1. Introduction

The Organisation for Economic Co-operation and Development (OECD) occupies a unique place in the global architecture of international economic governance. It was not part of the so-called Bretton Woods Institutions agreed to in 1944 to govern and rebuild the post-war global economy: the World Bank, the International Monetary Fund (IMF), and the International Trade Organization (ITO), the latter being stillborn after the US Senate refused to ratify the Treaty of Havana. Rather, the OECD had its origins in the Marshall Plan (the European Recovery Program, or ERP), an American initiative to help rebuild European economies after the end of the Second World War in the face of a growing Soviet threat. The OECD grew out of the Organisation for European Economic Co-operation (OEEC), established in 1948 to administer the Marshall Plan, and which helped build a cooperative spirit among European economies – though not those of Eastern Europe, which were gathered into the rival USSR sponsored (and controlled) Council for Mutual Economic Assistance (or Comecon).

The OEEC was seen as providing value, and was continued after the end of the Marshall Plan in 1951. Much of its work was centred on the European Payments Union, the Codes of Liberalisation and the European Productivity Agency. Further, a European Nuclear Energy Agency was established under its auspices in 1958. The OECD was formed from the OEEC through a desire to carry forward its work on a wider stage and a founding convention for the OECD was negotiated and concluded in Paris on 14 December 1960 among the OEEC members and the US and Canada.

This spirit of North Atlantic and European cooperation was limited and short-lived, as discussed in more depth in Chapter 2, as OEEC members split into the six that developed the Treaty of Rome and the European Economic Community in 1957, and the ‘outer seven’ that formed the European Free Trade Area in 1960. The OECD came into being on 30 September 1961, and its reach was extended beyond the North Atlantic with the early accession of Japan in 1964, followed later by others such as Finland (1969), Australia (1971) and New Zealand (1973).
The OECD today has 35 member countries, all with a commitment to the core goal of fostering sustainable economic growth and with a commitment to liberal democratic norms. As a result, and because the members are all advanced economies, there is considerable like-mindedness among the members, and considerable sharing of policy learning and policy transfer, which is achieved through such processes as subjecting the policies of members to the discipline of ‘peer review’ (which it inherited from the OEEC) and the collection and publication of usually, but by no means always, highly-regarded statistics that are collected on a consistent basis. Peer reviews began with members’ economies, but then spread to other functional areas.

Not only do OECD work programmes influence members’ own policy positions, but its work has influence in other arenas. For example, analytical work on trade in agriculture was influential in helping to achieve a degree of trade liberalisation during the Uruguay Round of the GATT. Similarly, a range of other OECD agreements have fostered trade liberalisation in many other ways, from ensuring that national policies to manage chemical and biotechnology risks do not constitute barriers to trade to laying down guidelines that facilitate the digital economy. The capacity of the OECD Secretariat means that forums such as the G7 and G20, which lack analytical capability of their own, often refer work to the OECD. It played this role on climate change in the late 1980s and early 1990s, for example, receiving references from the International Negotiating Committee developing the Framework Convention of Climate Change before the Convention entered into force and its own secretariat was established.

While the OECD has only a few members, relative to the number of states in the global system, it has achieved considerable influence by both expanding its membership and by its ‘outreach’ or ‘enhanced engagement’ activities with non-members. With the collapse of communism the OECD assisted countries in Central Europe to prepare for a transition to market economies. In 1990 it established the Centre for Co-operation with European Economies in Transition (succeeded by the Centre for Co-operation with Non-Members) and in 1991 it established the ‘Partners in Transition’ Programme to aid Czechoslovakia, Hungary and Poland, which soon became members, along with Slovakia. Mexico and South Korea also acceded in the 1990s, building its presence in the Asia-Pacific. Chile, Estonia, Slovenia and Israel became members in 2010. In May 2013, the OECD Council decided to launch accession discussions with Colombia and Latvia; in April 2015 Costa Rica and Lithuania were invited to open formal accession talks.
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It has been able to extend its influence also by engaging with countries that are either not ready for, or not interested in, membership. The rapid emergence of the ‘BRICSA’ group (Brazil, Russia, India, China and South Africa) has seen all except Russia – plus Indonesia (largely through Australia’s sponsorship) – come to be regarded as ‘Key Partners’ of the OECD and contribute to its work programmes. Russia was the first of these to be placed on a pathway to formal accession, but this process was suspended after its annexation of Crimea in 2014. The membership, plus the key partners, means that OECD work can involve 39 countries accounting for around 80 per cent of world trade and investment. Its deliberations can thus have considerable impact, while the relatively small number of parties involved can potentially assist in raising the quality of outputs by lessening the need for lowest common denominator decisions.

The OECD, through its Development Assistance Committee and Development Centre, also plays an important role in benchmarking and assessing aid programmes and policies of donor countries, but does not itself play a role in programme delivery here or in other functional areas.

THE OECD IN AUSTRALIAN EYES

The merits of the OECD are not immediately obvious, and it comes in for some criticism, especially from those who do not agree with the broad direction of the organisation, which – it is fair to say – has varied. The diffuse nature of the OECD, its brief and the absence of any major operational tasks make it difficult for the worth of the OECD to be appreciated. However, as Ron Gass (its Director of Social Affairs, Manpower and Education from 1972 to 1989) stated:

The fact that the OECD does not have major operational responsibilities like the IMF, WTO and the World Bank – together with its cross-sector analytical capability and multi-policy committees machinery – gives it a comparative advantage when it comes to setting out the forward-looking policy options.

