from the latest version of the draft annotated agenda.

3. *How can we address comprehensive strategies to use non-market policies and practices, such as harmful industrial subsidies, market distortive practices of state-owned enterprises, and all forms of forced technology transfers, as well as other practices to create strategic dependencies and systemic vulnerabilities?*
4. *What are other key economic security issues to be addressed – for example, promoting and protecting critical and emerging technologies, enhancing security and resiliency in critical infrastructure, and countering malicious practices in the digital sphere?*

[SESSION 4] GLOBAL OUTREACH AND PROPOSING CREDIBLE POLICIES

What is the issue?

38. **The lingering repercussions of the COVID-19 pandemic, the impact of Russia’s ongoing war of aggression against Ukraine and the evolving conflicts in the Middle East** present a challenging context for the OECD’s external relations.

39. **The multilateral system faces fragmentation risks.** The need for international co-operation to achieve global common goals, including the twin green and digital transitions, food and energy security and full implementation of the 2030 Agenda for Sustainable Development, remains as relevant as ever.

40. **The strengthening of the OECD’s global reach determines its relevance, influence and ability to respond to major policy challenges.** Through leveraging its convening power as an evidence-based Organisation and deepening its development agenda, the OECD can be a bridge between OECD Members and developing and emerging economies (see Figure 5 in annex).

41. **Our shared values, including democracy, the rule of law, the protection of human rights, gender equality, multilateralism and open markets and a rules-based trading system,** continue to serve as a powerful platform for the OECD to advance inclusive, sustainable economic growth and prosperity for all.

What is the OECD doing?

42. The OECD serves as a standard setter, promoter of shared values and facilitator of dialogue on key global issues. Its Global Relations Strategy and tools continue to strengthen the inclusiveness of the OECD, including work to further increase co-operation and engagement with the UN.

- **The OECD remains steadfast in its support to Ukraine** through the implementation of the Ukraine-OECD Country Programme, by contributing to the “Ukraine Plan” being developed by the Ukrainian authorities, and through the initial accession dialogue following the OECD Council’s recognition of Ukraine as a prospective Member.
- **The OECD has made progress on its strategic enlargement with on-going accession processes** of Brazil, Bulgaria, Croatia, Peru, and Romania, has adopted Accession Roadmaps for Argentina and for Indonesia and is moving forward with consideration of the accession request from Thailand. Accession of new countries will enhance the OECD’s inclusiveness, and increase its representativeness, convening power and relevance in global governance fora.
- **The historic decision to open accession discussions with Indonesia** will provide Indonesia with a powerful leverage to continue its structural transformation and advance on its path to achieve advanced economy status by 2045.
- **Engagement with the Indo-Pacific region remains of strategic importance for the Organisation.** The [Strategic Framework for the Indo-Pacific](#) and its Implementation Plan have been at the forefront of the OECD’s global relations efforts, notably through leveraging the SEARP, which celebrates its 10th Anniversary in 2024. The Country Programmes with Thailand and Viet Nam, the strengthened

engagement with Singapore, and the key partnerships with the People’s Republic of China (China) and with India contribute to reinforcing the OECD’s engagement with the region.

- **The OECD strengthened its co-operation with ASEAN** following a first Memorandum of Understanding (MoU) in 2022 and its subsequent Implementation Plan.
- **The OECD accelerated its engagement with Africa following the launch of the Africa-OECD Partnership.** It has concluded an MoU with the African Union and advanced the Africa Virtual Investment Platform to help boost private investment and enhance the mobilisation of domestic resources. The Africa-OECD Partnership prioritises the implementation of the Africa Continental Free Trade Agreement, strengthens links with the African Regional Economic Communities and facilitates the implementation of reforms at the national level, building on OECD expertise and institutional engagement on an equal footing with African stakeholders.
- **The joint work programme with South Africa** is an important step in the OECD’s engagement with the continent and will prepare its support to South Africa’s 2025 G20 Presidency.
- **The OECD Morocco Country Programme is coming to its conclusion while the OECD Egypt Country Programme is being implemented.** The launch of the Country Programme with Mauritius will be another important step in engaging with countries from the region.
- **The OECD continues its dialogue with Key Partners – Brazil, China, India, Indonesia and South Africa** – and encourages them to participate actively in the work of OECD bodies, request adherence to OECD legal instruments, and identify mutually beneficial work priorities. A renewed and balanced engagement with China will be advanced in line with Members’ and China’s mutually agreed priorities, on the basis of existing frameworks.
- **The OECD continues playing a key role in global governance fora, such as the G7, G20, the Asia Pacific Economic Cooperation (APEC) and ASEAN, where it is a critical deliverer of sound analysis and policy advice.** The engagement with the United Nations system remains critical for the OECD to disseminate its standards on a global scale, better understand and address emerging and developing economies’ views on global economic agendas and strengthen its position as a trustworthy partner in the multilateral system.
- **The OECD’s regional programmes** with Eurasia, Latin America and the Caribbean (LAC), the Middle East and North Africa (MENA), and South East Europe (SEE) have been instrumental to anchor and promote OECD standards, knowledge sharing, and good practices in these regions.
- **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 from each other on an equal footing.

What can policy makers do?

43. Policy makers can:

- **Promote strategic enlargement of the OECD by supporting progress in the accession process of the current and new candidate countries and supporting the opening of accession discussions with like-minded countries of strategic importance to the OECD.**
- **Deepen engagement with the Indo-Pacific Region** through the implementation of the OECD Strategic Framework for the Indo-Pacific.
- **Enhance engagement with Africa** through the Africa-OECD Partnership in close co-operation with regional partners.

- **Strengthened engagement, regional influence and impact through the Regional Programmes** covering Eurasia, Latin America and the Caribbean (LAC), Middle East and North Africa (MENA) and South East Europe (SEE) with policy dialogue and tailored solutions to key regional challenges.
- **Enhance inclusion of the OECD in key global policy agendas** in particular those on the green and digital transitions, infrastructure and supply chains. Through the OECD’s global relations tools and by leveraging the membership of the Development Centre, strengthen policy dialogue and, where appropriate, policy-making and standard-setting on an equal footing with non-Members.
- **Strengthen the OECD’s work on development issues and implementation of the 2030 Agenda**, including by supporting countries to design and implement sustainable development strategies and transformative measures related to gender equality/women’s economic empowerment, production transformation and informality that contribute to reducing vulnerability and enhancing resilience.
- **Build on existing, and develop new, measurement tools and modalities of co-operation**, including triangular co-operation and engaging in a dialogue with emerging providers of development co-operation.
- **Continue to support Ukraine’s efforts in rebuilding, reconstruction and reform.** The OECD Ukraine Country Programme is an important tool for helping Ukraine pursue these objectives, and Members’ support for the Programme is a concrete indication of their commitment to reform in Ukraine.
- **Promote discussions on how to strengthen co-operation and policy dialogues between the OECD, non-Members and with other international organisations.** This is key to better reach the goal of establishing the OECD as a legitimate bridge with developing countries.

GUIDING QUESTIONS ⁴

1. *How can the OECD Members optimise the potential of the ongoing and new accession processes, one of the best tools to disseminate its standards and best practices?*
2. *How can the OECD be an attractive “partner” whom non-Members wish to work with? How can the collaboration between the OECD and other international organisations or fora be pursued?*
3. *How can we best continue to integrate new Members into an evolving and enlarging OECD?*

[SESSION 5] CREDIBLE PATHWAYS TOWARDS SUSTAINABLE AND INCLUSIVE GROWTH UNDER THE INTERLINKED GLOBAL CRISES

What is the issue?

