Programme and Key Documents

From Recovery to Sustained Growth
Paris, 27-28 May 2010
Contents

Meeting of the Council at Ministerial Level - Agenda 3
Annotations 4
Strategic Orientations by the Secretary-General 8
Discussion Notes 19
Ministerial Council Background Documentation 29
OECD Forum 2010: Draft Programme 30
Meeting of the Council at Ministerial Level - Agenda

“From Recovery to Sustained Growth”

Château de la Muette, Paris
Thursday 27 May and Friday 28 May 2010

Thursday, 27 May

12h30
1. Opening Remarks by the Chair and Adoption of the Agenda C/A(2010)12/PROV
2. Strategic Orientations, by the Secretary-General C/MIN(2010)1

14h00

17h00
4. Accession ²

20h00
5. Global Economic Co-Operation

Friday, 28 May

08h00
6. Management Issues ³

09h00

10h00
8. Sources of Growth
   • Innovation C/MIN(2010)4
   • Green Growth C/MIN(2010)5
   • Trade

13h45

1. C/MIN(2010)2 will serve as the basis for the discussion under Items 3, 5, 7 and 8
2. Public Session
3. For Members only
Annotations

Thursday, 27 May

12h30 – Working Lunch (Room C)

ITEM 1: Opening Remarks by the Chair and Adoption of the Agenda

The Chair will open the meeting with a welcome address to all participants, and in particular to the Accession and Enhanced Engagement countries.

Ministers will be invited to formally adopt the draft agenda [C/A(2010)12/PROV].

ITEM 2: Strategic Orientations by the Secretary-General

The Secretary-General will report on the highlights of the OECD’s work, the progress since the last MCM and the strategic directions he proposes for the coming year. As the focus of policy makers shifts from crisis management to more structural issues in order to sustain recovery, this is also a good time to lay down the foundations of a stronger, cleaner and fairer world economy. On the occasion of the Organisation’s 50th Anniversary celebration, which starts later this year, and goes into most of 2011, the MCM is an opportunity to reflect on the OECD’s role in the evolving global architecture, on progress made and on what remains to be done. The contribution made by the OECD in the G20 and other worldwide fora needs to be seen in this context.

Ministers will be invited to give political guidance on strategic orientations for the OECD, on how to maximise OECD contributions and increase its impact.

The discussion will be supported by the paper “Strategic Orientations by the Secretary-General” [C/MIN(2010)1].

Ministers will be invited to take note of the Progress Reports on Accession [C/MIN(2010)7] and Enhanced Engagement [C/MIN(2010)8]. An update of the Strategic Response will also be available [C/MIN(2010)9].

14h00 – Plenary session (Room CC6)

ITEM 3: Fiscal Consolidation and Employment

The OECD’s Chief Economist will provide the highlights of the May 2010 edition of the Economic Outlook, including the current global economic situation and prospects for OECD countries and for major emerging economies. Ministers will then be invited to discuss the overarching challenge in most countries of ensuring a sustained and “jobs rich” recovery, while simultaneously moving to a more sustainable fiscal position. Strategies to withdraw exceptional policy measures taken during the crisis will have to be developed with these twin objectives in mind.

The design of fiscal consolidation in a way that promotes long run growth will be examined. In this context, Ministers will be invited to share their experiences on how to prioritise public spending and introduce pro-growth tax reforms and to discuss which policies and structural reform strategies are needed to harness new sources of growth. The issue of co-ordination of fiscal responses and exit strategies will also be touched upon. As international spillovers of these responses can be significant, cross-country coherence is paramount to ensure a balanced recovery.
The economic crisis became a global jobs crisis. Unemployment rose sharply in most OECD countries. The OECD projections suggest that the current phase of recovery needs to be strengthened to make sizeable inroads into the number of unemployed in the near term. Ministers will be invited to comment on policies for avoiding further job losses and for ensuring that the current high levels of unemployment do not become structural. They could describe their experience on the policies to enhance employment, with special focus on the increased participation of women, youth, elderly, immigrants and low skilled workers.

The debate will be supported by a Discussion Note [C/MIN(2010)2].

**17h00 – Public session (Room CC6)**

**ITEM 4: Accession**

On 7 May 2010, Chile formally became an OECD Member and, on 10 May 2010, Estonia, Israel and Slovenia were invited to become OECD Members. This public session, attended by the Prime Ministers of Estonia, Israel and Slovenia and a Minister from Chile, will welcome the new Members into the OECD.

**18h00 – End of session**

**20h00 – Working Dinner (Embassy of Italy)**

**ITEM 5: Global Economic Co-Operation**

The increasing interdependence of the world economy clearly implies that it will not be possible to achieve lasting economic growth and stability without enhancing the dialogue among countries at different levels of development. This session will be a propitious occasion to hear the views of Accession and Enhanced Engagement countries regarding their expectations about the OECD and the best ways to integrate such expectations into the Organisation’s work. The format of this discussion will be a working dinner hosted by the Chair.

The debate will be supported by a Discussion Note [C/MIN(2010)2].

Ministers will be invited to take note of the Progress Report on Setting Strategic Development Goals for the OECD [C/MIN(2010)11].

**22h30 – End of Working Dinner**

**Friday, 28 May**

**08h00 – Working Breakfast (Room CC12) – OECD Members only**

**ITEM 6: Management Issues**

This session will be devoted to management issues.
09h00 – Plenary session (Room CC6)

ITEM 7: Propriety, Integrity and Transparency

Building on the Conclusions of the 2009 Ministerial Council Meeting, which underscored “that a renewed commitment to responsible business conduct will help to rebuild trust and confidence in markets”, the work on Propriety, Integrity and Transparency in the Conduct of International Business and Finance is of significant importance. Indeed, the crisis has revealed the extent to which the good functioning of markets and ultimately a stable world economy is connected to these principles. Ministers will have an opportunity to assess OECD’s instruments on propriety, integrity and transparency. They will also be invited to discuss the prospects for enhancing the coherence of existing standards regarding the conduct of international business and finance and how the OECD can help with this endeavour.

A draft Ministerial Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance will be submitted by the Chair to the attention of Ministers for their endorsement [C/MIN(2010)3].

The debate will be supported by a Discussion Note [C/MIN(2010)2].

10h00 – Plenary session (Room CC6)

ITEM 8: Sources of Growth

10h00-12h00

Innovation

Innovation is an essential prerequisite for sustainable growth and for addressing major global and social challenges, above all in the context of a fragile world recovery. The OECD is delivering its OECD Innovation Strategy, an important multidisciplinary project to capture the broad and complex nature of innovation today, and provide guidance to governments on how to design and implement policies to boost innovation. Indeed innovation is an interactive system of which Research and Development is only one component. Ministers will be invited to discuss the cross-cutting policy challenges to foster innovation, including education, skills and employment policies; science, technology and research; framework conditions; infrastructure and investment; and public sector policies and governance. Issues of coherence and the appropriate co-ordination of these policies will also be examined. In this context, Ministers may want to consider new avenues for international co-operation on innovation, including support for innovation capacities in low income countries.

The debate will be supported by a Discussion Note [C/MIN(2010)2].

The session will be opened by a presentation of the Key Findings of the Innovation Strategy [C/MIN(2010)4]. Ministers will be invited to welcome the report. The publications “The OECD Innovation Strategy: Getting a Head Start on Tomorrow” and “Measuring Innovation: A New Perspective” will be available.

Green Growth

Green growth means promoting economic growth, while at the same time reducing greenhouse gas emissions and pollution, minimising waste and inefficient use of natural resources and maintaining biodiversity. It also means creating new opportunities for knowledge and innovation, along with improving health and job prospects, and strengthening energy security. Green Growth is also about changing behaviours of producers and consumers.
Several issues need to be addressed to achieve these objectives. Ministers will be invited to discuss the appropriate policy and regulatory framework that need to be put in place to achieve green growth. This includes labour and social policies to harness the employment opportunities from new green growth sectors.

As economic growth and development are intimately linked to the management of environmental resources, the discussion could also include a focus on policies to assist low-income countries with the formulation and implementation of their green growth strategies.

The session will be opened by a presentation of the Interim Report of the Green Growth Strategy [C/MIN(2010)5]. Ministers will be invited to welcome this report and give guidance on the strategy.

The debate will be supported by a Discussion Note [C/MIN(2010)2].