(Gass, 2002: 10)

The OECD has, on occasion, had substantive operational roles, though usually for only a few years at a time. Working Party 3 of its Economic Policy Committee, for example, was once (before the age of floating exchange rates) the venue where the conditionality of IMF loans under the General Agreement to Borrow were partly, perhaps largely, determined. Rather, the major, though not only value of the OECD is widely regarded as its epistemic nature as a source of policy ideas that spread
not just throughout its membership but beyond, through policy learning and policy transfer. The large part of the value of the OECD lies in the conduct of high quality economic analysis, not just on national economies, but also of problems and policies in other policy domains. It is often described as an international ‘think tank’ that enhances the quality of public policy among its members and beyond. Ron Gass sees the OECD’s defining role as that of a ‘policy pathfinder’ for the policy responses to the economic and social challenges facing member countries. ‘Policy innovation: that is the determining feature of its culture’ (Gass, 2002: 10). Peter Nicholson in a review of the OECD noted that the Organisation plays a unique role by virtue of one or more of the following:

(i) its intergovernmental character; (ii) the broad range of Member countries (as compared for example with the EC or the G7); (iii) the more focused capacity for policy analysis among a like-minded group (by contrast with UN agencies); (iv) the ‘non-negotiating’ context in which most OECD bodies meet; (v) the unique cross-national data sets and deep analytical capability of many OECD divisions; and (vi) the highly evolved OECD capacity to do benchmarking and peer reviews. (Nicholson, 2003: 9)

At various times the OECD has been seen as reflective of Keynesian economics, but at others as the embodiment of neo-liberalism, and more recently criticised for its promotion of sustainable development and ‘Green Growth’ rather than the economic growth that lay at the heart of its foundation. Economist Judith Sloan, for example, has opined in exaggerated fashion that the ‘Sludge-producing OECD has outlived its welcome’ (Sloan, 2012). She has also asked whether Australia should ‘pull out of the OECD’? This will allow the remaining OECD members to pay for idiotic reports, slapping each other on the back as their economies simultaneously go down the gurgler.’ What must be understood, however, is that the OECD’s changing economic directions have reflected the preferences of a majority of its members, including Australia, as the OECD is very much a ‘member owned’ organisation. Which is not to argue that Australia or any other member always support all of its activities, outputs and outcomes.

The OECD performs many functions, such as facilitating the benchmarking of the policies of members in its many functional areas, aided by its collection and publication of comparative statistics that allow international benchmarking. Sloan (quite appropriately) has questioned the quality of some of the comparative statistics, noting (for example) that those on Australian education expenditure were of dubious value because they failed to incorporate the fees paid by tertiary students. However,
Sloan herself, in subsequent opinion pieces, has cited OECD statistics in discussing taxation (Sloan, 2013), unemployment (Sloan, 2013a), and education, which demonstrate the value of at least some of its work for this Australian critic (Sloan, 2013b).

Australia has found value in its membership of the OECD. As a review of that membership put it, the OECD was:

[T]he only international organisation of its type dealing with matters relevant to our national economic and social policies and concerns. The Organisation’s role in developing its members’ policies on relations with developing countries, including the North/South dialogue, makes it important for Australian foreign policy as well. (NAA, 1981)

The review made the important point that membership of the OECD was important for a relatively isolated middle power, not part of the major economic blocs. Membership was seen as remedying Australia’s relative geographic isolation from the major economic, political, and strategic groupings.

For the most part Australia is outside the major economic, political and strategic groupings which have such a profound impact on our interests. We are not a participant in the Economic Summits of ‘the Seven’, we are not a member of the Group of Ten Western Finance Ministers, and we are not a member of NATO, the E.C. and the Council of Europe. The OECD is the only developed country forum in which we interact with Japan, North America and Western Europe. (NAA, 1981)

Value was, and is, also seen as deriving from the personal contacts made by the participation of public servants in the numerous committees and subsidiary bodies, both in terms of the development of participating staff and the international networks established through meeting peers from other member governments in Paris. The assessment of the review was that Australia had ‘on balance undoubtedly benefited substantially from membership’. Nevertheless, very few Australian officials have an appreciation of the work of the OECD as a whole, however, a point made by the Australian Ambassador to the OECD in a cable in January 2002:

It is evident that the breadth and volume of the OECD’s work means that no one in Canberra is in a position to be across the totality of this work and that, as a result, its overall value can be both under-rated and over-rated. (NAA, 1981)

While the Australian view of the OECD has been overall positive, at times it has seen some unwelcome developments. For example,
Ambassador Ian Forsyth warned in a cable briefing Canberra prior to the 2003 Ministerial Council Meeting:

Some European and other ministers will probably stress social cohesion and sustainable development in their interventions – agendas that are, unfortunately, loaded with protectionist objectives and that are essentially anti-growth rather than pro-growth … In our view much of this work is of dubious quality and value and we are resisting attempts to shift the focus of the OECD from sustainable economic growth, in which its real expertise and mission lies, to the European agendas on sustainable development and social cohesion. (DFAT, 2001)

Nor have ministers and the governments they constitute always had a high regard for the OECD, although indications of this are not always unambiguous. The two most recent Australian Ambassadors, for example, have been political appointments from outside the public service, whereas the position previously rotated between senior, career public servants in the Treasury and Department of Foreign Affairs and Trade (DFAT). However, such appointments could indicate a higher commitment by governments to economic diplomacy and that the OECD was seen as of greater value in this agenda, with the more limited diplomatic experience of the two counterbalanced by their more direct access to their ministers. Also, Australia has engaged very positively with the G20 Leaders’ Summit, which it hosted in 2014, perhaps finding this a more productive forum than the OECD, though the G20 lacks a secretariat capable of undertaking the statistical and analytical tasks and, as with the G7/G8, often refers work to the OECD, as well as to some of the UN specialised agencies. Perhaps it would be more accurate to assert that it has found the OECD Council to be of more limited value, lacking the ability to drive major, international developments compared to the national leaders in the G20, while the remainder of the organisation, with its specialised committees and well qualified staff, retains its value.

Australia does see the recent enlargement of the OECD, especially the accession of smaller EU member states, as diluting its relative coverage of the global economy, as several Asian economies have grown more rapidly, and as having somewhat of a diminishing ability to reach high quality decisions (despite the introduction of provisions for a restricted degree of qualified majority voting). The OECD’s traditional decision rule of ‘mutual agreement’, as discussed below, has allowed some flexibility, as Decisions are binding only on those voting for them, and members are able to abstain rather than cast a negative vote and veto proposals. This has made the OECD a useful forum for developing policy that might be built upon in wider multilateral forums such as the World
Trade Organization (WTO), and it has been the site for such development of ideas for many policies, from hazardous waste to trade. However, it may well lose a degree of its influence relative to the G20, which includes the rising economies in the Asia Pacific. This suggests, in turn, that the OECD may well find itself playing a diminished role, more limited to its ‘think tank’ role, supporting groups like the G20, but less often used as a venue where a limited number of like-minded members can develop important elements for the architecture of global governance.