44. **The international community is facing unprecedented global challenges:** from climate change, biodiversity loss and environmental pollution, to increasing food insecurity and the impacts of conflicts in particular on low- and middle-income countries. A better understanding of the interlinked challenges of climate change, environmental degradation, biodiversity loss and gender equality, and their impacts on sustainable development is needed.

Breakout group 1: Transformation Towards Net Zero, Circular And Nature Positive Economies

45. **The window of opportunity to secure a “liveable and sustainable future for all” is closing** as climate change is happening faster than previously anticipated²⁵, carrying compounding and cascading risks and increasing the likelihood of abrupt and irreversible changes.²⁶ Slow progress on environmental sustainability can have a differentiated impact on men and women and can hamper the achievement of gender equality. On the other hand, promoting the participation of women in decision-making and in the green

⁴ Suggested questions for discussion are from the latest version of the draft annotated agenda.

economy, and integrating the gender-environment nexus in policy making could lead to stronger and more effective environmental action.²⁷

46. **As emissions keep rising, so do the number and the risk of extreme climate events globally,** with considerable fiscal implications for governments absorbing large shares of damages.²⁸

47. **Meanwhile, interlinked risks arise from biodiversity loss occurring at unprecedented rates,** undermining the ecosystem services we critically depend on, and threatening economies, human health, and well-being.²⁹ For example, climate change reduces the ability of the ocean to act as a carbon sink,³⁰ and plastics pollution, over-fishing, and offshore oil and gas developments, among others, put unprecedented pressure on marine biodiversity.

48. **Climate change, biodiversity loss and pollution are constituting a “triple planetary crisis”** that manifests itself through interrelated environmental threats and effects such as severe droughts, species and ecosystems decline, untreated waste, plastics and chemicals pollution, and health problems. Shifting to a net-zero, circular, and nature-positive economy, and achieving sustainable development requires addressing all three crises jointly.

49. **On the positive side, globally ambitious and coordinated action is gaining momentum.** As of September 2023, 105 countries have adopted or proposed net-zero targets covering around 83% of global greenhouse gas (GHG) emissions;³¹ outcomes of COP 28 included the First Global Stocktake, the decision on the operationalisation of the new funding arrangements, including a fund for responding to loss and damage, and progress on the Global Goal on Adaptation; and the Kunming-Montreal Global Biodiversity Framework of the Convention on Biological Diversity establishes ambitious goals and targets to halt and reverse biodiversity loss by 2030, which will facilitate the transition to a nature-positive economy.

50. **However, current policy action, projected combined effects of countries’ nationally determined contributions, and mobilised finance and investment are insufficient** to meet increasing mitigation ambition and adaptation needs and ensure effective implementation (see Figure 6 in annex).³² For example, around 35% of the GHG emission reductions needed by 2050 are to come from technologies that are still in development, developing countries’ adaptation finance needs are estimated to be over 10 times current international public finance flows,³³ and meeting the 2030 targets under the Global Biodiversity Framework strongly requires more decisive policy action.

Breakout group 2: Sustainable Development

51. **Achieving the goals of the 2030 Agenda for Sustainable Development and the Paris Agreement objectives is in peril,** in spite of decades of progress on human and social development and poverty reduction.

52. **Official Development Assistance (ODA) remains historically high,** and has risen to a new high for the fifth year in a row to USD 223.7 billion in 2023, up 1.8% in real terms compared to 2022. However, there is still a huge financing gap to achieve the Sustainable Development Goals (SDGs) and the Paris Agreement. More efforts are needed to help developing countries access the funds that have been put in place, including climate finance. All actors along the investment chain need to act, ensuring coherence of policies in OECD countries, responsible conduct of intermediaries, and building capacity in developing countries.

53. **The rise in public debt levels in many low- and middle-income countries is concerning.** In a deteriorating global environment, many countries’ public resources to meet sustainable development needs are constrained with less room for maneuver when crises, including natural catastrophes, occur.

54. **Against this background, it is important to reflect on how best to deploy public finance, including ODA, to leverage de-risking and mobilise additional private funds to finance to sustainable development at the speed and scale needed to support global ambition** (see Figure 7 in annex).

55. **Tackling these challenges and creating credible pathways towards sustainable growth requires innovative and collaborative solutions to unlock and scale up all sources of financing, including private**

finance, for development and to address interlinked global crises. To enable convergence towards common values and a more resilient future, it is crucial that governments work with a range of actors and adapt their international development policies, financing instruments, and partnerships with greater focus on mutual interests. Enhancing the ability to work with businesses will be key to reorient financial systems and economies towards the achievement of the SDGs, and climate, and biodiversity objectives.

56. **The global context is evolving and so must development co-operation.** Common ground for further collaboration between development co-operation providers needs to be found. Engagement and mutual learning should be further strengthened to increase impact and effectiveness on the basis of internationally endorsed development effectiveness principles, with the highest standards of transparency and mutual accountability in development co-operation globally.

57. **Development co-operation could act as a catalyst to support a level playing field in developing countries** to tackle shared challenges and ensure protection for the poorest and most vulnerable, while also expanding support for development-related global public goods. It is an important way to advance dialogue and partnership for the SDGs through helping to build the capacities of these countries, supporting the dissemination of OECD standards, as well as promoting and enabling quality investment in line with sustainability criteria to ensure no one is left behind.

What is the OECD doing?

58. The OECD plays a key role in helping governments pursue credible pathways towards sustainable growth and development, including by addressing interlinked environmental threats and global risks:

Breakout group 1: Transformation Towards Net Zero, Circular And Nature Positive Economies

- **The OECD supports governments in their efforts to achieve rapid and deep emissions cuts in this decade and across sectors**, including hard-to-abate emissions from sectors like steel and cement. Together with the IEA, the OECD contributes to the work of the Climate Club (in addition to hosting its Interim Secretariat), an inclusive forum that aims at boosting international climate co-operation and partnerships to facilitate industry decarbonisation. The Nuclear Energy Agency (NEA) is undertaking work on the role of nuclear energy in meeting climate change targets.³⁴
- **With the flagship project [Net Zero+: Climate and economic resilience in a changing world](#)**, work is underway, among others, on education, skills and government capacity to maximise net socio-economic benefits and to enable a just transition, including by taking into account domestic circumstances and shedding light on its social and fiscal implications and by integrating a gender lens to policy analysis, while making the transition itself more resilient also to the effects of climate change.³⁵ A key component of Net Zero+, the [International Programme for Action on Climate \(IPAC\)](#), helps countries strengthen their climate action through improving data and indicators for measuring climate risks, adaptation and mitigation actions.
- **The OECD-IEA Climate Change Expert Group (CCXG)** supports global climate policy efforts by promoting dialogue and enhancing understanding on key issues in the international climate change negotiations and for implementing the Paris Agreement.
- **The [Inclusive Forum for Carbon Mitigation Approaches \(IFCMA\)](#)** aims to optimise the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and inclusive multilateral dialogue between developing, emerging and advanced economies.
- **The OECD supports countries in [national adaptation planning](#)** by helping countries conduct climate risk assessments based on which it supports the design of effective national adaptation plans and strategies. The OECD also develops adaptation indicators to measure countries' progress towards their national adaptation goals and the broader Global Goal on Adaptation. Furthermore, the OECD supports

the design of effective adaptation finance strategies to crowd-in private investments and reduce reliance on government funding for recovery and rehabilitation from extreme events.

