

OECD, Estonia Accession

The role of the OECD in providing independent analysis

Remarks by Angel Gurría,
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Ladies and gentlemen,

The world economy is crossing a difficult period. The worst of the crisis may be behind us, but there are new risks arising. And, whatever we do, it will take time to recover previous levels of employment, growth and public indebtedness.

Our societies are facing great challenges, short term ones in terms of growth, unemployment and fiscal balances, but also more long term ones such as population aging, climate change and the rise in international corruption. We will only address these challenges successfully if we work together. Multilateral action is a must in the search for common solutions. We must learn from each other and work together to build up a stronger, fairer and cleaner world economy.

But policy, be it at the national or multilateral level, has to be based on evidence and strong analysis. This is where the OECD can and does contribute with its capacity to measure, analyse and benchmark the effectiveness of policies on a wide range of areas.

Indeed, the main value-added of the OECD is to provide evidence-based policy advice, based on comparative analysis, a multidisciplinary approach and peer learning. Providing policy advice and helping countries agreeing on rules of the game and standards is what the OECD is here for. The OECD has no carrot, nor stick. It does not provide credit or grants, nor does it inflict sanctions. OECD's only strength lies in persuasion. It is a soft but very effective power.

As an old Estonian proverb says: "A man who has learned much is rich". In this sense, in addition to being the house of best practice, we have collected through the last fifty years the experiences of our members. We have learned from each other, from the successes as much as from the mistakes. And we have done so based on a solid, specific and consistent methodology, our peer reviews.

With the OECD peer reviews, each country is submitted to the scrutiny, the examination, the criticism of all the other members of the OECD. This can be and often is "constructive" criticism. But it can also be quite frank, sharp and really demanding. This peer review process could be compared somehow to the genetic code of the organisation. Countries understand that by submitting themselves to these reviews, they have the best chance to progress towards best practice. They also understand that this is the way to convince all others to advance in the same direction, and thus to make reform happen globally.

We do these peer reviews on macroeconomic policy with our well-known Economic Reviews. But we also do them for a wide range of issues, from environment and agriculture policies, to corruption, investment, and corporate governance, etc.

Our policy advice is not only based on peer review, but also on a multidisciplinary approach to public policy. This multidisciplinary approach is increasingly necessary

to face the global challenges such as climate change, green growth, corruption, etc. To fight climate change, for example, we need, obviously, experts on environment policies, but also tax experts to reflect on how to finance the adaptation, and development experts to ensure that donors integrate the climate change concerns in their development aid, as well as competition experts to ensure that this doesn't transform into hidden anti-competitive practices, etc..

In the same vein, to fight corruption, we need legal experts to work on the legal frameworks and the implementation of our OECD Anti-Bribery Convention, but we need also development experts to help us reflect on how to tackle the demand side of corruption, tax experts to help us detect corruption, and public governance experts to enhance prevention through solid public procurement and lobbying practices, etc.

The OECD is uniquely placed to provide its member governments with this multi-disciplinary approach and "whole of government" perspective which is so critical to successful policy.

Another area where a number of OECD countries would probably want, to learn from Estonia's remarkable achievements is fiscal policy. Your country managed to fulfil the criteria for entering the euro zone as soon as January 2011. It undertook consolidation measures which amounted to 9% of GDP. How did you do it? Many countries, even with much smaller consolidation needs, will want to know. In this area of fiscal consolidation, many of our members have introduced or are considering to introduce fiscal rules which enforce automatic stabilizers in boom periods. Some countries also introduce an independent body, a fiscal "watchdog" to inform parliament and the public whether the government is in line with the rule. Others, like Germany, put their fiscal rule into the constitution. OECD analysis shows that fiscal rules make consolidation efforts more lasting. It is by collecting this kind of experience that we are able to bring advice to our members at critical junctures as the one faced by EU members today.

Let me now give you an example where Estonia has already learned from the collective experience of the OECD members. A legacy from the crisis in Estonia is a record high unemployment rate. OECD experience shows that it is important to avoid long periods out of work, because long term unemployed face a deterioration of their human capital. Prior to the crisis, Estonian employment protection legislation ranked somewhat higher than the average of OECD countries and also as more rigid than in central European countries. But it has recently undergone significant changes. Now, with the new Employment Act, it is more flexible than the OECD average and closer to the most flexible regimes.

But Estonia remains considerably behind more successful countries like Denmark or the Netherlands in the area of active labor market policies, i.e. the ones which offers placement services, support mobility and help job-seekers to acquire employment relevant skills. Their importance in the current context could not be exaggerated. Efficient labor market institutions, like the public employment service, are important and should be monitored and evaluated. Here Estonia could probably learn from other OECD members.

Because our value-added lies in this exchange of experience and mutual learning, I am very glad that we will sign tomorrow with your Prime Minister the accession agreement of Estonia to the OECD and that we can welcome Estonia soon as a new member country to the organisation, together with Slovenia, Israel and Chile.

We also expect Russia to follow in a not so distant future and Estonia can certainly help us on this front.

This accession process reflects a more open, more plural and inclusive OECD. It is part of a broader process of global reach through which we are strengthening our collaboration with emerging and developing economies. Most importantly, through our Enhanced Engagement initiative, we are strengthening our dialogue and cooperation with five major emerging market economies (Brazil, Indonesia, South Africa, India, China) to promote the necessary convergence of policies and actions among developed and middle income countries.

This is critical also in view of the current revamping of the global governance architecture which has been accelerated by the crisis. The G20 has emerged as the premier economic forum for economic discussions and action. G20 leaders have called on the OECD to provide contributions on employment and social policies, on investment and trade, on bribery and corruption, on fossil fuel subsidies, on development, aid-effectiveness, on taxation and on promoting strong, sustainable and balanced growth within the G20 Framework.

And this is important for Estonia, even if you are not a direct member of the G20. Through your OECD membership, and thanks to OECD's participation in the G20 process, you can influence the process yourselves. This is an additional channel by which your voice can be heard.

Ladies and gentlemen,

No single country or group of countries will succeed on their own. We all have to join forces and learn from each other. This is where the OECD is pivotal, as it provides its members with state-of-the-art, evidence based, comparative analysis and policy advice.

On all topics of economic policy, we look forward to hearing Estonian views, perspectives and ideas on how to make the world economy stronger, cleaner, and fairer.

Thank you for your attention.