

For Official Use**English - Or. English****28 February 2024****COUNCIL****Council****THE OECD'S CONTRIBUTION TO SECURING STRONG, SUSTAINABLE,
INCLUSIVE AND RESILIENT GROWTH****(Note by the Secretary-General)**

This revised version reflects comments from Members made at the 19-20 February Council session

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1. Introduction

1. The last 20 years have been marked by weak economic growth in OECD countries, much lower than in preceding decades. GDP, wages and incomes are significantly lower than if growth had continued at its past pace. The economic growth slowdown has had three sources: a decline in productivity growth, weak investment and the shrinking of the working-age population due to population ageing. Labour markets have been strong, with employment rates rising and contributing positively to economic growth rates. The last 20 years have also been marked by three major crises: the 2007-08 global financial crisis, the COVID-19 pandemic and the high inflation of the past two years, largely amplified by Russia's war of aggression against Ukraine. These crises have exacerbated the growth slowdown, and the necessary policy action to counter them has led to a further increase in private and government debt. People's living standards have improved at a slower pace than before and than expected. Political discontent and instability have been on the rise.

2. The events of the last two decades have exposed underlying vulnerabilities in the structure of economies and weaknesses in existing policy frameworks. The COVID-19 pandemic highlighted problems related to the lack of investment in healthcare, weak social safety nets and vulnerable global supply chains. Russia's war of aggression against Ukraine has exposed insufficient security of energy supplies and slow progress in reducing dependence on fossil fuels. These challenges, combined with changes in production modes and post-pandemic shifts in consumer preferences, likely require a significant reallocation of workers and capital across activities. Looking ahead, progress will need to be made in how countries make growth work for people across society and reap the growth potential of digitalisation, including artificial intelligence, while addressing the challenges of population ageing and climate change. In particular, meeting longer-term climate objectives will require bold, comprehensive action relying on policy packages that are cost-effective in reducing emissions but at the same time increase energy security and leave no one behind.

3. Economic growth is not a goal in itself, but it can allow populations to enjoy higher standards of living and well-being. A key priority is to ensure that the benefits of growth are shared across society – including through better opportunities for young people, women and other potentially disadvantaged groups. The crises of the last two decades have exposed pre-existing challenges of how to make economic growth more inclusive. The pandemic impacted low-income households particularly in countries with a large share of informal or non-standard employment and limited social safety nets, and the high inflation of the past two years, especially high energy and food prices, has reduced the real incomes of low-income groups the most. Discretionary fiscal support helped cushion the effects of the COVID-19 crisis and high inflation, although these shocks may still entail scars and long-lasting effects for vulnerable groups. Looking ahead, policy should focus on reducing vulnerabilities more sustainably through structural measures that ensure that the benefits of economic growth and productivity gains are broadly shared and that the digital and green transitions create opportunities for people across society.

4. Securing strong, sustainable, inclusive and resilient growth requires a renewed effort to strengthen the frameworks for both macroeconomic and structural policies. Firstly, sound macroeconomic policies need to promote growth in the short and medium term, gradually rebuild fiscal buffers against future disruptions and ensure longer-term fiscal sustainability. Secondly, in order to boost productivity, reforms to remove structural barriers to competition, investment and business dynamism, to ensure well-functioning labour markets that deliver high-quality jobs and to encourage digitalisation and innovation will be needed to counter the decline in economic growth prospects. Thirdly, a stronger focus on promoting sustainability, inclusiveness and resilience, and on bolstering institutions will be required, given the crisis experiences of the past 20 years and the pressing need for action against climate change.

5. Growth in international trade, one of the traditional drivers of global economic growth, has weakened. For more than a decade, global trade growth has barely kept pace with output growth, and trade restrictions have risen. Open and well-functioning international markets under a rules-based global trading

system can be an important source of long-term prosperity, productivity growth and resilience, via economies of scale and specialisation, by being able to source high-quality and diversified inputs, and by allowing to learn from best practices across borders. At the same time, the crises of the past 20 years have highlighted the role of financial and trade linkages for how shocks spread and amplify across countries and in particular the potential vulnerabilities from complex and concentrated global value chains, prompting concerns about the security of supply. The lesson is that making growth work for all will need to make the most of the opportunities of open economies, while ensuring domestic resilience and inclusiveness.

6. The OECD stands ready to play an important role in supporting Member and partner countries in securing strong, sustainable, inclusive and resilient growth – as it has now done over more than 60 years – by bringing countries together to exchange their experiences, by developing evidence-based comparative data, policy analysis and standards, and by fostering international co-operation in areas of mutual interest.