- **The upcoming OECD Environmental Outlook** will assess the triple planetary crisis and how climate, biodiversity and pollution issues interact, identifying synergies and trade-offs across policy areas.
- **The OECD supports countries in implementing the Global Biodiversity Framework** through providing data, evidence and analysis, for example through the flagship project on [Tracking Economic Instruments and Finance for Biodiversity](#), mainstreaming biodiversity across sectors³⁶, and work on scaling up positive incentives for both maritime and terrestrial biodiversity.
- **The forthcoming OECD Employment Outlook (2024) “The Green Transition and the Labour Market”** compares jobs that are likely to thrive because of the transition, including their attractiveness in terms of job quality, to jobs that are likely to shrink. It assesses the cost of job displacement in high-emission industries, possible employment trajectories for workers, and labour market policies to reduce displacement costs. Particular attention is devoted to upskilling and reskilling strategies and the distributive impacts of climate-change mitigation policies.
- **The OECD supports governments to operationalise policies ensuring the safe and sustainable use of chemicals**, for example through the development of standards allowing to identify hazardous chemicals. The OECD supports Members and partner countries in transitioning to more resource efficient circular economies, including through promoting the use of economic policy instruments and with a focus on plastic pollution (also supporting negotiations for a global plastics treaty) and critical raw materials.
- **OECD flagship work assesses that annual climate finance provided and mobilised collectively by developed countries for climate action in developing countries reached USD 89.6 billion in 2021**,³⁷ with preliminary data indicating that the USD 100 billion goal is likely to have been met in 2022. Such finance is key to combat and adapt to climate change, halt biodiversity loss and pollution, achieve the SDGs and a just transition, helping to tackle poverty and reduce inequalities. Of the total climate finance provided and mobilised by developed countries, the amount mobilised from the private sector remains relatively small, at only USD 14.4 billion. The OECD is also tracking development finance, including climate finance, in support of gender equality through the DAC Gender Equality and Rio Policy markers.
- **The OECD helps governments improve domestic enabling environments for mobilising private finance and investment and optimise public finance for the transition and sustainable development.** This includes work on public investment, blended finance, green budgeting, pricing, taxing, subsidies, and incentives, including in relation to climate mitigation and adaptation, biodiversity, water and sustainable ocean economy, as well as policies and instruments to green the financial sector and reorient finance in support of environmental goals and the SDGs.
- **The OECD convened Ministers of Science, Technology and Innovation on 23-24 April 2024** to discuss and deliver a Declaration on Transformative Science, Technology, and Innovation Policies for a Sustainable and Inclusive Future. Ministers also welcomed a new Agenda for Transformative Science, Technology and Innovation Policies for the green transition, as well as a new Framework for Anticipatory Governance of Emerging Technologies, and reaffirmed the need for international co-operation to address global challenges.

Breakout group 2: Sustainable Development

- **The OECD is the custodian agency for ODA**, which is a critical source of external finance for developing countries. ODA levels rose in 2023 to a new all-time high of USD 223.7 billion, up from USD 211 billion in 2022.
- **The collaboration between the Development Assistance Committee and the newly established International Forum on Total Official Support for Sustainable Development (TOSSD)** measures

and monitors financing flows beyond ODA, to include private finance mobilised, triangular co-operation, and financing of global public goods.

- **The Equitable Framework and Finance for Extractive-based Countries in Transition (EFFECT)** helps mineral-rich developing countries design realistic, just and cost-effective low-carbon transition pathways. It identifies ways of mitigating the transition's impacts on fossil fuel industries, workers and poor households, and of preventing the risks of high-carbon lock-in and stranded assets.
- **The [2022 OECD Recommendation on the Role of Government in Promoting Responsible Business Conduct \(RBC\)](#)** encourages adherents to promote RBC in development co-operation efforts and finance.
- **The OECD supports governments to design, implement and monitor coherent and integrated policies for sustainable development** in line with the [2010 OECD Recommendation on Policy Coherence for Sustainable Development](#).
- **The forthcoming OECD Development Co-operation Report** will examine and provide analysis on the ways in which development co-operation can redouble efforts to reduce poverty and inequalities, to be launched in the lead up to the UN Summit of the Future in September 2024.
- **The OECD will deliver a new Organisation-wide strategy on development**, in coherence with the 2030 Agenda for Sustainable Development, modernising ambitions and instruments to adapt to a rapidly changing global context. The new strategy will aim to optimise the OECD's core strengths in cross-sectoral work to promote a whole-of-OECD offer on sustainable development built on inclusive dialogue and partnership with non-Members underlining the OECD's value proposition for partners at all stages of development.
- **The OECD provides platforms for inclusive dialogue and partnerships**, including [the Global Partnership for Effective Development Co-operation](#), a multi-stakeholder platform supported by the OECD and UNDP, which brings together stakeholders from both public and private sectors, who are committed to strengthening the effectiveness of their partnerships for development and the 2030 Agenda.

What can policy makers do?

59. Achieving development, climate and other environmental goals requires effective and ambitious policy action. Policy makers can:

Breakout group 1: Transformation Towards Net Zero, Circular And Nature Positive Economies

- **Maximise policy synergies and coherence while minimising unintended consequences.** Synergies can be reached, for instance, with nature-based solutions and the conservation and restoration of natural carbon sinks that can help limit, and adapt to climate change, while contributing to biodiversity protection and improving air quality, complemented by action to identify and phase out or reorient environmentally harmful subsidies.
- **Boost green innovation**, for example by targeting support measures to early-stage innovation, R&D and scaling up green technology adoption, increasing demand for green technologies, and shifting towards a mission-oriented approach to technology development and deployment.
- **Integrate climate resilience in economic planning with a gender lens across sectors and incentivise private actors to invest in climate adaptation measures**, including to reduce long-term contingent liabilities in public budgets.
- **Strengthen biodiversity policies, both regulatory and economic incentives, and mainstream biodiversity across sectors**, to halt and reverse biodiversity loss by 2030 and transition to a nature-positive economy, and ensure that water policies and national and global agendas, including on development and justice, are mutually supportive.

- **Transition to a more circular economy** to address resource scarcity, including critical raw materials, benefit biodiversity, limit climate change, and reduce pollution. Governments have a crucial role in creating an enabling environment in which circular business models are economically attractive and scalable.
- **Scale-up finance investment for climate, biodiversity, water and the circular economy** – private, public and a blend of both – including by mobilising globally available capital and aligning it with environmental goals, e.g. stemming from the Paris Agreement, the SDGs, and the Global Biodiversity Framework, in co-operation with development finance institutions, financial supervisors and regulators, standard-setters, investors, project developers, and civil society. Continue to increase the amount and quality of climate-related ODA that integrates gender equality considerations.³⁸

Breakout group 2: Sustainable Development

- **Promote policy coherence for sustainable development** by considering the transboundary aspect of policy making to increase the effectiveness of their policies and with a view to achieving the SDGs, and by continuing to develop adequate metrics and frameworks to orient and measure the contribution of the private sector to the SDGs and promote harmonisation and inter-operability of these frameworks.
- **Maintain and increase support for development co-operation and ODA** to ensure the protection for the poorest and most vulnerable, while also promoting the OECD's shared values and standards globally.
- **Better leverage and maximise the sustainable development impact of ODA and other official flows to mobilise private finance and investment** through innovative instruments with a focus on quality (blended finance, bonds, guarantees, etc.) that is aligned with the SDGs and built on inclusive partnerships.
- **Concessional finance must be significantly scaled up and used strategically to mobilise the largest possible amounts of private capital in support of** the acceleration of green transition in developing countries.
- **Foster the quality infrastructure investment** vital to support sustainable growth and resilient economic recovery through the promotion of quality certification schemes such as the Blue Dot Network (which has its Secretariat hosted by the OECD), which aims to build on existing international standards to strengthen quality infrastructure projects – including on climate resilience – and better inform investment decisions.
- **Promote debt sustainability and transparency** and work together with borrower countries and official bilateral and private creditors to prevent and resolve unsustainable debt situations.
- **Help shape the post-2030 Agenda and financing framework** by further integrating a long-term horizon for sustainability and financing into their development co-operation planning and strategies.

