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This document includes an introductory text about key policy challenges, refers to possible policy options to address these challenges and then sets out proposals for questions for discussion.

### ***GROWTH, JOBS, INNOVATION AND SKILLS***

1. **The recovery of the global economy is under way but its strength and dynamics are unevenly distributed across countries and regions.** Robust growth in the emerging-market economies contrasts with a more moderate pace of expansion in most advanced economies. Inflationary pressures associated with supply constraints and rising commodity and energy prices are growing in all countries but are particularly important in developing and emerging market economies. High, persistent unemployment, in particular among the youth, and rising government indebtedness are key policy concerns in most advanced economies.

2. **Structural policies are needed to achieve stronger growth and foster resilience.** Many countries need to focus on structural reforms and new sources of growth to improve their economic performance after the recession and to sustain strong growth over the long term. This is all the more important as many countries will need to prepare for population aging, which will take its toll on potential output in the years to come. Future structural policies must therefore emphasise the true sources of long run growth, including investments in innovation and productivity-enhancing investments in physical and human capital. Innovation and the use of ICT is a powerful engine for the economy and for addressing social and global challenges, such as climate change, where breakthroughs in one country provide benefits across national borders. In the face of ageing, it is also important to increase labour market participation rates, including of older workers and women. Reducing the gender gaps in our economies would be a major source of growth. Education, Employment and Entrepreneurship policies are key areas for action in this context as outlined in the OECD Gender Initiative.

3. **Bringing people back to work:** Unemployment soared during the crisis. Creating enough jobs to quickly reduce the high and increasingly persistent unemployment is now a major policy priority. Labour market and social policy can make a significant contribution to tackle high and persistent unemployment. In spite of mounting pressure to cut deficits, active labour market policies should remain adequately funded. It is also essential to focus on cost-effective programmes and target the most disadvantaged groups, including the many unemployed youth for whom protracted joblessness can have long-lasting “scarring” effects on career prospects and earning profiles. Well-designed social policies are key elements in a strategy for growth, equality and job creation as outlined in the conclusions of OECD’s Social Policy Ministerial “Building a fairer future – the role of social policy” held in Paris on 2/3 May.

4. **Investing in people’s skills:** Ensuring an adequate supply of skills and maximising the use of those skills in the workforce are key to boosting economic growth and promoting social progress and inclusion. More than ever, governments must ensure that expenditures on skills formation are efficient and effective. They also have to be coordinated with labour market and other policies that promote the creation of more and better jobs. It will be important to adapt skills formation to future needs. To enable countries to make effective skills investments, the OECD’s measurement efforts via PISA, its forthcoming adult skills survey (PIAAC) and its work on improving the school-to-work transition, are vital sources of information on policy practices. Investments in high-skill workers, and especially those with science and engineering skills, is critical for driving innovation and creating new, higher productivity jobs for the workforce at large. The newly launched Skills Strategy will provide the framework for the identification and dissemination of good policy practices.

5. **Improved cooperation, coordination and coherence of economic policies are particularly important.** An uneven recovery also poses challenges for a sustained reduction in global imbalances, which narrowed during the recession but could widen in the near term. Macro and structural surveillance

by the OECD and our contributions to the G20 Framework for Strong, Sustainable and Balanced growth are designed to improve economic performance and employment prospects in Member and partner countries and to address the structural drivers of existing imbalances. In a time of fiscal consolidation, “going structural” is the imperative. The OECD can help with empirical evidence on how structural policies can help to support growth and address imbalances.

6. **Fiscal policies have to be designed carefully so they are growth-friendly.** In many countries, the needs to undertake fiscal consolidation calls for the use of revenue and expenditure measures that minimise the short-run adverse effect of adjustment on activity, while enhancing productivity growth in the medium to long-run. Public expenditure patterns and tax policies should be designed in a way to minimise distortions to business and consumers’ decisions about investment, savings and employment. Policies that support ‘making work pay’ and ‘life-time employability’ while providing incentives to innovation and to entrepreneurs to create new jobs should feature prominently on the reform agenda.