THE AIMS, ORGANISATIONAL STRUCTURE AND DECISION PROCESSES OF THE OECD

The OECD is a complex and changing organisation. The objective of this section is to outline, in summary, its major aims, organisational structure and key decision processes for the reader with little or no prior knowledge of the organisation so that the material in the following chapters can avoid frequent repetition. A more detailed elaboration can be found in Carroll and Kellow, especially Chapter 3 (2011).

The aims of the OECD as set out in its Convention at Article 1 are to promote policies designed:

(a) to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;

(b) to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and

(c) to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

Mindful of the very broad remit for policy development in current and new areas of policy they were endowing upon the organisation, its founders drew up a design for an organisational structure aimed at achieving a high degree of control by its members in three major ways: (1) by designating the Council as the ultimate decision making body from which all authority derives, comprised of the Secretary-General plus representatives of the member states (Article 7); (2) by requiring that the Secretary-General present an annual budget and accounts to Council for approval in accordance with a Council-approved set of Financial Regulations (Article 20), aiming to control the allocation and flow of resources needed for all
activities; and (3) by the use of a complex committee system, organised in hierarchical fashion, its members drawn for the most part from representatives of the member states, not from OECD staff members. In other words, while the OECD was endowed with a capacity for change, it was to be closely controlled and guided change, in the interests of its members (Carroll and Kellow, 2011: Chapter 14).

The committees are a key means by which members exercise control and guidance over the OECD’s work, but they are also important as:

- Channels of communication between the member governments and OECD staff, providing access to the current and evolving views, wishes and, at times, ideas of an enormously wide range of national departments and agencies. They provide authoritative and often critical feedback on existing work and act as an ‘early warning system’ that enables astute staff to identify possible future work requests and undertake appropriate changes in work programmes.
- Authoritative sources of more detailed leadership and direction for the OECD staff who for the most part undertake the approved work programmes.
- Relatively secure supportive locations within which negotiation, bargaining, compromise and agreement between members can take place. In addition, given the large number of committees involved within the one organisational structure they enable, usually at the levels of parent committee, the standing committees of the OECD Council and in Council itself, cross-committee negotiation, bargaining, compromise and agreement in which a concession in one committee or working party can be traded for support in another. In this sense the committees are stalls in a complex market place in which a variety of exchanges can take place, with the market place, the OECD, being owned by the stall holders.

The OECD Council and the Secretary-General

The Council is composed of all the OECD members and is the supreme decision making body. Its membership consists of either elected Ministers, one for each member, usually meeting only once per annum, or of Permanent Representatives, with the rank of ambassador, usually senior public servants from national foreign affairs or finance/treasury departments, meeting on a monthly or more frequent basis. The chair of the Council of Ministers is drawn annually from one of its members, while the chair of the Council of Permanent Representatives is the Secretary-General.
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The Secretary-General is appointed by the Ministerial Council for a period of five years to assist it in all ‘appropriate ways’, and has the right to submit proposals to Council and to appoint required staff, though subject to the Council approval of organisational plans and staff regulations. Article 11 of the OECD’s Convention makes it clear that the Secretariat is to be independent by specifying that its members:

[S]hall neither seek nor receive instructions from any of the Members or from any Government or authority external to the Organisation.

It was to be independent of the individual member states and external authorities, but not, of course, independent from the members acting collectively in the shape of the OECD Council.

In essence, the Ministerial Council (MCM) meets once a year to discuss a carefully scripted set of key issues and to endorse a set of largely predetermined and agreed priorities for continuing and future OECD work. The MCM is important, not for the discussion that takes place at the meeting, but for its authoritative, ministerial endorsement of the organisation’s strategic priorities and its current and changing work programmes. It is an endorsement that finds form in the final communiqué from the MCM and it is treated by the Secretariat and the Heads of Delegations (the Permanent Representatives) as the mandate for terminating, encouraging, prioritising and adding to the OECD’s future work programme.

Ministers also meet on a less frequent basis in sectoral meetings of Committees at the ministerial level (Ministerials) that correspond to one of the major OECD committees. The Committee for Agriculture, for example, was one of the first sectoral Ministerials meeting four times in the 1962–68 period (OECD, 1988: 118). The OECD Ministerial Council has responsibility for approving and convening sectoral Ministerial meetings, reviewing agendas and accompanying documentation. It also takes note of any Declarations, Decisions and Recommendations developed at the sectoral Ministerials and, where agreed, is responsible for their adoption (OECD, 1988: 119). The role of sectoral Ministerials is broadly the same as that for the OECD MCM meetings, but without the latter’s influence and legal status. Nevertheless, they give a degree of added weight to major recommendations from the relevant committee (for example, the Agriculture Committee and the Health Committee) that are submitted to the Secretary-General, then the Budget Committee and the OECD MCM for new or modified work programmes and, most importantly, necessary budgetary resources.
The Council of Permanent Representatives (CPR) has four major roles and is supported in its work by four standing committees, the Executive, Budget, External Relations and Evaluation committees. The committees act as filters for Council by dealing with and resolving most of the matters submitted to Council, leaving it free to focus on areas of major concern or disagreement. The first role is an essentially political role, comprising a continuing process whereby the CPR assesses the political implications of the issues placed before it by the Secretary-General for the countries they represent and, in so far as it is relevant and possible, their common interests in both regional and global contexts. This is especially so where Council is considering a proposal for any one of the three formal ‘acts’ of the organisation, a Decision, Recommendation, Resolution and, in addition, while not a formal act, a Declaration.