GUIDING QUESTIONS ⁵

Breakout Group 1: Transformation Towards Net Zero, Circular And Nature Positive Economies

1. *What is your experience in addressing climate change, biodiversity loss and pollution in an integrated manner?*
2. *How can we enhance synergies in our environment and climate policies and actions?*
3. *How can we take into account the needs of groups that are disproportionately affected by the triple planetary crises? How can we better include the voices of those groups who are often critical leaders and agents of change?*

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

4. *What do you expect for the OECD to support Member countries on implementing synergistic approaches?*

Breakout Group 2: Sustainable Development

1. *What are the recent efforts by Members to promote coordinated response for sustainable development? Discussion can focus on the efforts to address the financing gaps for sustainable development, including catalytic use of ODA in mobilising private finance.*
2. *How can Members strengthen partnerships and collaboration with various actors to this end?*
3. *How can the OECD contribute to the above Members' efforts, making use of its comparative advantages?*

[SESSION 6] SOLUTION-ORIENTED APPROACHES TO EMERGING CHALLENGES

What is the issue?

60. **Digital transformation creates unprecedented opportunities to improve people's lives, deliver the sustainable development agenda and address global challenges.** Digital technologies, including AI, and the data and cross-border data flows that underpin them are rapidly evolving components of this transformation. Fostering the innovative potential of trustworthy, human-centric, and rights-oriented AI and promoting data free flow with trust (DFFT) are essential to harnessing the benefits of the digital transformation while mitigating risks related to it. Given that their impact reaches beyond and across national borders, trustworthiness is a global challenge.

61. **AI, including generative AI, is demonstrating its potential** for transforming jobs and the public sector, productivity, healthcare, scientific discovery and learning, which is driving increased attention in financial markets. Global venture capital investments in AI start-ups have more than tripled between 2015 and 2023.³⁹ Meanwhile, investments in generative AI start-ups boomed in 2022-23, multiplying by a factor of 14 (see Figure 8 in annex). As investments advance applications that can be adopted widely, the contribution to economic growth could be strong.

62. **While AI provides tremendous benefits, it also poses risks of harm to people, organisations and the environment.** These include bias and discrimination, disinformation and manipulated content, privacy infringements, environmental impacts and security and safety issues.

63. **As such, there is an urgent need for addressing potential gaps in international governance through interoperable policy approaches that promote the responsible stewardship of AI across sectors,** and that advance safeguards to mitigate risks and advance concrete solutions to guide human-centric and rights-oriented technology design, development and deployment.

64. **Building trust in the global data ecosystem to facilitate the flow of data, including across borders, is necessary for promoting economic growth and beneficial societal applications.** The collection, analysis and transfer of data, including across borders, underpin AI and the Internet of Things. They are growing in volume and are integral to every sector of the economy, to economic competitiveness, and to societal well-being. However, data collection and processing, as well as AI development and deployment, can be misused and abused in ways that can harm individuals and organisations, including through violations of privacy, personal data, digital security, information integrity and intellectual property rights. The impact of data and its regulation goes beyond national borders and affects not only OECD Member countries but also non-Members. Therefore, engagement with relevant organisations is key.

65. **Efforts to mitigate these risks in a context of low trust, uncertainty, conflicting interests of different stakeholders and lack of multistakeholder co-operation can lead to divergences in policy and regulatory approaches, within and beyond the OECD Membership,** resulting in policy uncertainty and below potential use of this valuable resource. OECD Members, and beyond, share concerns that such challenges among like-minded countries may impede technology development, slow economic growth and inhibit innovation.

What is the OECD doing?

66. The OECD aims to solidify its lead role on policy advice for a rights-oriented digital transformation:

- **The OECD held a meeting of the Committee on Digital Economy Policy (since renamed as the Digital Policy Committee) at Ministerial level** in Spain on 14-15 December 2022 at which Ministers and other High Level Representatives adopted the [Declaration on a Trusted, Sustainable and Inclusive Digital Future](#); the [Declaration on Government Access to Personal Data held by Private Sector Entities](#); and launched the OECD Global Forum on Technology (GFTech).
- **The OECD.AI Network of Experts (ONE AI) provides policy, technical and business expert input to inform OECD analysis and recommendations on AI.** The OECD Working Party on Artificial Intelligence Governance (AIGO) oversees the OECD's work on AI policy and governance and helps governments to implement the [2019 OECD Recommendation on AI](#).
- **The OECD is supporting the implementation to the [2019 OECD Recommendation on AI](#),** with a report to Council on its implementation and revisions to the Recommendation taking into account new developments such as generative AI and relevant new legislation, including at the regional level, as well as international guiding principles and codes of conduct.
- **To develop resources and inform policymaking for responsible stewardship of trustworthy AI, the OECD brings together more than 70 jurisdictions and a large community of inter-disciplinary expertise** through the [OECD.AI Policy Observatory](#), including the Catalogue of Tools and Metrics for trustworthy AI and the new AI Incidents Monitor. The OECD fosters international interoperability of AI frameworks, for example through the Framework for the Classification of AI Systems.
- **The OECD currently hosts the secretariat of the Global Partnership on AI (GPAI),** which provides a mechanism for sharing multidisciplinary research and identifying key issues among AI practitioners, facilitating international collaboration and promoting the adoption of trustworthy AI. The OECD and GPAI are currently exploring arrangements to reinforce synergies.
- **Evidence to support policy responses to AI governance and in sectoral areas such as employment, healthcare, education and skills are vital.** This includes the OECD Employment Outlook 2023, OECD Skills Strategies, the OECD Artificial Intelligence in Work, Innovation, Productivity and Skills (AI-WIPS) programme, the [2016 OECD Recommendation on Health Data Governance](#), the Digital Education Outlook, and the forthcoming Digital Economy Outlook 2024. The OECD is preparing a roadmap for addressing risks in the workplace and healthcare that will help prioritise risks and actions needed to fill policy gaps.
- **The OECD is developing measures of AI capabilities and approaches for analysing their implications** for education, labour markets and society.
- **To analyse the impact of AI on firms,** the OECD is analysing patterns of AI adoption at the firm level, the links between AI use and firm productivity and emerging patterns in AI skills demand.
- **The OECD is convening an expert community on Data Free Flow with Trust (DFFT) to advance solutions-oriented, evidence-based and multi-stakeholder co-operation,** including enhancing transparency around policies and regulations for cross-border data transfers, identifying use cases for privacy-enhancing technologies in cross-border sharing, and promoting the [2022 Declaration on Government Access to Personal Data Held by Privacy Sector Entities](#).
- **The OECD is developing implementation guidance for the [2021 OECD Recommendation on Enhancing Access to and Sharing of Data](#)** and examining the impact of technologies such as privacy enhancing technologies and of trusted data intermediaries. Building on the deliverables of the third phase of the OECD's Going Digital Horizontal Project, this work includes the Guide to Data Governance for Growth and Well-being.
- The forthcoming report **OECD Governing with AI** will focus on how governments need to evolve to

use AI in policy making and policy delivery focusing on core government functions, public management functions and public services.