**12h00-13h45**

**Trade**

Trade is already contributing to recovery and it will be an essential component of any realistic policy framework for sustained growth and development. Alongside complementary policies to facilitate needed structural adjustments, trade contributes to productivity growth, the creation of quality jobs, and increased consumer choice. In light of the benefits of trade openness, protectionism, in both trade and investment, should be avoided. Ministers will be invited to examine avenues that they can take, individually and together, in order to open markets further and thereby support the global economic recovery. An immediate opportunity exists: conclusion of the WTO Doha Development Agenda (DDA). The remaining negotiating issues are not insurmountable, and action to conclude the DDA would increase business confidence, solidify the essential role of a rules-based, multilateral trading system that promotes the interests of all trading nations, and deliver widespread economic opportunities. Continuing to resist protectionist pressures remains necessary, but it is also insufficient; action is needed to further open markets. In this context, improving public understanding of the role of trade and investment in job creation also warrants our attention. An aggressive and evidence-based advocacy effort could help overcome current ‘political economy’ constraints to further liberalisation.

The debate will be supported by a Discussion Note [C/MIN(2010)2].


**13h45**

**ITEM 9: Closing Session and Outcomes**

At the end of the meeting, the Chair will summarise the discussion and invite Ministers to adopt the Ministerial outputs [C/MIN(2010)6]. This will be followed by a press conference.
Strategic Orientations by the Secretary-General

I. Preface

Our 50th Anniversary celebration, starting later this year and going into most of 2011, is a great opportunity to reflect on the progress we have made and on what remains to be done. As we see signs of recovery from the worst economic crisis in our lifetime, this is also a good time to help lay down the foundations of a stronger, cleaner and fairer world economy.

It is in this context that I want to share with you my vision of our main accomplishments since the last MCM, the main emerging challenges and our strategy to move ahead.

My overarching goal in the past four years has been the “pursuit of relevance” for the Organisation. Beyond reinforcing our longstanding reputation for credible and sound policy advice, this means a consistent focus on our impact in an evolving global architecture.

II. Main achievements since the last MCM

In this past year, we have responded to the evolving situation posed by the crisis by: (i) refocusing our substantive work to address emerging challenges; (ii) improving our global outreach and; (iii) strengthening our internal functioning and management.

i. Refocusing our substantive work to address emerging challenges:

The Organisation has stepped-up its work to address major global challenges and to be better connected to the policy agendas of our Member countries. Countries count on our advice and we have proven that we are a flexible institution that responds to unforeseen demands in a timely and competent fashion.

Highlights of our work after the last Ministerial include our analysis and contributions in the face of the crisis. The *OECD Strategic Response to the Financial and Economic Crisis* is a comprehensive and horizontal effort and has been, since 2008, the backbone of our work to help Member countries confront the impact of the economic downturn. Its substantive recommendations covered a wide range of policy tools, from monetary, financial and fiscal policies to bank regulation, trade and SME financing. Our response also included policy advice regarding the human and social impact of the crisis - including the organisation of a timely Labour Ministerial - which addressed the impact of the crisis on the most vulnerable.

We made relevant contributions to the global governance architecture, and particularly to the G8 and G20 processes. Thus our Member countries can participate in and may influence decisions taken at the global level to address the crisis. Although there is still much to be done to consolidate our presence as a full partner, the OECD has become a prominent player in these relevant policy fora. Following our active participation at the G8 Summits of Heiligendamm, Toyako and L’Aquila, our Organisation played a pivotal role in developing the “Whole-of-Government Instrument”, the “Accountability” exercise and the “Global Standard on Propriety, Integrity and Transparency”. The OECD was also requested to work and is delivering in various other areas, including investment, food security and taxes. In the run-up to the Muskoka Summit in Canada later this year, the Organisation is contributing to develop the methodology and statistical means to monitor G8 commitments on development, and is actively participating in the “Mother and Child Health Initiative” and other development related projects.

Last year, the OECD was invited for the first time to participate in the G20 Summit by U.S. President Barack Obama and to appoint an OECD Sherpa to participate in the preparations. In Pittsburgh, the OECD was requested to work on a broad range of issues, including fossil fuels, employment and social policies, anti-corruption and development. We
were asked to continue to monitor developments on investment, and to provide analysis on employment issues. The conclusions of our OECD Labour Ministerial became a valuable input for the first G20 Ministerial on Labour, which took place in Washington, D.C., in April this year, where the OECD was a useful and active player.

As the focus of policy makers shifts from crisis management to more structural issues in order to sustain recovery, we believe the OECD will have a greater role to play. We are invited to participate in the G20 Finance Ministers meetings, and are working closely with the Canadian and Korean G20 Chairs. We are also working with the Financial Stability Board on financial regulation and on information exchanges, and are supporting the Framework for Strong, Sustainable and Balanced Growth.

Another highlight of this past year includes our further work on climate change. Thanks to your 2007 mandate, we were ready and able to support worldwide efforts to phase out fossil fuel subsidies. It also allowed the OECD to work closely with the Danish Chair and to provide analytical support in the run up to COP15. We will continue to do so in the run-up to COP16 in Mexico, thanks to our expertise in areas such as economic modelling, financing climate change action, defining and measuring fossil fuel subsidies and promoting greener jobs. We have provided and will continue to provide least-cost policy options to our Member countries to address the challenge of climate change.

As part of the efforts to identify new engines for growth after the crisis, and in the context of the climate change challenge, a major highlight of 2009 was the mandate to develop the OECD Strategy on Green Growth, promoted by the 2009 Korean MCM Chair. This will help advance an agenda for strong growth with due care for the environment. Besides contributing to our global agenda, the OECD Strategy on Green Growth brings the additional benefit of strengthening our capacity to deliver on horizontal projects, as it involves experts from different parts of the Organisation.

We are also delivering on your mandate to develop an Innovation Strategy. Although it was started prior to the crisis, the OECD Innovation Strategy has become a crucial component of our Strategic Response and is an important contribution to put the world economy back on a sustainable growth path.

The crisis has highlighted the need for a comprehensive view of policy challenges. In addition to the Strategic Response, both the Innovation and the Green Growth strategies have demanded a further strengthening of our horizontal work inside the OECD. Horizontal approaches significantly enhance the productivity of OECD work, as they benefit from the wide range of expertise across directorates and committees. Such multi-disciplinary approaches will be extremely valuable in shaping future work.

We contributed to the Commission on Measuring Economic Performance and Social Progress, convened by French President Nicolas Sarkozy, given our long-standing and pioneering work on this issue.

In parallel to our work on these global challenges, we have also provided timely support to our Member countries in their domestic policy agendas. The proof of our relevance is the impact and influence we can have in policy-making. Since the last Ministerial, we have received the visits of many leaders who came to the OECD to discuss policy options in their countries. In 2009, we were visited by a total of 46 Ministers (excluding Ministerial gatherings) and hundreds of high-level officials. We were honoured to have hosted Hungary’s Prime Minister György Gordon Bajnai, French President Nicolas Sarkozy and French Prime Minister François Fillon. Mr. Sarkozy and Mr. Fillon visited the OECD in the context of the International Conference on Access to Civil Nuclear Energy on 8-9 March, following a very welcome initiative by the NEA. On that occasion, Mr. Sarkozy dedicated the new OECD Conference Centre to “the co-operation and solidarity between nations for a stronger, cleaner, fairer world economy”.

In order to be better connected to the specific needs and demands from our members and partner countries, I undertook 43 visits abroad since the last MCM, meeting 42 Heads of State and Government and 118 Ministers. These trips have allowed us to further develop our advisory role, providing targeted policy recommendations to our Member countries. Particularly relevant was our review of the New Growth Strategy of Japan. We are also currently
renewing our recommendations to the Attali Commission in France and carrying out with Spain a thorough analysis of their high unemployment rate and the main challenges to promote its reduction. We also provided extensive comments on the 2020 Agenda of the European Commission at the request of President José Manuel Barroso and delivered this work directly to him during a visit to Brussels.

All this activity was part of a broader effort to upgrade our impact and improve our policy outreach. This has continued to be a cornerstone of my concerns. During 2009, I delivered 161 public speeches and our media presence increased by 64%, with more than 1000 original media mentions. We succeeded in raising the public profile and substantive visibility of the OECD through a more professional approach to public affairs and communications. We tested new tools of communication like our country brochures “At a Glance” (including on Japan, Spain, France, Greece and Mexico). They proved to be effective vehicles to present OECD’s work in high-visibility global fora, engaging in relevant discussions and policy debates where our expertise could provide value added. This is also reflected in the steady increase in the number and quality of events we held in the last year, including Ministerial meetings on agriculture and labour. At the same time, we have continued the promotion and dissemination of the regular work on issues where our policy recommendations are particularly sought after, given our expertise and credibility. The timely and well publicised release of our flagship publications, outlooks and reviews continues to be an effective recipe for relevance.