7. **Propriety, Integrity and transparency are crucial to a healthy economic growth.** The global economic environment would benefit considerably from the respect of these principles in the conduct of international business and finance, as stated in the Ministerial Declaration adopted last year.

- *What are adequate policy tools to boost the recovery in advanced economies and ensure macroeconomic stability worldwide? Which role can structural policy play in fostering resilience, supporting global demand and addressing global imbalances?*
- *What policy tools do countries have at their disposal to foster innovation, encourage job creation and enhance productivity while ensuring decent wages and working conditions? What policies could support the promotion of gender equality in Education, Employment and Entrepreneurship?*
- *How can we create an enabling environment for skills development in advanced, emerging and developing economies? How can the education system provide an adequate supply of skills and what role do science and engineering education, lifelong learning, vocational training and entrepreneurship play?*
- *How growth-friendly can fiscal consolidation be? How can institutional settings help to achieve fiscal consolidation in the medium-term? How can fiscal consolidation be supported by structural reforms, especially those that promote productivity-enhancing investments, while attending to necessary social support measures?*
- *How to ensure international policy coordination in order to maximise growth and employment? What instruments are available to that effect?*

### **GREEN GROWTH**

1. **Green and Growth go together:** The financial crisis and the challenges of climate change have made it more urgent for policy makers to think about “green” as a source of growth, as well as a way to make the use of natural resources more sustainable. The OECD Green Growth Strategy is first and foremost a growth strategy. It is centred on mutually reinforcing aspects of economic and environmental policy. It recognises that innovation plays a key role in green growth. It also acknowledges that natural capital is a factor of production and has a role in growth. It focuses on cost-effective ways of attenuating environmental pressures to effect a transition towards new patterns of growth.

2. **Achieving greener growth means seizing opportunities to accelerate innovation;** to develop new industries, jobs, and technologies; to clean up polluting sectors, and transform consumption patterns

while also recognising trade-offs in other parts of the economy. It also means contributing to international efforts to meet global challenges such as climate change and biodiversity loss. The Strategy points out that there is no one-size-fits-all prescription for embarking on a greener growth path.

3. **Different countries will face different challenges and opportunities.** There are, on the other hand, common considerations. For instance, policy action requires looking at a very wide range of policies, not just traditionally green policies. Green Growth will be an important element in the new paradigm for development. The Green Growth Strategy develops an actionable framework for policymakers, with measurement tools and concrete policy options.

4. **“Greening growth” requires a mix of policies embedded in a Green Growth policy framework.** The way forward includes policy coordination across all levels of government, as well as investing in innovation and green skills. Cost effective policies should focus on ways to close the gap between private returns to economic activities and overall social benefit due to constraints or distortions in the economy arising from policy failures or market failures. International cooperation is crucial for the successful implementation of such policies, including in specific sectors such as energy and transportation.

5. **The use of economic instruments is a core element of successful Green Growth policies while a balanced mixture of various policies is needed for successful Green Growth.** When prices reflect environmental costs, there are appropriate incentives for investment in green technologies, and in the production of green goods and services. On the other hand, the use of non-market instruments such as regulation, active technology-support and innovation policies and voluntary approaches are also important elements of successful Green Growth policies.

6. **To maximise the employment effects of Green Growth Policies, countries need to focus on skills development,** including thorough training programs. This will help promote a smooth transition to a greener economy. Appropriate employment and skills and social policies have to be further developed also in relation to the broader concept of sustainable development.

- *How can we build the case for changing existing production and consumption patterns and create incentives to changes? How can transitional and long-term policy challenges best be aligned?*
- *How can the OECD best assist Member and partner countries to identify the particular policy priorities that will encourage Green Growth in national political economy contexts? How can the Green Growth Strategy best help to strengthen international coordination and co-operation?*
- *How can OECD Member and partner countries advance innovation policy as well as technology diffusion to achieve Green Growth globally?*
- *What kind of follow-up and concrete policy action is needed to move towards Green Growth? How can social, employment and qualification issues as well as development aspects be addressed and included in further work?*

#### ***A NEW PARADIGM FOR DEVELOPMENT***

1. **The inter-linkages among developing, emerging and advanced economies and the global impact of the economic crisis call for new approaches to development and growth.** Emerging and developing countries can make a significant contribution towards achieving sustainable economic growth and poverty reduction including by knowledge sharing through south-south and triangular co-operation.

