**For Official Use** **C/M(2013)19**

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development **13-Jan-2014**

**English/French**

**COUNCIL**

C/M(2013)19
**For Official Use**

## Council

**SUMMARY RECORD OF THE 1288th SESSION**

**held at the Château de la Muette, Paris,**
**on Tuesday, 12 November 2013.**

**JT03351050**



**English/French**

**194. ADOPTION OF THE AGENDA**

THE COUNCIL

noted the introductory remarks by the Chair and the comments by the Members of the Council on the Item on Horizontal Projects, and the reply by the Chair, and adopted the draft Agenda for its 1288th session [C/A(2013)19].

**195. APPROVAL OF THE SUMMARY RECORD OF THE 1286th SESSION**

THE COUNCIL

approved the Summary Record of its 1286th session [C/M(2013)17].

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**ITEMS 196-201 APPROVED WITHOUT DEBATE ("A POINTS")**

**196. 2013 REPORT ON THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES**

THE COUNCIL

noted document C(2013)120, in particular the report set out in its Appendix and agreed to the declassification of this report.

**197. DRAFT RESOLUTION OF THE COUNCIL REVISING THE MANDATE OF THE STEEL COMMITTEE**

THE COUNCIL

a) noted document C(2013)87 and its CORR1 (English only);

b) adopted the draft Resolution of the Council revising the mandate of the Steel Committee as set out in the Annex to document C(2013)87 and CORR1, which will enter into force on 1 January 2014.

**198. RENEWAL OF THE MEMORANDUM OF UNDERSTANDING FOR THE OECD-MEXICO TAX CENTRE**

THE COUNCIL

a) noted document C(2013)129;

b) noted the draft Memorandum of Understanding to renew the operation of the OECD-Mexico Multilateral Tax Centre until 31 December 2016, set out in the Appendix to document C(2013)129.

**199. FINAL UPDATE ON THE PREPARATION OF THE TERRITORIAL DEVELOPMENT POLICY COMMITTEE (TDPC) MEETING AT MINISTERIAL LEVEL**

THE COUNCIL

a) noted document C(2013)126;

b) noted the revised provisional agenda, as set out in the Annex to C(2013)126, and the documentation to be provided at the Ministerial meeting of the Territorial Development Policy Committee, as presented in paragraphs 2 and 3 of document C(2013)126;

c) agreed to designate Mr. Manabu Sakai Vice-Minister for Land, Infrastructure, Transport and Tourism, Japan and Mr. Jorge Carlos Ramírez Marín, Minister of Agrarian, Territorial and Urban Development, Mexico, as Vice-Chairs of the meeting;

d) invited the Territorial Development Policy Committee to report on the outcomes of the meeting in early 2014.

**200. COMMITTEE PARTICIPATION PLANS: COMMITTEE FOR AGRICULTURE; STEERING COMMITTEE FOR NUCLEAR ENERGY; COMMITTEE ON FINANCIAL MARKETS; INSURANCE AND PRIVATE PENSIONS COMMITTEE**

THE COUNCIL

a) noted document C(2013)132 and its CORR1;

b) approved the Participation Plans of the Committee for Agriculture, the Steering Committee for Nuclear Energy, the Committee on Financial Markets and the Insurance and Private Pensions Committee, as set out in the Annex to document C(2013)132 and in its CORR1;

c) agreed to declassify the Participation Plans mentioned under b) in the format set out in paragraph 2 of C(2013)132.

**201. DRAFT REVISED STATUTE OF THE PENSION BUDGET AND RESERVE FUND**

THE COUNCIL

a) noted document C(2013)104;

b) approved the amended Statute of the Pension Budget and Reserve Fund (PBRF), namely the addition of a new Article 8 on Post-Employment Healthcare Liabilities Reserve Assets and Financing, as set out in the Annex to document C(2013)104.

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**202. DRAFT RESOLUTION OF THE COUNCIL EXTENDING THE TERM OF OFFICE OF A DEPUTY SECRETARY-GENERAL OF THE ORGANISATION**

THE COUNCIL

a) noted document C(2013)141;

b) adopted the draft Resolution extending the term of office of Deputy Secretary-General of the Organisation, Mr. Yves Leterme, as set out in the Annex to document C(2013)141 *[this Resolution was circulated under the reference C(2013)141/FINAL]*.