**ii. Increasing our global relevance**

The OECD has strives to increase the quality and impact of its global outreach, although much remains to be done.

The enlargement process launched in 2007 is opening up the OECD to new Member countries. Estonia, Israel and Slovenia will soon join Chile to expand our Membership to 34 countries. Hopefully, Russia will not be far behind. These new Members will bring us new perspectives, and contribute to enrich our policy debate.

In 2007, our Ministerial Council Meeting also directed us to strengthen OECD co-operation with Brazil, China, India, Indonesia, South Africa and the region of South East Asia “through enhanced engagement programs with a view to possible membership”. Our work with these countries has since developed into a more recurrent, organised, predictable, structured relationship which has been defined by our Members as the single most important challenge to our future relevance.

Highlights of the past year include the *OECD Economic Surveys* on Brazil, China and South Africa (the latter to be launched in July), the Investment Review of India, the report on “Trends in South African Income Distribution and Poverty”, and the on-going work on investment policies in Indonesia. Various seminars and roundtables have allowed a growing exchange of best practices between OECD and Enhanced Engagement countries. This includes my participation in China’s Development Forum last March, where the OECD was given a prominent role. Besides our contacts with Enhanced Engagement leaders in G8 and G20 meetings, I also had the opportunity to visit Brazil, China and India during the past 12 months, meeting their Ministers and participating in events to present our reviews on relevant policy areas in the domestic context, as well as to focus on how deeper co-operation can help us achieve a sustained recovery from the crisis.

But global reach goes beyond Enhanced Engagement and participation in the “G” groupings. As requested by our Member countries, we have also boosted our co-operation with regional groupings, such as APEC, ASEAN, NEPAD or the Ibero-American Summit. For the first time this year, the OECD was invited as observer at the latter. Thanks to the leadership of Chile, Mexico and Spain, a Latin American Initiative was also launched, aimed at strengthening our collaboration with countries in the region on investment, access to public services, innovation and fiscal policy. Our co-operation with Middle East and North Africa (MENA) and with South East Asia has also intensified, with increasing adherence to OECD Instruments, full participation in OECD bodies and a number of OECD meetings hosted by countries in these regions.
The OECD Development Centre is playing an increasingly important role in helping the Organisation strengthen its global reach, through publications such as the *Latin American Economic Outlook*, the *African Economic Outlook* and the forthcoming *South East Asian Economic Outlook*, as well as through its expanding membership. Current membership of the Centre includes 24 OECD countries plus Brazil, Colombia, Costa Rica, Dominican Republic, Egypt, India, Indonesia, Israel, Mauritius, Morocco, Peru, Romania, South Africa, Thailand and Vietnam. Hopefully it will expand further to bring in other major emerging players like China, as well as the OECD countries which do not yet fully participate in the Centre’s activities.

**iii. Strengthening our internal functioning and management**

We have continued to implement our programme of management and administrative reforms, consolidating the important progress achieved since 2006. This is essential to increase our operational effectiveness and our capacity to deliver, making the Organisation more relevant and responsive to Member countries.

Progress has included the establishment of the Working Party on Priorities that will lead to a better structured framework to discuss and define priorities in the context of the Programme of Work and Budget. Of particular relevance was the strengthening of an integrated system for finance and budgeting (BFMP) that will allow for higher accountability and more efficient management of our resources and our outputs in real time.

In addition, we have continued with the human resources reform, including improvements in the merit based recruitment and advancement policies, the update of the individual performance evaluation system, the simplification and clarification of staff categories, and the introduction of an updated Code of Conduct. We still need to progress on the gender and diversity issue. Altogether, these reforms provide a more complete, modern and responsive framework for our primary asset, our staff.

We have implemented a new information and communication technology strategy, including the deployment of new online services that have greatly facilitated interactions with and among Committee delegates and have improved the timeliness of OECD statistical outputs.

We have again started looking for solutions to the growing unfunded liabilities related to post-employment health care coverage. As time passes, liabilities grow and the solution becomes more difficult, especially in the current context of tight budgetary constraints. Having dealt with the broader pension issue, the site project and Part I financial reform, it is now most urgent to deal with the post-employment health care coverage. As a start, we should act swiftly to cap these unfunded liabilities, which now stand at an estimated 250 million Euros and, if not addressed, are accumulating at a rate of 14-15 million Euros per year.

We also need to address the issue of the financing of Part II programmes which so far has proven elusive and divisive. The lack of progress in this regard threatens to inflict serious damage to a number of substantive programmes.

**III. Main Challenges Ahead**

We have many challenges ahead. We need to continue to strengthen our substantive work, upgrade our global presence and increase the impact of our analysis and policy recommendations. These are the conditions to enhance our relevance in the world governance, while maintaining our high standards.

We will have to do this in an extremely difficult context. Our member countries will be facing for years to come slow growth, high levels of unemployment, huge budget deficits and record public debt. This will impact not only the priority areas we need to tackle, but will also accentuate our budget constraint. Indeed, while the financing reform of 2008 restricted the Part I budget to zero real growth, there may now be the additional risk of decreasing voluntary contributions. Therefore, reallocations and budget flexibility will have to be built into the Programme of Work and Budget to respond to unexpected or additional demands.
i. **Strengthening our substantive work**

We need to maintain, consolidate and deepen the Organisation’s core work by providing our Member countries with high quality and evidence-based policy advice to help them address common challenges. We will thus continue our surveys, outlooks, benchmarking and peer reviews in crucial policy areas, including social policies, environment, investment, governance, agriculture, innovation, green growth, education, tax, etc. Our work to ensure an open trade and investment climate as well as fair competition is especially relevant to counter the growing calls for protectionism. These are the traditional areas of the OECD work and where much of its unique value-added lies.

But there are also key areas where our work will need to be strengthened and further developed. The OECD needs to help our countries face the financial, economic and social crisis with its labour, human and migration dimensions, as well as to recover fiscal sustainability in their transition from a policy driven recovery to self-sustained growth. Countries will have to adopt and communicate credible medium term strategies combining measures for fiscal consolidation and structural reforms that will boost growth. Tight budget constraints will increase the need for careful selection of spending cuts and tax increases to protect growth enhancing expenditures and adopt growth friendly tax measures. As OECD work has shown, structural reforms support growth through several channels. Their impact, however, may take time to materialise. This reinforces the need for a medium term perspective in designing and implementing policy programs. This also requires staying power, leadership and political courage. The OECD must stand ready to support reform-minded countries in this crucial moment.

Governments need to become more effective in providing public services. That is one area where the OECD will have to focus its efforts in the next few years. By doing so we will help our Member countries face growing inequalities resulting from the crisis and protect the most vulnerable. Supporting reforms of public administrations, improving ways to address unemployment, adapting health and pension systems to address the impact of ageing and improving spending efficiency, will remain on top of policy makers’ agendas. Our work should mirror and accommodate these needs. It thus must include work on better regulation, transparency, governance, competition; human capital (education, health, social services, labor, gender) as well as demography (migration, pensions, ageing).

Corporations also need to improve their business conduct to restore confidence in markets. Our work to update the Guidelines for Multinational Enterprises is thus very important, as well as our new peer reviews in corporate governance. Enhanced Engagement countries should be actively involved in both.

It remains essential to deepen our work on new sources of growth, primarily on Innovation and Green Growth. Our capacity to innovate will improve our prospects for higher growth and productivity, while being instrumental in addressing the growing concerns around “scarities”, including food, energy, water, land and environment. The implementation of the **OECD Innovation Strategy** will thus be of paramount importance in this context.

In all likelihood, the OECD will continue to be called to help address global challenges, including in relation to the G20’s agenda. This may involve common goals for development policy, the issue of capacity and governance, the importance of open and transparent investment regimes, and options to address climate change and other environmental issues in developing and emerging countries.

The crisis has also accelerated the speed at which the global governance architecture has to be updated and revamped. To become a “natural” player in the context of this new global architecture is essential to our success. This is a way for all our Member countries to weigh in the decisions that will be taken on global issues and influence the whole context of crisis resolution. But to do so, we need a stronger support from OECD members, to make sure our recommendations are requested, acknowledged and adopted. The search for relevance in national and global issues cannot be a matter of the Secretariat alone. To be successful and meaningful, it has to be shared by our members at the political level. Thereafter, the technical work by Committees and Directorates can produce the desired deliverables.
We also know that governments want to leverage the comparative advantages of each international organisation. To further this goal, I proposed the creation of an Observatory [or Network] for Policy Coherence, bringing together international organisations to improve consultation and exchange of information between us. By increasing coordination, cooperation and coherence, the Observatory would make sure that leaders will get the best possible advice. What I have in mind is not a new institution, nor more bureaucracy, but rather a stronger, more coordinated way to explore synergies and better co-operate among inter governmental organisations in order to give clearer and louder messages on selected issues of special relevance. A sort of cross-pollination of ideas for the benefit of our member countries.