What can policy makers do?

67. Policy makers can:

- **Implement forward-looking policies and governance approaches, informed by evidence and inclusive multi-stakeholder co-operation** to realise the transformative potential of digital and emerging technologies. The policy response needs to consider the technology throughout its lifecycle to mitigate risks, promote innovation and ensure alignment with human rights, democratic values and social cohesion, as well as inclusive uptake of technology to support broad-based economic growth, environmental sustainability and well-being.
- **Deepen co-operation through international fora for the governance, safe and secure development and deployment of AI.** Multistakeholder, inter-disciplinary and international co-operation is needed at the global level to develop trustworthy AI. This could include, for instance, common guardrails for AI systems throughout their lifecycle, such as safety thresholds and clear, operational red lines. These need to be widely accepted, easily translated into practice, and based on internationally agreed norms and guiding principles.
- **In the workplace, ensure access to training to work with AI to give workers and employers the means to benefit from the use of AI.** While most OECD countries have launched training initiatives for digital skills, only a minority of courses include some elements of AI and they tend to be aimed at higher qualified adults.
- **Promote measures to prevent and mitigate AI-related risks for the rights and safety of workers.** This includes applying to AI uses and adapting as needed legislation on privacy, health and safety and against discrimination, as well as developing measures to ensure accountability, transparency and explainability. Roadmaps to identify policy gaps and needed actions for trustworthy AI use in the workplace can promote effective policy implementation.
- **Support the responsible use of trustworthy AI by firms and help to unlock the potential of data for firms, with special attention to the needs of SMEs.** This requires an enabling environment, where complementary assets like digital skills, high-speed and high-quality communication infrastructure and digital tools like cloud computing and data portability are developed and strengthened.
- **Promote international multistakeholder knowledge-sharing and co-operation to advance solutions-oriented, evidence-based dialogue on operational responses to practical problems related to data transfer and sharing in a cross-border context.** Key stakeholders include academia, industry, government, and regulators. Subject to the progress and outcomes of the expert community on DFFT, further institutionalisation could help leverage common approaches to unlock the social and economic benefits of data flows.
- **Deepen co-operation through international fora for the governance, safe development and deployment of AI.** Multistakeholder, inter-disciplinary and international co-operation is needed at the global level to develop common guardrails for safe development of AI, such as safety thresholds and clear, operational red lines. These need to be widely accepted, easily translated into practice, and based on internationally agreed norms and guiding principles.
- **Tailor policy approaches to data in accordance with their characteristics, notably personal information, public sector data, and private sector data.** Convening discussions on data policy among experts, including stakeholders from industries that are already engaged in cross-border activities, can support this effort.

- **Consider data governance in a cross-sectoral manner**, bringing together aspects such as privacy, competition, consumer protection, health and finance to develop holistic policies that can manage risks and benefit from the opportunities of data access and sharing.
- **Increase investments and provide greater direction in research and innovation that is essential for technologies to address global and emerging challenges.** This requires more directive funding approaches as well as policies to promote collaboration, partnerships and platforms for co-creation, such as mission-oriented innovation policies.
- **Encourage the use of AI in the public sector** which can promote transparency, fairness, and accountability, and help fight fraud and corruption. AI can transform how governments design public policies and deliver public services, to be more inclusive and better respond to the evolving needs of citizens and specific communities.

GUIDING QUESTIONS ⁶

Session 6.1: Artificial Intelligence (AI)

1. *Taking into account the discussion on revisions of the OECD Recommendation on AI, what role is expected of the OECD in supporting its implementation within and beyond its Members in the future?*
2. *Considering the recent rapid development of generative AI, how should the OECD AI Recommendation and the OECD collaborate with international discussions taking place in various forums including the Hiroshima AI Process and the United Nations?*
3. *In order to maximise its value, on which perspectives should the OECD focus in future discussions on AI governance, taking into consideration the work in other forums such as the Hiroshima AI Process, GPAI, and UNESCO?*

Session 6.2: DFFT, Data Governance and Security

1. *How can we cooperate to resolve issues related to cross-border data flows, including through the use of the IAP (DFFT expert community established under the OECD), among Member countries, with non-Member countries, and with other international and regional organisations?*
2. *What actions are needed in the OECD, including strengthening its institution, to respond the rapidly increasing demands on multilateral co-operation on digital policies and its core element of data governance?*
3. *How can we best work together to better address the emerging challenges arising from enhanced cross border interaction such as cross-border data flows in the mid- and long-term in the light of setting up and strengthen a permanent place of international data governance?*