**203. ACTIVITY REPORTS**

THE COUNCIL

**i) Report by the Secretary-General**

a) noted the report by the Secretary-General;

b) noted the comments by Members of the Council;

**ii) Contributions of the Organisation to the G20**

c) noted the introductory remarks by the Secretary-General and the report by OECD Chief of Staff & Sherpa to the G20 Ramos (see also G20 Status Report set out in Room Document No. 4);

d) noted the comments by Members of the Council;

**iii) Update on the NAEC Initiative**

e) noted the report by OECD Chief of Staff & Sherpa to the G20 Ramos on the NAEC Initiative, the draft agenda of the workshop that will take place on 5 December set out in Room Document No. 5;

f) noted the comments by Members of the Council and the replies by the Secretary-General and OECD Chief of Staff & Sherpa to the G20 Ramos.

**204. ADDRESS BY THE PRIME MINISTER OF LATVIA, MR. VALDIS DOMBROVSKIS**

THE COUNCIL

a) noted the welcoming remarks by the Secretary-General [for reference, see C(2013)122/FINAL];

b) noted the address by the Prime Minister of Latvia, Mr. Valdis Dombrovskis (Annex I);

c) noted the intervention by the Dean, the comments by other Members of the Council and the Chair, the replies by the Prime Minister of Latvia and the concluding remarks by the Chair.

**205. THE ECONOMIC, FINANCIAL AND SOCIAL SITUATION: LATEST DEVELOPMENTS**

THE COUNCIL

a) noted the presentations by the Secretariat (PPT presentations) and the synthesis document set out in Room Document No. 1;

b) noted the comments by Members of the Council and the replies by the Secretariat.

**206. ADDRESS BY THE PRESIDENT OF LITHUANIA, MS. DALIA GRYBAUSKAITĖ**

THE COUNCIL

a) noted the welcoming remarks by the Secretary-General (for reference, see 'Lithuania – OECD Action Plan', available in session);

b) noted the address by the President of Lithuania, Ms. Dalia Grybauskaitė (Annex II);

c) noted the intervention by the Dean, the comments by other Members of the Council and the Chair, the replies by the President of Lithuania and the concluding remarks by the Chair.

**207. DIALOGUE WITH THE CHAIR OF THE REGULATORY POLICY COMMITTEE**

THE COUNCIL

a) noted the presentation by the Chair of the Regulatory Policy Committee [for reference, see Recommendation of the Council on Regulatory Policy and Governance – C(2012)37, as well as the Executive Summary of the 2011 Publication 'Regulatory Policy and Governance – Supporting Economic Growth and Serving the Public Interest' set out in Room Document No. 6];

b) noted the comments and questions from the lead participants, the Permanent Representatives of the United Kingdom and Mexico, and from other Members of the Council, and the responses by the Chair of the Regulatory Policy Committee.

**208. PREPARATIONS FOR THE 2014 MCM, INCLUDING DESIGNATION OF THE VICE-CHAIRS**

THE COUNCIL

a) noted the introductory remarks by the Chair and Japan, in its capacity as Chair of the MCM (for reference, see Room Document No. 12);

b) agreed to designate the United Kingdom and Slovenia as Vice-Chairs of the Council at Ministerial level in 2014, the Bureau thus being composed of Japan, the United Kingdom and Slovenia;

c) agreed to return to the preparations for the MCM 2014 at its next session.

**209. ACCESSION OF THE RUSSIAN FEDERATION**
**- Progress Report**
**- Procedural Issues**

THE COUNCIL

a) noted the Progress Report set out in document C(2013)137/REV1, the procedural issues set out in document C(2013)138, the report by the Chair of the Executive Committee and the remarks by the Secretariat and the Chair (for reference, see also the letter by President Putin to the Secretary-General dated 22 October 2013, distributed in session);

b) noted the comments by Members of the Council and the replies by the Chair and the Secretariat;

c) agreed that all accession reports on the Russian Federation may be declassified by the relevant committee and published before the end of the accession process in accordance with paragraph 6 of document C(2013)138.

**210. HORIZONTAL PROJECTS: ANNUAL UPDATE**

THE COUNCIL

a) noted document C(2013)143 and the overview table set out in Room Document No. 2/REV1, the introductory remarks by the Chair, and the presentations by Deputy Secretary-General Tamaki on the Strategy on Development and by the Secretariat on the Skills Strategy and the project on Knowledge-based Capital;

b) noted the comments by Members of the Council and the replies by the Chair, inviting Members to provide further comments in writing and proposing that the Council return to this issue at the January Council.