Our membership is not universal. Thus, to remain relevant, we need to be global and inclusive when analysing issues and proposing solutions.

**ii. Enhancing our global presence**

We need to continue to enhance our global presence, both through our Accession and Enhanced Engagement initiatives, but also by strengthening relationships with other countries in South East Asia, Africa, Latin America, MENA and Europe. This will allow us to participate in the search for solutions for the world’s economic, social and environmental challenges, while becoming a natural, reliable partner in the global governance architecture.

The economic and financial crisis has reinforced the secular trend towards a major re-balancing in favour of large emerging economies. This means adjustment challenges in OECD countries. While there are growing calls for protectionism, the OECD should continue to emphasise the need for open markets, the deepening of the reform process, and the need to seize the opportunities provided by innovation and a green economy to move up the global value chain.

This shift also brings a host of opportunities. Increasing flows of trade, investment, technology, ideas, people, are creating and spreading wealth at a very fast pace. This, in turn, is creating a historical convergence of interests among all countries, developed and emerging, around predictable and stable rules and standards to facilitate, consolidate and govern the global economy. The OECD can play a major role in informing discussions and facilitating agreement on these rules and standards.

In fact, if the OECD is to remain the house of good practices, we need to reinforce our links with key emerging economies which bring very valuable lessons to the table, without compromising our values or diluting our standards. Working with these countries is essential to find common responses to global challenges. This is all the more important as we face the consolidation of a new global governance architecture, in which both developed and emerging economies have an important role to play. But, clearly, our success in this endeavour depends crucially on the commitment and support of our own Member countries to this concept. It also depends on the interest of and response by the Enhanced Engagement partners themselves to our offers for further co-operation.

Much has been accomplished since the Enhanced Engagement Initiative was launched in 2007. Now, after three years, we need a “Quantum Leap” to improve the quality, the depth, the breadth and the level of trust with our Enhanced engagement partners. We must create what P.M Gordon Brown described as a “comfort zone” with Enhanced Engagement countries, both bilaterally (MCM, ECSS, Committees) and in multilateral fora such as the G8, the G20 and the many specialised high-level and Ministerial meetings where we participate.

This “Quantum Leap” does not necessarily mean a fast track for Membership, but it does suggest that we need to significantly upgrade our work with those countries, as well as their integration into our analysis. It also calls for a much more proactive role of the OECD to support these countries’ efforts to consolidate their own development paths. We must therefore seek to develop agendas that are of joint interest and to upgrade our dissemination efforts, contacts and presence in Enhanced Engagement countries, including through having OECD officials located in some capitals.
iii. Increasing relevance and impact

Finally, in pursuing all of the above, I intend to redouble efforts to increase our impact. “La raison d’être” or, in other words, the relevance of the OECD is to a large extent determined by how much its analysis, its recommendations and its standards can influence policy-making, policy implementation and policy outcomes in Member and partner countries. Therefore, the OECD’s ultimate goal is not only to identify problems, measure them, compare them and propose policy solutions, but about making reform happen and evaluating the outcomes. This will enhance the OECD’s relevance and credibility. The ultimate criteria for the OECD to claim success should be whether its participation makes a difference.

The question of communication and dissemination of our work and its impact on the policy debate needs to be addressed strategically to make the most out of it, including through the design and delivery of new outputs. To this end, we might want to develop an “external visibility and communications roadmap” based on ongoing reflections on this topic within the Organisation and the Council. We also need to be more systematic at rolling out and translating our reports into other languages. If we aim for greater awareness and influence, country specific work should be translated into the local language, with due care to sharing related costs.

IV. Other substantive priorities to be enhanced going forward

As we consolidate our achievements of the past years and tackle current and future policy challenges, I would like to highlight six specific areas of increased priority, where we have a comparative advantage and where our expertise can prove instrumental to global efforts:

a. development;
b. green growth;
c. skills;
d. gender;
e. measuring progress;
f. anti-corruption.

Development: changing our perspective, our paradigm and our strategy

Many of the Gleneagles and the Millennium Development Goals seem out of reach. The global financial and economic crisis has at best stalled and more likely set back earlier progress. Our development work thus merits a new impetus and renewed focus.

Development is an integral part of the OECD’s overall mission to build a stronger, cleaner and fairer world economy. The OECD has a rich policy experience to share and has established mechanisms that help countries learn from each other, on the one hand, and enhance development co-operation, on the other.

Our culture of “policy sharing” could be combined to support a broader agenda for development, which would integrate mainstream OECD policy areas such as trade, investment, environmental sustainability, good governance, social progress, taxation, gender inequality and education. This agenda could also include tools to allow us to better interact with emerging and developing countries and incorporate their perspectives in our work.

We will work on this new strategy while continuing to be the reference institution for development assistance, monitoring commitments and aid effectiveness. We also need to go beyond measuring inputs and should focus more on measuring impact, outputs and results of development co-operation efforts. We will also continue to focus on the challenges of the lowest income countries and those with fragile governance.
Green growth, Green Jobs and our contribution to climate change

The OECD Strategy on Green Growth will remain a priority until its scheduled delivery at the 2011 MCM and probably beyond, as it may shape future work streams. We may want to focus on overcoming obstacles to green growth (including by eliminating environmentally harmful subsidies and reviewing taxation regimes, inefficient regulatory interventions and trade barriers), as well as on implementing new policies and regulatory frameworks to foster a shift out of inefficient and polluting consumption and production patterns.

We need to develop policy options that combine financial support and specific training for the unemployed to help their transition towards green jobs. We should also propose ways to use revenues generated by carbon taxes and emission-trading schemes to maximise their aggregate employment effect.

The OECD is well-positioned to develop policy recommendations to facilitate international investment in low carbon goods and services, clean technologies and infrastructure, while preventing “green” policies from being used for protectionist purposes. We will continue to work on climate change negotiations, the crucial financing issues and on adaptation, while strengthening our G20 work on fossil fuels’ subsidies.

Skills and Knowledge as catalysts for a new economy

Value chains are globalising and changing at a rapid pace, with increased emphasis on knowledge as a driver of value and competitiveness. New skills, competencies and qualifications will be needed, generating enormous adjustment pressures as regards labour markets. We already observe an important change in policy focus from “life-long employment” to “life-long employability”. To make this happen, “lifelong learning” will be one of the most important features in the successful economies of the future. This has great consequences, not only for our education and vocational training systems, but also for other policy domains.

It is important that we better equip ourselves at the OECD to advise countries on the role of knowledge and skills in the structural adjustment process following the crisis, the adaptability of labour markets, global competitiveness, entrepreneurship and innovation policies, and the generation of green jobs. This crucial horizontal endeavour would build naturally on our Innovation, Jobs and Green Growth strategies.

Based on the mandate of our Labour Ministerial and on forthcoming discussions at the Education Ministerial, the OECD Skills Strategy will mobilise and develop intelligence about national supply chains from the acquisition and development of skills and competencies, through their utilisation in labour-markets and societies more broadly. This will be crucial for all concerned actors, including individuals (workers, students, and parents), employers, education providers and government agencies.

An OECD Skills Strategy would focus on the following four pillars:

• helping governments to identify and assess essential skills and factors driving the evolution of skill demand;
• improving the match of demand and supply of skills;
• ensuring that skills are developed in effective, equitable, efficient and sustainable manners;
• building coalitions of governments, the business sector and social investors and find sustainable approaches as to who should pay for what, when, where and how much.
Gender inequalities: women’s economic empowerment in the future world economy

The crisis made it even more obvious that failing to realise the full potential of women carries a huge economic and social cost. Going forward, wasting the potential for women to contribute to economic growth and progress will no longer be an option.

Enabling women to fully participate in labour markets and contribute to economic development will promote prosperity and stability, reduce child poverty, help address the pressures of population ageing and increase productivity.

In most parts of the world today, women don’t reach their full economic potential. Policies to correct this problem would boost both economic efficiency and equity. Achieving equal gender opportunity, however, remains a huge challenge. Gender inequality has many roots, including cultural, legal and economic factors.

Thus, I intend to propose a horizontal initiative on the role of women in the economy. This project would identify the main barriers to gender equality in most OECD countries and other regions of the world. It will assess the experience with policies to address these barriers. It will identify good practices and propose a toolkit of policy measures countries could adopt to reduce the gender gap, in particular in the areas of education, employment and entrepreneurship. It would benefit from the multidisciplinarity of our Organisation, its capacity to do country comparisons and develop policy advice based on peer learning and peer pressure. This could become one massive contribution to the world of the future, way beyond our crisis-related concerns of today.

