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Foreword

On 7 March 2006 the government asked the Advisory Council on International Affairs (AIV) to produce an advisory report on the OECD's priority fields and its position in the international institutional structure.

Referring to the great increase in the number of topics covered by the organisation and its limited funding, the request for advice (see Annexe I) points to the need to review the OECD's goals and activities. It also mentions the debate surrounding a possible increase in the number of members. In order to obtain a picture of the role that a possibly enlarged OECD can play in the international institutional structure and with regard to the Netherlands, and to obtain material for the Dutch position on the future of the OECD, the government asked the AIV to answer the following questions in its report:

1. With which countries, at what pace, in what form and possibly on what conditions should OECD enlargement take place?
2. Partly in view of question 1, how does the AIV see the OECD's place in the international institutional architecture, particularly in relation to the EU, World Bank, IMF, WTO and G8?
3. From an international perspective and given the importance the Netherlands attaches to international cooperation, what main working areas and subjects most lend themselves to being dealt with by an enlarged OECD?
4. How important is it in the AIV's view (both for the international community and for the Netherlands) that the OECD continue to use its characteristic working methods, such as soft law, benchmarking, peer review and peer pressure?
5. What does the AIV see as the OECD's specific added value for Dutch policy, and consequently what are the subjects that the OECD should preferably focus on?
6. How must the OECD change as an organisation in order to be able to function effectively after enlargement and determination of its substantive priorities?

The government initially requested the AIV to give priority to the final question. However, after consultation with the relevant civil service liaison officers, it became clear that this was no longer necessary.

This advisory report was drawn up by a specially appointed joint committee which consisted of the following persons: Professor G. van Benthem van den Bergh (AIV Peace and Security Committee: CVV), T. Ety (AIV Human Rights Committee: CMR), Professor C. Flinterman (CMR), Professor W.J.M. van Genugten (CMR, chair of the committee), Ms C. Hak (CMR), F. van Loon (AIV Development Cooperation Committee: COS), H.C. Posthumus Meyjes (AIV European Integration Committee: CEI), Professor N.J. Schrijver (CMR), Professor A. van Staden (CEI) and P. Stek (COS). Professor F.H.J.J. Andriessen (CEI) mainly contributed as a corresponding member. The committee availed itself of the knowledge and experience of civil service liaison officers at various ministries, particularly P.R. Post and C.M. Dijk of the Ministry of Foreign Affairs (Economic and Ecological Cooperation Department, Transport and OECD Division: DES/TO). The executive secretary was T.D.J. Oostenbrink (secretary of the CMR) and the trainees were B. Groothuis, Ms M.A.M. Suijkerbuijk and M. Keizer.

Chapter I of this report briefly reviews the origins and historical development of the OECD, and then goes on to consider the debate on the reform of the organisation and the decisions reached on this issue in May 2006. Chapter II analyses the organisation's strengths and weaknesses and identifies a number of tensions that are inherent in its current goals. Chapter III then answers the six questions posed in the request for advice. Finally, Chapter IV presents the main conclusions and recommendations.

In preparing this report, the AIV interviewed a number of experts. It also visited the OECD in Paris on 3 and 4 October. The AIV is very grateful to all the persons interviewed for their contributions to the report (a list of persons consulted can be found in Annexe II).

The AIV adopted this report on 9 March 2007.

I Introduction

Establishment and goals

The Organisation for European Economic Cooperation (OEEC) was set up in 1947 as part of the Marshall Plan. The United States was prepared to give the European countries massive aid only if they worked together to distribute flows of money and goods in mutual consultation, to liberalise trade and payments between them and, more generally, to cooperate in rebuilding the devastated continent. In those initial years the OEEC was thus an organisation of industrialised European countries with market economies. As such, it was the counterpart of Comecon.¹ By 1960 the task of reconstruction was deemed to have been completed, and the OEEC converted into an organisation that no longer focused solely on Europe but also aimed to contribute to the growth of the global economy and the development of the Third World. This Organisation for Economic Cooperation and Development (OECD) had twenty member countries in 1960, compared with thirty today.

The original task of the organisation was to promote policies designed (in the words of Article 1 of the OECD Convention):²

- to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability;
- to contribute to the development of the world economy;
- to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

In Article 2 of the Convention, the members agreed that, in pursuit of these aims, they would both individually and jointly:

- promote the efficient use of their economic resources;
- in the scientific and technological field, promote the development of their resources, encourage research and promote vocational training;
- pursue policies designed to achieve economic growth and internal and external financial stability and to avoid developments which might endanger their economies or those of other countries;
- pursue their efforts to reduce or abolish obstacles to the exchange of goods and services and current payments and maintain and extend the liberalisation of capital movements; and
- contribute to the economic development of both member and non-member countries in the process of economic development by appropriate means and, in particular, by the flow of capital to those countries, having regard to the importance to their economies of receiving technical assistance and of securing expanding export markets.

1 Set up in Moscow in 1949, Comecon (the Council for Mutual Economic Assistance) was an economic partnership between the communist countries of Eastern Europe, and could be seen as a response to the American Marshall Plan. It was disbanded in 1991.

2 The Convention on the Organisation for Economic Cooperation and Development, done at Paris on 14 December 1960.

In order to achieve its aims, the OECD has over the years extended its activities to almost every conceivable field of economic and social policy. It does so at the request of the member countries (which also provide the necessary funding), and usually works on the basis of multidisciplinary and comparative policy research.

In the opening decades of the organisation's existence, its agenda was dominated by information exchanges on and comparative studies of the member countries' proposed macro, meso and microeconomic policies. This enabled countries to take account of each other's policies when drawing up their own. In some areas this system developed into closer forms of economic cooperation and policy coordination. At the same time, changes in international relations, such as the increasing interdependence of economies, the globalisation of money flows and the acceptance of market principles by more and more countries, have forced the OECD to review its approach and areas of focus. As a corollary of this, and especially in view of the fact that other major countries may join the organisation, the OECD has often discussed whether there is a need to devise forms of policy coordination that differ from those used in the past (e.g. peer pressure and other methods, which will be examined in more detail later on in this report). So far this debate has not led to any significant changes in approach. Indeed, until it becomes clear exactly which countries officially want to join or work more closely with the organisation as well as what their economic orientation is, it is questionable whether there is any need for this (this too will be discussed in more detail later on in the report). It would be premature at this stage to abandon methods that have proved their worth.

Since member countries are constantly setting new priorities, the matters dealt with by the OECD have altered considerably over the years. The nine topics/fields covered by the 2007-2008 Central Priority Fund are consumer policy, education, migration, sustainable development, sustainable funding for affordable access to water and sanitation, anti-corruption measures, financial expertise, tax administration and the OECD website.³ The newly appointed OECD SG has stated that he will give priority to migration, public health and water.

Furthermore, it was originally taken for granted that the member countries comprised almost the whole of the free world economy and that they brought a high degree of like-mindedness to their work within the organisation. However, the global changes that have taken place in recent decades have made all this a good deal less self-evident. Today's debate on the identity of the OECD effectively began when the Berlin Wall came down in 1989. The Cold War gave the OECD a clear *raison d'être* and a strong internal sense of solidarity. When it ended and powerful new economies began to emerge, the organisation was compelled to seek a new identity.

