

Organization for Economic Cooperation and Development (OECD) [UPSC Notes]

OECD Full Form

The Full Form of OECD is Organisation for Economic Cooperation and Development. The OECD is at the heart of international cooperation. OECD countries and Key Partners represent about 80% of world trade and investment.

What is OECD?

OECD or Organisation for Economic Cooperation and Development is an intergovernmental economic organization, established in 1961 with 38 member countries. The international organization works to build better policies for better lives. From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, OECD provides a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and international standard-setting.

The member countries of OECD are democratic countries that support free markets. The majority of OECD members have developed countries with high-income economies and a high Human Development Index. The OECD's headquarters are located in Paris, France, in the Château de la Muette.

OECD celebrated its 60th Anniversary in 2021. The OECD also released a research analysis 'The Long View: Scenarios for the World Economy to 2060'. The findings of the research state that the real GDP growth of the world will decline from 3.5% in 2018 to 2% in 2060. Whereas, by 2060, India, China, and Indonesia combined will represent almost half of the world's economic output.

In January, 2022, the OECD Council decided to initiate accession discussions with six candidate countries for OECD Membership – Argentina, Brazil, Bulgaria, Croatia, Peru, and Romania.

History of OECD

OECD was founded in 1948 as the Organisation for European Economic Co-operation (OEEC). The Organisation for European Economic Co-operation (OEEC) was established to oversee the Marshall Plan, sponsored by the United States. Thus, OEEC played a key role in the formation of the European Economic Community (EEC).

The European Economic Community has grown into the European Union (EU) to build a European Free Trade Area. In 1961, when the United States and Canada joined, the OEEC has renamed the Organisation for Economic Cooperation (OECD) to reflect a larger membership.

OECD Member Countries

The OECD brings together Member countries and a range of partners that collaborate on key global issues at national, regional, and local levels. Member countries, Substantive Committees, and the OECD Secretariat make up the OECD. At present, there are 38 member countries of the OECD. The OECD members are represented by ambassadors at the OECD Council, which defines and oversees the work, as set out in the OECD Convention. The member countries of OECD are:

- Luxembourg
- Korea
- United Kingdom
- Colombia
- Portugal
- Latvia
- Estonia
- Belgium
- Costa Rica
- Ireland
- Iceland
- Hungary
- Türkiye
- United States
- France
- Australia
- Austria
- Israel
- Spain
- Slovak Republic
- Poland
- Japan
- Slovenia
- Switzerland
- Norway
- Czech Republic
- Italy
- New Zealand
- Finland
- Denmark
- Germany
- Netherlands
- Canada
- Sweden
- Greece

- Chile
- Mexico
- Lithuania

The European Commission participates in the OECD's work, but it does not have the right to vote.

OECD Key Partners

The OECD Key Partners are Brazil, China, India, Indonesia, and South Africa. OECD works closely with these largest economies of the world. The OECD Key Partners participate in the OECD's daily work, bringing useful perspectives and increasing the relevance of policy debates. Key Partners countries participate in policy discussions in OECD bodies, take part in regular OECD surveys, and are included in statistical databases.

Regional Initiatives of OECD

Regional initiatives help facilitate policy benchmarking and the exchange of good practices between countries in a specific geographical area within and across regions. They guide countries toward globally recognized standards and ambitious reform agendas for greater prosperity and well-being for citizens. OECD collaborates across countries at a regional level, spanning Africa, Eurasia, the Middle East, North Africa, Latin America, the Caribbean, Southeast Asia, and South East Europe.

OECD Development Center

The OECD Development Center contributes expert analysis to the debate on development policy. The objective is to help decision-makers find policy solutions to stimulate growth and improve living conditions in developing and emerging economies. It includes countries from Africa, Asia, and Latin America.

The OECD Development Center also hosts the Sahel and West Africa Club (SWAC), an international platform aimed at promoting regional policies that will improve the economic and social well-being of people in Sahel and West Africa.

OECD Organizational Structure

OECD's organizational structure is divided into three parts, namely:

OECD Council

The OECD Council is the organization's overarching decision-making body. It is composed of ambassadors from Member countries and the European Commission and is chaired by the Secretary-General. Once a year, the OECD Council meets for the Ministerial Council Meeting, to monitor and set priorities for the work, discuss the global economic and trade context, and look into issues such as the budget or the accession process.

OECD Committees

The OECD works through more than 300 committees, experts, and working groups which cover almost all areas of policy-making. The committees propose solutions, assess data and policy successes, and review policy actions among Member countries. Committee participants come from Member and partner countries and represent state bodies, academia, business, and civil society.

OECD Secretariat

The OECD Secretariat is led by the Secretary-General and composed of directorates and divisions. Directorates report to the Secretary-General. The Secretariat carries out the work of the OECD. OECD Secretariat works with policymakers and shapers in each country, providing insights and expertise to help guide policy-making based on evidence in close coordination with committees.

Mathias Cormann was appointed as the Secretary-General of the OECD on 1 June 2021, for a five-year term.



Objectives of OECD

The prime objectives of OECD are:

- To ensure that the environmental consequences of economic and social development are always taken into account for the sustainability of the economies.
- To shape policies that foster prosperity, equality, opportunity, and well-being for all.

- To improve confidence in markets and the institutions that help the OECD to function.
- To work with democratic nations that share a commitment to improving the economy and well-being of the general population.

OECD: Functions and Responsibilities

OECD monitors the economies of member and non-member nations, and the Secretariat collects and analyzes information on different aspects of society. It also uses information on various topics to fight poverty, and prevent financial instability. OECD is a key player in maintaining global economic stability.

The main functions and responsibilities of OECD include:

- To publish and update model tax conventions that serve as a blueprint for assigning taxation rights between countries.
- Get the member countries' performance peer-reviewed, where the individual member countries' performance is supervised by the other members of the OECD.
- OECD is in charge of providing economic studies, statistical databases, assessments, and projections on the global economic outlook. The OECD also released a research analysis 'The Long View: Scenarios for the World Economy to 2060', recently.
- OECD works to eradicate bribery and other financial crimes all across the world and keeps a list of countries it considers to be uncooperative tax havens.
- It encourages G-20 members to push for tax reform.

Publications of OECD

The OECD publishes articles on economic outlooks, statistics, and a general overview.

- Going for Growth – A comparison of countries, based on national performance
- OECD Factbook – Serves as a guide-book for economies that are implementing new policies
- OECD Economic Outlook – Provides a forecast for member and non-member nations

Significance of OECD

OECD provides consulting assistance and support to nations in central Asia and eastern Europe that implement market-based economic reforms. It also analyzes and reports on the impact of social policy issues—such as gender discrimination on economic growth and makes policy recommendations designed to foster growth with sensitivity to environmental issues.