2. Policies for strong, sustainable, inclusive and resilient growth

7. A sustained period of weak growth and the crises of the past 20 years have exposed underlying vulnerabilities in the structure of economies and gaps in existing policy frameworks. Looking ahead, securing strong, sustainable, inclusive and resilient growth requires: sound macroeconomic policies; a comprehensive agenda of structural reforms to boost productivity, investment, business dynamism and job creation; taking advantage of the benefits from digitalisation, while managing its risks; efforts to strengthen global value chains and keep markets open; enhancing energy and food security; tackling climate change and other environmental challenges; improving health systems and social safety nets; making growth work for people across society; a strengthening of domestic institutions; and stronger international co-operation to ensure better resilience and to deal with cross-border challenges. This section will discuss these nine policy areas in detail.

8. The OECD has long provided a comprehensive view of policies with recommendations to secure strong, sustainable, inclusive and resilient growth. *OECD Economic Surveys* provide an integrated view of short- and long-term challenges facing economies across policy areas, highlighting and addressing trade-offs and interactions. They are horizontal and multi-disciplinary, leveraging the richness of thematic data and policy analysis across OECD Committees and Directorates and beyond to provide targeted advice from a whole-of-government perspective. The *Going for Growth* reports in 2021 and 2023 brought new insights on the structural policy priorities in up to 49 countries for ensuring strong, sustainable, inclusive and resilient growth. The 2018 *Jobs Strategy* included job quantity, job quality, inclusiveness, resilience and adaptability as the key dimensions of labour market performance. Moreover, resilience has been at the centre of the work on healthcare and features prominently in the renewed OECD Health System Performance Assessment Framework, welcomed by Ministers at the January 2024 meeting of the Health Committee at Ministerial level [[OECD/LEGAL/0500](#)].

9. The nature of challenges and crises has shown that economic, social and environmental challenges cannot be looked at in silos. Policy analysis across the Organisation increasingly draws on collaborative work, allowing an integrated perspective and an exploration of trade-offs and issues like resilience. The OECD's in-depth thematic reviews of countries cover a wide range of important policy areas,¹ and its cross-country thematic publications, such as the *Employment Outlook*, *Education at a Glance* and *Government at a Glance*, provide deeper insights into specific policy areas that are common across countries. In-depth analyses of the structural challenges and opportunities for emerging market economies are covered in a series of reports including the *Economic Outlook* and regional publications, including *Africa's Development Dynamics*, the *Economic Outlook for Southeast Asia, China and India* and the *Latin*

¹ Examples include *Competition Assessments*, *Environmental Performance Reviews*, *Tax Policy Reviews*, *Reviews of Innovation Policy* and *Reviews of Labour Market and Social Policies* among many others.

American Economic Outlook. These, along with country-specific *Economic Surveys*, are key tools for outreach and engagement with regions which are expected to be increasing their share in the global economy over time.

10. Countries' needs and preferences differ, and an identification of gaps in outcomes and policies is critical. However, right policy advice can only be given with a good understanding of how markets work, which requires data, indicators and empirical evidence on the impact of policies on market outcomes across a comprehensive range of policy areas. Rigorous evidence-based cross-country analysis enables peer learning, benchmarking and ultimately the identification of good practices while accounting for local conditions. This can drive the development of standards, which increase certainty for doing business and conducting policies and facilitate the promotion of shared values. The strength of the OECD's analysis lies in the peer review of its work, which ensures accuracy and countries' close involvement, while preserving the independence of the analysis.

2.1. Sound macroeconomic policies are the foundation for strong and resilient growth

11. Macroeconomic and financial stability is the precondition for strong and resilient economic growth. Rapid and powerful policy responses helped stabilise the financial system during the global financial crisis and the COVID-19 pandemic and manage the macroeconomic and social consequences of Russia's war of aggression against Ukraine. With interest rates at unprecedentedly low levels until two years ago, central banks developed a new range of "unconventional" tools, and fiscal policy was called to play a more active role in managing crises.

12. However, policy makers now need to confront elevated inflation, high debt and weak growth, while labour markets are holding ground so far. Inflation, albeit slowing from recent peaks, remains too high and too persistent in many economies, and public debt has increased significantly. Monetary policy should remain focused on maintaining price stability and ensuring that inflation expectations are well-anchored. The extent and the duration of the current restrictive monetary policy stance, particularly in advanced economies, will need to remain data-dependent and be carefully managed, also given high levels of debt and financial vulnerabilities. Priorities for financial policy continue to be the use of macroprudential tools to ensure financial stability and bolstering the effectiveness and efficiency of financial regulation to address the increased role of non-bank financial institutions and other changes in the structure of financial markets. Reviving international trade, discussed in more detail in Section 2.4, would also have the potential to reduce inflationary pressures.