Organisational structure and working methods

The OECD's governing body is the Council, which consists of the relevant ministers or permanent representatives of the member countries. It usually reaches policy decisions by consensus. Since May 2006, however, there have been a number of exceptions to this, involving majority voting (see the section on internal organisational reforms at the end of this chapter).

The OECD's most visible 'products' are generated by its 228 working groups and sub-groups, task groups (some of them ad hoc), and steering and other committees, both

3 Doc. C(2006)106 of 16 July 2006.

standing and temporary.⁴ Among other things, this network draws up policy recommendations, guidelines, codes of conduct and lists of best practices in numerous fields.⁵ The committees often organise confidential talks between member countries on specific topics in order to ensure closer economic cooperation and cohesion. Some committees include senior policy officials, which means that policy in the areas concerned can be directly coordinated and the methods of peer review and peer pressure can be used efficiently.

The Secretariat, which is supervised by the SG – the recently appointed Angel Gurría, from Mexico – supports the work of the Council and the committees.⁶ Directly accountable to the Council, the SG is the OECD's legal representative in the outside world, and is responsible for managing the organisation. The SG is also expected to ensure the organisation's institutional coherence and contribute to strategic policy discussions. He chairs the Council and maintains relations with member and non-member countries, as well as with other international organisations. He also proposes the programme of work and, together with the Council, is responsible for implementing it.⁷

The regular OECD budget is funded by the thirty member countries, the leading contributors being the US and Japan. The Part I budget consists of compulsory, general, annual financial contributions by all the member countries. The amount is linked to each country's gross national product (GNP) by way of the scale of contributions. The Part II budget consists of a consolidated and a non-consolidated section. Contributions to the consolidated section are not linked to the member country's GNP, but to the importance the country attaches to the activity covered by this section of the budget.⁸ Some countries also contribute to the non-consolidated section on an ad-hoc basis.

Over the years the OECD has been instrumental in establishing a number of bodies, including:

- the International Energy Agency (IEA);
- the Nuclear Energy Agency (NEA);
- the *Club du Sahel*;
- the Centre for Educational Research and Innovation (CERI); and
- the European Conference of Ministers of Transport (ECMT).

4 In 2006 the Netherlands chaired fifteen OECD consultative bodies and was vice-chair of fifteen others. In the same year it took part in the work of 196 such bodies. The total number of consultative bodies has scarcely increased in the last twenty years; in 1988 there were already more than 200 of them, and the number was much the same in 2002. The number of main committees has remained unchanged since 1998: four have been abolished and four new ones created.

5 C/WPEG(2006)7, *A new governance structure for the Council and its standing committees*, 14 April 2006.

6 C/WPEG(2006)6, OECD SG, *The responsibilities of the Secretary-General*, 14 March 2006. The OECD has a total staff of around 2,000, some employed permanently and others on a contract basis.

7 C/WPEG(2006)6, p. 6.

8 DSTI/DOT/MTC(2005)1. Examples are the Joint OECD/ECMT Transport Research Centre and the Steel Committee. In 2005 the Netherlands was ranked eighth on the list of voluntary donors.

Although these bodies are linked to the OECD, they act autonomously and have their own statutory powers.

Membership

Since it was first established over 45 years ago, the OECD has expanded from twenty to thirty members. Four new members were admitted shortly after the organisation was set up, and another six joined between 1994 and 2000.⁹ There are currently sixteen countries on the list of potential new members.¹⁰ However, it is by no means certain that all of them are seeking official membership. Russia, for instance, definitely wants to join, but it is not clear that countries such as China, India or Brazil do. The countries admitted since 1990 are emerging or transitional economies. Moreover, in keeping with the OECD's goals and criteria for membership, they want to join a community of states that implicitly uphold the rule of law and are explicitly market-oriented. However, it is clear that this twofold aim is not shared by all the countries on the list of potential new members (see also later on in this report).

Closely connected to the question of membership is the fact that the OECD has to deal with the changing economic balance of power in the world. In its present form the organisation risks becoming less and less representative of the interests and views of the world's leading economic players, and hence less relevant.¹¹ The OECD member countries currently account for only 60% of world GNP, and this percentage is falling rapidly.

Internal organisational reforms

According to OECD regulations, the Council's primary task is to make strategic choices. For many years efforts have been made to rationalise the organisation's activities and set priorities. However, most proposals have so far had little effect, although some progress has been made on budgeting. A new debate on the reform of the OECD began in 2001.¹² This embraces the decision-making structure, the scale of contributions, a more flexible programme of work, reflection on relations with non-member countries, the structure of the OECD Development Cluster and a review of the organisation's mission with regard to a possible further increase in the number of members.

A special committee of all the OECD members (known as the Convention of the OECD) was established to foster and give shape to the debate on the OECD's organisational structure and membership. The Convention in turn established a smaller working group (the Council

9 The original members were Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. They were followed by Australia, Finland, Japan and New Zealand in the 1960s and 1970s, and by the Czech Republic, Hungary, Mexico, Poland, Slovakia and South Korea in the period 1994-2000.

10 Brazil, Bulgaria, Chile, China, Cyprus, Estonia, India, Indonesia, Israel, Latvia, Lithuania, Malta, Romania, Russia, Slovenia and South Africa. Countries such as Argentina, Egypt, Malaysia, Morocco and Singapore are also seen as candidates for membership in the medium or long term.

11 Seiichiro Noboru, *A strategy for enlargement and outreach: report by the chair of the heads of delegation working group on the enlargement strategy and outreach*, 13 May 2004, p. 3.

12 See, for example, the report by consultant Peter Nicholson entitled *Maximising the impact of the OECD*, 15 January 2003. Nicholson was Special Advisor to the former OECD SG, Donald J. Johnston.

Working Party on the Implications of Future Enlargement on OECD Governance, or WPEG) to initiate the debate on reform. One of the issues addressed by the WPEG was how to make the Council more decisive.¹³

In May 2006, as a result of the WPEG's efforts, the Council adopted a resolution introducing a number of changes to its administrative structure.¹⁴ The purpose of the changes is to make the Council more decisive by removing extraneous items from its agenda, thus giving it more time and latitude to concentrate on the organisation's strategic orientation. Operational matters will henceforth be dealt with by three standing committees: the Executive Committee (ExCo), the Budget Committee (BuCo) and the External Relations Committee (ErCo). Decisions on implementing policy in relation to non-member countries, establishing partnerships with international organisations and adopting policy in relation to civil society will likewise be delegated to these standing committees.

Under the resolution of May 2006 the standing committees will relieve the Council of some of its workload by dealing with such matters as communication and sponsoring. They will also take over the Council's more administrative tasks, such as issues relating to pension schemes and contributions. Furthermore, the Council has decided to increase its flexibility, decisiveness and efficiency by greatly extending the system of qualified-majority decision-making to include such matters as the amount of the annual contribution and other financial arrangements, relations with non-member countries and international organisations, decisions on the future of standing committees and other organisational and management issues.¹⁵

13 C/WPEG(2006)7, 14 April 2006, pp. 3 and 9-10. Once the Council had reached a decision on these matters, the WPEG was disbanded.