## 211. PREPARATIONS FOR THE ANNUAL MEETING ON DEVELOPMENT

THE COUNCIL

a) noted the draft agenda for the 21 January 2014 meeting set out in Room Document No. 3 and the introductory remarks by Deputy Secretary-General Tamaki;

b) noted the comments by Members of the Council and the replies by the Chair, including that comments on the agenda could be transmitted in writing;

c) noted that the draft Agenda for the Council and the meeting of the Members of the Council on Development of 21 January 2014, set out in Room Document No. 3, will be finalised in the light of the discussion and of written comments received;

d) agreed to invite Colombia, Latvia, the Russian Federation and Brazil, China, India, Indonesia and South Africa, as well as the other members of the Development Centre to participate in the meeting of the Members of the Council on Development of 21 January 2014;

e) agreed to invite representatives from the World Bank, the IMF, the UN (UNDP, Intergovernmental Committee of Experts on Sustainable Development Financing; Department of Economic and Social Affairs – UN DESA; Open Working Group on Sustainable Development Goals), the Inter-American Development Bank, the Asian Development Bank and the African Development Bank to participate as observers, and representatives from the BIAC and TUAC to participate as experts, in the meeting of the Members of the Council on Development of 21 January 2014.

## 212. OTHER BUSINESS

THE COUNCIL

**i) 21-22 November Ambassadors' Seminar**

a) noted the remarks by the Dean on the final preparations of the Bruges Seminar programme and the updated Agenda set out in Room Document No. 7;

**ii) Admission of Poland in the Development Assistance Committee (DAC)**

b) noted that the Development Assistance Committee, at its 22 October meeting, agreed to the admission of Poland in the Committee, and the remarks by Poland;

**iii) OECD/CoE Convention on Mutual Administrative Assistance in Tax Matters**

c) noted the remarks by the Chair on the signing of the Convention by Hungary and the situation of Member countries with respect to the Convention;

d) noted the comments by Israel;

**iv) Council Working Group on Governance (WGG)**

e) noted the oral report by the Chair of the WGG on progress in the governance review, recalling that the two sub-groups on decision-making and working methods held their first meetings on 6 November and that the next WGG meeting would be held before the 10 December Council session;

**v) Report on Missions of the Deputy Secretaries-General**

f) noted the report on the missions of the Deputy Secretaries-General since 15 October set out in Room Document No. 10;

**vi) Coordination Issues: Review of Staff Allowances**

g) noted the document on further considerations on the impact of the CCR-envisaged measures set out in Room Document No. 8 and the additional comparative information on the OECD's remuneration package set out in Room Document No. 9 and the statement by the Secretary-General on the CCR discussions concerning the review of the staff allowances [see Annex III; for reference, see also the message by the Secretary-General to all Ambassadors dated 26 September and C/M(2013)17, Item 187 iv)];

h) noted the comments by Members of the Council and the reply by the Secretary-General, inviting Members to transmit these documents to their authorities and CCR Delegates;

**vii) Next Sessions and Council Indicative Work Programme**

i) noted the indicative work programme set out in Room Document No. 11;

j) agreed to hold its next session on Monday, 18 November 2013, its December session being scheduled for Tuesday, 10 December 2013.

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**DOCUMENTS APPROVED UNDER THE WRITTEN PROCEDURE**

The following conclusions were approved by the Council under the written procedure on 18 October 2013 [CES/PE(2013)7]:

**213. TRANSFER OF THE 2012 NET RESULT ON PUBLICATIONS REVENUE FOR THE INTERNATIONAL ENERGY AGENCY TO THE "IEA – NET RESULT ON PUBLICATIONS RESERVE"**

THE COUNCIL

a) noted document C(2013)92;

b) approved the transfer of the 2012 Net Result on Publications Revenue of the IEA Budget amounting to EUR 925 115.33 to the "IEA - Net Result on Publications Reserve", time bound to 31 December 2014.

**214. CENTRE FOR EDUCATIONAL RESEARCH AND INNOVATION: APPOINTMENT OF NATIONAL EXPERTS TO THE GOVERNING BOARD**

THE COUNCIL

a) noted document C(2013)117 and its ADD1;

b) adopted the draft Resolution appointing national experts to the Governing Board of the Centre for Educational Research and Innovation set out in the Annex to document C(2013)117.

## ANNEX I

## ADDRESS BY THE PRIME MINISTER OF LATVIA, MR. VALDIS DOMBROVSKIS

"Secretary-General, Excellencies, Ladies and gentlemen,

It is a great pleasure for me to address the OECD Council today.

First of all I would like to express our gratitude that OECD member states appreciated Latvia's efforts and OECD's Ministerial Council decided to open membership talks with Latvia in 2013.