13. The countercyclical role of fiscal policy must be delivered more successfully, while there is a need to rebuild fiscal buffers and to prepare for future spending needs. Fiscal policy has played a key role in managing recent crises, but it has also at times had a destabilising role, with necessary fiscal interventions having resulted in high public debt. Ensuring long-run fiscal sustainability is important, amid rising interest payments, announcements of increased defence spending and mounting public spending needs related to population ageing and climate change. Near-term efforts to rebuild fiscal space should be enhanced, and credible fiscal frameworks should provide clear guidance about the medium-term trajectory of the public finances. Public spending needs to be carefully reviewed to ensure that it is effective, promotes inclusive growth and well-being and helps reduce vulnerabilities. Efficient provision of public services will be key in this respect. Tax systems should be adapted to address longer-term structural challenges, while striking a balance between revenue-raising, equity and growth objectives. Examples include efforts to broaden bases, improve tax collection and curb tax evasion, including across countries, as well as broader economic reforms to reduce informality. To promote resilience and ensure that vulnerable households are protected during crises, governments need to develop better tools to provide targeted and temporary policy support that preserve incentives to work.

14. Monitoring and better understanding debt dynamics in non-OECD countries is critical, with some emerging market economies facing increasing fiscal pressures that may pose risks to the sustainability of their

debt and to broader global financial stability. In particular, stronger international co-operation on debt relief is necessary to minimise adverse economic and social consequences of potential defaults, given the large number of low-income and emerging market economies currently experiencing debt distress.

15. The OECD continues to develop its macroeconomic policy advice through its *Economic Outlook*, a high-impact, rapid response tool that will continue to provide fresh and timely analysis to help governments better understand global macroeconomic developments. The *Economic Outlook* will continue to draw significantly from evidence and expertise on policies and their impacts across the OECD, including, among others, on fiscal and monetary policies, taxation, trade, and financial and labour markets.

2.2. Reviving productivity and investment and boosting quality job creation

16. Productivity growth is the most important source of rising incomes over the long run. Hence, securing strong, sustainable, inclusive and resilient growth and addressing long-term challenges such as the digital and climate transitions will rest on the ability to raise productivity and innovation. Getting more from existing resources will become more acute to maintain living standards as populations age. Over the past 20 years, productivity growth has slowed, investment has been sluggish and business dynamism has declined, while mark-ups have been on the rise in many industries. OECD work has documented a growing gap between the most productive firms (the “frontier”) and the rest, indicating weak diffusion of best practices across firms. The divergence has tended to be stronger among firms in service sectors, possibly reflecting weaker competition in less tradeable products and more regulated sectors.

17. Public policies need to focus on promoting innovation and improving the abilities and the incentives of firms to adopt the latest technologies and best practices. In our increasingly service-based economies, productive firms need to get the combination right of a broad range of inputs, including machinery and equipment, intangibles (such as digital tools), business processes and skills (knowledge-based capital). This requires good managerial skills, in itself an important driver of productivity growth at the firm level, as well as an appropriate supply of human capital, of accessible infrastructure and of financial resources available to firms.

18. The weak capacity of OECD economies to reallocate capital and workers is making recoveries from shocks more difficult, and holds back productivity growth and quality job creation in the medium term. This risks leaving long-lasting scars from crises, including on the public finances, and increasing the costs associated with population ageing and the digital and climate transitions. Improving the flexibility of economies is hence an important OECD priority, while attention must be paid that it does not come at a cost to the most vulnerable. Lifting productivity requires a comprehensive approach to policies spanning a broad range of areas.

19. The quality of human capital is a key policy area that impacts all aspects of productivity: innovation, adoption and reallocation. Up-to-date skills should match the needs of the labour market. Fostering skills development, in particular for low- and medium-skilled workers, has a double dividend in terms of higher productivity and better job quality. A well-functioning education system is the foundational component with strong long-term benefits. Given the pressing need to rapidly adapt to changing skills requirements in the context of the digital and green transitions and changing supply chains, high-quality and continuous training opportunities for workers should be in place, embedded in social and business support systems that encourage their take-up. A gender-specific perspective needs to be considered in training and further education. OECD work includes benchmarking and assessing skills and skill needs and the ability of educational and training systems to respond to skill needs. To facilitate the matching of workers with the right skills to the right jobs, mobility should be improved through boosting housing supply and high-quality transport infrastructure.

20. Policy makers need to secure quality public investment in key infrastructure and research and development. They also need to ensure that the right institutions are in place to support private investment

and a dynamic and resilient private sector: strong and effective competition in product markets, reinforced by streamlined and low barriers to entry and exit to help reward innovation and entrepreneurship; flexible and inclusive labour markets and training opportunities to facilitate job transitions, reskilling and upskilling; and well-functioning financial markets to effectively allocate capital.

21. The OECD has been at the forefront of policy advice on product and labour markets, supported by the timely monitoring of macroeconomic and sector-, firm- and worker-level developments. It has pioneered innovative approaches to data collection and analysis and has been assembling a growing set of policy indicators that can provide a systematic assessment of the potential policy levers. For example, thanks to this accumulated expertise and relying on the unique network of analysts in national governments with access to granular and timely data, the OECD was able to provide timely evidence on the implications from pandemic-induced changes for productivity, notably the rise of telework and the role of support schemes. The OECD has also provided extensive analysis of small and medium enterprises (SMEs) and entrepreneurship, and developed data and policy advice to improve their potential and performance.