14 C(2006)78/FINAL, 11 May 2006.

15 C/WPEG(2006)7, 14 April 2006, pp. 3 and 9-10 and C(2006)78/FINAL, 11 May 2006.

II Strengths and weaknesses: inherent tensions in the OECD's goals

The original OECD Convention defined the organisation's goals in fairly general terms (see above). In practice, the OECD has developed into an organisation that mainly serves as:

- an instrument of international order especially in the socioeconomic field, in some cases through mandatory agreements but mostly through soft law and peer pressure;
- a think tank and a platform for international policymaking, sometimes acting as a pre-negotiating forum;
- an explicitly apolitical research institute for national policymaking, mainly using multidisciplinary comparative policy research to study topics like best practices; and
- an organisation that sets standards, makes calculations and draws up assessments on official development assistance (ODA) funds, and a think tank on poverty reduction in developing countries.

In the light of recent published and internal OECD reports and the AIV's interviews in both the Netherlands and Paris, it can be concluded that the OECD has a number of evident strengths and weaknesses in the design and implementation of its tasks. Those that the AIV considers most important are listed below.

Strengths

- The OECD is good at describing and analysing the structure of economies and sectors.
- Despite its relative lack of mandatory instruments, it is good at ensuring that the conclusions of its analyses are reflected in national policy. The general principles underlying this process often assume the form of international soft law.
- It has proved itself capable of getting relevant policymaking and executive actors involved in consultations. It can bring 'convening power' to bear both on governments and on businesses, trade unions and NGOs.
- It is a relatively 'non-threatening' organisation, in the sense that it operates on a consensus basis (see also weaknesses), has only a small number of mandatory instruments and does not provide tied funding.
- All these strengths stem, to a greater or lesser extent, from the member countries' like-mindedness. Its classic working methods (peer review, peer pressure, country research, comparative policy research and the development of soft law) are corollaries of this. These activities receive solid support from a well-functioning system of statistical data gathering, whose effectiveness is largely due to the fact that the member countries essentially share the same ideas and espouse the same political and socioeconomic principles.
- The work of the working groups and subgroups, task forces, steering groups and various committees provides the material basis for the work of the OECD. Research has shown that the vast majority of the consultative structures are compatible with the organisation's main tasks.¹⁶ This work is supported by a high-quality secretariat.

¹⁶ See, for example, the report by consultant Peter Nicholson entitled *Maximising the impact of the OECD*, 15 January 2003, pp. 22-29.

Weaknesses

- The OECD decision-making process for all major issues is based on consensus, which makes fundamental change extremely difficult. In this sense it is one of the organisation's weaknesses. At the same time, however, achieving consensus depends on effective feedback to member countries, so that any decision reached will have their full backing. From that perspective the decision-making process can be seen as one of the organisation's strengths.
- The OECD in its present form has been labelled Eurocentric by some Asian and Latin American countries, as well as the US. However, other countries feel the organisation is dominated by the US. Since there are no major emerging countries among its members, the OECD is not globally representative and is unable to carry out a global agenda effectively.
- There are serious funding problems. Although the US accounts for a considerable proportion of the OECD budget, it is always in arrears of payment. Nor is the US keen to discuss changes to the contribution system. Other countries, such as Germany and Italy, have adopted a similar stance.
- Voluntary contributions have both benefits and drawbacks. The benefits are that they provide more leeway when it comes to funding and make donors more committed to and interested in the results. The drawbacks are that they encourage short-term policy, lead to fragmentation of activities and create inappropriate incentives for those whose jobs depend on such contributions.
- Another weakness is the functioning of the working groups, (ad hoc) task forces, the steering groups and the various committees, both temporary and permanent. Many working groups and task forces operate on the basis of voluntary contributions, often allocated by one or two member countries seeking to introduce a particular topic to the OECD agenda. In addition, there is not enough systematic evaluation of the effectiveness of the various committees and subsidiary bodies. Finally, the activities of all these bodies determine how almost all of the budget is allocated (about 98%), which makes the entire organisation's spending patterns rather inflexible.
- OECD policymaking lacks a coherent long-term vision.¹⁷ If that vision were made more clear, it would be easier to determine what the value of the organisation is, which issues should be prioritised and which ones can be left off the OECD agenda. The organisational structure of the secretariat (with its numerous tiers of management) could then also be optimised and made more efficient.

In conjunction with the debate on enlargement, this list (which is not exhaustive) of the OECD's tasks, strengths and weaknesses reveals a number of inherent tensions in the functioning of the organisation. For example, its comparative policy research follows a technical/scientific approach with an emphasis on hard numbers. On the face of it, this does not seem compatible with too much variation in member countries' views and political systems. At the same time, the greater the differences between the systems, the more important it is to analyse these differences and their national and international policy implications.

For the purposes of OECD research, data on member countries' economic and social structures should be comparable. Although satisfactory analysis does not depend on the data being identical in presentation, they should not diverge to the point where

¹⁷ However, there are multi-year strategic documents in specific areas, such as the *Update of the 'Vision for the Future': a global approach to the regulation of agricultural pesticides*, ENV/JM/PET(2006)16, 9 October 2006, and *EPOC's strategic vision*, ENV/EPOC(2005)14/FINAL, 28 February 2006.

comparative policy conclusions can no longer be drawn. The basic criterion adopted by the OECD is like-mindedness. This implies that member countries uphold the rule of law – although this term is not actually used in the OECD Convention (nor, for that matter, is ‘democracy’) – and have market economies, but it goes further than that. It also implies an approach that enables policy changes to be made in a comparable manner and allows the involvement of civil society organisations such as trade unions.

The basic question regarding OECD research is whether the organisation should continue to concentrate on academic studies which are usually highly valued and can be produced because, among other reasons, member countries provide the organisation with data to which private research bodies have little or no access, or should instead focus more on preparatory and advisory policy research in the context of globalisation.

The OECD’s membership criteria were recently restated by a working group led by the Japanese permanent representative Seiichiro Noboru.¹⁸ In addition to the aforementioned ‘like-mindedness’, his report employs the terms ‘significant player’, ‘mutual benefit’ and ‘global considerations’.¹⁹ Since the report was published, these have been known as ‘the Noboru criteria’. The ‘like-mindedness’ criterion means that a country must uphold the rule of law and have a market economy.²⁰ The ‘significant player’ criterion means, among other things, that a country must demonstrate its ability to contribute to learning effects in like-minded countries and to influence them on the main OECD committees. A candidate country must therefore be relevant to the organisation as a whole on a number of key issues. The ‘mutual benefit’ criterion means that a country can join the OECD only if its membership is beneficial not just to that country but also to the existing members. Finally, the ‘global considerations’ criterion means, among other things, that the OECD will grow in prestige and global relevance from involving the politically and economically most prominent countries in its work. However, some prefer to see this as a means of ensuring mutual benefit rather than a criterion in its own right. It is also clear that the practical application of these criteria will lead to a number of dilemmas. For example, countries that could increase the OECD’s like-mindedness are by no means always significant players; similarly, a number of emerging economies are playing a dominant part in the globalisation process and hence are of relevance and interest to the OECD, though at first glance they are far from like-minded.