Latvia considers membership in the OECD as an opportunity for further enhancing structural reforms, implementing social and economic policies, improving services to its citizens and learning from on-going reforms in other countries. Simultaneously, Latvia regards membership in the OECD as a matter of strategic importance due to the opportunities of participation in the global economic agenda and share the experience and best practices. In a number of areas, Latvia has specific knowledge and experience which can be valuable both for the OECD and its member states.

I am sure that during Latvia's technical accession process, relevant OECD Committees and member states will be able to evaluate and fully recognise Latvia's maturity as an OECD member state in the nearest future.

*Opportunities at the OECD*

Latvia has already benefitted from the OECD analysis and guidelines in certain areas. To mention some:

- Fight against foreign bribery - by strengthening and bringing our legislation in compliance with the OECD Convention on Anti-Bribery;
- Education - by being able to asses our students internationally;
- Reform of the governance of state owned enterprises, which is currently discussed in the Parliament.

Within the context of accession we look forward to the thorough sectoral reviews mentioned in Latvia's Roadmap for the accession to the OECD which are also of great importance to national agenda.

And look forward to the opportunities that full OECD membership would provide in that respect.

I would also like to commend OECD overarching projects like New Approaches to Economic Challenges (NAEC), Global Value Chains (GVC), Base Erosion and Profit Shifting (BEPS) and others that provide, or will provide, evidence and guidance for policy makers in rapidly changing environment and are of great interest to Latvia.

*Latvian crisis experience*

Secretary-General, Excellencies, Ladies and gentlemen!

The economic crisis 2008-10 hit Latvia particularly hard, but Latvia has proved its capacity to reform by undertaking massive fiscal consolidation and implementing numerous structural reforms. The size of fiscal consolidation measures implemented between 2009 and 2012 amounted to 17,5% of GDP with one third comprising of revenue increases and two thirds – expenditure cuts. The ambitious and front-loaded fiscal consolidation was instrumental in anchoring confidence and in its way provided positive stimulus for economic recovery. Indeed, financial market pressures gradually eased and Latvia was able to return to the financial markets in early 2011, 2 years after we had lost access to them. GDP growth resumed already in the last quarter of 2009 right after the first round of large budget consolidation was implemented. As a result, budget deficit has been brought down from 9,8% in 2009 to well below 2% in 2012, public debt has been stabilised below 45% of GDP and economy has entered a new growth cycle.

Fiscal consolidation has been supported by structural reforms, particularly in education, healthcare and public administration. Product and labour market policies have been focused on improving business environment, promoting competition, boosting productivity in tradable sector and fostering labour market flexibility. As a result, we have achieved significant productivity gains, latest figure showing a 40% higher productivity than at pre crisis peak in 2008. Also, we have significantly improved in the Doing business ranking, standing at number 24 in 2014. And there are several important measures undertaken concerning insolvency and court system efficiency. Implementing these should considerably boost our standing in the ranking.

During the economic downturn particular attention of the government of Latvia was focused on new strategies for restoring competitiveness and long-term growth of national economy.

To promote further sophistication of Latvian economy based on an advanced micro level analysis and the provision of horizontal state support the Government has adopted guidelines for a new innovative Industrial policy of Latvia.

Already in 2010 Latvia adopted Sustainable Development Strategy 2030, where main principles for future national development, such as human capital, equal opportunities, education, innovative and eco-efficient economy, renewable and safe energy, sustainable management of natural values, territorial development and settlement, energy efficient and environmentally friendly transport policy, increase in the social capital value, were brought forward.

The National Development Plan 2020 (action Plan for the Sustainable Development Strategy 2030) contains three priorities: the development of national economy, human security and a territory supporting development.

One of the suggestions include ambitious plan to make Latvia the greenest country in the world by 2020 (currently – it is the second greenest according to the Environmental Performance Index).

*Recent economic development*

Secretary-General, Excellencies, Ladies and gentlemen!

Allow me to briefly present the recent economic development in Latvia. On the whole, Latvia has emerged much stronger from the recent recession with improved competitiveness and balanced economy.

Latvia has recorded stronger-than-expected growth of 5,6% in 2012, led by private consumption, raising demand in service industry, expanding exports and investments. As of the 2$^{nd}$ quarter of 2013 Latvia has recorded a positive GDP growth for twelve consecutive quarters.

In 2012 Latvia had the highest GDP growth in the EU. As the Eurostat flash estimate (4 September 2013) shows, the high growth rate continues in 2013 – during the 2$^{nd}$ quarter Latvian GDP grew by 4,3% compared with the same quarter in 2012.