22. The Global Forum on Productivity is a prime example of the OECD's leading role in promoting policies to boost productivity. It is a platform that fosters international co-operation and dialogue between public bodies with responsibility for promoting productivity-enhancing policies, such as ministries, central banks, statistical offices and public research institutions, while also bringing to the table leading academics and researchers in the field. Through the Global Forum on Productivity, the OECD has enabled mutual exchange of information and data and facilitated the sharing of country-specific experiences and policy developments to the long-term benefit of countries. Other examples are the Network on Agricultural Total Factor Productivity and the Environment, which aims to make “environmentally-adjusted” productivity measurement comparable across countries, and country-specific *In-Depth Productivity Reviews*, which delve into issues relevant to a particular country by leveraging on the knowledge accumulated from cross-country analyses and benchmarking. All relevant Committees and Directorates of the OECD contribute to policy advice on innovation, including through dedicated in-depth evaluations, such as the country-specific *Reviews of Innovation Policy* and the biennial *Science, Technology and Innovation Outlook*.

23. Recent years have witnessed renewed interest in industrial policies. Several factors have contributed to this interest, amplified by the major global shocks of the past two decades. These include longer-term trends, such as the productivity slowdown, high inequalities and discontent with globally integrated markets (in particular when not all countries are seen as having played by the rules). In addition, industrial policy motivations reflect the need to ensure effective and efficient digital and climate transitions coupled with a more recent focus on ensuring supply chain resilience and reducing concentration of suppliers, notably for “critical” goods and services.

24. Most governments have used some type of industrial policies in the past, but recent years have seen more comprehensive industrial strategies. Industrial policies are often multi-dimensional, spanning economic, environmental, social and economic security objectives. Policies that improve the business climate and that encourage investment and innovation can help boost economic growth and its resilience. But many industrial policies risk being ineffective and costly in part by hindering the benefits of trade and diversification. Aside from the risk of being counterproductive based on economic considerations, they could set off a spiral of retaliatory measures. Hence, to support countries, the OECD will continue to collect information on new industrial strategies and their design, evaluate their domestic impacts and spillovers to other countries, as well as potential trade-offs and costs. This work can fully benefit from the cross-disciplinary nature of the OECD and its Committees, which are able to cover all aspects relevant to industrial policies.

2.3. *Shaping the digital transformation*

25. The pandemic led to a step change in the digital transformation of economies and societies, helping manage the crisis and the switch to widespread teleworking. The digital transformation will play a key role

in boosting productivity and delivering stronger and more resilient growth – with the economic opportunities that it brings, the way that it can help achieve the climate transition and the ability with which it can transform public services like education and healthcare and promote transparency. At the same time, cyber security threats and disruptions create important vulnerabilities and international interdependencies that need to be carefully managed.

26. The OECD has built a reputation for frontier evidence and policy analysis on emerging technologies and digitalisation to help governments seize the benefits, while addressing the risks and challenges. The Global Forum on Technology is a key example: it fosters multi-stakeholder collaboration on digital and emerging technology policy, facilitates future-facing strategic discussions on technology governance and informs the development and use of technology in line with shared democratic values. Making the digital transformation a success requires a cross-cutting, inclusive approach to address digital divides across regions and societies— covering policy areas such as competition and regulation, innovation, infrastructure, taxation, finance, education and skills, labour markets, public governance, privacy and security.

27. The OECD is a recognised source of international standards on digital policy, and its unique role in setting government policy in this area is described in detail in the *OECD's Contribution to Policies to Seize the Benefits While Better Managing the Risks, Challenges and Disruptions Associated with the Digital Transformation* [[C\(2022\)14/REV1](#)].

28. Artificial Intelligence (AI) brings about enormous potential to transform our economies. While evidence on its economic effects remains scarce for now, its rapid expansion can bring benefits as well as disruptions to areas such as education, healthcare and scientific research. AI poses wide-ranging societal and policy challenges through the potential shifts in labour markets and competition. Notably, the 2019 *OECD Recommendation on Artificial Intelligence* [[OECD/LEGAL/0449](#)] (AI Principles) is the first international standard aiming to promote AI that is innovative and trustworthy and that respects human rights and democratic values, while ensuring applicability to diverse contexts around the world. The 2023 *Employment Outlook* takes stock of the existing evidence on the impact of AI on the labour market and the main policy tools to exploit the many opportunities while addressing its risks. The OECD has built a reputation in providing countries with evidence-based policy advice on emerging technologies and digitalisation. Given how rapidly AI is evolving, the OECD will continue to be agile in its efforts to provide governments with advice on AI-related policies. In practice, this means documenting and exchanging information on policies (through the *OECD.AI Policy Observatory*), providing a framework to analyse the evolving evidence on the macroeconomic, microeconomic and labour market impacts of AI, developing new policy insights and reviewing the implementation of and possibly revising the *AI Principles*.