The inherent tensions between the various positions are readily apparent. If the member countries and the OECD SG wish to be more closely involved in ‘managing’ the globalisation of the economy and also feel a need to maintain the organisation’s relevance in global economic terms by incorporating the major emerging economies, a number of countries that are not exactly like-minded will have to be allowed to join.²¹ However, such an enlargement plan would make the OECD a more political organisation, in part because its ability to function as a pre-negotiating forum would depend on the availability of research

18 Seiichiro Noboru, *A strategy for enlargement and outreach: report by the chair of the heads of delegation working group on the enlargement strategy and outreach*, 13 May 2004, pp. 15-19.

19 *Ibid.*, pp. 14-16.

20 The Noboru report refers to ‘democracy’, but the AIV prefers the broader term ‘rule of law’.

21 See, for example, the report by Finland’s permanent representative J. Julin, ‘Future direction of the OECD: report on OECD’s role in global architecture’, 24 March 2003.

findings and the possibility of formulating soft law in such a way that it can be applied in various institutional settings. On the other hand, as long as the organisation's institutional orientation remains unclear, including the question of whether it should seek to act as a 'co-manager of globalisation', it is hard to determine how far any such enlargement should go, and what form it should take.

As mentioned in Chapter I, the organisation is currently debating whether sixteen countries, from a wide variety of political backgrounds, could eventually become members. The list includes eight countries – Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Malta, Romania and Slovenia – which joined the EU between 2004 and 2007. If they do join (as the AIV believes they should; see below), the number of EU countries in the organisation will increase considerably. This seems likely to trigger a response from some non-European OECD members, such as Australia and Japan. These countries are already trying to offset such a trend by demanding that countries from other regions be allowed to join.

III The future of the OECD: answers to the six questions

The previous chapter noted a number of issues that have, or may have, a major impact on the OECD's current activities and future aspirations. So far these issues have been presented in a fairly neutral way, but at some point they will necessitate some fundamental choices. The AIV's views and recommendations on the subject are set out in the following answers to the questions submitted by the government.

Question 1: With which countries, at what pace, in what form and possibly on what conditions should OECD enlargement take place?

In the AIV's opinion, the OECD will clearly become less and less relevant if it fails to incorporate emerging economies. In this connection it is important to note that the existing OECD countries now account for only 60% of global GNP and that this percentage is rapidly falling. If the organisation's authority as a whole and the interest of its member countries (particularly the larger ones), are to be maintained, the emerging economies must be included in some way. The challenge facing the OECD is how to involve the emerging 'significant players' in analysing and tackling a number of globally important issues on a more permanent basis. This will also give the aforementioned 'mutual benefit' and 'global considerations' criteria more substance.

Enlargement can take the form of either formal membership or association (known in OECD terminology as 'enhanced engagement'), but a clear distinction should be maintained between the two. The AIV believes it is risky to press unreservedly, as the US appears to be doing, for informal kinds of *à la carte* cooperation; these will erode the core of the organisation, especially if for national budgetary reasons they are accompanied by an increase in ad hoc contributions at the expense of the regular budget. The AIV therefore feels that a fifth criterion should be added to the four above-mentioned 'Noboru criteria', namely acceptance of (and compliance with) the OECD *acquis*.

In this connection, the AIV has taken due note of the memorandum from the OECD's Directorate for Legal Affairs (appended to the Noboru report), which indicates which OECD decisions, conventions, recommendations, declarations and so on should be part of the *acquis*. However, the memorandum includes a number of OECD instruments which the AIV feels should not be on the list, especially if they would thereby constitute barriers to membership. Examples include the Decision-Recommendation of the Council on international tourism policy and the Scheme for the application of international standards for fruit and vegetables. The AIV therefore recommends that the list be reduced to a limited number of documents which together provide a picture of what the OECD essentially stands for. What the AIV has in mind are the founding Convention, internal rules of procedure, financial decisions and the main conventions, decisions, guidelines, recommendations, codes of practice and declarations on climate change, corporate social responsibility,²² development cooperation (including acceptance of ODA goals), liberalisation of capital movements, taxation, anti-corruption measures and reform of government finance. A longer list of documents can still be used, but the AIV believes these should not be treated as part of the *acquis* for membership purposes. What *is* essential is that candidate members should also be willing and, in the foreseeable future, able to provide the general statistical

²² For example, the OECD Guidelines for Multinational Enterprises, which incorporate the ILO human rights conventions (Doc. C(2000)96/Final, Add. 1).

data that are required for comparative policy research in those areas.

In this report the AIV is offering a main criterion for the *acquis* and a number of examples which are illustrative but are not intended to be exhaustive. Countries should not only comply with the Noboru criteria to a reasonable extent, but also accept the obligations arising from the *acquis* (and hence comply with them or be willing to initiate a process for doing so) in order to be admitted as full members. Such an additional criterion is all the more important because an organisation consisting almost entirely of *à la carte* arrangements would lose its coherence (and hence its legitimacy). For countries that are unable or unwilling to fulfil these requirements, association ('enhanced engagement') is the most appropriate option.²³ In such cases, if so desired, a transitional period in which the country can progress towards full membership in stages can be mutually agreed.

What all this means, in the AIV's view, is that the OECD should swiftly identify the countries that are willing to join on those conditions and the countries that the organisation considers eligible for membership. It is still unclear whether major countries such as China, India and Indonesia are actually interested in full membership or substantially extended cooperation with the OECD. This puts the organisation in a weaker negotiating position.²⁴ Once the choices are clear, efforts can be made – over a period of, say, ten years – to enable countries that fulfil the criteria to join if they so wish and to arrange associate membership for countries that are unwilling or unable to join but are of importance to the OECD or wish to cooperate with the organisation for other reasons. The first category could include such countries as Brazil, South Africa, Chile, Israel²⁵ and the aforementioned eight EU member states, and the second (for example) China, India and Russia.

The latter group have such major rule-of-law and/or economic problems that the AIV does not feel they should become members for the time being. The policy towards countries of this kind will therefore depend greatly on political and economic developments there. If, in the light of the Noboru criteria and the fifth criterion proposed by the AIV, these do not proceed as desired, these countries may not automatically be eligible for full membership – assuming they want it – and detailed arrangements for associate membership may have to be made instead.

Associate membership is also appropriate for countries that do not wish to join the OECD but do want to benefit from its research and from contacts with OECD members in a 'non-aggressive environment'.²⁶ Links with such countries can be extended by means of tailor-made arrangements that include financial agreements (e.g. on research expenses) and specify what the future programme of work and the activities of the various committees and forums will be and what obligations to provide statistical data must be fulfilled. Such arrangements can be seen as a first step towards acceptance of the *acquis* and eligibility for membership in the long term.