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

ANNEX – FIGURES

Figure 1: Adherences and participation by Southeast Asian countries to the OECD

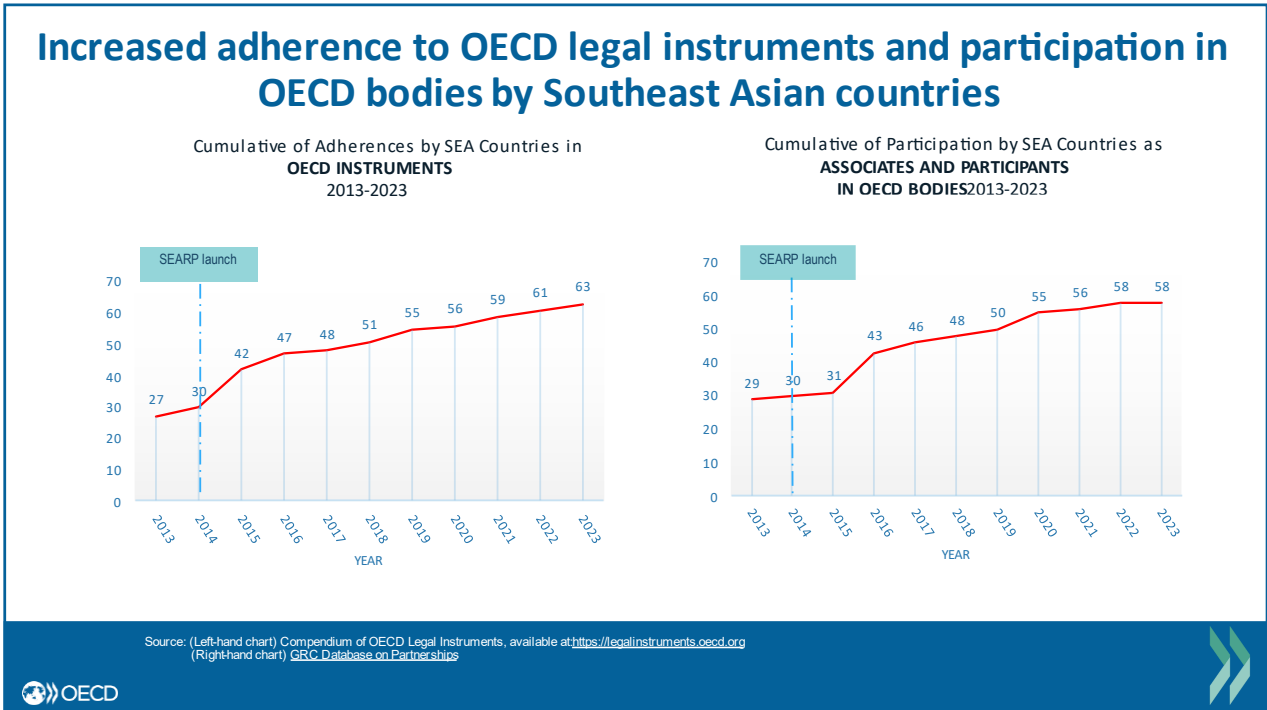


Figure 2: Trend growth in the OECD - OECD Economic Outlook

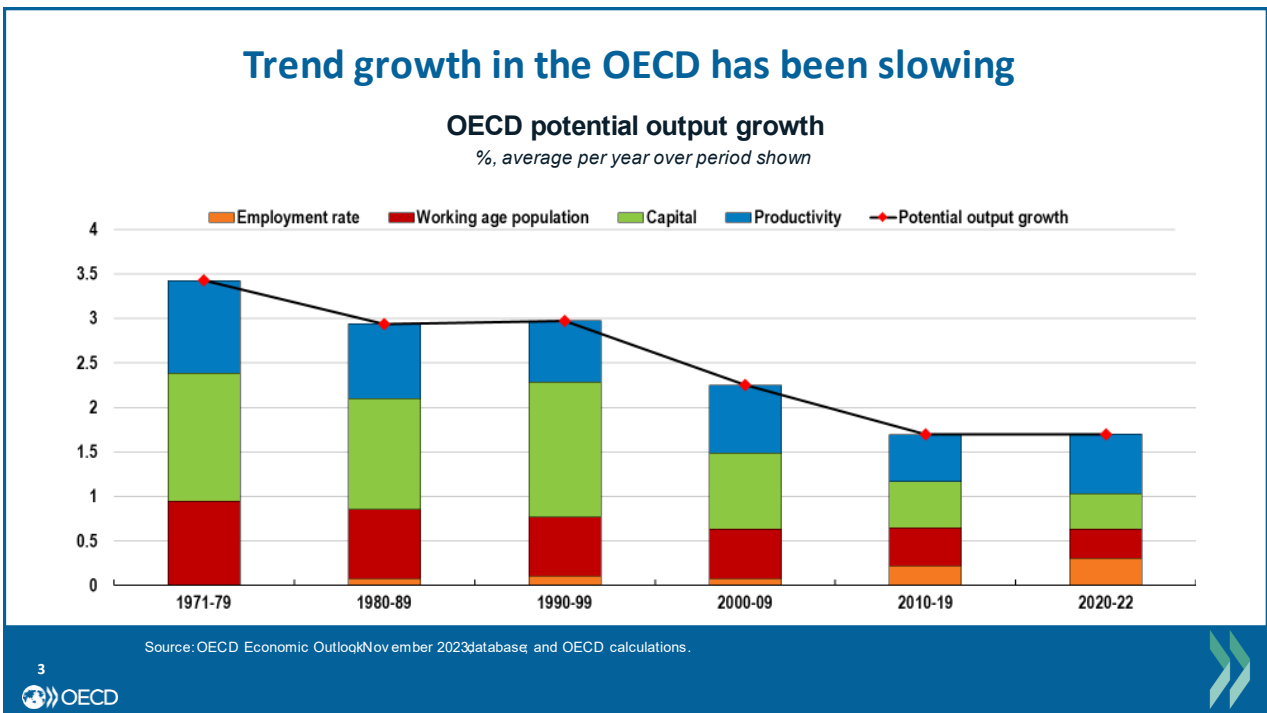


Figure 3: OECD Services Trade Restrictiveness Index (STRI)