2.4. Boosting the resilience of global value chains and seizing the benefits of trade

29. The pandemic and the high energy prices of the past two years have highlighted the benefits as well as the fragilities of global supply chains, while many restrictive trade measures have been put in place since the global financial crisis and in recent years. The rules-based international trading system has been under strain on multiple fronts due to an increased incidence of shocks and the rise of geopolitical tensions. These developments have raised questions about the sustainability of economic integration between systems characterised by divergent values, amid the greater use of coercive instruments and pressures for greater government intervention to promote the digital and green transformations. In many countries, perceptions of an uneven sharing of the benefits of trade have lowered public support for open international markets.

30. The evidence of the benefits of trade and market openness is clear, and open markets and well-functioning global value chains remain core OECD values. Trade enables consumers to access affordable goods, services and technologies and creates new opportunities for workers and firms around the globe. Trade is key in achieving the digital and climate transformations by re-organising value chains, supplying inputs and providing access to new technologies. While efforts are needed to strengthen the resilience of supply chains, trade can help economies cushion shocks and manage instability. At the same time,

maintaining and enhancing market openness can contribute to improving resilience of supply chains by creating for example opportunities for more sourcing diversification.

31. Reducing openness and turning inwards would impose significant overall economic costs and hurt poorer households most. Hence, in line with the *OECD's Contribution to Promoting Open Markets and a Rules-Based International Trading System in Good Working Order* [[C/MIN\(2023\)18](#)], the OECD will focus on helping support the building of more resilient supply chains, including for essential services and goods (including medical supplies and food) and for critical inputs for the climate and digital transformations, as well as on promoting shared OECD values through standards and good practices. Responsible business conduct is a key element for securing strong, sustainable, inclusive and resilient growth, including through resilient value chains. The OECD's work on responsible business conduct, in particular the due diligence workstream and the promotion and support of the uptake of responsible business conduct by enterprises and states along the recently updated *OECD Guidelines for Responsible Business Conduct* [[OECD/LEGAL/0144](#)] have an important role.

32. More generally, policy dialogues, such as the *OECD Initiative on Global Value Chains, Production Transformation and Development*, bring together the perspectives of both OECD and partner countries, to ensure a broader understanding of the interconnections in global markets. Key OECD tools include: cross-country data on trade restrictions, measures and other policies that may affect trade patterns, such as industrial policies and agricultural, fisheries and fossil fuel subsidies; the interactive web guide for policy makers on Keys to Resilient Supply Chains; evidence on global value chains; and cutting-edge analysis on the effects of policies and reforms. The OECD will continue to update, improve and expand this tool set to support its policy advice. A whole-of-government approach to trade policies is facilitated by combining the expertise of Directorates on macroeconomic, labour market, competition and productivity, taxation, health, environmental and regional questions.

2.5. Enhancing energy security and tackling climate change

33. Russia's war of aggression against Ukraine has been highlighting the risks around energy security, insufficient progress towards reducing dependence on fossil fuels to tackle climate change and the vulnerability of many households to these developments. Policy makers responded by tackling the short-term energy crisis, while making progress towards longer-term objectives through policies that are cost-effective, increase long-term energy security, accelerate the climate transition and have public support.

34. Climate change mitigation will require a fundamental and rapid transformation of our economies, including strong policies to reduce emissions, improved technologies and large-scale investment. While countries globally and individually have committed to emission reduction targets, details on how they will achieve climate change mitigation, adaptation and financing objectives are insufficient. A variety of policy instruments are needed to curb greenhouse gas emissions: standards and regulations, public investment, innovation subsidies, as well as price- and non-price-based incentives – the relative importance of which will differ across countries depending on their circumstances and preferences.

35. To support climate change mitigation efforts and improve international dialogue and understanding, the OECD launched in 2022 the Inclusive Forum on Carbon Mitigation Approaches (IFCMA). The IFCMA is an initiative designed to help improve the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and inclusive multilateral dialogue between OECD Members and non-Members alike on an equal footing. By facilitating the sharing of data and information, mutual learning and multilateral dialogue, the IFCMA aims to contribute to a globally more coherent and better coordinated approach to carbon mitigation efforts and to a fair and just transition to net zero. The OECD also supports the scale-up of financing necessary for the climate transition across Members and non-Members and the alignment of all forms of finance with the objectives of the Paris Agreement, including through the activities of the OECD Centre on Green Finance and Investment, by providing policy analysis, policy recommendations and a platform for dialogue.