2. **Development aid remains critical to reduce poverty and leverage other resources for development.** Honoring ODA commitments and improving aid effectiveness are critical to achieving the MDGs and furthering the principles embodied in the Paris Declaration.

3. **A broader multi-disciplinary approach is key to stimulate growth and development and reduce poverty.** Mutually supportive and integrated policies in the economic, social and environmental fields are needed at both the domestic and global levels. They can improve framework conditions and boost productivity in developing countries, which could become new engines for global growth. Aid and development co-operation efforts can play a major role reinforcing and serving as catalyst in this process.

4. **The OECD is well placed to contribute to a new paradigm for development.** It has a rich experience on development and gathers the expertise of a wide range of policy communities critical to promote global growth, sustainable development and poverty reduction in a comprehensive manner. The OECD Strategy for Development will be key to exploit the synergies more systematically and expand policy dialogue and peer learning beyond the membership. The DevGoals exercise launched in 2009 provided key lessons that, together with OECD's experience on policy coherence for development, could serve as a basis to prepare the broad OECD strategy going forward.

5. **The OECD can make a stronger contribution to development by applying a broader lens to its development work and making better use of its different competences** in areas such as:

***Innovation and Green Growth*** - Innovation is the primary source of long-term productivity gains, resulting in higher per capita incomes, and it is crucial for adapting to climate change and promoting Green Growth, achieving food, water, and energy security and improving health conditions. Governments need to put in place a policy environment that effectively encourages innovation and makes it more inclusive and aimed at the needs of the poorest. Open markets facilitate effective technology transfers through international investment, thereby providing access to knowledge and new technologies and innovations from around the world. The *OECD Innovation Strategy* and the *OECD Green Growth* provide important policy options also in the context of development.

***Trade*** – Trade contributes to the creation of employment opportunities globally and can foster technological transfer and innovation, thereby promoting productivity gains and higher per capita incomes. Effective aid for trade (AFT) should be promoted to achieve higher growth through increased trade in developing countries. Market-opening initiatives must be embedded in an appropriate policy framework that improves employment outcomes and ensures that trade benefits are shared by poor households and regions unable to leverage new market opportunities.

***Investment*** – Open investment policies are a pre-requisite for attracting foreign investment and accessing international sources of capital, crucial for sustainable long-term economic growth. The NEPAD-OECD Investment Initiative and the MENA-OECD Investment Programme support African and MENA countries in improving their investment climate through peer review and dialogue around good practices in investment promotion. Efforts to put in place an enabling policy framework to foster public and private investment should promote transparency, non-discrimination, accountability and fair competition.

***Domestic resource mobilisation*** – Effective taxation is essential to generate a sustainable basis for development and promote state building by encouraging governments to be more accountable to their citizens, while still providing a business friendly environment which facilitates investment. Developing countries and donors need to commit to a long term effort to improve tax administration. This will require internationally agreed diagnostic tools, programmes to train tax officials, and the development of benchmarks to measure performance. Policymakers must re-examine the case for tax incentives, apply

more effectively the arm's length principle and use the OECD and G20 initiatives to achieve a more effective exchange of information to combat offshore non compliance.

**Good governance** – Corruption including bribes by public officials and foreign companies undermine good governance, distort development plans and investment decisions, and result in sub-standard public services. Governments need to adopt an integrated approach to countering all forms of illicit activities, whereas legal and practical barriers to co-operation between law enforcement agencies can hamper such efforts. The recently launched “Oslo Dialogue” a “whole-of-government” approach to fighting financial crime can help both developing and developed countries harness the benefits of enhanced co operation. Instruments like integrity reviews in the public sector and multilateral instruments in the business sector can help. These include the *OECD Guidelines for Multinational Enterprises*, the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, and the new *OECD Good Practices Guidelines on Internal Controls, Ethics, and Compliance* aimed at businesses.