I would like to note that export volume at the end of 2010 exceeded the pre-crisis level and is strongly growing ever since. Exports are expanding, backed by solid economies of Latvia's major trading partners, and in 2012 Latvia reached the 2$^{nd}$ highest export growth in the EU - Latvia's export rose by 16% according to Eurostat. Exports will continue to be a cornerstone of the Latvian economic development, but it will be closely related to the trends in external demand – in the first half of 2013 exports share in total foreign trade volume has reached 44,7%. The Central Statistical Bureau of Latvia data for the first half of 2013 also show that the volume of goods exported at current prices has increased by 250,25 MEUR or by 6,2%.

Latvia's economy is forecast to grow by 4,2% in 2013 and remain one of the fastest growing economies in Europe in coming years with a 4% growth forecast in the medium-term, provided by such growth drivers as domestic demand and exports.

Latvia's sustainable fiscal position combined with strong macroeconomic performance has been recognised by international rating agencies and organisations. Latvia's credit ratings have been reviewed upwards by all major international credit rating agencies. International credit rating agencies have assessed the Latvian economy as one of the most flexible and resilient economies in the EU, indicating Latvia's progress in achieving solid and broad-based economic growth, cutting budget deficit and improving terms of market access.

*The adoption of 2014 budget*

Last week Latvian Parliament adopted budget for 2014 and medium-term budgetary framework for 2014, 2015 and 2016. There are three medium-term budget priorities – improving national competitiveness and the demographic situation, as well as reducing income inequality.

Currently, a discussion on competitiveness is among top priorities on the agenda of many developed countries. In a way, today it is a matter of national existence, particularly in the European countries, willing to ensure the so-called European social model also in the future. If there is no competitive economy, both the aforementioned funding for improvement of the demographic situation and measures for reducing inequality will remain only at the level of wishful thinking.

Here I would like to quote an excerpt from the book *The World is Flat* by Thomas L. Friedman: 'Every morning in Africa, a gazelle wakes up, it knows it must outrun the fastest lion or it will be killed. Every morning in Africa, a lion wakes up. It knows it must run faster than the slowest gazelle, or it will starve. It doesn't matter whether you're the lion or a gazelle-when the sun comes up, you'd better be running'.

Under conditions of global economy, the small and open economies like Latvia should follow their competitiveness indicators and be able to change dynamically. Latvian economy cannot rely solely on its internal market as a driving force of economy. Only competitiveness in the European and world markets will provide growth and prosperity.

The national competitiveness is a short-term and medium-term priority of the government of Latvia. Like high tide raises all ships, the improved national competitiveness will generate extra income at national level; it will have a positive impact on all residents of our country. This income will contribute to reducing social inequality and allow for transferring more resources to dealing with demographic issues, will help develop the infrastructure at both national and regional level, as well as invest funds in education, research and innovation.

As regards demography, for already the second year, a set of extensive measures to improve country's demography is being implemented. Intended reforms are directed to diminish the risks of poverty incurred by families with children. Therefore, the demography support measures are focused on increasing the social support for families with children. Reduction of poverty and income inequality is a priority that is particularly marked during the years of crisis and post-crisis.

*The euro*

Finally, I would like to touch shortly upon a topic of Latvia's entry into the Eurozone. On 1 January 2014 Latvia will become the $18^{th}$ euro area member by joining a monetary union in which more than 330 million people use a single currency, the euro, in their financial transactions. Being invited in the Eurozone shows Latvia's successfully implemented reforms towards stabilising the country's economy and is an addition stimulus for the country's economy's future growth, wellbeing, stability and regaining trust of foreign investors.

I would like to emphasise that it will be a great benefit for the Latvian economy. Firstly, there is an array of practical gains like the lower interest rates for both: the public and private sector, easier transactions, savings on conversion cost, easier travel. Also, the euro would provide a much safer and more stable currency for Latvia. By adopting it we are certain to avoid a similar situation to what we experienced at the beginning of the crisis – as global financial crisis struck the small and unremarkable lats was immediately dumped by international markets thus sparking an immediate current account crisis.

Yet, I would also like to highlight another aspect of the reasons for joining the Eurozone. The implication of globalisation is that in order to stay competitive countries and regions will have to pursue closer economic integration. It is particularly important for smaller countries and it is particularly important in Europe which consists of many relatively small countries. It is difficult to imagine how a fragmented Europe with tens of little independent currencies and separate strategies to increase competitiveness could successfully compete in the future. For this reason, the future of Europe is not imaginable without the Eurozone and it is in Latvia's best interest to be part of this union thus significantly increasing its long term growth potential.