A Decision is rare as it is binding upon all members, except where otherwise specified and for members abstaining on the matter, so is subject to very close attention. A Recommendation is not binding but represents a policy commitment by governments, relying for its force upon peer group pressure and the adverse impact upon reputation that might follow if a country does not implement a Recommendation it has endorsed. A Resolution is a decision concerning the internal workings of the OECD. A Declaration is not a formal act as it is not specified in the Convention, nor does Council adopt or approve declarations, merely noting them by means of a resolution. They are developed in other committees or bodies of the OECD and aim to give the topic covered by the Declaration an added weight and ‘solemnity’ (OECD, 1988). In practice it is rare for Council to reject any proposal for an act or Declaration as proposals likely to be highly sensitive, contentious or divisive are filtered out informally or in earlier discussions in one of the standing or substantive committees, with all parties mindful of the requirement for consensus.

The second role is that of providing strategic direction for the OECD. While CPR meetings are not the venue for detailed strategic planning they do provide, or at least attempt to provide, a sense of strategic direction for the Secretariat and the major committees by identifying and agreeing strategic priorities to be taken into consideration in the development of the work plans and budgets prepared for its later approval. Interestingly, it was not until 2005 that Council finally developed a formal, systematic process for establishing a set of strategic, medium term objectives (the MTO) to indicate work priorities in the medium term (Bourgon, 2009).

The third and perhaps most important role is that of resource allocation, centred in the politics of the budgetary process. This is a difficult
role for the CPR as the members of the OECD’s major committees, responsible for developing budgetary proposals for their proposed work programmes, are themselves delegates from a wide range of departments in members’ national governments. In agreeing and recommending their draft work programmes for Council they are acting on behalf of, and on the basis of instructions from, those departments. Hence, given this situation, while Council has the Convention-derived authority to make decisions regarding the budget and proposed work programmes, if it makes major changes to those proposed it risks the ire of those departments and the governments they serve. However, at the same time, they face constant pressure from the national governments to constrain or reduce the overall budget, a difficult and essentially political task involving frequent compromise and, for the most part, ‘behind the scenes’, or ‘in the corridors’, negotiations. As always, organisational continuity and change are essentially the results of complex political processes.

The OECD budget is funded on the basis of a system of required, formula based and also voluntary contributions from members and, occasionally, by external bodies. Part I of the budget is formula based, with funds being a proportion of each member’s taxable income, although there are sometimes voluntary contributions for Part I activities. Part II concerns programmes funded for the most part by members’ voluntary contributions. The formula is subject to three constraints: (1) no member’s rate of contribution should exceed 25 per cent; (2) no member’s rate of contribution should be less than 0.1 per cent of the total; and (3) no member’s rate of contribution to any budget should increase by more than 10 per cent from one year to the next. In general, the larger the GNP the more each member contributes, up to the maximum of 25 per cent of the budget total, a maximum imposed following strong pressure from the USA and Japan.

In essence, the Part I funding system means that each member pays a different ‘price’, for the bulk of the ‘products’ of the OECD, regardless of how much they have ‘consumed’ of those products. Members with a smaller GNP are, in effect, heavily cross-subsidised by those with a larger GNP. The USA typically funds very nearly 25 per cent of the Part I budget and Japan 22–24 per cent, with Iceland and Luxemburg, in marked contrast, only 0.1 per cent. Hence, the politics of the OECD’s budgetary process is complex and challenging, as the larger countries typically try to reduce their share of the total and move work programmes to the voluntarily funded, Part II of the budget. This is against a background of near-constant pressures from the major committees for budget increases to fund existing and proposed new programmes (usually
strongly, if discretely supported by the OECD’s directorates that stand to benefit from increased allocations). It is made even more challenging by the fact that Council decisions, as specified by Article 6 of the Convention, have to be made by mutual agreement, that is, by consensus. This does not require a unanimous vote by all members on all issues, only a unanimous vote by those actually voting, leaving others free to abstain.

Fourth, is the performance evaluation role, based on a slowly developed, integrated management cycle within which two major evaluative mechanisms are embedded, the Programme Implementation Report (PIR) and the in-depth evaluations of committees. The PIR provides Council with annual reports on the extent to which the planned work outputs or results in the previous year’s work programme and budget have been achieved. The in-depth evaluation of committees is designed to supplement the PIR with a mechanism that enables Council to judge whether the substantive committees are conducting processes, delivering outputs and achieving impacts that are in line with Members policy expectations and priorities and with the comparative advantage of the OECD; and that represent value-for-money to capitals.

The Role of the Delegations

All OECD members maintain a permanent delegation in Paris, though they vary greatly in size, with the members geographically most distant (such as Korea), tending to have larger numbers of staff than European members partly in order to reduce costs, partly in an attempt to ensure more effective coordination of their inputs to the myriad of committees. (The Australian delegation is modest, and New Zealand’s even more so.) The latter task is achieved in a number of ways: (1) most permanent delegation staff represent their countries on a small number of committees and working parties, especially those of lesser importance; (2) they liaise closely with their relevant, national departments and agencies on all matters likely to be of interest; (3) they liaise closely with the Secretariat staff that undertake the relevant committee work programmes, gaining a detailed knowledge of the organisation; and (4) while the major, level one committees are nearly always attended by delegates sent directly from national capitals, they are usually accompanied at these meetings by one or more members of the permanent delegations.

The heads of delegations are the ambassadors that constitute the CPR, with overall responsibility for representing their countries’ interests at the OECD and, in many cases, responsible for managing the permanent delegations. As well as sitting as members of Council they often have particular responsibilities as chairs, vice chairs or members of one of
Council’s key standing and special purpose committees. In addition, they meet as members of one or more of the broad ‘factional’ groupings of members, notably the EU, Nordic, APEC (Asia-Pacific Economic Cooperation forum) and G7/8 groups, to identify, develop and pursue common interests across a wide range of issues, including key policy, structural, process and staffing issues. The groupings are by no means entirely cohesive, nor could they be given the range of national interests involved, though the EU grouping is the most cohesive, in the past meeting weekly in the attempt to ensure a common position for the European Commission representatives on Council and at the committees they also attend.