36. The OECD will continue to focus its expertise on the energy-environment-economy nexus across the Organisation's work. This concerns the short- and longer-term effects of climate change and climate change mitigation policies on economic outcomes both at the micro-level (for example the implications for firms, jobs and households) as well as at the macro-level (including implications for fiscal sustainability and monetary policy). Energy affordability and security and action against climate change are now at the core of the *OECD Economic Outlook* and country-specific *Economic Surveys*. In addition, the OECD's extensive collaboration with the International Energy Agency (IEA) enables it to draw on IEA expertise regarding energy and climate policies and to integrate this expertise into mainstream economic analysis, alongside the important specialist work of the Nuclear Energy Agency. OECD work in this area ranges from innovative initiatives on monitoring of outcomes and policies to the development of long-term scenarios and technological solutions taking into account macro- and microeconomic consequences and feedback loops. In addition, the expertise of the International Transport Forum enables a deeper look into the role of transport, the backbone of our economies, but also a key source of emissions.

37. As stated in the *OECD's Contribution to Global Action on Climate Change* [[C\(2021\)131/REV1](#)], many OECD Committees and Directorates are tackling challenges related to the protection of the environment, biodiversity, water and the management of natural resources, offering Member countries and the global community detailed and coherent policy advice to reap the benefits of the green transition while minimising its disruptions and economic and social costs. The objective is to support countries in their efforts to ensure the environmental sustainability of economic growth, including by adopting and implementing a full, environmentally effective, economically efficient and publicly acceptable climate strategy, in line with the OECD's 2022 *Framework to Decarbonise the Economy* and the *Horizontal Project on Climate and Economic Resilience*. Such a comprehensive approach is also necessary to flag potential trade-offs with other policy objectives, for example growth, social, energy affordability and security objectives, and to highlight policy options that minimise such trade-offs.

2.6. Improving health systems and social security safety nets

38. The COVID-19 pandemic had a heavy toll in terms of health and human lives, severely disrupting economic and social activity, and highlighted weaknesses in health care systems and social safety nets. COVID-19 revealed a lack of investment in public health and healthcare, which left patients vulnerable to the pandemic. The global nature of the pandemic also highlighted the need for improved international co-operation on: preventing and containing the spread of infectious diseases across borders; coping with the global shortages of qualified health professionals; managing supply chains and distribution of medical materials; financing the development and subsequent technology transfer and intellectual property rules for vaccines; health data governance frameworks; and the financing of research and development on and access to medicines.

39. The pandemic had profound distributional impacts, particularly in countries with high levels of informality, high labour market segmentation and weak social safety nets, with many people facing real income losses and falling into poverty. Increasing resilience to shocks requires social safety nets that curb negative effects of job losses, as well as efficient and effective labour markets that encourage private firms to invest and hire and facilitate a swift return to work. At the same time, greater investment in skills through education and life-long learning is necessary to ensure that workers' skills and abilities match those required in a rapidly evolving labour market. More comprehensive and broad-based health and social protection schemes can help ensure resilience across the entire distribution of the population, while they need to be well-designed and match the capacity to fund them.

40. The OECD's extensive expertise in the functioning of labour, social and health institutions allows for the sharing of experiences and tailoring advice to countries. The *OECD Jobs Strategy* provides an example of how the Organisation delivers policy recommendations across a broad range of policy areas, helping countries address the challenges of job quantity, job quality, inclusiveness, resilience and

adaptability. The OECD's constructive dialogue with the Trade Union Advisory Committee (TUAC) and the Business at OECD (BIAC) allows a fuller view on the evolving challenges and policy solutions.

2.7. *Making growth inclusive*

41. Protecting the vulnerable against future shocks and ensuring that growth is inclusive requires a range of measures to strengthen individual resilience, provide better opportunities for people across society and reduce inequalities. The strength of growth and who benefits from it will hinge on investments and skills and providing opportunities to people, in particular those at a disadvantage. Many adults lack the skills necessary to perform well in labour markets where education systems fail to equip students with skills for the future and adult learning is weak. Lack of opportunities include low social and intergenerational mobility, digital divides across regions and individuals, gender-inequality-related barriers and weak inclusion of persons with disabilities, migrants and minorities. Ensuring gender equality and women's and young people's economic empowerment represents a significant opportunity for strong and inclusive growth and to unleash the full productive potential of economies. For example, many women miss out on labour market opportunities during the early stages of their careers, which coincide with childbearing and an increase in unpaid work. They rarely fully catch up afterwards. Meanwhile, many OECD countries have experienced a fall in male labour force participation.

42. The OECD's leading role in documenting, benchmarking and analysing skills of both students and adults relies on internationally comparable data, such as the renowned Programme for International Student Assessment (PISA) and the Programme for the International Assessment of Adult Competencies (PIAAC). Publications analyse education and training policies with respect to their effectiveness, resource efficiency and responsiveness to labour market needs, as well as the equality of opportunities that they facilitate.