*Conclusion*

To conclude, I would like to particularly stress that the recent economic success must not let us drift into complacency. There is concern that when the pressure wears out and economy is growing for the third consecutive year, we start losing caution. I would like to recall the saying: if you don't learn from history, it tends to recur. Famous Latvian writer R. Kaudzīte has an aphorism: 'Be prudent in misfortune and even more prudent in happiness'."

## ANNEX II

## ADDRESS BY THE PRESIDENT OF LITHUANIA, MS. DALIA GRYBAUSKAITĖ

"Mr. Secretary-General,
Dear Ambassadors,

It is my honour and my pleasure to speak with you today. Membership in OECD is a strategic goal of Lithuanian foreign economic policy for already more than a decade.

OECD Council's decision in May which included Lithuania as a candidate for membership negotiations was not only a positive evaluation of our efforts but also an encouragement and an incentive to do even more.

Lithuania already has an intensive history of constructive cooperation with OECD:

- Our experts and representatives already participate in 25 permanent OECD Committees and Programs and have been associated with 9 International instruments.
- By the end of this year we expect invitations to join 11 more Committees and Working Groups and we will initiate accession to two additional International instruments.

To make our cooperation even closer and our preparations more purposeful, we have prepared, together with an invaluable support of the OECD staff, a special Action Plan to achieve our main goal – sufficient alignment with the OECD acquis by 2015 in order to have a smooth transition into the next stage.

This Plan is already approved by our Government and was released to OECD Members on 22 October. It covers OECD instruments we seek to adhere to, committees to join, and substantial policy reviews to be started in 2014 and 2015. It includes governance, trade, development, education, investments and other important sectors.

This Action Plan and our efforts to implement it, is not a tick marking on a "to do list". Lithuania is fully determined to put its economic policy in line with OECD requirements. It is our interest first of all. We see the adoption of the OECD acquis and its implementation as an important measure to strengthen our development by making our management more effective, our policies more sound and our business more competitive.

With a tangible support of OECD we already have achieved a lot. Lithuania's economic performance clearly illustrates our like-mindedness and determination to comply with main principles of the OECD.

- Today Lithuania is respected and reliable partner in business and trade. Last "Doing Business" report ranked Lithuania 17th in the World. Now Lithuania is recognised as the best place for doing business among the Baltic States and in the Central and Eastern Europe. Together with Scandinavian countries we are among top 20 in the world in this respect.
- Lithuania has achieved a status of forward-looking and innovative technologies hub. Lithuanian ICT infrastructure is one of the best developed in terms of internet speed and

communication technologies. Lithuanian laser- and bio- technologies are well-known around the world.

- Lithuania proved to be a successful manager during crisis. We had enough courage to launch a painful fiscal consolidation measures (equal to 12 % of GDP) on the peak of the World economic crisis. It allowed us to have sustainable economic growth and balanced current account today. Lithuania's economy growth in 2013 will be the second highest in the EU (3.4%), as forecasted by the European Commission. And it will increase to 3.6% in 2014 and 3.9% in 2015. (Euro area is to contract by 0.5% in 2013).
- Lithuania's prudent fiscal policy and public authority decisions to improve business environment allowed us to put our economy on sustainable path. Reduced fiscal deficit, manageable debt, slowing inflation, decreasing unemployment and improved confidence allow us to be in line with the Maastricht criteria and pursue to join Eurozone already in 2015.

Path of our reforms in last several years has already been based on useful example and advice from our OECD partners. It naturally makes Lithuania a like-minded country. And we look forward to strengthening our cooperation by making also our own contribution to OECD activities. And we are very satisfied that OECD has pledged "to work closely with Lithuania to prepare for its future accession process".

As the current Presidency of the EU Council, Lithuania faces important decisions concerning the EU and its partners, which requires managing a complex agenda with a fine sense of balance. The responsibilities will not end with the Presidency term. Lithuania's track record in various international organizations and active role in the international community resulted last month in an invitation to become the non-permanent member of the UN Security Council, beginning in 2014.

I expect that the body of work undertaken by Lithuania will sufficiently prove my country's readiness for the OECD. Meanwhile, we really count on the Member States to monitor out progress, and keeping the cooperation-related questions prominently on OECD agenda."

## ANNEX III

## COORDINATION ISSUES: REVIEW OF STAFF ALLOWANCES

## STATEMENT BY THE SECRETARY-GENERAL

"I would like to bring to your attention the discussions that are taking place in the Coordinating Committee on Remuneration (CCR) in the context of the review of the staff allowance system of the Co-ordinated Organisations.