23 As of 2005, the OECD was in fact already cooperating with some seventy non-OECD countries (source: OECD website).

24 Chile, the eight new EU member states, Russia and South Africa are known to want to join. Brazil, China, India, Indonesia and Israel have not yet officially expressed such a wish.

25 OECD information available as of early February 2007 indicates that Chile and Israel are ready for membership.

26 An example is the recent 'peer review' of China's environmental policy.

The position of countries that are members of the EU but not of the OECD is an unusual one. They score high on 'like-mindedness', but do less well with respect to the 'significant player' and 'mutual benefit' criteria. The AIV is aware of the decision by the Committee of Permanent Representatives (Coreper) in Brussels that all the new EU countries should also join the OECD. The AIV agrees with this goal in principle, but has some reservations about the timing of accession and the possible consequences of a massive influx of new members. The AIV recommends that the EU examine whether it can act on behalf of its own member states applying for OECD membership in cases where the focus has shifted from economic and social performance of individual member states to goals that extend beyond those states' interests.²⁷ In this connection the AIV refers to instances in which the EU 'speaks with one voice' under treaty law. Examples are the multilateral trade negotiations (WTO) – in which the European Commission has linked negotiating powers to the denial of veto rights to its member states – and the definition of multilateral rules on investment, anti-corruption measures and tax evasion.²⁸ Although the AIV is aware that existing EU members will not be keen to relinquish their individual rights, it still recommends that the feasibility of this approach be examined before allowing the new EU member states to join.²⁹

The unanimity rule has made it exceedingly difficult to reform the structure and workings of the OECD. The fact that any member country, irrespective of its size or socioeconomic position, can obstruct the decision-making process at any point, makes for an indecisive organisation. This has sparked a debate within the OECD on whether to allow different kinds of membership in the future, and there has been talk of a 'two-pillar structure', a 'two-tier system', a 'double hub', a 'dual system' or a 'multi-track policy'. Such a structure would make it easier for the OECD to carry out its comparative policy research and policymaking tasks on global issues in the future. The think tank and research task for purposes of national comparative policy studies could be accommodated in one 'pillar' – a term the AIV uses here for the sake of convenience but basically dislikes, unlike the underlying idea of 'playing chess on two boards' and the international policymaking task in the other. Each 'pillar' could contain not only different decision-making mechanisms, but also different kinds of membership. Countries interested in full membership would then have to be assessed for fulfilment of the membership criteria. Following a successful outcome of this assessment, they could become full members of the OECD and, *if so desired*, take part in activities for the management of globalisation. Other countries would only be able to take part as full members in the second 'pillar', and could also be paying customers for 'research pillar' products.

Those who favour a policymaking role for the OECD see major advantages in dividing up its activities into two 'pillars', 'tiers' or 'tracks'. Others, however, regard this as a formalisation of the controversial *à la carte* approach discussed above, which could eventually result in two separate organisations. In the Netherlands there have in recent years been regular interministerial discussions about the future of the OECD, including a possible 'two-pillar structure'. Administrative proposals on the subject have been submitted to the government, but so far no policy conclusions have been reached. The AIV believes the time has come to

27 The EU/European Commission is not a member of the OECD, but 'participates in its activities'.

28 The European Commission is competent to act in areas that fall within the first pillar. In other areas (for example in FAO) the EU presidency sometimes acts on the Union's behalf.

29 According to the same document, not all the new EU countries are ready for OECD membership, but Estonia and Slovenia soon will be.

seriously re-examine the pros and cons of such a structure.

As regards membership, the AIV would like to make an observation regarding one of the founding members, the US. It is both the largest member of the OECD and its largest source of funding. Although the US position in the debate on enlargement is not always clear, maintaining American interest in the OECD will evidently depend on incorporating a number of major emerging economies into the organisation. One indication of this is the shift in OECD priorities. The regular budget does not provide enough funds to carry out all the activities properly, and member countries – led by the US – increasingly prefer to pay only for things they themselves consider useful. This aggravates the organisation's budgetary problems, which the AIV believes should be carefully identified. The aim of such an operation should be to reduce the amount of voluntary funding, while acknowledging that this can also have a positive effect (see Chapter II), and increase the regular budget.³⁰ This is also important if the OECD's leadership is to gain more control over the organisation's direction. Consideration should also be given to the option of charging members and associate members more if they make more use of OECD services.

Question 2: Partly in view of question 1, how does the AIV see the OECD's place in the international institutional architecture, particularly in relation to the EU, World Bank, IMF, WTO and G8?

Various studies, by the OECD itself as well as other organisations and independent experts, have revealed little evidence of overlapping or duplication between the OECD and other organisations.³¹ This potential problem is partly obviated by the fact that many of these organisations (including UN agencies, the World Bank, the IMF and the European Commission) are involved in the work of the OECD, mainly as observers. There are also regular high-level formal and informal consultations, and the people that attend OECD meetings and talks also occupy policymaking positions within the other organisations. Practical cooperation between, for example, the World Bank, the IMF and the OECD is generally satisfactory. Moreover, partly because the OECD mainly deals with macroeconomic and structural issues and has considerable experience with member countries' policies as well as an extensive network of policy officials, the various organisations complement rather than compete with one another. In the case of the IMF, this is mainly because contacts between countries within the OECD are relatively informal and do not often yield 'hard' results, whereas the IMF always takes formal decisions, often with financial implications. The lack of overlap with the World Bank is, if anything, even clearer. The OECD's Development Assistance Committee (DAC) operates at ministerial level and is effectively controlled by donor countries, whereas the World Bank has ample funding of its own, experience in providing large-scale assistance and efficient networks in developing countries.

There have been proposals that the OECD could become the 'G8 secretariat'. However, the AIV feels this is unrealistic as long as (a) the membership and functioning of the organisation are not geared to global financial and economic developments and (b) there is not the slightest indication that the eight major countries would be willing to relinquish that function.

30 A large proportion of the regular budget is now spent on salaries and pensions. Since these continue to rise but the budget does not keep pace with them, the OECD is increasingly dependent on voluntary contributions.

31 See, for example, the report by consultant Peter Nicholson entitled *Maximising the impact of the OECD*, 15 January 2003, p. 27.

On the other hand, given its core task (comparative policy research), the OECD can provide services to help the G8 and other forums tackle difficult policy issues, such as taxation (and hence corruption), science and technology, structural economic policy, the environment, migration issues, energy security and data delivery. If the OECD manages to evolve in a more globally oriented direction – both by expanding its membership and by concluding formal association agreements – such services could eventually enable it to be considered as a candidate for the task of G8 secretariat.

Furthermore, the AIV believes the OECD is already very well placed for the global coordination of development cooperation activities through the aforementioned DAC. Over the years this committee has achieved good results, particularly in setting standards for ODA and supervising its quality.³² In recent years the DAC has also explored new political avenues, which include reaching agreement on a policy framework for dealings with fragile states, arranging a mutual review of development policy in African and OECD countries³³ and drawing up a new memorandum on the relationship between developing cooperation policy and human rights policy.³⁴ If the number of OECD member countries is increased, there will be pressure on the DAC to incorporate the new members. In that case, the AIV believes the committee will have to consider whether it wants to remain a community of donors or agree to other forms of cooperation. Whatever the outcome, at the very least, countries that are important in terms of development cooperation but not in terms of macroeconomic coordination must be allowed to become or remain members of the DAC.