**Food security** – The MDG target of halving the proportion of people living in hunger by 2015 will not be met, and the projected rise in the world's population to 9 billion by 2050 is estimated to require an increase of 42% in global food production by 2030 and 70% by 2050. Achieving food security presents multiple challenges, including investing more in developing country agriculture, in particular to improve productivity, improving smallholder access to production factors such as land, water, technology or finance, empowering women as key actors in the agricultural sector, reducing price volatility, tackling poverty, and adapting to climate change and mitigating its impact. Joint efforts by governments, private enterprises and R&D institutes should be promoted to: mitigate the negative impacts of price volatility on the most vulnerable, provide social protection to protect people from natural and economic shocks and incentivise them to adopt more promising livelihood strategies; promote improvements in agricultural productivity; enhance the role of trade in balancing food supply and demand; and promote economic growth.

**Women's economic empowerment** – Greater economic opportunities for women can lead to stronger, more inclusive and sustainable growth by raising human capital and labour productivity. Education, employment and entrepreneurship are key fields of action to overcome the gender gaps. Policy options for raising female enrolment and completion rates in education that have worked successfully in many developing countries include solutions to reduce user fees, provide conditional cash transfers and school meals, and address health and physical safety of girls in schools. The *OECD Gender Initiative* can help to identify effective means to promote female entrepreneurship and more empirical evidence to develop relevant policy recommendations. Policies should also improve women's access to and control over assets and new technologies, and promote investments in physical and social infrastructure to reduce time spent by women on unpaid work.

- *What kind of Strategy for Development should the OECD put in place to enhance its contribution to development and reinforce policy coherence both at the national and international level?*
- *What policies are needed to foster new sources of growth for development? What is the potential of policies towards innovation, green growth, responsible investment, trade, women's economic empowerment and domestic resource mobilisation? How can advanced, emerging economies and developing countries work together to that end?*
- *What more can be done to support strong and transparent public institutions and enhance integrity and the fight against corruption?*
- *What are the potential policy measures to limit food price volatility and mitigate its impact on the poor?*

## **TRADE AND JOBS**

1. **Trade and international investment are vital for growth and for employment.** Many people are concerned about the effects of open trade on employment and wages where they live. OECD analysis shows that liberalised trade and investment is an engine for global job creation: a theoretical 50% liberalisation scenario in goods and services reveals consistent positive labour market effects across the G-20 countries. OECD analysis is also clear that trade liberalisation must be accompanied by appropriate employment and social policies so that the potential benefits of open markets can actually be realised and widely shared.

2. **The OECD is working with a large network of international organisations** to better understand the mechanisms by which trade interacts with employment, with a view to informing future policy decisions. A central element is the International Collaborative Initiative on Trade and Employment (ICITE), which includes new research, a conference series and new publications.

3. **Maintaining a strong rules-based multilateral trading system and an ambitious and balanced conclusion of the WTO DDA negotiations matters a great deal**, both, to restrain protectionist pressures and to boost business and consumer confidence that would lead to more investment and job creation. Looking ahead, liberalising trade in services - which generate more than two thirds of gross domestic product globally and over 50% of employment in major economies – warrants greater attention. And we need to understand better how trade, labour market and social policies interact, both to allay public concerns about trade liberalisation and to contribute to more coherent policy design that ensures the benefits of opening markets are more widely spread.

4. **Another priority area for the cooperation of OECD Members and partner countries is the field of export credits.** The disciplines promote free and efficient trade by, *inter alia* eliminating subsidies and reducing trade distortions while creating a level, transparent and competitive playing field. A number of emerging economies have become major exporters and providers of export credits. Their participation in the arrangement disciplines, including sharing in designing and implementing these disciplines, is important. A major step in this direction is Brazil's full membership as a Participant to the Aircraft Sector Understanding (ASU).

- *What additional actions need to be taken to support national and multilateral efforts to open markets – including in services – and to ensure that the resulting economic gains are widely shared across and within countries?*
- *How can policymakers best achieve broad-based liberalisation while at the same time ensure equitable distribution of benefits? How can OECD-provided information be most useful to you to formulate policies related to trade and jobs?*