As I indicated in my 26 September 2013 message to HODs, I am concerned by the proposals being discussed to modify the basic family allowance which – when combined with the 2011 elimination of the Expatriation Allowance — will have a profound negative impact on the long-term attractiveness of the OECD as an employer.

You have before you the results of two analyses carried out by the International Service for Remunerations and Pensions (ISRP), distributed as Room Document No. 8 and 9, which confirms the Secretariat analysis about the negative impact that the CCR proposals would have on the Organisation's capacity to attract and retain talented staff.

Room Document No. 8 confirms that if the proposed modifications were to be adopted the total compensation package for OECD staff hired after the modifications came into effect would be between -9 and -15% lower than for someone hired before 2012, all other things being equal. Furthermore, this difference in the total compensation package would grow over time because of the proposed reduction in the Basic Family allowance, so that after 10 years the "compensation gap" would be over -20%.

My duty as Secretary-General is to make members aware of the impact that the CCR proposals will have on the OECD's capacity to attract and retain talented staff. The impact on the Organisation will be cumulative for two reasons: First, the reduction in the Expatriation Allowance has already made the OECD's total compensation package less competitive, so any additional reduction to the family allowances will serve to further reduce its attractiveness. Second, the proposed CCR modifications will significantly increase turnover rates, once the proposed reduction in the Basic Family allowance starts (after 5 years). The Organisation would have invested time and effort in training the new officials, only to see them leave after five years, when faced with the prospect of a declining package of compensation.

I want to stress that the proposed CCR modifications will affect the OECD in particular, because we are different from the other Co-ordinated Organisations. Our membership is broader, and the focus of our policy work means that we compete for talent with the private sector and international financial institutions. Some 60% of our staff are recruited from these areas, and only about 35% come from national administrations. We are not an extension of a national civil service.

What is at stake is the ability of the OECD as an employer to attract and retain the best staff. To analyse how the OECD currently stands in this regard, the Secretariat asked the International Service for Remuneration and Pensions (IRSP) to conduct a comparative study (distributed as Room Document No. 9) among the five international institutions with which the OECD competes to attract top economists. The Report confirmed that the OECD's total compensation package for the economist job family is lower than other IOs based in Europe, and considerably lower when compared to non-European ones, with compensation packages being 39% to 119% higher than the OECD.

The OECD is working with the Representatives of the Secretary-Generals (CRSG) in the Co-ordinated System to make the CCR aware of the impact that their proposals will have on the competitiveness of the OECD as an employer. We have put forward very constructive proposals to streamline the system of allowances, which would also result in substantial savings for Members. I urge HODs to contact their CCR Delegates and ask them to consider these counterproposals.

We could also explore complementary measures, in line with the ISRP recommendations, to help mitigate the negative impacts of the CCR proposed measures. For example, by channelling the resources made available from the reductions in the staff allowances to improve the compensation packages of those officials, notably expatriates, most impacted by the changes.

This issue is critical for the Organisation's long-term future. We must ensure CCR Delegates have all the available information and avoid any 'mechanical decision-making'. The matter calls for a serious reflection on their part on the impact that the proposed measures will have on the OECD's capacity to attract and retain talented staff.

I ask for your support in ensuring that this information and these concerns are shared with your authorities and CCR Delegates."

