

## OECD - UPSC Notes

The **Organisation for Economic Co-operation and Development (OECD)** is an international, intergovernmental economic organization of 38 countries. OECD was founded in the year 1961 to stimulate world trade and economic progress. The topic finds importance in the [UPSC exam](#).

### Latest news related to OECD

In April 2023, at the meeting of the 'Asia Initiative of the [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)', the revenue secretary proposed to broaden the scope of automatic exchange of information (AEOI) and include non-financial assets in OECD information exchange framework.

### OECD's AEOI Framework

- It provides for information sharing of financial details among signatory countries to check tax evasion.
- We have AEOI with 108 jurisdictions and with 79 jurisdictions for sending information automatically.
- The flow of information has facilitated increased tax collection and revenue buoyancy.
- Moreover, the OECD also approved the Crypto-Asset Reporting Framework (CARF) for the reporting of tax information on transactions in Crypto-Assets.

### Highlights of OECD's Tax Transparency Report

- Asian nations have lost approx. €25 billion in 2016 due to tax evasion and illicit financial flows.
- About 4% of Asia's financial wealth (€1.2 trillion) is held offshore, leading to a potential annual revenue loss.
- Fighting against tax evasion and other illicit financial flows (IFFs) will further help in economic growth, and increased government expenditure on public health, social and economic support, and other areas.
- Asia lost about 38.8% of revenue (USD 7.8 trillion) due to IFFs between 2004-2013.
  - The 'Tax Transparency in Asia 2023' report was launched at the meeting.
  - Currently, 167 jurisdictions are members of the Global Forum which include all G20 countries.

### What is the Common Reporting Standard (CRS)?

- The Common Reporting Standard (CRS) was developed at the G20's request and approved by the OECD Council on 15 July 2014.
- It mandates obtaining information and automatically exchanging that with other jurisdictions annually.
- It specifies the financial information to be exchanged, the institutions required to report, the types of accounts and taxpayers covered, and due diligence procedures to be followed.

**The Organization for Economic Co-operation and Development (OECD) celebrated its 60th Anniversary in 2021.**

1. OECD has released a research analysis 'The Long View: Scenarios for the World Economy to 2060'. As per the findings of the research -
  - The real GDP growth of the world will decline from 3.5% in 2018 to 2% in 2060.
  - By 2060, India, China, and Indonesia combined will represent almost half of the world's economic output.
2. The most recent countries to join the OECD were **Colombia**, in April 2020, and **Costa Rica**, in May 2021.

### About OECD

Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries. OECD members are democratic countries that support free-market economies.

- It provides a platform for its member countries to compare policy experiences, seek answers to common problems, identify and share best practices, and coordinate domestic and international policies of its member nations.
- OECD is an official Permanent observer to the United Nations and is referred to as a think-tank or as a monitoring group.
- The OECD's headquarters are at the Château de la Muette in Paris, France.
- The OECD member states collectively comprised 62.2% of global nominal GDP (US\$49.6 trillion) and 42.8% of global GDP (Int\$54.2 trillion) at purchasing power parity in 2017.
  - **The international dollar:** It is also known as Geary–Khamis dollar.
    - It is a hypothetical unit of currency that has the same **Purchasing Power Parity (PPP)** that the U.S. dollar had in the United States at a given point in time.

- It is widely used in economics and financial statistics for various purposes, such as to determine and analyze the PPP and the GDP of various countries and markets.
- It is based on the twin concepts of PPP of currencies and the international average prices of commodities.

## OECD History

- OECD originated in 1948, as the Organisation for European Economic Co-operation (OEEC).
- The Organisation for European Economic Co-operation (OEEC) was founded to govern the predominantly US-funded Marshall Plan for post-war reconstruction on the continent.
- The OEEC was instrumental in helping the European Economic Community (EEC). The EEC has evolved into the European Union (EU) to establish a European Free Trade Area.
- OEEC was renamed as the OECD in 1961 when the USA and Canada joined to reflect a broader membership.

## OECD Objectives

The objectives of the OECD include fostering economic development and cooperation and fighting poverty through the promotion of economic stability.

- It also ensures that the environmental impact of growth and social development is always considered.
- Over the years, OECD has raised the standards of living in multiple countries.
- It has also contributed to the expansion of world trade.

## OECD Functions and Responsibilities

The OECD plays an integral role in promoting economic stability on a global scale. The OECD publishes and updates a model tax convention that serves as a template for allocating taxation rights between countries.

- The OECD is responsible for publishing economic reports, statistical databases, analyses, and forecasts on the outlook for economic growth worldwide.
- The group analyzes the impact of social issues on economic growth and makes recommendations to foster economic growth globally. These recommendations extend forethoughts to the environmental concerns associated with economic development too.
- The organization endeavors to eliminate bribery and other forms of financial crimes worldwide.
- The OECD also maintains a "**blacklist**" of nations that are considered uncooperative tax havens.
- It also took efforts to eradicate tax avoidance by profitable corporations and in the G-20 countries. It also encourages the G-20 countries to promote tax reforms.

## Significance of OECD

The OECD provides its members with a forum in which governments can work together to share experiences and seek solutions to common problems.

### OECD Composition

- The OECD is composed of Member Countries, Substantive Committees, and the OECD Secretariat.
- The OECD Secretariat is led by the Secretary-General and provides support to Standing and Substantive Committees. It is organized into Directorates.
- OECD currently has 36 member nations and the Member Countries are each represented by a delegation which is led by their ambassadors.
- The 38 Member Countries consist of Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.
- The European Commission participates in the work of the OECD alongside the EU member states.
- Colombia has been invited to join while six other countries' (Argentina, Brazil, Bulgaria, Croatia, Peru, and Romania) request to join is under the consideration of the OECD.
- Key partners:
  - Brazil
  - China
  - India
  - Indonesia, and
  - South Africa
  - Key partners - take part in regular OECD surveys, participate in the OECD's daily work, and also participate in policy discussions in OECD bodies.

### UPSC Questions related to OECD

#### Q. What is the OECD?

The Organization for Economic Cooperation and Development (OECD) is a unique panel where the governments of 36 member states with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development.

**Q. What is the main role of the OECD?**

The main purpose of the OECD is to improve the global economy and promote world trade. It provides an outlet for the governments of different countries to work together to find solutions to common problems.

**Q. Who funds the OECD?**

OECD is funded by its member countries. National contributions are based on a formula that takes account of the size of each member's economy. Countries may also make voluntary contributions to financially support outputs in the OECD program of work.

**Q. Is India a member of the OECD?**

No, India isn't a member of OECD yet. This is because India is being cautious about what kind of signal its membership in OECD would give to other emerging countries located in the South Asian continent. But it is a key partner to OECD.

**Q. What is the OECD average?**

The OECD average, sometimes also referred to as the country average, is the mean of the data values for all OECD countries for which data are available or can be estimated. The OECD average can be used to see how a country compares on a given indicator with a typical OECD country.