43. The OECD has recognised initiatives and tools to help governments improve gender equality, as laid out in the *OECD's Contribution to Promoting Gender Equality* [C/MIN(2023)17], which examines progress towards, and existing barriers to, gender equality and empowerment of women and girls in education, employment and entrepreneurship in both OECD and non-OECD countries. Key areas for progress include access to and ensuring affordability of childcare and early childhood education, better sharing of parental leave and facilitating return to work, supporting gender-balanced career advancements and women's access to management positions through corporate disclosure, addressing biases in the tax and pension systems, better integrating foreign-born women and enhancing women's financial inclusion. The OECD provides examples of good practices based on analytical tools and reliable data across all these fields and feeds its policy recommendations across an increasing number of publications and fora, including *Economic Surveys*, *Going for Growth* and *Gender Policy Reviews*.

44. The OECD also provides policy makers with timely, up-to-date evidence and policy advice on integrating migrants, through the *International Migration Outlook* and *Settling In: Indicators of Immigrant Integration*, and on combating informality in a wide range of publications. In line with the 2023 G20 priority areas and the Sustainable Development Goals, the OECD will continue to provide advice on how to promote healthier and more balanced lifestyles, which imply more sustainable consumption, more responsible production, a better work-life balance and the promotion of smart cities and mobility.

45. The ageing of the population of OECD countries is set to push up public expenditure on health, long-term care and pensions, and to erode tax revenues. Yet, while life expectancy has been increasing over decades, barriers remain for many older people who wish to remain in work. In light of the demographic challenges, the OECD is advising countries on how to ensure more age-inclusive labour markets, sharing experiences in particular in the *Employment Outlook* and *Economic Surveys*.

2.8. Strengthening national institutions and democracy

46. Effective institutions, the rule of law, good governance and tackling corruption remain essential for a high-quality public administration and efficient public service provision, sound policies and reinforcing trust – all of which are key to stronger and more resilient economic growth. Trust is the foundation upon which the legitimacy of democratic institutions rests, and it is necessary for ensuring the success of a wide range of public policies that depend on citizens' behavioural responses. Low voter turnout, greater numbers of citizens dissociating themselves from traditional democratic processes and greater political polarisation are undermining the capacity of governments to implement necessary structural reforms. The OECD's *Reinforcing Democracy* initiative seeks to identify the main governance challenges and how countries can move forward to address these complex matters. The initiative focuses on tackling mis- and disinformation, strengthening representation and participation, addressing undue foreign influence, governing green and reforming governance for digital democracy.

47. Strong, politically independent institutions with well-defined tasks that are determined democratically can play an important role. The independence of central banks needs to be maintained, to ensure trust and financial stability, along with strong financial regulators. Independent fiscal institutions can play a useful role in minimising political biases in the conduct of fiscal policy by providing independent expert analysis of budget implications of government policies and identifying main risks to public finances. Similarly, in the face of sluggish productivity growth trends, strong pro-productivity institutions can help policy makers boost longer-term growth by producing objective evidence and data on productivity trends and growth drivers.

48. The OECD has been a global driving force on anti-corruption and integrity for more than four decades. The overarching objectives of the Organisation's anti-corruption and integrity work are to support trustworthy institutions and open, efficient and inclusive markets. The OECD will continue working towards these objectives by developing global standards and supporting their effective implementation. In addition to providing data and analysis, the OECD convenes and works with the international anti-corruption and integrity community to share practices and experiences.

2.9. Supporting international co-operation

49. Climate change, migration and various aspects of the digital transformation, including taxation, are key examples of policy challenges with cross-border economic spillovers. Achieving strong, sustainable and resilient growth in an interconnected world will need a reinforcement of international co-operation to increase resilience and address long-term challenges such as population ageing and climate change in the most effective way. The crisis experiences of the past 20 years have shown both outstanding examples of effective international co-operation to manage short-term stresses and resolve underlying issues, as well as strains and vulnerabilities due to weaknesses in the global framework. In a world with heightened geopolitical tensions, the OECD must maintain its role as a technical, expert organisation. Its policy analysis and advice needs to remain valuable to non-Members, facilitating and encouraging their engagement in pursuing goals of common interest and boosting their development prospects. The OECD will continue to adapt its engagement with non-Members to take account of their specific needs and circumstances.

50. The OECD will continue to support Members and the global community in their common efforts to improve economic prospects with timely empirical analysis, as well as its ability to broker consensus, develop and adopt standards and propose innovative multi-stakeholder solutions. It will continue to proactively support international fora, including the G20, G7, APEC, ASEAN and the African Union and will engage in a sustained dialogue with the various United Nations bodies. In particular, the OECD will leverage on its unique expertise on structural challenges, trends and policies to provide inputs to such fora, promote standards and good practices and support an evidence-based international dialogue.