Committees and Directorates

The OECD’s committees, at present some two hundred plus (the number varies over time), are its beating heart, for as an OECD working party put it:

Through its committee structure the OECD’s substantive policy agenda and outputs respond directly to the needs of, and are closely monitored by, senior policy officials from capitals in a way that may be unique among international organisations. It is these committees that produce the outputs of the OECD, the policy advice, guidelines, principles (‘soft law’) and best practices. The working methods of the committees are one of the institution’s hallmarks, the source of its added value and the support it enjoys in capitals. (OECD, 2008a: 24)

The committees are the bodies to which Council delegates its powers and they are the key actors that play a major role in determining the complex and dynamic agenda of the OECD. Indeed, it is more accurate to speak of the agendas of the OECD, rather than one agenda, with each ‘first level’, major committee developing and pursuing its own agenda, subject to the agreement of Council. Indeed, in many respects the OECD committee system is analogous to a multi-sectoral, permanent, inter-governmental conference. The committees constitute a series of highly specialised smaller nodes, each with their own network of links extending within and outside of the ambit of the network governor, the OECD. In regard to other international organisations, for example, the OECD’s committees are linked to at least 68, though only five or so have been granted a formal status, notably the World Health Organization (WHO), the World Bank, Asian Development Bank, Inter-American Development Bank and United Nations Conference on Trade and Development (UNCTAD) (Carroll and Kellow 2011: 194).
The thirty-nine first level committees are, in general, the most powerful of the committees, responsible to no other body but the OECD Council and they, in turn, commonly delegate increasingly specific responsibilities to various subcommittees and working groups. While the number of committees and subsidiary bodies, over two hundred, may seem large, they are responsible for a very wide range of work in almost all policy areas of interest to their members.

Committee Membership

The membership of the committees varies somewhat, depending on the aims and importance of the committee in question, but most are open to all OECD members and many include one or more non-members as observers, for example, the WHO, IMF and World Bank, or a non-member state, notably those from BRICSA. Council approval is required for all observers for a specified duration and for the renewal of their participation. The bulk of the membership of the committees consists of representatives from the member governments, drawn either from the permanent delegations that they maintain in Paris, or from domestic departments or agencies (‘capital based delegates’). Representatives from the delegations have the advantage of being located close to the OECD in Paris for the period of their assignment and gain a greater familiarity with its operations and staff, with the potential to become somewhat more effective and influential in pursuing their national interests. However, at the same time, with the exception of those from member countries in close proximity to Paris, the staff of national delegations are somewhat removed from their departmental base and the latest national developments relevant to the areas of their responsibility, despite the intensive use of modern communications systems.

A number of national departments, notably Finance or Treasury departments, typically assign their most promising staff to their Paris delegation for one or two years in order to gain experience in discussions and negotiations at the international level. It is an experience also considered valuable for developing personal contacts with similar staff from other countries, part of the network of contacts typical of, and much used by, senior public servants. It is noticeable in discussions with both staff and delegates that committee attendance by, as the OECD puts it, capital based delegates, is usually valued more highly than attendance by members of national delegations, often on the basis of the assumption that the capital based delegates are more senior in rank and in influence.

In general the committees meet only once or twice per annum, for two or three days per session, so that while they might represent the beating
heart of the OECD, it is a heart that beats rather slowly, if regularly. However, the total number of delegate days per annum for each committee and its subsidiary bodies can vary considerably, from 3,929 for the Development Assistance Committee (DAC) to only 35 for the Steel Committee (Nicholson, 2003: 35). While the OECD’s budget is drawn up on programme lines, the resources allocated in support of work overseen by the committees varies substantially. In 2001–2, for example, the approximate resources allocated ranged from 8.2 million Euros for the Economic Development Review Committee (EDRC) to virtually nothing for the Tourism Committee. The largest seven committees and their subsidiaries are allocated over 50 per cent of the resources and the largest fifteen are allocated approximately 90 per cent. The reasons for the differences in resource allocation are caused largely by differences in the extent and type of work undertaken for the committees by the Secretariat. Those responsible for large-scale data gathering and analysis activities, especially when combined with major peer review activities, typically require and gain the largest share of resources, such as the EDRC, Economic Policy, Environment, Agriculture and Trade committees.

Committee Structure and Work Processes

The bulk of the committees have a largely common and simple structure consisting of a usually small bureau, the remaining members and a secretary, the latter drawn from the staff of the relevant OECD directorate. The bureau consists of an elected chair (as approved by Council, in the case of standing committees) and a number of vice chairs (appointed by the members of the committee) who, together, are responsible for setting the provisional agenda, guiding discussion and ensuring that the business of the committee is followed through in an appropriate fashion. They often meet separately before the full committee and, both before and after committee meetings, engage in email, phone or, less commonly, video conferences in order to reach agreement on the draft agenda and outstanding issues, and to monitor programme development and implementation.

The actual work of each committee can be divided into two broad phases: the between-meeting activities and the meeting. The former, in turn, falls into two broad types of activity: (1) those concerned with achieving the actions agreed in the last committee; and (2) those concerned with preparations for the next committee. As the bulk of the substantive work is undertaken by members of the OECD Secretariat, the follow-up actions of the committee for the most part involve the chair and vice chairs and, to a lesser extent, the other members of the bureau in
providing advice in reply to questions raised by its support staff and commenting upon drafts or part drafts of forthcoming reports on work authorised by the Committee.

All members of the committee also report back to their respective national departments or agencies on the business of the committee meetings and later, related developments, reports usually also copied to the permanent delegations in Paris, whose members typically have responsibilities for overseeing as well as participating in the work of a number of committees. The second type of between meeting activities focus on drawing up the agenda for the next meeting, with the committee secretary (a member of the Secretariat) typically drawing up successive drafts on the basis of the views of the chair, following their sounding out of the interests of the bureau. While agendas vary their typical substantive content includes: progress reports on projects prepared by OECD staff; draft final project reports for consideration; initial proposals for new or modified projects; notes and related documentation from the Secretary-General on OECD-wide matters; occasional papers prepared by experts external to the Committee, sometimes for presentation at the next meeting. The bulk of the papers for the meetings are prepared by OECD staff.