Measuring Well-being and the Progress of Societies

For a number of years, there has been evidence of a growing gap between the messages conveyed by macro-economic statistics such as GDP and people’s perceptions about their own economic conditions. While this gap has already been evident for some time, the financial and economic crises have amplified it. This sentiment is damaging not only for the credibility of official statistics and public policies but for the very functioning of democracy.

The work conducted by the OECD for more than six years in the context of the Global Project on Measuring the Progress of Societies, the Report of the Commission on the Measurement of Economic Performance and Social Progress, convened by President Sarkozy, the EU recommendation on “GDP and Beyond – Measuring progress in a changing world”, among other analytical work, suggest that a broad range of measures is needed to be used alongside standard economic measures to better assess people’s well-being. The perspective of individuals and households has to be reflected to better capture people’s quality of life. Indicators of sustainability are also required to assess whether well-being and progress can last over time.

Building on existing indicators, the OECD is well placed to take a leading role in the implementation of this new measurement agenda and link it to public policies. By decision of President Sarkozy himself, the follow-up of the Commission will be hosted at the OECD, which is also an acknowledgement of our role in this issue. A number of our member countries consider this agenda crucial for their future growth strategy. We will thus continue to deepen our work in this area.

An anti-corruption strategy: the OECD as the standard setter

An integrated anti corruption strategy would allow synergies among OECD instruments, increasing their coherence and strengthening their monitoring. It would also reinforce and increase the visibility and impact of the OECD work and instruments for fighting corruption, as was the case of our work on taxes.

Fighting corruption needs a comprehensive approach. The OECD with its Anti-Bribery Convention plus a host of other tools and bodies, should strengthen its role in all the relevant aspects of corruption, focusing on immunity, prevention and elimination.
First, on Immunity: Government systems must be corruption resistant. OECD strengths are in administrative simplification, public financial management, electronic-government, clean procurement systems, managing assistance, investment approval procedures, civil service systems.

Second, on Prevention: Our government and corporate prevention programs deal with transparency, conflicts of interest, accountability, audit, export credit monitoring, taxation, lobbying, asset disclosure, public sector integrity, Guidelines for Multinational Enterprises and aid effectiveness.

Third, on Elimination: We’re best known for the Convention against foreign bribery. We have also moved into new areas with the latest Recommendations on fighting bribery under the Convention. They include new measures to prevent, detect and investigate foreign bribery such as provisions for combating small facilitation payments, protecting whistleblowers and improving communication between public officials and law enforcement authorities.

Thus, in order to make our work more visible and effective, I propose to connect and structure the work we already do through a horizontal project including different directorates, and senior policy makers in the Centers of Government. Such a strategy would aim at a policy-oriented, anti-corruption framework along the lines of the Policy Framework for Investment.

This project would support both the initiative of the Italian Chair of this year’s MCM on Propriety, Transparency and Integrity and the more recent U.S.-inspired anti-corruption initiative in the realm of the G20.

Our current work already covers many or most aspects of these six substantive priorities, but they all call for a more “holistic” or integrated approach, and thus for improved horizontal co-operation within the Organisation. An increasing number of policy challenges are multi-disciplinary in nature. We thus need to improve significantly our capacity to run horizontal projects. A sort of “Quality Leap” towards better coherence. This has management, budget and governance implications. We must draw lessons from our own successful experiences such as the Strategic Response to the Crisis, the Jobs Strategy and the Innovation Strategy.

If Ministers agree that they have merit, these horizontal projects would be discussed in the relevant committees and within the Program of Work and Budget. Increased priority on these issues may entail finding areas for decreased priority in others, depending on the respective budgetary implications.

V. 50th Anniversary: celebrating best practices

Finally, a major feature of next year’s work will be the celebration of our 50th Anniversary. This will certainly provide an occasion to communicate and showcase our achievements and contributions during the last half century. Most important, it is a golden opportunity to reflect on our ongoing work and future challenges, positioning the OECD as a club of best practices in the pursuit of a stronger, cleaner and fairer world economy.

The anniversary occurs at a time when there is a growing realisation of the need to strengthen and deepen international co-operation. Building on the outlined premises of enhancing our coverage, strengthening our substantive work on emerging challenges and focusing on relevance and impact, we need to maximise the opportunity the 50th Anniversary offers in terms of communicating our value added. We must also place the reflection surrounding our celebration in the context of the ongoing re-design of global governance, highlighting how our multi-disciplinary expertise, peer learning process and experience in identifying best practices can contribute to coherent, integrated approaches to address the most pressing global challenges.
A comprehensive approach to our 50th Anniversary celebration, from December 2010 to September 2011, will encompass a series of substantive events and debates, both at OECD headquarters and outside. Specific events in OECD Member countries, including the launch of some of our flagship publications, can bring us closer to the citizens of such countries, particularly at times when the design and/or implementation of reforms are underway.

These actions will enable us to anchor the anniversary into a substantive discussion about the present and future role of the Organisation. The 2011 MCM will undoubtedly be an important milestone for the commemorations, coinciding with the French Presidency of the G20. We are also preparing a special Anniversary publication highlighting OECD’s work and its role in improving the functioning of the world economy.

50 Years of OECD will involve celebration of the past, reflection on the present and focus on the future on the basis of close co-operation, support and engagement of OECD Member states and a growing number of non-members, including in a very special way our Enhanced Engagement countries. It will also be an opportunity to go a step further in facilitating a closer, more functional relationship between the Secretariat, the Council and the Committees, as we all coordinate and contribute to make these celebrations a success. Together, we must use this unique milestone to define the role we want to play in the coming 50 years.
3.1 The global economy appears to have turned the corner following the worst recession in the post-war period. Sustained growth in the major non-OECD countries, especially in Asia and particularly in China, has been contributing in a significant way to the recovery in the global economy. In the OECD, indicators point to a hesitant recovery proceeding at different speeds across countries. Headwinds stemming from the legacies of the crisis remain, including weak balance sheets, high unemployment and markedly deteriorated fiscal positions in many places. Recent market developments highlight the risks of renewed financial instability and the need for a swifter move to a more sustainable fiscal path in some countries.

3.2 The effects of the crisis on public finances and labour market conditions will linger for years to come. Discretionary fiscal measures, the disappearance of revenue buoyancy from high and rising asset prices, cyclical revenue losses and benefit expenditure increases have resulted in a sharp rise in budget deficits, which peaked at 7½ per cent of GDP in the OECD area as a whole in 2009. Gross government debt could exceed GDP in 2011 in the OECD area as a whole, about 30 percentage points higher than before the onset of the crisis. Debt-to-GDP ratios would still exceed pre-crisis levels in most countries, even if consolidation were sufficient to bring budgets back to balance in the long term. The OECD-wide unemployment rate is projected to peak at around 8½ per cent in mid-2010, falling slowly to around 8 per cent by the end of 2011. Despite the achievements of government interventions in terms of jobs saved, at its peak this was equivalent to about 20 million fewer jobs than pre-crisis employment in the OECD area.

3.3 It is now important to ensure that a durable recovery takes hold and that long-term growth is restored. New growth strategies are needed to strengthen long-term growth potential. This includes through structural reforms, harnessing new sources of growth, such as innovation and green growth, and employment policies that increase labour productivity and maintain workers connected to the labour market. We need to consider all possibilities to enhance employment and the participation of women is essential to achieve this. The participation of youth, the elderly, the immigrants and low skilled workers is also a key to long-term economic growth. Closing gender gaps and integration into the labour market are crucial mechanisms which we can improve the workings of the economy. OECD countries may have lost over 3 per cent of their potential output as a result of the crisis, in part because of higher unemployment. A major risk in some countries is that unemployment becomes structural in nature, as many of the unemployed drift into long-term joblessness and slide gradually into inactivity.

3.4 Global imbalances are beginning to widen again. Structural policies in both OECD and non-OECD countries should contribute to addressing the medium term determinants of such imbalances while boosting long term growth. They are an essential complement to macroeconomic policies in the current context. Mutual assessment of macroeconomic and structural policies, along with the interactions between them, could play an important role in supporting the necessary policy actions in the context of these global imbalances.