51. The 2021 historical agreement on the *Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* exemplifies the role that the OECD can play in supporting cooperative global solutions to complex cross-border issues for the benefit of the global society. Under the leadership of the OECD, 138 member countries and jurisdictions of the *OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting*, representing more than 90% of global GDP, have joined the two-pillar solution. This landmark agreement will ensure a fairer distribution of taxing rights among countries with respect to the profits of the world's largest multinational companies and put a floor on tax competition through the introduction of a global minimum corporate tax. The fast and effective implementation of this agreement will be key to securing government revenues, improving certainty and supporting a global level playing field. Other notable areas where the OECD has helped to deliver globally coordinated solutions include standards for tax transparency and exchange of information through the *Global Forum on Transparency and Exchange of Information for Tax Purposes*, the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* [[OECD/LEGAL/0293](#)] and the *G20/OECD Principles of Corporate Governance* [[OECD/LEGAL/0413](#)].

52. Addressing climate change and its economic impacts must involve global concerted action to deal with cross-border spillovers. A global policy dialogue would benefit from an analytical underpinning, careful and rigorous stock-taking and evaluation of the evidence on mitigation policies, sharing of experiences and design details, and comparisons of policy effectiveness. As mentioned in Section 2.5, the OECD supports this dialogue, complementing existing initiatives with its *Inclusive Forum on Carbon Mitigation Approaches*. The OECD's *International Programme for Action on Climate (IPAC)* also supports country progress towards net-zero greenhouse gas emissions, through regular monitoring, policy evaluation, feedback on results and best practice advice.

3. Why the OECD?

53. The OECD aims to deliver better policies for better lives and is in a unique position to provide important support to governments in their mission to achieve strong, sustainable, inclusive and resilient growth. It stands ready to support policy makers in pursuing key, albeit often difficult reforms to macroeconomic policy frameworks and institutions and a structural policy agenda that boosts growth over the medium term, while ensuring that it is resilient, sustainable and secures well-being improvements for all. Specifically, the OECD's role relies on five pillars, building on the Organisation's comparative advantage in structural reforms:

- **Multi-disciplinary approach:** The OECD covers macroeconomic and structural policies across virtually all policy areas and engages policy makers from relevant ministries, public institutions and beyond. OECD analyses, standards and policy recommendations can therefore capture the interplay of key short- and long-term drivers of the economy and major long-term challenges such as digitalisation, population ageing and climate change. This provides a valued perspective in synergies and trade-offs between policies, including in strengthening resilience and addressing the vulnerabilities highlighted by recent crises.
- **A strong base of quantitative evidence:** The OECD leverages its internationally comparable data, tools and indicators for monitoring and evaluating economic performance, vulnerabilities and policy gaps as well as timely measurement and benchmarking of country progress. This provides a comprehensive picture of developments in economic outcomes in Member and partner countries and the strength and the weaknesses of national policies (as with the Product Market Regulation indicators), which helps signal opportunities for reform.
- **Policy analysis and advice:** The OECD leverages the experiences of Member countries, and its own internal expertise based on extensive evidence of the effects of policies to identify economic policy challenges and recommend solutions. It complements this analysis with in-depth country

knowledge, allowing insights to be tailored to regional, national and sub-national circumstances and to account for the political economy of reforms. This allows a genuine whole-economy approach, and holistic reviews as well as in-depth thematic dives into specific structural policy areas to provide country-specific practical policy recommendations and follow up on their implementation.

- **Experience in convening a wide range of stakeholders:** The OECD's analysis and policy recommendations are strengthened by a broad range of perspectives, including from the private sector, trade unions, civil society and other international organisations. Stakeholder engagement at the OECD includes representation at high-level meetings and fora, as well as involvement in the development and review of key deliverables.
- **Leveraging and promoting international dialogue and multilateral actions:** The OECD's fora and other platforms for dialogue and its body of global standards and implementation tools ensure that its structural policy recommendations are effective and responsive to current challenges. This is particularly due to the OECD's unique, well-established peer review process spanning all key economic policy areas. Contributions to international fora, such as the G7, G20, APEC and ASEAN, help further amplify the reach and impact of OECD policy insights and promote alignment with OECD instruments to support economic growth.

54. The OECD will continue to search for innovative solutions to existing challenges and vulnerabilities. The *New Approaches to Economic Challenges (NAEC)* initiative is an Organisation-wide process with a focus on the roots and lessons from crises, aiming at catalysing a process of continuous improvement of the OECD analytical framework and its policy advice. NAEC does this by fostering an inter-disciplinary approach to policy and economic analysis, synthesising a wide range of reflection on new ways of thinking about economic, social and environmental systems and their interaction, optimisation and disruptions. Drawing on a wealth of insights and understanding which now exists across academic sciences, economics and policy, new approaches are debated and experimented with and mainstreamed through the networks and structures of policymaking.

Proposed action

55. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusion:

THE COUNCIL

approved document [C\(2023\)16/REV6](#) and agreed to its declassification.