The second phase often commences with a meeting of Committee members with their ‘social partners’, for example, representatives of Business and Industry Advisory Committee (BIAC) or the Trade Union Advisory Committee (TUAC), or other interest groups, focused on presentations or/papers prepared by the representatives related to the business of the Committee meeting. Members’ attendance at these ‘pre-meeting meetings’ varies and it is not uncommon for BIAC or TUAC to indicate their disappointment as to their value.

The meeting of the Committee is structured around the agenda items and, after approval of the agenda and minutes, typically commences with a presentation from a senior member of the relevant directorate, often the Director, reporting on recent and future events and issues of interest to the members. This is followed by the presentation of progress reports regarding ongoing projects and initial proposals for new projects, usually by staff from the Directorate, the discussion of which might spread over the bulk of two days. Less frequently, the chairs of subcommittees and working parties will make presentations and, where they do not, they often lead discussion of the tabled progress reports relevant to their subcommittee. The meetings are generally quite formal in style, a frequent criticism of members keen to see more open-ended discussion with a broader range of participation rather than the common, member by member presentation of formal briefs (as reported by most of those committee members interviewed).
The Peer Review Process

An important part of the work of many of the major committees is the system of peer review, which consists of an examination of one state’s performance or practices in a particular policy area by other states. These provide both a means of subjecting the policies of member states to critical scrutiny – a ‘quality assurance’ check – and a means of identifying and sharing best practice among the membership (and beyond). The process places as much emphasis on the ‘peer’ as the ‘review’, because it reflects the fact that the OECD is an intergovernmental organisation. The involvement of peers (other members) in the conduct of the review means that it involves equals, rather than a superior body that will hand down judgement or prescribe punishment. This is central to their value, because a state is more willing to accept criticism, and other members to give it, if all parties know it does not commit them to a particular position or course of action. Peer reviews can help encourage dialogue that helps clarify positions in a non-adversarial setting.

Committee Decision Making

As noted above, decision making in the OECD is for the most part made on the basis of mutual agreement, that is, by consensus, as specified in the Convention, which makes no distinction between more important or less important decisions although, in practice, a number of committees and other OECD bodies have agreed, by consensus, to adopt a variety of qualified majority voting procedures for minor matters. Hence, in theory, any decision can be blocked by even one dissenting vote. However, in practice, the consensus principle only presents difficulties where there are major and persisting differences between committee members. This is because all members appreciate that unreasonable, frequent refusals to reach agreement by a member would lead to a similar response from other members, a perception that acts as an effective constraint.

As a result the typical decision making process in OECD committees involves up to three broad and often overlapping stages, stages which constitute the very core of OECD politics. The first is a pre-committee meeting period in which one or more members engage in a process of discussion with actors at the national level to determine what action or decision is desired. In this stage the OECD delegates provide information and advice to the relevant national department or agency about the likely acceptability of, and support for, the proposed activity, but the position to be adopted is usually determined in the relevant capital. The second
stage, again in the pre-committee meeting period, often on an iterative basis, is one in which delegates (particularly permanent representatives) engage in consultation within the OECD aimed primarily at communicating the desired activity or decision and, on that basis, identify the views of other members on the issue in question, including the major groupings (EU, APEC, Nordic, G7/8) and influential members within the groupings, notably the USA, Japan, Germany, UK and France. In addition, the views of senior members of the Secretariat responsible are often sought (typically at heads of division level, grade A5 and above) and, to a more limited extent, the views of key interest groups such as BIAC and TUAC.

On relatively minor issues that fall clearly within the mandate of the committee in question the consultation is largely confined to the committee members, especially the members of the bureau. Larger, more complex issues require more extensive consultation, possibly including discussion in the regular meetings of Heads of Delegation and, for issues such as the accession of new members, bilateral or plurilateral discussions between foreign affairs departments outside of the OECD. While such consultations can and do take place at any time they are most frequent and intense where resource allocations are necessary, focused, unsurprisingly, in the biennial work programme and budget process (PWB).

The third stage can be described as the compromise and, for more complex decisions, programme design phase. In essence, the aim here is to shape the contents of a decision that will achieve the desired result by means of a negotiation and bargaining process. A degree of compromise is often necessary, both to ensure a significant majority of committee members support the design or solution and to ensure that those not supporting the decision will at least abstain on the issue. Those decisions dealt with in the budgetary process have to gain consensus both within the sponsoring committee and, of course, within Council’s Budget Committee and, finally, Council. At this level attention focuses for the most part on new or substantially modified programme proposals, rather than continuing programmes. Those that align most closely with the agreed OECD priorities and that are accompanied by the promise of voluntary contributions from interested members are most likely to be successful. As might be expected, new proposals that require funding from what is called Part I of the budget, based on set, annual contributions from members, are the most fiercely contested for, in the context of limited or no growth budgets that have characterised the OECD since the mid-1990s, agreement to a new proposal means that one or more existing programmes will have to be reduced in scope, altogether cut, or increased efficiencies gained.
The OECD committees are supported by a range of bodies, notably the various directorates and their staff. It is the latter that undertake the detailed policy research, monitoring and surveillance work mandated by the various committees, with each directorate being responsible for supporting one or more committees. About 750 staff fall into one of three key types, economist, policy analyst and administrator, with the bulk at grades A2 or A3 and smaller numbers at grade A4 or A5 (Head of Division), with a varying, smaller number of statisticians. Grade A5 staff are expected to have considerable senior level experience in an international context, the ability to lead discussions in committees and working parties and very wide experience in a national and international policy context in a relevant field. Interestingly, they are also expected to have considerable political judgement. In addition, at any one time approximately another 500 staff are working on a short-term basis, with increasing numbers seconded from and paid by national administrations to work on specific projects. The remaining staff consists predominantly of translators, interpreters, secretaries and relatively junior administrative assistants.