3.5 It is also imperative to develop and implement credible and transparent plans for fiscal consolidation. Consolidation plans will need to be formulated in conjunction with a broader policy normalisation strategy that will have to involve simultaneous actions across different domains. The credibility of exit strategies requires the backing of well designed and well communicated plans for fiscal consolidation. The pace and timeframe for fiscal consolidation ultimately depends on country-specific conditions and the state of public finances. In some cases, early action to cut deficits could undermine the recovery. At the same time, for some countries a slow exit could damage confidence, raise bond yields and worsen deficits. Furthermore, the fact that national fiscal consolidation and exit strategies have international spill over effects heightens the importance of maintaining a high degree of transparency and policy co-operation.
3.6 Fiscal consolidation should privilege pro-growth instruments as much as possible. There are policy trade-offs that need to be taken into consideration in the choice of spending components and sources of taxation to achieve consolidation. Also, to the extent that the costs and benefits of different instruments differ across social groups, fiscal consolidation will have implications for income distribution and equity. While expenditure cuts are needed, fiscal retrenchment should preserve pro-growth programmes, and there is much scope for making government spending more efficient in many countries. Efforts to improve public sector efficiency – producing the same output with fewer inputs – would contribute to fiscal consolidation. Not least, structural policy actions that lift the economy’s growth potential tend to improve the budget balance in the long term.

3.7 Tax instruments can play a critical role in finding the right balance between fiscal consolidation and pro-growth strategies. Further measures could be taken to broaden the tax base and improve tax compliance. Discretionary tax increases should rely on the least growth-distorting instruments, such as taxes on immobile bases. There could also be greater use of environmentally-related taxes, including receipts from fossil fuel taxes and carbon trading, which would yield a double dividend of contributing to fiscal consolidation and encouraging green growth. Efforts to eliminate harmful subsidies, including environmental subsidies, would contribute to free resources that could be redirected to the financing of poverty reduction.

3.8 Effective labour market and social policies have a key role to play in promoting a jobs-rich recovery and restoring long-term growth. While social protection systems have played an important role as automatic stabilisers to cushion the impact of the economic downturn, countries have devoted significant additional resources to labour market and social programmes in their stimulus packages. In the recovery phase and in a context of very tight public finances, it is important to continue to invest adequate resources in cost-effective labour-market programmes to support those at greatest risk of becoming long-term unemployed and losing contact with the labour market. Policies to reduce measured unemployment via cuts in the effective labour supply, such as opening up pathways to early retirement or easing medical criteria for accessing disability benefits, would exacerbate underlying labour market imbalances and deteriorate long-term fiscal positions.

Questions for discussion

3.a) How should countries decide on the pace and timeframe for their fiscal consolidation efforts?

3.b) What are the most effective instruments for achieving fiscal consolidation without undermining employment and longer-term growth?

3.c) How can international co-operation contribute to stronger and more balanced growth?

3.d) How can policymakers best promote a jobs-rich recovery?

3.e) How can obstacles to women’s labour market participation be removed and gender wage gaps closed?
Item 5 - Global Economic Co-Operation

5.1 Global economic co-operation is essential for sustained growth and the achievement of world economic prosperity. Contributing to such co-operation is a high priority of the OECD. This especially holds for the dialogue between economies represented at the MCM, including the largest emerging ones. In 2007 the OECD began strengthening its co-operation with Brazil, China, India, Indonesia and South Africa through a process of enhanced engagement with a view to possible membership. In addition, Russia is an accession partner. This reflects the interdependence of emerging and member countries, as well as OECD’s goal of providing high-quality and objective advice to enhance prosperity in a wide range of countries. The working dinner will be a propitious occasion to hear the views of Accession and Enhanced Engagement countries regarding their expectations of OECD’s work.

5.2 The dialogue between partners participating in the MCM helps the OECD in its efforts to more effectively respond to new challenges, including in the face of the global crisis. For example, the work on the Green Growth Strategy can benefit greatly from the perspectives of accession and enhanced engagement countries, given their relevant policy experiences and the global nature of the challenges the Strategy is designed to respond. The same is true for work on development, including the OECD contribution to major initiatives such as the Millennium Development Goals. Co-operation is also important in the design and implementation of structural policies to deal with major global imbalances. The Going for Growth report, for example, addresses key issues of common concern and this year looks for the first time at the long term prospects and structural policy challenges in the Enhanced Engagement countries. Other important areas for collaboration include innovation, social policies (income inequalities, economic informality and access to basic quality healthcare and education); adaptability, particularly the challenges posed by a rapidly evolving global economy (tax-and-growth analyses, tax administration, financial intermediation, and access to financing of SMEs, infrastructure policies); urban and regional policies; increasing competition in product markets; and policies to enhance public sector efficiency (for example, the analyses to strengthen the efficiency of public service provision).

5.3 The OECD has been working regularly with emerging economies in the G20 and other global fora. Notably, we have been providing specific contributions to the G20 on the Framework for Strong, Sustainable and Balanced Growth, as well as on taxation, trade and investment protectionism, fossil fuel subsidies, employment, and other areas. More broadly, we collaborate with the Financial Stability Board, International Labour Organization, International Monetary Fund, World Bank, World Trade Organization and others to maximise the collective impact of our contributions and to strengthen the functioning of the global architecture of international organisations.

Questions for discussions

5.a) What are the expectations of the emerging economies about the OECD?

5.b) What steps can be taken in order to pursue common objectives in the OECD areas of activity?

5.c) How best to use co-operation between OECD and Enhanced Engagement countries to accelerate progress in developing countries and to improve global economic governance?
Item 7  Propriety, Integrity and Transparency

7.1  The work on propriety, integrity and transparency is of importance to the OECD. The Conclusions of the 2009 Ministerial Council Meeting state: “We consider that a renewed commitment to responsible business conduct will help to rebuild trust and confidence in markets. We firmly commit to the principles of propriety, integrity and transparency. Thus, we agree on the need to develop a set of common standards and processes regarding the conduct of international business and finance. For this purpose, we welcome the OECD work in relation to the Lecce Framework and a Global Charter for sustainable economic activity. We call on the OECD to strengthen its work on corporate governance and financial literacy.”

7.2  The crisis has revealed the extent to which the good functioning of markets and ultimately a stable world economy is connected to propriety, integrity and transparency in the conduct of business. Going forward, as countries around the globe seek to rebuild their economies and ensure durable growth, they have a shared interest in strong, fair markets and the creation of healthy business conditions.

7.3  Several recent initiatives have sought to highlight instruments, including OECD standards, that could contribute to a more coherent framework for markets and business conduct. Important among such initiatives are the one of Chancellor Merkel for a “Global Charter for Sustainable Economic Activity” and of the Italian G8 Presidency in the context of the “Lecce Framework”. Given the importance of its role in setting international standards and its follow up tools, the OECD was called from the onset to support these initiatives. Most key instruments developed in OECD context have a broader adherence and include non member countries. Thus the OECD plays a central role in supporting the conception of global standards and tools for the well functioning of markets.

7.4  Many of these instruments have been developed with the participation of partner countries, including the major emerging economies, in the context of OECD and other international bodies. There remains considerable scope for supporting the effective implementation of these instruments and to review them.

7.5  Clearly, the ultimate responsibility for business conduct lies with the business community itself. It is the role of governments to ensure that, at both national and international levels, the right laws and incentives are in place. These are the reasons why it is important that government policies be conducive to propriety, integrity and transparency.

7.6  Common standards in this area refer to existing instruments, including, though not limited to, the following:

- OECD Principles on Corporate Governance (which are also part of the FSB Compendium of Standards);
- OECD Guidelines for Multinational Enterprises (which are presently under revision);
- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- OECD standards on tax transparency and effective exchange of information (endorsed by members of the Global Forum).

7.7  A set of common standards will not replace any existing instrument or mechanism and will not dilute any previously agreed commitment. Rather the contrary, a coherent framework of existing OECD instruments, would raise their visibility and coherence, ultimately enhancing their combined effectiveness.

7.8  A draft Ministerial Declaration has been proposed by Italy to enshrine a possible text on propriety, integrity and transparency. The OECD Declarations are political texts setting out policy commitments for the governments of Member countries and other adhering countries. They imply political commitments, but do not generate legal obligations. Usually, they are noted by the OECD Council and their application is generally monitored by the OECD. This could imply that the Secretary-General reports on the implementation of the Declaration.
Questions for discussion

7.a) How do OECD Ministers assess OECD’s instruments on Propriety, Integrity and Transparency?

7.b) How can the coherence of the existing standards regarding the conduct of international business and finance help to rebuild trust and confidence in markets?