The OECD can also consider playing a greater role in world trade. Negotiations on world trade take place at bilateral level, but also, and above all, within the WTO. However, the WTO's support services are too limited for it to handle all the preparatory research and policy work on its own. The challenge to the OECD is to make its analyses more globally oriented. Although its work in the field of trade is generally acknowledged to be of very high quality, it is still often identified with the rich countries, unlike for example studies by UNCTAD and the ILO, which cover the whole world. However, this will only be possible if the major emerging economies are more closely involved in the work of the OECD. At the same time, those countries should be expected to accept the results of research and studies. In this connection, the AIV believes that consultations with these countries can be conducted in a way that takes advantage of the OECD's core capacities without necessarily leading to a formal increase in membership.

Question 3: From an international perspective and given the importance the Netherlands attaches to international cooperation, what main working areas and subjects most lend themselves to being dealt with by an enlarged OECD?

Question 5: What does the AIV see as the OECD's specific added value for Dutch policy, and consequently what are the subjects that the OECD should preferably focus on?

32 In 2005, for instance, the competent ministers committed themselves to the Paris Declaration on Aid Effectiveness (DCD/DAC/EFF(2005)1/REV3, 11 March 2005).

33 See *Development Effectiveness in Africa, Promise and Performance: Applying Mutual Accountability*, a joint report by the ECA and the OECD at the request of the NEPAD heads of state and government implementation committee, Addis Ababa/Paris, October 2005.

34 *OECD action-oriented policy paper on human rights and development*, to be published in 2007.

These questions are related and will therefore be discussed here together.

It would not be difficult for the AIV to identify 'off the cuff' a number of OECD topics that are of particular importance to the Netherlands, especially in view of its multilateral aspirations. These include financial and environmental issues, public health, development cooperation, corporate social responsibility, limits to market forces and so on. However, in order to make well-substantiated statements on these topics, the AIV would need to undertake a thorough study of the work of all the OECD's working groups and subgroups, task forces, steering groups, and standing and temporary committees. The findings would then have to be correlated with present and future Dutch policy on the broad range of topics that the OECD has to deal with, in order to determine where there is overlap and a need for change. The AIV feels such a study is beyond its capabilities and may indeed simply be unfeasible.

Moreover, there is of course a downside to the use of such words as 'priority treatment' and 'preferably'. Once priorities have been identified, it is easier to decide which topics should be eliminated. However, determining what these should be in the light of the aforementioned Dutch perspectives and interests would require an exercise just as complex and effectively unfeasible as the priority-setting operation.³⁵ The AIV is aware that the implications of this choice may be disappointing, but sees no alternative. It also feels that representatives of the various ministries involved are sufficiently capable of deciding for themselves which topics are of greatest relevance to Dutch policy. Indeed, this report may lead the various ministries to ask themselves how relevant the OECD currently is to their field of work, and in which areas they could derive greater benefits from the organisation than they do at present. Such rigorous periodic reviews of the OECD's activities may result in a permanently vigilant attitude to the work of its committees, working groups and so on. In support of this approach, OECD committees and working groups could be set up for limited periods ('sunset clauses'). Every four or five years, the organisation could take a close look at whether a given activity was still in line with its priorities, and then decide whether or not to pursue it.

The AIV has also examined whether, given the large number of policymakers involved, there may be coordination problems within the OECD. After interviewing people both in Paris and The Hague, the AIV cannot avoid the impression that coordination in and between the various member countries often leaves something to be desired, with inevitable implications for the organisation as a whole. In any event, strong 'ownership' on the part of the OECD is of great importance. The Netherlands has a good deal to gain here, particularly when it comes to setting priorities for the agenda in Paris. This can be achieved by placing the OECD higher on the national agenda (especially when it comes to interministerial and ministerial policymaking activities – coordinated by the Ministry of Foreign Affairs – and contacts with businesses and NGOs), as well as by making specific efforts to get a greater number of qualified Dutch nationals appointed to relevant posts within the OECD. An example is the recent appointment of the former Dutch minister Aart Jan de Geus. In the AIV's view, coordination at committee level can be left to specialist committee members, but the most relevant ministers and senior officials should also have a guiding role.

³⁵ The OECD itself uses periodic 'programme implementation reviews' and 'medium-term orientations' to determine whether its priorities are still correct, but these mechanisms do not yet have sufficient impact on the work of the organisation.

Apart from the Netherlands' immediate interests in the OECD, the AIV is convinced that, while national interests certainly should not be overlooked, they should not be overemphasised either. This also applies in connection with Question 3 ('the importance the Netherlands attaches to international cooperation'). The AIV considers the existence of the OECD (including both its research activities and its global functions and aspirations) extremely valuable, even if it is not always immediately clear to what extent its activities serve Dutch interests. In the AIV's opinion, more attention should henceforth be paid to this at national level (see also later on in this report).

Question 4: How important is it in the AIV's view (both for the international community and for the Netherlands) that the OECD continue to use its characteristic working methods, such as soft law, benchmarking, peer review and peer pressure?

In general, the AIV is very pleased with the range of instruments that the OECD has developed in its more than 45-year existence. These methods are not based on the threat of sanctions, but rather on such concepts as voluntary compliance with agreements, cooperation, persuasion, the proposal of alternative views and the systematic comparison of strengths and weaknesses, often resulting in lists of 'best practices'. All this is done on the assumption that member countries are prepared to act in response to the picture that the organisation has painted of them, even when that picture is not as flattering as they might have wished.

Another of the OECD's main strengths is that its 'products' are accepted by those who make and implement policy in the member countries. As already mentioned, the organisation can draw up its high-quality reports partly because those countries provide it with data to which private research bodies have little or no access. As regards the quality of the reports, it should be noted that, although the data collection methods used by the OECD are exceptionally good, the process can be further improved by uniform registration of financial and other data and by the use of more modern information technology.

As the AIV has already observed, there is a need for the OECD to look at its decision-making structure and its policy priorities, particularly with a view to the possible accession of new member countries. The AIV's suggestion that a fifth criterion be added to the membership requirements, namely 'acceptance of and (eventual) compliance with the *acquis*', is in keeping with this, but this requirement should not be limited to new member countries. The existing members should also be called on to abide by the *acquis*, and stricter application of the classic working methods of peer review, peer pressure and best practices can help ensure that these countries comply more fully with agreements. In this connection, the AIV feels that the SG's authority in relation to the internal organisation and the Council should be increased.

Question 6: How must the OECD change as an organisation in order to be able to function effectively after enlargement and determination of its substantive priorities?

Whichever choice the OECD member countries make regarding enlargement, and whichever greater role it may be assigned (or called upon to assume) as a global actor, it is clear to the AIV that the OECD must undergo organisational changes so that the Council

can set priorities on major issues more effectively. Whatever the outcome of the debate, the current decision-making process must be further modified in order to make the organisation more decisive. The qualified-majority system which has recently been introduced in some cases (see Chapter I) must be extended to cover some of the truly important decisions.