There are currently fourteen directorates (twelve if the Executive and Public Affairs directorates are excluded, and they are variously and confusingly described as directorates, centres and departments), though the number has varied over time in line with the changing interests and emphases of the members.

The OECD also has a range of what it calls ‘Special Bodies’, created to meet particular demands at differing times over the life of the OECD and its predecessor, the OEEC, for example, the Africa Partnership Forum, Development Centre, Financial Action Task Force, International Energy Agency and the Nuclear Energy Agency.

**OECD Staff, Their Role and Influence**

A large part of the output of the OECD consists of a seemingly endless stream of data and reports on a very wide range of topics. The bulk of this output is produced by small teams of OECD Secretariat staff working under the direction of one or more of the committees of national delegates that, subject to the overall authority of the OECD Council, determine the direction and nature of each directorate’s work. Moreover, as the organisation has little formal authority to impose its decisions on its members, its power relies primarily upon its ability to persuade its members of the accuracy and value of its data, its reports and the conclusions and recommendations they contain (Marcussen, 2001; Sharman, 2005: 6; Carroll and Kellow, 2011).
It is the quality, credibility and usefulness of that output that has earned the OECD Secretariat’s generally high, if variable reputation. In turn, it is that high reputation that endows its current and future outputs of data and reports with a high degree of credibility and influence – it is expected of them. Similarly, that combination of reputation and quality endows the members of its Secretariat with a substantial degree of autonomy and influence provided, of course, that the quality of its work remains high and, most important, of value for its members.

The quality of the Secretariat’s output is brought about by the interaction of at least three factors. The first is its institutional structure and associated processes, notably the role of its committees and its programme of work and budget processes that both provide the Secretariat with a varying degree of independence and, at the same time constrain that independence. The second are its discussions with a surprisingly large range of external stakeholders, notably national departments and agencies, other international organisations, but also public and private foundations and, increasingly, non-member countries in relation to the OECD’s expanded, global relations programme (OECD, 2007). The third is the undoubted, if varying capacity of OECD staff.

As noted above and in contrast, for example, to the IMF or the World Bank, the representatives of the member states of the OECD are deeply engaged with the work of the OECD, largely by virtue of the central role they play as members of the two hundred plus OECD committees, subcommittees, working groups, roundtables and global fora. These bodies not only request work to be done by the members of the Secretariat, they contribute to, review and, less often, recommend the adoption of the conclusions of the data and reports they receive to the OECD’s governing Council. Indeed, where OECD resources or expertise are limited, or both, the members, typically working with colleagues in their national administrations, sometimes undertake detailed research work to supplement that done on their behalf by their Secretariat support staff. In essence the committee structure represents a series of key veto points that constrain, to varying extents, the activities and influence of the Secretariat but, at the same time, contribute to its quality. This applies to proposals for specific projects, the development of projects once approval has been gained and, finally, the data and reports that result.

CHAPTER OUTLINES

Chapters 2 and 3 provide the historical context for understanding Australia’s membership of the OECD. In particular, Chapter 2 shows that
Introduction

Australia and its officials had had several decades of growing experience of working within the context of international, intergovernmental organisations, with day to day responsibility being allocated to those departments with relevant, domestic policy responsibilities, before joining the OECD. While substantial hopes had been placed in the UN and its specialised agencies much of that hope had not been realised with the development of the Cold War, leading to the growth of regional organisations. Australia was not a member of any of those established in the North Atlantic and Western European areas, such as NATO, the EEC and the OECD, so that Australian decision makers were relatively and, it was felt, increasingly isolated from important discussions held within their boundaries. This relative isolation was exacerbated by the increasingly obvious decline in the value of the Commonwealth, an Australian perception that British governments were not taking Australian interests sufficiently into consideration and, of course, the feeling of betrayal that accompanied the first British application for membership of the EEC. It was in this context that Australian officials began to consider and promote the value of OECD membership.

Chapter 3 argues that in contrast to the earlier decisions relating to membership of most of the UN special agencies such as the WHO, Food and Agriculture Organization (FAO), and United Nations Educational, Scientific and Cultural Organization (UNESCO) that concerning the OECD was very cautious, revealing substantial differences between key ministers and their departments that took a decade to resolve. Those supporting membership were officials contained, for the most part, in Treasury and the Department of External Affairs (DEA), searching for greater Australian access and influence in what was seen as an increasingly important organisation as regards international economic affairs, the coordination of foreign aid in the face of growing Soviet threat, and international trade. The opposition was centred around Deputy Prime Minister ‘Black Jack’ McEwen and his officials in the Department of Trade and Industry and, to a lesser extent, Prime Minister Menzies, concerned about the potential of OECD membership to result in increased pressure for the Australian stance of ‘protection all round’ as the basis for its economic development to be weakened or terminated.

Chapter 4 examines how the relationship with the OECD has been administered and the challenges of securing effective engagement by a middle power such as Australia in a remotely located international organisation. The work of the OECD in numerous committees and subsidiary bodies requires an extensive engagement of personnel and Australia’s remoteness from Paris has placed demands for both travel and on the Delegation that are unusual when compared to many
Members. Communication has been particularly important, especially given the large volume of documents produced by the OECD, and (as the chapter shows) this has sometimes been problematic. Also considered are the financial arrangements for the cost of the engagement and some aspects of the arrangements for Ministerial Council Meetings.

Chapter 5 is the first of three chapters that focus on the roles played by DFAT in leading and organising Australian involvement at the OECD, its work in relation to export credit and foreign aid. It shows DFAT’s role in relation to the OECD has been and continues to be, challenging and sometimes frustrating. This commenced before membership with a competition with Treasury and Trade for the position of lead agency for OECD matters. While the competition for lead agency status for the most part ended with the achievement of membership, organisational issues and challenges continued. Those associated with its work on export credit soon emerged and have continued to the present day, largely as a result of Australia’s relatively minor position and influence as a middle power, able only occasionally to substantially influence the activities and policies of the major OECD actors.