7.c) How can the implementation of OECD instruments regarding international business and finance be enhanced?
Item 8 – Sources of Growth

Innovation

8.1 Innovation is an essential prerequisite for sustainable growth. In response to the economic crisis, all countries are expanding their efforts to improve productivity performance, reduce unemployment and accelerate development. These challenges coincide with the pressing need to address a number of global and social challenges: climate change, poverty, health, food security and a growing scarcity of clean water. Innovation, which involves both the creation and diffusion of products, processes and methods, alongside investment in intangible assets, is critical to solving these problems in an affordable and timely manner. But unlocking the potential of innovation requires coherent and coordinated policies across a wide range of domains. Consistent with the mandate received at the 2007 Ministerial Council Meeting (MCM), the OECD’s Innovation Strategy sets out key areas for government action to foster innovation: from education, skills and employment policies; to science, technology and research; ICTs; framework conditions, including open and competitive markets; infrastructure and investment; and public sector policies and governance.

8.2 Innovation today is an interactive system where R&D is one, albeit important, element. Education, research and high-tech infrastructure, remain critical. While cutting down on these public spending may provide short-term fiscal relief, it could hurt long-term growth if not properly targeted to inefficient spending. In some countries, rationalisation and simplification of the multitude of existing innovation support policies can help increase efficiency. In others, reforms of education and training systems and public research institutions, aimed at improving excellence and efficiency, can help increase the returns from public investment. Likewise, the removal of regulatory barriers to innovation and entrepreneurship, including administrative regulations, as well pro-growth tax reforms, can do much to strengthen innovation and growth.

8.3 Others areas for action include removing the barriers to and fostering entrepreneurship and the growth of new firms, as these are key to turning ideas into value and jobs. They are key factors, more generally, in generating a strong knowledge based environment where new, more efficient and productive activities can expand. Policy makers can seek to strengthen the links underlying the innovation system by easing the mobility of labour between institutions and encouraging the dissemination of technology. In addition, they can help foster markets for innovative goods and services, e.g. in areas such as health and climate change. This can be achieved by using tax and regulatory reforms to strengthen the incentives for investment and by improving the coherence between demand- and supply-side policy measures. This will also help accelerate the shift to green growth. There is also large scope to improve the dissemination of knowledge and ideas. The local dimension of innovation does also influence the innovation system.

8.4 Addressing global challenges and strengthening innovation at the global level will require improved approaches to collaboration. Global challenges in the matter of science, technology and innovation need to be addressed collectively because more concerted approaches to accelerate technological development and diffusion can help to achieve more effective implementation. To this end, new approaches and governance mechanisms to multilateral co-operation are required, as well as procedures facilitating access to knowledge and transfer of technology, without undermining the proper protection of intellectual property rights. OECD analysis also shows that firms that collaborate on innovation spend more on innovation than those which do not, suggesting that collaboration is not just about cost-saving, but rather a way to increase the overall returns on innovation investments. The growing importance of collaboration for innovation implies that it is critical to keep markets open and competitive. It also raises issues for skills and education, as well as the international governance model needed to meet challenges.

8.5 In addition, strengthening innovation will require the support of improved approaches to skill formation. Empowering people to innovate relies on broad and relevant education as well as on the development of wide-ranging skills that complement formal education. Success will depend on the capacity of countries to anticipate the evolution of labour demand; promote skill acquisition and equity of access to learning; deploy their talent pool effectively by
ensuring that the right mix of skills is being taught and learned and employers find workers with the skills they need; and to develop more efficient and sustainable approaches to the financing of learning that establish who should pay for what, when, where and how much. Improving the education systems is key in all these different aspects and. Transitions to low-carbon and environmentally sustainable economies are an additional driver in the mix of skills that countries require. International migration is another source of skills, but one that needs to be appropriately managed by States in order to match individual aspirations with the needs of both sending and receiving countries. Last but not least, growth is not just affected positively by the available talent pool, but also negatively by the rising social costs associated with declining employment prospects for those without sufficient skills.

8.6 Innovation is a key driver of development progress. The incentives and infrastructure of science and venture finance that underpin innovation are missing in low income countries. Hence there is a significant shortfall in innovation and associated entrepreneurial activity, which does much to explain why agricultural productivity and value-addition are not the strong drivers of growth that they should be in many low income countries. This gap is underlined in the OECD Innovation Strategy as is the huge potential of filling it. Specific attention to innovation-led development is needed. Policies that exploit ICT based services and the availability of hand-held devices, can play a transformative role in low income countries over the next few years.

Questions for discussion

8.a) What kind of efforts do countries need to implement in order to promote innovation in a coherent manner?
8.b) What policies are needed to enable people to participate in and benefit from innovation?
8.c) What steps can be taken to foster new firms and entrepreneurship, as well as small and medium sized enterprises, as engines for innovation and job creation?
8.d) What can be done to improve international co-operation of policies for innovation, including with a view to strengthen support for innovation capacities in low income countries?
Item 8 – Sources of Growth

Green Growth

8.7 Green growth is gaining support across countries. It enables economic growth and development while avoiding the environmental degradation, biodiversity loss and unsustainable natural resource use that has often accompanied growth in the past. Green growth aims at maximising the chances of exploiting cleaner sources of growth. It will involve seizing the opportunities for development of new green industries, jobs and technologies, as well as greening the more traditional sectors and managing the related employment and distributional effects. It will also require the adoption of eco-innovation, as well as developing new products and supporting new patterns of demand from households, businesses and governments. All this will affect work methods and business behaviours. At the 2009 MCM, Ministers from 34 countries endorsed a mandate for the OECD to develop a Green Growth Strategy. An Interim Report has been prepared to highlight preliminary findings on a number of key issues that policymakers are currently facing in promoting greener economies. The Synthesis Report of the Strategy will be delivered to the 2011 MCM, and will provide a policy toolkit that OECD and partner countries can apply to promote green growth and development.

8.8 The risk of high and persistent unemployment over the coming years, underscores the importance to speed-up the transition toward greener growth. Responding to the crisis, many countries increased their focus on green policies as a way to stimulate growth and employment. Such policies span over a broad range of areas, including energy efficiency, water supply and sanitation, and clean transport. Importantly, they also include policies to encourage the expansion of eco-industries, such as those related to renewable energy. While seizing these opportunities is important, the transition to a different model of growth will also involve some industrial re-structuring, re-allocation and re-skilling of workers. It will also require removing those subsidies that are environmentally harmful. This includes subsidies to fossil fuel production or consumption and some of the subsidies to agriculture and fisheries. Inefficient regulations and barriers to trade in environmental goods and services would also need to be removed. Looking forward, a consistent and effective policy and regulatory framework needs to be put in place to bring about a shift away from the current trajectories locking-in inefficient and polluting consumption and production patterns. This framework will need to be flexible, so that it can be adjusted and tailored to fit differing national and local circumstances. It will also need to comprise a mix of instruments, cutting across a number of different policy areas and providing the incentives and information for shifting demand and supply toward greener growth. Green growth policies should be in accordance with existing international agreements and based on the principles of free trade and investment.

8.9 Economic growth and development are intimately linked to the management of environmental resources. It is the low income countries and their people who rely most heavily on environmental resources, and are therefore most affected by their degradation. Global environmental challenges such as climate change and biodiversity loss have important implications for the economy, and cannot be solved without effective international co-operation. Adaptation to the impacts of climate change and the sound management of natural resources will thus be critical in designing pro-poor green growth strategies. The OECD Development Assistance and Environment Policy Committees have jointly developed Policy Guidance on Integrating Climate Change Adaptation into Development Co-operation.

Questions for discussion

8.e) What policy mix has the greatest potential to secure the realisation of green growth?
8.f) What role can environmentally-related taxes or other market-based instruments play in enabling greener growth, e.g. by promoting innovation?
8.g) What are the key labour and social policy issues that will need to be addressed in order to fully realise growth and employment opportunities from new green sectors and from the greening of traditional sectors?
8.h) How can we assist low income countries with the formulation and implementation of their green growth strategies?
Item 8 – Sources of Growth

Trade

8.10 International trade and investment are widely recognized to be essential sources of growth, development, and ultimately economic well-being. Open economies achieve higher levels of economic growth, contribute to net job creation, help to raise real wages, and ensure lower prices and wider choice of products and services.

8.11 A successful, ambitious, comprehensive and balanced conclusion of multilateral trade talks under the WTO’s Doha Development Agenda (DDA) offers widespread economic benefits and a much needed boost to business confidence. It would also represent an endorsement of the multilateral trading system, continued international engagement and dialogue on trade and development issues, and an approach to global economic governance centred on mutually-agreed rules and concerted action.

8.12 Recent OECD work shows that for every one percentage point increase in the share of trade in national output, income levels rise by between 1 and 3 percent. Open and well-functioning international markets facilitate increased competition, innovation and specialization; this also implies structural adjustments, with expansion in efficient industries and contraction in less efficient ones. The process of transferring resources to more productive uses has been an important driver of sustained growth and higher living standards. The challenge is to exploit new opportunities, while at the same time limiting adjustment costs for individuals, communities and society as a whole.