## ANNEX IV

PRESENT

| | |
|---|---|
| M./Mr. Gurría | Président / Chair |
| M./Mr. Heimsoeth | Allemagne/Germany |
| M./Mr. Wallenwein | " |
| M./Mr. Barrett | Australie/Australia |
| Mme/Ms. Stubits-Weidinger | Autriche/Austria |
| M./Mr. Haesendonck | Belgique/Belgium |
| Mme/Ms. Meert | " |
| Mme/Ms. Simons | " |
| Mme/Ms. LaRocque | Canada |
| M./Mr. Briones | Chili/Chile |
| M./Mr. Petit Laurent | " |
| M./Mr. Lee | Corée/Korea |
| M./Mr. Holm | Danemark/Denmark |
| M./Mr. Winckler Andersen | " |
| M./Mr. Díez-Hochleitner | Espagne/Spain |
| Mme/Ms. Latorre Sancho | " |
| M./Mr. Kokk | Estonie/Estonia |
| Mme/Ms. Guthrie-Corn | Etats-Unis/United States |
| M./Mr. Koplovsky | " |
| M./Mr. Salmimies | Finlande/Finland |
| M./Mr. Vaaranmaa | " |
| Mme/Ms. Andréani | France |
| M./Mr. Villemain | " |
| M./Mr. Prevelakis | Grèce/Greece |
| M./Mr. Mikola | Hongrie/Hungary |
| Mme/Ms. Borza | " |
| M./Mr. Forbes | Irlande/Ireland |
| M./Mr. Hutson | " |
| Mme/Ms. Ásgeirsdóttir | Islande/Iceland |
| M./Mr. Barkan | Israël/Israel |
| M./Mr. Sosnitsky | " |
| M./Mr. Morav | " |
| M./Mr. Oliva | Italie/Italy |
| M./Mr. Motta | " |
| M./Mr. Kodama | Japon/Japan |
| M./Mr. Dühr | Luxembourg |
| Mme/Ms. Moes | " |
| M./Mr. Perez-Jacome | Mexique/Mexico |
| M./Mr. Hernandez Basave | " |
| M./Mr. Eriksen | Norvège/Norway |
| Mme/Ms. Banks | Nouvelle-Zélande/New Zealand |
| M./Mr. van Hulst | Pays-Bas/Netherlands |
| M./Mr. Wojciechowski | Pologne/Poland |
| M./Mr. Frac | " |
| M./Mr. Pinheiro | Portugal |

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| Mme/Ms. Alvarenga | " |
| Mme/Ms. Brocková | République slovaque/Slovak Republic |
| M./Mr. Spišiak | " |
| M./Mr. Rozsypal | République tchèque/Czech Republic |
| M./Mr. Bridge | Royaume Uni/United Kingdom |
| M./Mr. Wood | " |
| Mme/Ms. Boskovic-Pohar | Slovénie/Slovenia |
| Mme/Ms. Turel | " |
| Mme/Ms. Swärd-Capra | Suède/Sweden |
| M./Mr. Flückiger | Suisse/Switzerland |
| M./Mr. Jeanneret | " |
| M./Mr. Rende | Turquie/Turkey |
| Mme/Ms. Spatolisano | Union européenne/European Union |
| Mme/Ms. Liira | " |
| M./Mr. Dombrovskis (Item 204) | Premier Ministre de la République de Lettonie /Prime Minister of the Republic of Latvia |
| Mme/Ms. Pavļuta-Deslandes “” | Ambassadeur de la République de Lettonie en France/Ambassador of the Republic of Latvia to France |
| Mme/Ms. Grybauskaite (Item 206) | Présidente de la République de Lituanie/ President of the Republic of Lithuania |
| Mme/Ms. Neliupšienė “” | Conseillère Principale de la Présidente de la République de Lituanie/ Principal Counsellor of the President of the Republic of Lithuania |
| Mme/Ms. Balčiūnienė “” | Ambassadeur de la République de Lituanie en France/Ambassador of the Republic of Lithuania to France |
| M./Mr. Banks (Item 207) | Président du Comité de la Politique de la Réglementation/ Chair of the Regulatory Policy Committee |
| M./Mr. Tamaki | Secrétaire général adjoint/Deputy Secretary-General |
| M./Mr. Leterme | Secrétaire général adjoint/Deputy Secretary-General |
| M./Mr. Danvers | Secrétaire général adjoint/Deputy Secretary-General |
| M./Mr. Rottier | Directeur Executif/ Executive Director |
| Mme/Ms. Ischinger | Directeur/Director, EDU |
| M./Mr. Alter | Directeur/Director, GOV |
| M./Mr. van Haute | Directeur/Director, SGE/CES |
| Mme/Ms. Ramos | Directrice de Cabinet et Sherpa de l’OCDE pour le G20/OECD Chief of Staff and G20 Sherpa |
| M./Mr. Bonucci | Directeur/Director, SGE/LEG |
| M./Mr. Bonturi | Directeur/Director, SGE/GRS |
| M./Mr. Scarpetta | Directeur/Director, ELS |
| M./Mr. Blundell-Wignall | Directeur adjoint DAF et Conseiller spécial auprès du Secrétaire général pour les marchés financiers/DAF Deputy Director and Special Advisor to the Secretary General for Financial Markets |
| M./Mr. Schneider | Directeur ad interim/ Director ad interim, ECO/PSB |

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| M./Mr. Pilat | Directeur adjoint /Deputy Director, STI |
| M./Mr. Malyshev | Chef de Division/Head of Division, GOV/REG |
| M./Mr. Cristofani | Expert/Expert, EXD/PBF/MSP |
| Mme/Ms. Rivière | Conseillère/Counsellor, SGE/CES |