Chapter 6 shows how Australian views regarding OECD work on trade and agriculture have varied over time. They changed from those dominated by considerable concern at the implications of membership for Australia’s trade policy, soon allayed, to one of mixed, rather disappointed views regarding its early lack of influence and the mundane nature of much of the OECD’s early work on trade in agriculture, the primary focus of the chapter. However, the late 1980s and early 1990s demonstrated more optimistic views, showing how a new and relatively small member of the OECD such as Australia could be more influential, if by no means always successful in its continuing drive to persuade members to move towards free trade in agricultural products. The reasons for optimism can be found in: (1) a more coherent strategy aimed at furthering Australia’s trade interests, developed in 1986–87; and (2) the benefits of working in cooperation with like-minded members such as the USA, Canada, New Zealand and especially the members of the Cairns Group. However, again, following the initial success in establishing the WTO, disappointment came to the fore as little or no progress could be achieved at the OECD in relation to freeing up trade in agriculture.

Chapter 7 demonstrates how Australia’s engagement with the Development Assistance Committee commenced at a relatively high level of intensity, conceived as an important first step to eventual full membership of the OECD, then slowly fell in both intensity and importance for most of the following decades. Participation in DAC became more selective
and, for the most part, a lower priority, though providing valuable learning experiences and, in particular, providing access to its aid statistics, reports and guidelines. The learning that took place was accompanied by, for the most part, the acceptance of the classifications, meanings and norms developed by the OECD and its members. The chapter asserts, however, that Australia did not simply accept what was developed by DAC, but also made important contributions, most recently in regard to policies and practices of value in dealing with fragile states. In addition, the DAC’s regular reviews of Australia’s aid policies and programmes enabled officials to learn from its peers at the DAC, as well as providing them with, at times, valuable information to support the case for greater aid allocations in annual budgets.

Chapter 8 is the first of two chapters that examine the role of the Treasury and agencies in its portfolio, the most extensive involvement of all government portfolios in OECD work. The full range of the portfolio’s work cannot be covered in this study, so the chapter contains only a selection of its work, commencing with an examination of Treasury’s role in promoting Australian membership of the OECD, before moving on to provide an outline of the varying extent and intensity of the Treasury Department’s involvement with OECD committees. This is followed by a brief description of the involvement of the major agencies in the Treasury Portfolio, with the final section providing an in-depth examination of Treasury involvement with the EDRC, the reviews of which have often provided considerable challenges for the Department, largely as regards their political sensitivity when they are critical of current economic policy.

As discussed in Chapter 9, the second of the two chapters focusing on the Treasury portfolio, Australia had minimal initial engagement with the OECD’s tax activities at the time of accession, but now plays a focused, though significant role in that work, both learning from shared experience and providing OECD members with its own valuable insights. While the OECD has proven a useful arena for developing tax policy for the Council of Europe and the United Nations, the intersection between arenas has given rise to some problems for Australia, particularly membership of the Commonwealth and its relations with small tax havens in the Pacific.

Turning to the environment, Chapter 10 describes how Australia initially was somewhat unenthusiastic about environmental matters in the OECD, despite perhaps an excess of enthusiasm on the part of Environment Minister, Moss Cass, at the first Ministerial Meeting. As with Education, the then limited Commonwealth role in environmental policy...
provided one factor explaining this, though as Commonwealth juris-
diction regarding the environment increased so did Australian engage-
ment. Participation developed over time and provided opportunities in
both the OECD and in ‘pull aside’ meetings with Members and non-
members alike, and both on environmental policy issues and those
environmental issues with important linkages to areas such as agricultural
trade. A proposed Council Act on lead, for example, prompted an
especially active role on both that specific issue and in developing
broader principles for risk management.

Chapter 11 shows that Australia has played a prominent role in
education at the OECD. It has been an eager participant and has
committed substantial resources to this activity and it has made a greater
contribution of staff to senior levels of the Secretariat than any other
Directorate, with Australians having filled the roles of Deputy Director
and Director. Australia was nevertheless initially a somewhat reluctant
participant because of the limited role for the Commonwealth govern-
ment in education in the Australian federation at the time of accession,
but also because of a rather negative view conveyed by the United
Kingdom and a reluctance to commit voluntary funds to the Centre for
Educational Research and Innovation (CERI), the locus of early edu-
cation activity.

Chapter 12 describes Australia’s involvement in the health work of the
OECD, an involvement that was only of minor interest for over twenty
years but that increased sharply from 1997 to 1998. It was a rapidly
increased and successful involvement, resulting in a programme of health
work that brought it substantial influence. Moreover, it was an influence
that persisted for over a decade and demonstrated that a middle power
with a clear strategy, experienced officials and a willingness to provide
significant funds to support its proposals could achieve an influential
position in an international organisation. The change in strategy that
spurred this development commenced under the first Howard government
with a period of ‘forum shopping’, that resulted in the selection of the
OECD, rather than the WHO, as the forum for an expansion of health
work in which the Department of Health and Ageing was interested. The
chapter then moves on to illustrate the difficulties faced in promoting
increased health work at the OECD at a time of severe budgetary
constraint and the desire of successive Australian ambassadors to the
OECD to curtail the growth in the breadth and cost of its work.

Chapter 13 examines in further detail the organisation and manage-
ment of Australia’s engagement with the OECD, together with changing
views as to its value. Australia has constantly considered the cost of
engagement and the need to ensure the OECD delivers value for money,
following on a tradition established by its representatives in the League of Nations. The coordination of the input of the largest number of participating Australian agencies found in any international organisation, and the performance of that role by DFAT is examined. It also examines how the value of OECD membership has come under increasing scrutiny as arenas such as the G20 have emerged, and the apparently political nature of the two most recent ambassadorial appointments. While DFAT and Treasury enthusiasm for the OECD shows some signs of decreasing, that of most other agencies has increased or at least been relatively stable.

Chapter 14, the concluding chapter, asserts that the experiences and views of Australian agencies in relation to the OECD have changed over time, although the dominant view has been that the organisation continues to provide an important means of influence on a wide range of international issues and, most importantly, an unrivalled means of enhancing policy learning and policy capacity.

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