8.13 Global production networks, in which not only large multinationals but also more and more SMEs in developed and developing countries are involved, play an important role in enabling specialization within and across countries. Global production networks have been shown to create benefits in home markets, including opportunities for more (and better) jobs, as well as creating job opportunities in other (often developing) countries.

8.14 Today, many firms and many more jobs depend on imported inputs used in local value-added production, with the output often destined for export markets. Most trade is in intermediate products and services: over 50% of goods trade and almost 75% of services trade. Take the example of the Boeing 787 Dreamliner. The wings are produced in Japan, the engines in the United Kingdom and the United States, the flaps and ailerons in Canada and Australia, the fuselage in Japan, Italy and the United States, the horizontal stabilizers in Italy, the landing gear in France and the doors in Sweden and France. The production involves 43 suppliers spread over 135 sites around the world. Indeed, whether used in domestic production, consumption or exports, imports allow firms access to critical inputs at competitive prices and to benefit from embodied new technologies, making it possible for these firms to become more productive and ultimately competitive in global markets.

8.15 Policies that aim to avoid structural adjustment with the goal of “protecting” jobs are counterproductive, temporarily saving jobs in vulnerable sectors at the expense of often higher paying jobs in other competitive sectors of the economy. For example, the quantitative restrictions in autos, steel and textiles in the US in the mid-1980s were estimated to cost $118,000 ($242,800 in 2009 dollars) per protected job saved every year; their removal was estimated to lead to large employment gains in other sectors, and even in the auto sector, whose domestic competitiveness was penalized more by these restrictions than it was helped. Delaying adjustment almost invariably translates into greater longer-term hardship than would be the case if policies of market openness were pursued.

8.16 The current unacceptably high levels of unemployment and stress on fiscal positions in many countries add to the complexity of the challenges to which governments must respond. Beyond continued vigilance to guard against protectionist measures that would make the situation worse, improving global economic prospects would require a timely exit from any discriminatory actions taken in response to the economic crisis and an early conclusion of the DDA. By opening markets governments can obtain significant pay-offs, at little fiscal cost, in terms of stronger...
economic growth, development and job creation. In addition, acting together in this way to support the recovery would be a clear signal of their collective commitment to “do the right things” and would be a welcome boost to business confidence.

8.17 The public sentiment today for further trade liberalisation is low. In particular, the distorted negative picture of the relationship between trade and employment that exists in the public sphere makes trade liberalisation politically difficult. The solution is not to close markets, but to accompany market opening with broader economic reforms, appropriate social policies, and support for capacity building to ensure the benefits of liberalisation are shared widely.

Questions for discussion

8.i) What can our countries do, individually and together, to not just guard against protectionism but to promote and advance trade and investment liberalisation, in order to contribute more to the global economic recovery?

8.j) How can public understanding of the role of trade and investment in job creation be improved, with a view to supporting greater market openness, a well functioning multilateral trading system and widespread economic growth and development?
Ministerial Council Background Documentation

Item 2
Update of the Strategic Response  C/MIN(2010)9

Item 3
Economic Outlook

Item 5

Item 8
The OECD Innovation Strategy: Getting a Head Start on Tomorrow
Measuring Innovation: A New Perspective
Measuring and Fostering the Progress of Societies  C/MIN(2010)13

Other Background Documentation
BIAC Statement to the 2010 OECD Council Meeting at Ministerial Level  C/MIN(2010)14
TUAC Statement to the 2010 OECD Council Meeting at Ministerial Level  C/MIN(2010)15

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## OECD Forum 2010: Draft Programme

**Wednesday 26 May 2010**

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<thead>
<tr>
<th>Time</th>
<th>Session</th>
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<tbody>
<tr>
<td>07h30 - 09h15</td>
<td>Registration</td>
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<td>09h15 - 10h15</td>
<td><strong>Opening session:</strong> Innovation, jobs &amp; clean growth</td>
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<td><strong>Moderator:</strong> Loïck Berrou, Senior Editor, France 24, France</td>
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<td><strong>Angel Gurría,</strong> Secretary-General, OECD</td>
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<td><strong>Giulio Tremonti,</strong> Minister of Economy and Finance, Italy</td>
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<td>10h15 - 10h45</td>
<td><strong>Coffee Break</strong></td>
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<td>10h45 - 11h15</td>
<td><strong>Economic Outlook:</strong></td>
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<td><strong>Angel Gurría,</strong> Secretary-General, OECD</td>
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<td><strong>Pier Carlo Padoan,</strong> Deputy Secretary-General and Chief Economist, OECD</td>
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<td>11h15 - 13h00</td>
<td><strong>Economic Outlook debate: How to avoid a jobless recovery?</strong></td>
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<td><strong>Moderator:</strong> Chris Giles, Economics Editor, Financial Times, United Kingdom</td>
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<td><strong>Antoine Gosset-Grainville,</strong> Deputy CEO, Caisse des Dépôts et Consignations, France</td>
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<td><strong>Pier Carlo Padoan,</strong> Deputy Secretary-General and Chief Economist, OECD</td>
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<td><strong>Richard Trumka,</strong> President, American Federation of Labor-Congress of Industrial Organizations</td>
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<td><strong>Discussant(s):</strong> Agnès Bénassy-Quéré, Director, CEPII, France</td>
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<td><strong>Luca Scarpello,</strong> Board Member, European Youth Forum, Italy</td>
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<td><strong>Robert Skidelsky,</strong> Member, House of Lords, United Kingdom</td>
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<td>13h00 - 14h00</td>
<td><strong>Lunch</strong></td>
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<td>14h00 - 16h00</td>
<td><strong>Green growth and innovation</strong></td>
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<td><strong>Moderator:</strong> Pier Carlo Padoan, Deputy Secretary-General and Chief Economist, OECD</td>
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<td><strong>Esko Aho,</strong> Executive Vice-President, Nokia Corporation, Finland</td>
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<td><strong>Bruno Berthon,</strong> Managing Director, Accenture Sustainability Services, Accenture</td>
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<td><strong>Mikael Karlsson,</strong> President, European Environmental Bureau</td>
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<td><strong>Leonardo Radicati,</strong> Director of ICE-Paris, Italian Institute for Foreign Trade</td>
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<td><strong>Niklas Zenström,</strong> CEO and Founding Partner, Atomico Ventures, United Kingdom</td>
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<td><strong>Discussant(s):</strong> Michèle Pappalardo, General Commissioner, Sustainable Development, Ministry for Ecology, France</td>
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<td><strong>Andrew Wyckoff,</strong> Director, Science, Technology and Industry, OECD</td>
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<td>16h00 - 16h30</td>
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<td>10h45 - 11h00</td>
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<td>11h00 - 11h30</td>
<td>Special session: Jobs and growth</td>
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<td>Unleashing innovation (Room 11)</td>
<td>Moderator: Luca de Biase, Information Technology and Science Editor, Il Sole 24 Ore, Italy</td>
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<td>Habip Asan, President, Turkish Patent Institute, Turkey</td>
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<td>Dawn Graham, President of EUCan II, MSD</td>
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<td>Juan Carlos Romero Hicks, Director General, National Council of Science and Technology, Mexico</td>
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<td>Martin Schuurmans, Chairman, European Institute of Innovation and Technology (EIT)</td>
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<td>Gabriel Solomon, Senior Vice-President, Public Policy, GSMA</td>
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<td>Andrew Wyckoff, Director, Science, Technology and Industry, OECD</td>
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<td>Lunch</td>
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<td>14h30 - 16h30</td>
<td>Trade, jobs and innovation (Room 5)</td>
<td>Moderator: Soumitra Dutta, Dean of External Relations, INSEAD, France</td>
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<td>Ken Ash, Director, Trade and Agriculture, OECD</td>
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<td>Ron Blackwell, Chief Economist, American Federation of Labor-Congress of Industrial Organizations</td>
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<td>Otaviano Canuto, Vice-President, Poverty Reduction and Economic Management, The World Bank</td>
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<td>Simon Crean, Minister of Trade, Australia</td>
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<td>Pascal Lamy, Director-General, WTO</td>
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<td>Enrico Letta, Deputy Chairman, Democratic Party, Italy</td>
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<td>Borut Pahor, Prime Minister, Slovenia</td>
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<td>16h30 - 17h00</td>
<td>Closing remarks</td>
<td>Anthony Gooch, Director, Public Affairs and Communications, OECD</td>
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Programme and Key Documents

From Recovery to Sustained Growth
Paris, 27-28 May 2010