Various versions of such a decision-making procedure can be envisaged. One is the introduction of a 'super-majority rule' (based on, say, 80% of the votes). Member countries could only block such a majority decision by making a convincing case that it would damage their vital national interests. Another version is consensus-based decision-making for a specified list of important topics, and majority (or qualified-majority) decision-making in all other cases. The consensus-based procedure could also be replaced by an informal 'consensus-minus-one' (or 'consensus-minus-two') formula. The AIV has no particular preference for any of these versions. However, if the OECD is to continue functioning, the AIV believes it is vital that the consensus procedure be closely examined to determine, topic by topic, the cases in which it is a hindrance and those in which it can be considered useful (see analysis of strengths and weaknesses).

The need to strengthen the role of the OECD SG has already been discussed in relation to Question 5. The strength of the secretariat depends on the SG's personal stature. The AIV believes it is important for the SG to acquire his or her own authority by setting good priorities and putting forward viable plans. This will not so much depend on changes in formal powers as on personal qualities that can generate that authority on substantive grounds.

The joint consultative structures and other forms of cooperation between the public and the private sector (businesses and NGOs) would also benefit from stronger management, with the development of soft law in the context of economic globalisation as one of the main goals. Without wishing to resort to mandatory forms of supervision, the AIV believes that much can still be gained in this area from the classic OECD methods of peer review, peer pressure and best practices, as well as from more effective external relations, communication and publication of the organisation's successes through academic seminars, broad public information meetings and education.

In conclusion: the OECD of the future

Given the principles on which membership of the OECD is currently based, expansion of its activities at global level may have implications for the organisation's effectiveness and authority in its traditional areas of work and for its relations with other international organisations. As already mentioned, its comparative policy research follows a technical/scientific approach and bases its findings on solid statistics. This approach may come under pressure if there is too much variation in member countries' views and political systems or if the organisation assumes a greater role with regard to globalisation. Despite this risk, the AIV feels that, even though there is theoretically a clash between the two dimensions, they are both essential to the organisation's survival and, if only for that reason, should not be ignored when reflecting on its future course. Although the choice of whether or not to become a 'policymaker' in the globalisation process lies with the OECD, the same cannot be said of the need to include the major emerging economies in its research work. If the OECD fails to take account of this, it will become increasingly irrelevant.

IV Conclusions and recommendations

This chapter sets out the main conclusions and recommendations.

Enlargement and tasks

In the AIV's view, the question of enlargement cannot be viewed in isolation from the OECD's future duties and aspirations. The AIV would therefore offer the following conclusions and recommendations:

- Unless the OECD incorporates the major emerging economies in some way, it will soon lose relevance.
- It must swiftly identify the countries which have not only indicated a wish to join the organisation on the basis of the four Noboru criteria ('like-mindedness', 'significant player', 'mutual benefit' and 'global considerations') and the fifth criterion proposed by the AIV – acceptance of and (eventual) compliance with the OECD *acquis*, consisting of its main conventions, schemes and principles – but are actually eligible for membership, as well as the countries which do not want to join or are not yet eligible to do so but should be associated with the OECD in some way. The former category could include such countries as Brazil, Chile, Israel and South Africa. If so desired, a transitional period in which the country can progress towards full membership in stages can be mutually agreed. The second category could include China, India and Russia. These countries have such major rule-of-law and/or economic problems that the AIV does not feel they should become members at the present time.
- The AIV has taken due note of the EU's decision that eight of the new members of the Union should join the OECD. The AIV agrees, though it is concerned about what the consequences would be if they all joined at once. When these new EU countries join, the AIV feels there should be an agreement that the European Commission will act on behalf of EU member states on OECD matters covered by the first (economic) pillar of the Union.
- The AIV considers it risky to allow too many informal kinds of *à la carte* cooperation, as this will erode the core of the organisation. One essential part of the (broader) *acquis*, which should also apply to associate members, is willingness to provide the required statistical data.
- In combining closer cooperation with major countries that are unwilling or unable to join the OECD with the desire for more influence over the globalisation process, the organisation runs the risk of gradually becoming more political. In the light of this, the AIV would advise the government to re-examine the benefits and drawbacks of the 'two-pillar' structure. The think tank and research functions for the purpose of national comparative policy studies could be accommodated within 'pillar' and the international policymaking task in the other. Each 'pillar' could then contain not only different decision-making mechanisms, but also different kinds of membership.

International institutional structure

The AIV has taken a mainly practical approach to the question of the OECD's position within the international institutional structure (particularly in relation to the EU, the World Bank, the IMF, WTO and the G8). Its conclusions and recommendations are as follows:

- In general terms, the OECD's position is unchallenged – indeed, it is very highly valued.
- Participants in OECD meetings often turn out to have an active role in other organisations, which naturally makes for a high degree of consensus. In general,

practical cooperation between the various organisations is satisfactory. They complement rather than compete with one another.

- When it comes to coordination of monetary policy, the AIV does not believe the OECD has any real advantages over, say, the World Bank and the IMF, or indeed the G8.
- In addition to its traditional tasks, there are many who would like to see the organisation act as 'co-manager' of globalisation. As the AIV sees it, there seems to be little leeway for a guiding role in that area, and it is unrealistic to think that a group such as the G8 would accept the OECD as its secretariat. However, on the basis of its core task (comparative policy research), the OECD can provide important services for other organisations and forums, such as the G8.
- The AIV envisages an important role for the OECD in a number of specific areas of global coordination, such as consultation on development cooperation (in the DAC), taxation (and hence also corruption), science and technology, structural economic policy, the environment, migration issues, energy security and the supply of statistics.

Priority areas of work

The question of topics and areas of work that are suitable for priority treatment by an enlarged OECD and the question of the organisation's specific benefits for Dutch policy are related, and the AIV has answered them together. Its conclusions and recommendations are as follows:

- The OECD decision-making process lacks a coherent long-term perspective.
- To issue well-founded statements on priorities, the AIV would need to make a thorough study of all OECD activities and correlate its findings with present and future Dutch policy on the broad range of topics that the organisation has to deal with. Only then can it determine where there is overlap and a need for change. The AIV does not believe it is the right body to perform such a task.
- This report may lead the various ministries to ask themselves how relevant the OECD currently is to their field of work, and in which areas they could derive greater benefits from the organisation than they do at present. Moreover, periodic reviews of the OECD's activities and the adoption of 'sunset clauses' for OECD committees and working groups could lead to a attitude of permanent vigilance: why are ministries working in cooperation with the OECD, what do they get in return and what are they prepared to invest in this?
- It is the AIV's feeling that strong 'ownership' on the part of the OECD is also of importance to the Netherlands. It therefore recommends that the government examine whether the OECD can be placed higher on the national agenda, among other things through good interministerial and ministerial policymaking activities, maintenance of contacts with businesses and NGOs, and efforts to promote the appointment of qualified Dutch nationals to OECD posts.