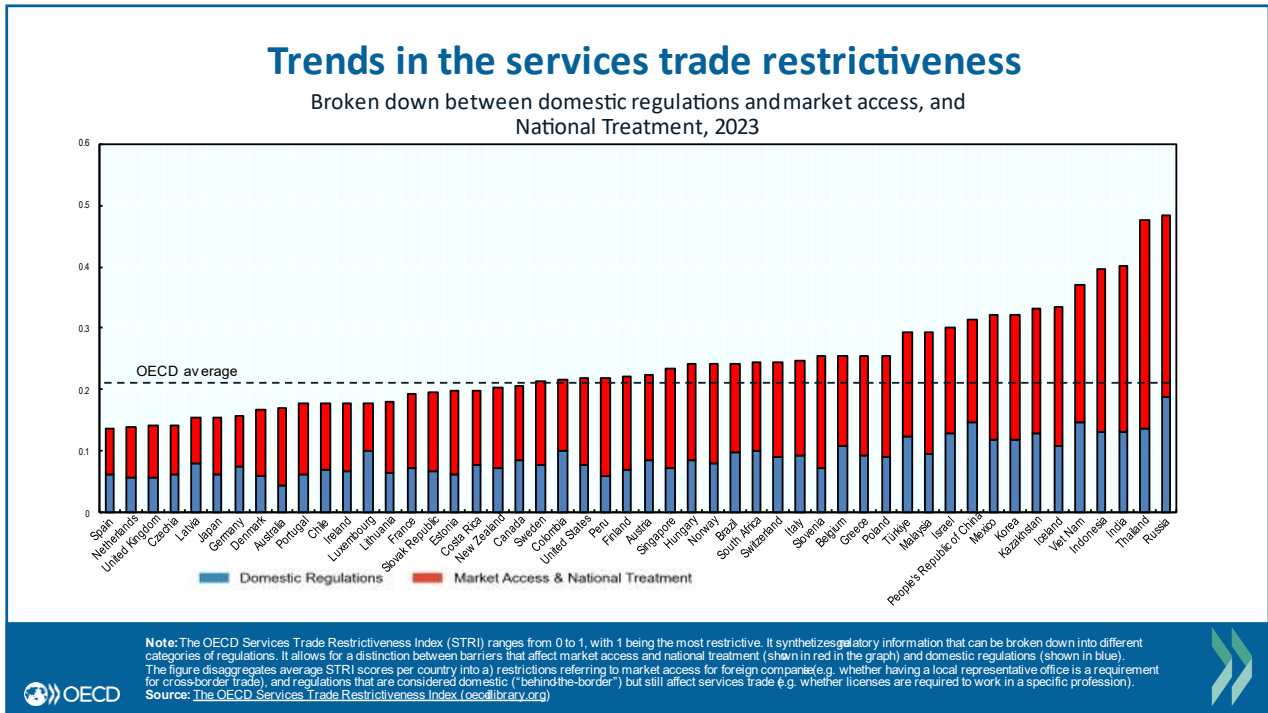


Figure 4: OECD's share in the global economy

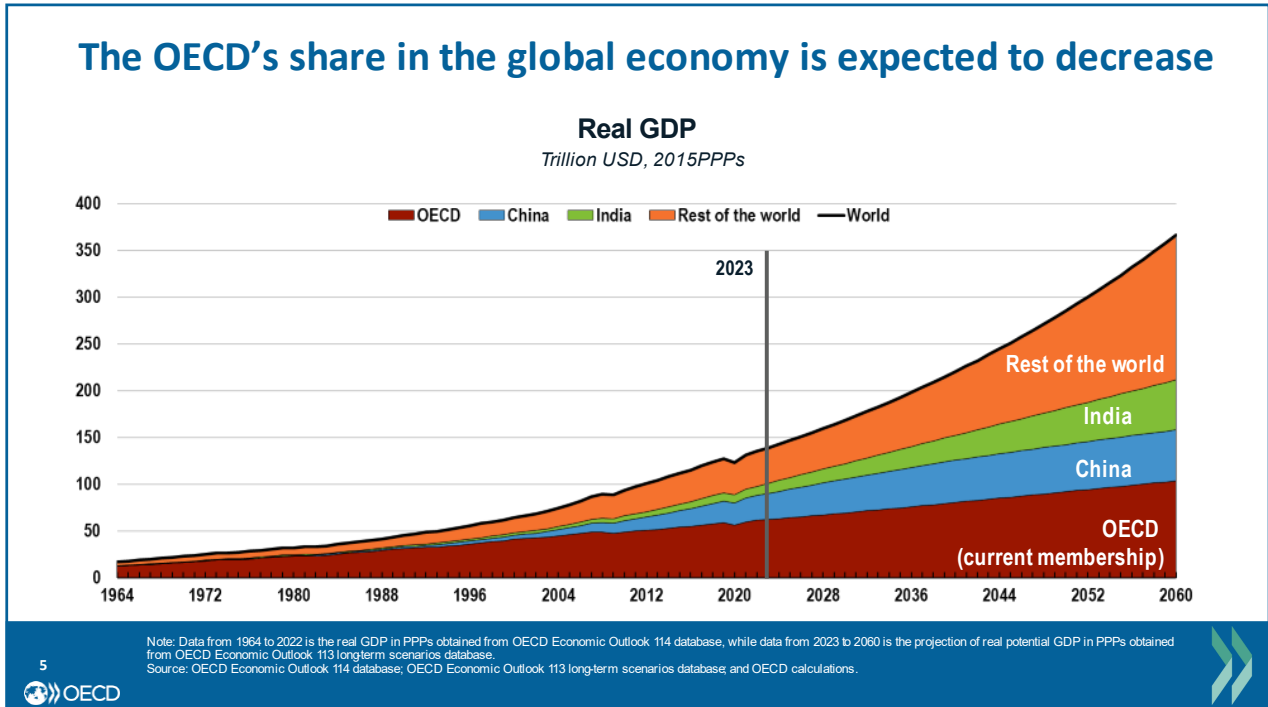


Figure 5: Global Growth

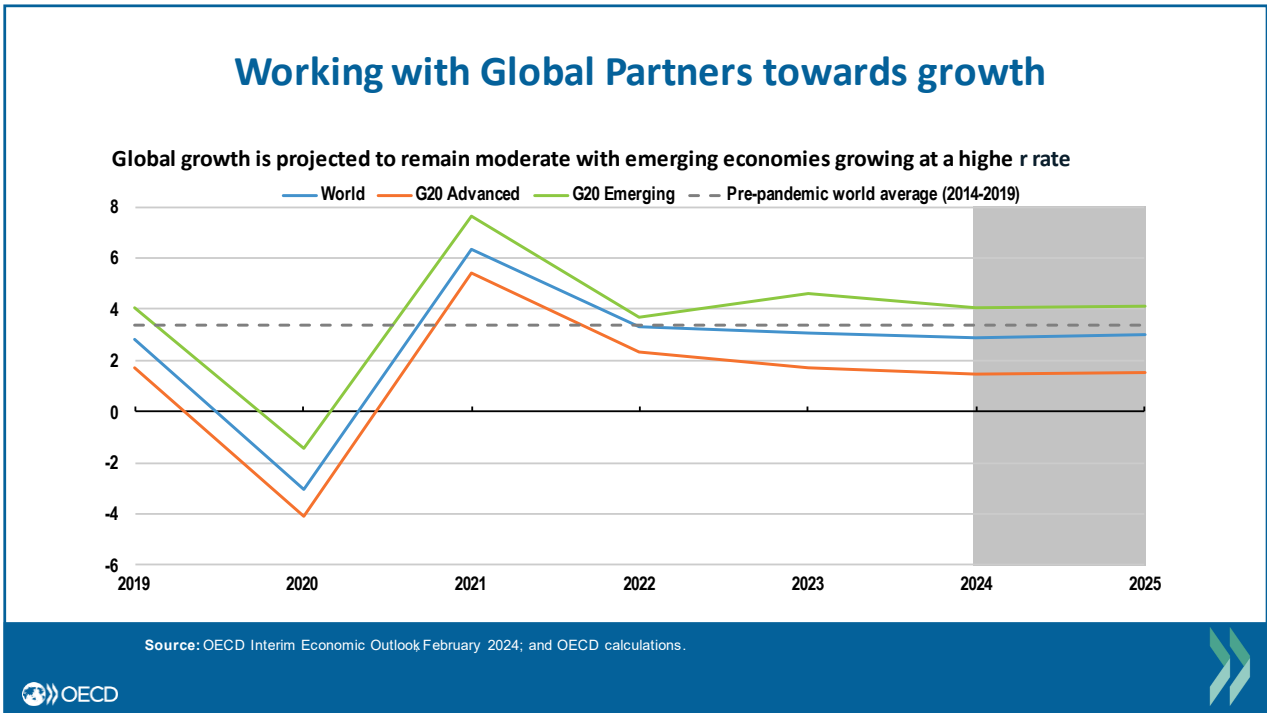


Figure 6: Policy Instruments for the Environment

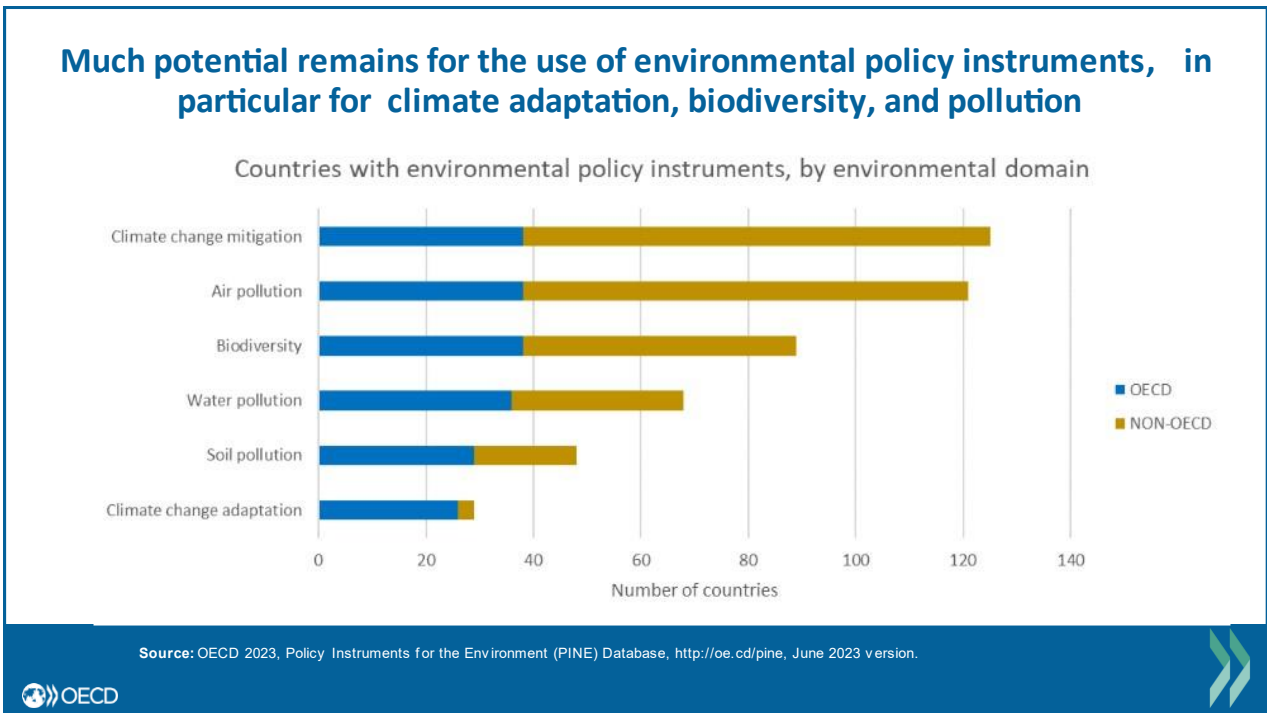