OECD methods

The AIV's assessment of the importance of maintaining the OECD's traditional working methods has led to the following conclusions and recommendations:

- The AIV is very pleased with the range of instruments that the OECD has developed in its more than 45-year existence (peer pressure, peer reviews, best practices and soft law). These methods are not based on the threat of sanctions, but rather on such concepts as voluntary compliance with agreements, cooperation, persuasion, proposal of alternative views and systematic comparison of strengths and weaknesses.
- One of the OECD's main strengths is that its 'products' are accepted by those who make and implement policy in the member countries. Indeed, the organisation is able to

produce such well-researched reports partly because those countries provide it with data to which private research bodies have little or no access.

Organisational changes

The question of which organisational changes the OECD should make in order to function effectively after taking on new members and rethinking its priorities has led to the following conclusions and recommendations:

- The current decision-making process must be modified further in order to make the organisation more decisive. The qualified-majority decision-making system (including consensus-minus-one or consensus-minus-two) should be extended to include truly important decisions, although the positive aspects of consensus should not be overlooked.
- The membership criteria should be reviewed. In this connection, the AIV would propose that the criterion 'acceptance of and compliance with the *acquis*' be added to the four 'Noboru criteria'.
- The SG's authority in relation to the internal organisation and the Council should be increased. It is important for the SG to acquire his or her own authority, and one way of doing this is setting satisfactory priorities. The aim of strengthening the SG's position should be to further improve supervision of the OECD's work and to ensure that priorities are set more effectively on the major issues of concern to the organisation.
- The OECD has a number of conventions that provide for mandatory forms of oversight. The AIV is not in favour of extending this system. However, it does believe that the OECD can use its traditional working methods of peer review, peer pressure and best practices (if these are applied more strictly and worked out in greater detail) to encourage fuller compliance with agreements. Much can also be gained by improving external relations and communication and publicising the organisation's successes more widely.

Annexes

Annexe I

F. Korthals Altes
Chairman of the Advisory Council
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Date 7 March 2006
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Encl.

Contact Ciska Dijk
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Re: Request for advice on the OECD's place in the international institutional architecture and its priority areas of work

Dear Mr Korthals Altes,

The Organisation for Economic Cooperation and Development was founded in 1960. OECD member countries belong to a group of like-minded countries that are committed to the market economy and forms of pluralist democracy. These countries began working together on macroeconomic and social topics, initially in the Organisation for European Economic Cooperation set up under the Marshall Plan. Increasing internationalisation and further interweaving of economies have made financial, social and economic policy coordination necessary. Over the years the number of subjects that the OECD deals with has risen considerably. The economic dimension of subjects like education, an ageing population, sustainable development, health care and migratory flows is also on its agenda. Highly valued by the Netherlands, the OECD has increasingly developed into an authoritative, normative international think tank in these areas. Using tools like soft law, peer pressure and best practices, it often serves a pre-negotiating forum.

The sharp increase in the number of subjects the organisation deals with, combined with relatively limited funds and a number of countries' desire to join, is compelling it to rethink its aims, activities and membership. Internal reforms to make the OECD function more effectively and efficiently are made by consensus and are then implemented step by step. Until now, however, these initiatives have not gone far enough. Doubts have also arisen about the OECD's relevance, not only because there are now major economies not included under its umbrella, but also because of developments in other forums whose activities partly overlap or resemble the OECD's. An additional problem is that member states are becoming less willing to fund adequate increases in the regular budget, but are prepared to have the OECD perform specific activities by means of voluntary contributions. This increasing à la carte approach may require rethinking its habitual working methods.

At the moment the OECD is considering expanding its membership. Its member states and secretariat ascertained in 2004 and 2005 that to be and stay relevant the OECD must maintain active relations with, and at least in the long run include, major emerging economies like China, India, Russia and Brazil. Other, often smaller countries, including the Baltic States, Slovenia, Cyprus, Malta and Israel, have also applied for membership; this is also part of the discussion on accession.

It is unclear whether accession of or closer ties with less like-minded countries like China and Russia would be compatible with or strengthen the OECD's current functions, as an instrument for world order, an organisation that sets norms for ODA spending, and an apolitical think tank for international and national policy planning and analysis of poverty reduction and globalisation. The question can also be posed to what extent other institutions – the EU, international financial institutions like the World Bank, the UN and specialised UN agencies – have in part taken over such OECD activities as policy planning and comparison and standard setting. Enlarging the OECD to include the big emerging economies would seem to give it the potential to make a greater contribution to shaping the international order, which is necessary in a globalising world. But here too the question can be posed whether other organisations like the UN and G8 are already playing this role. This seems therefore a good moment to reconsider the OECD's priority working areas and subjects.

To better understand the role of an enlarged OECD in the international institutional architecture and for the Netherlands, and contribute to determining the Dutch standpoint on the OECD's future, I would particularly like you to address the following questions in your advisory report:

1. With which countries, at what pace, in what form and possibly on what conditions should OECD enlargement take place?
2. Partly in view of question 1, how does the AIV see the OECD's place in the international institutional architecture, particularly in relation to the EU, World Bank, IMF, WTO and G8?
3. From an international perspective and given the importance the Netherlands attaches to international cooperation, what main working areas and subjects most lend themselves to being dealt with by an enlarged OECD?
4. How important is it in the AIV's view (both for the international community and for the Netherlands) that the OECD continue to use its characteristic working methods, such as soft law, benchmarking, peer review and peer pressure?
5. What does the AIV see as the OECD's specific added value for Dutch policy, and consequently what are the subjects that the OECD should preferably focus on?
6. How must the OECD change as an organisation in order to be able to function effectively after enlargement and determination of its substantive priorities?

Given that the discussion of OECD internal reforms is currently under way in Paris, I would like to ask you to address the last question, on the organisational changes needed, with dispatch, with a view to deciding the Dutch contribution to the OECD's deliberations at the end of April and the end of May.

I look forward to reading your advisory report soon.

Copies of this letter are being sent to the President of the Senate and President of the House of Representatives of the States General.

(Signed)

Bernard Bot
Minister of Foreign Affairs

List of persons consulted

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- R. Bekker
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Permanent Representative of the Netherlands to the OECD
- M.A. Brouwer
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- Ms C.M. Dijk
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List of abbreviations

AIV	Advisory Council on International Affairs
BuCo	Budget Committee
CEI	AIV European Integration Committee
CERI	Centre for Educational Research and Innovation
CMR	AIV Human Rights Committee
Comecon	Council for Mutual Economic Assistance
COS	AIV Development Cooperation Committee
CVV	AIV Peace and Security Committee
DAC	Development Assistance Committee
ECA	United Nations Economic Commission for Africa
ECMT	European Conference of Ministers of Transport
ErCo	External Relations Committee
EU	European Union
ExCo	Executive Committee
GNP	Gross National Product
G8	Group of 8 (the seven leading industrialised countries plus Russia)
IEA	International Energy Agency
ILO	International Labour Organisation
IMF	International Monetary Fund
NEA	Nuclear Energy Agency
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
SG	Secretary-General
UNCTAD	United Nations Conference on Trade and Development
US	United States
WPEG	Council Working Party on the Implications of Future Enlargement on OECD Governance
WTO	World Trade Organisation

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