Figure 7: Mobilised private finance by official development finance interventions

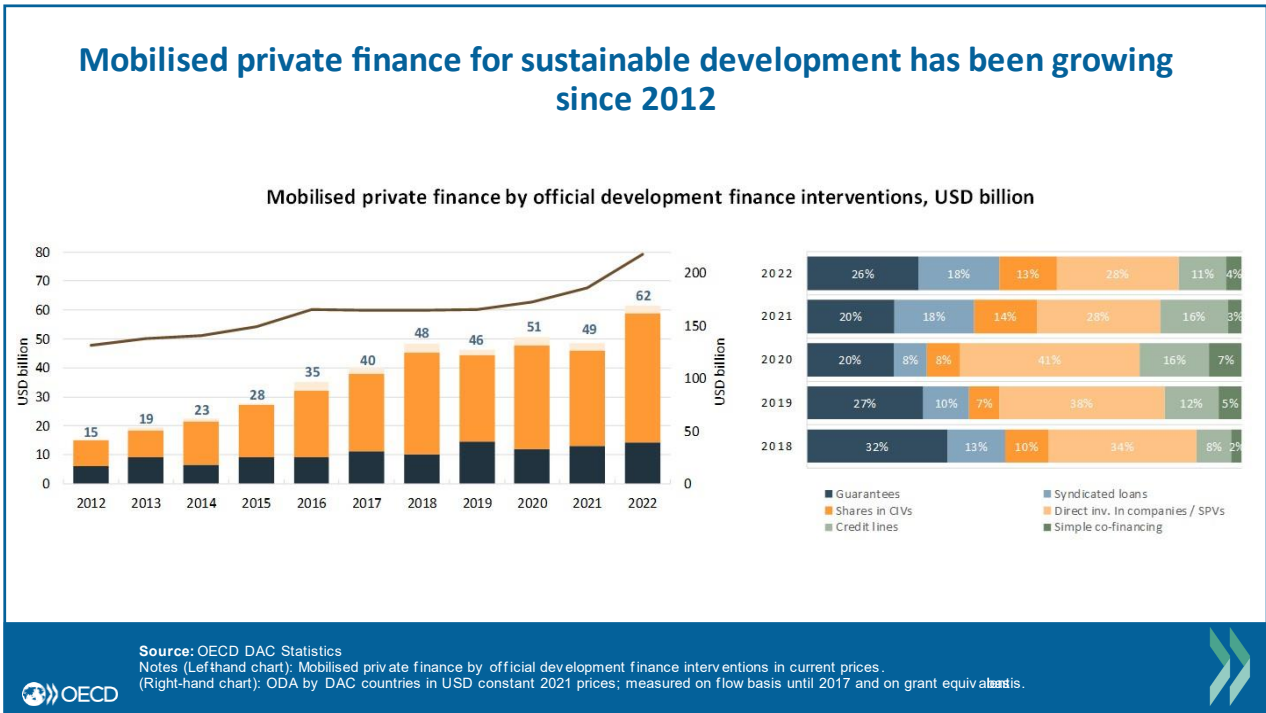
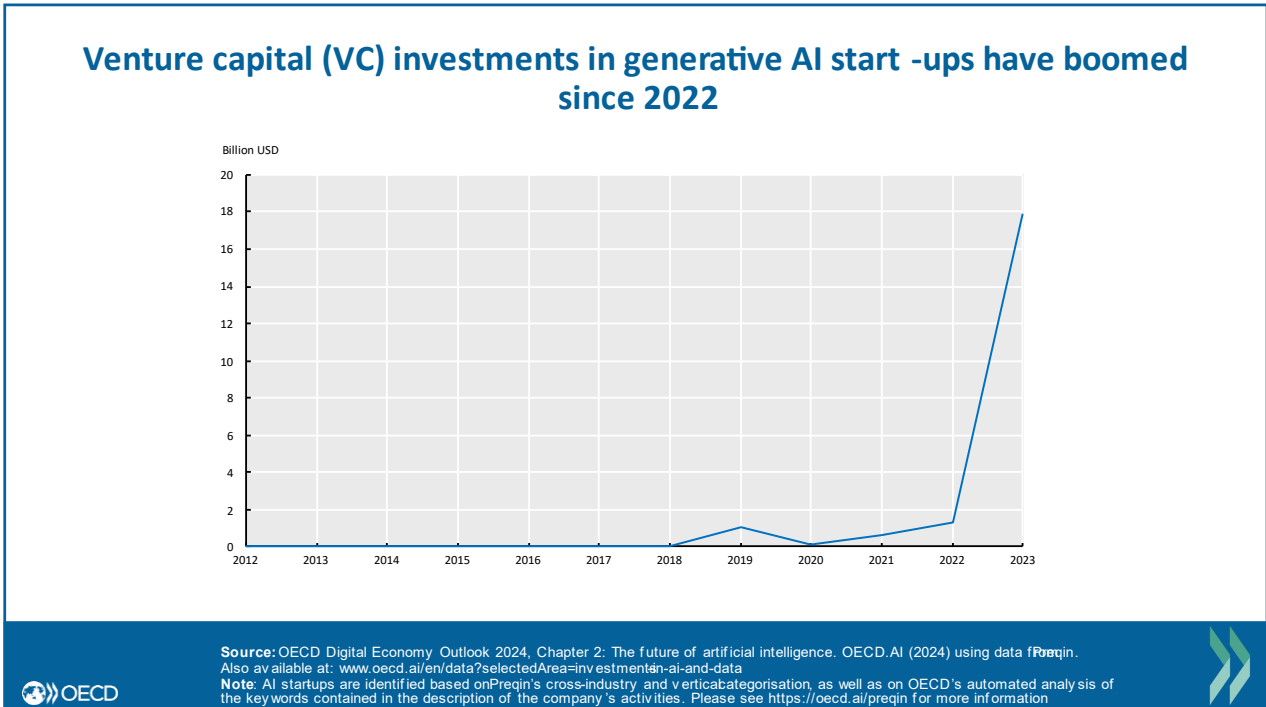


Figure 8: Venture capital (VC) investments in generative AI start-ups



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