

Advancing sustainable development

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Introduction

What is sustainable development and why is it important? Most people support the idea of sustainable development, but without fully understanding what it is. Most would agree that it implies a better balance between economic, environmental and social goals, and greater fairness in distributing the gains from growth among people and countries. It also concerns preserving the environment and natural resources as a basis for progress. And it means making policy decisions which are in the interest of future generations.

But how can governments achieve all that and, more importantly, measure whether they are making progress? The OECD bears special responsibility for leadership in sustainable development due to the influence and impacts of its member countries on the global economy, environment and society. The OECD also brings together in one Organisation expertise in all relevant areas, from environment to economics to social affairs to trade.

Indeed, the OECD has worked to incorporate sustainable development perspectives into its work since the notion was introduced in 1987 by the World Commission on Environment and Development (WCED) (see Box 1).

But defining, measuring and implementing sustainable development has proven to be a tough task. The OECD has carried out several programmes on sustainable development involving expertise across a range of topics. It has introduced analysis of sustainability in its work on sectors such as energy, agriculture and transport. It has sponsored workshops and discussions on measuring sustainable development and formulating related frameworks and indicators. And it has included sustainable development chapters in its peer reviews of OECD countries.

This Policy Brief looks at progress towards sustainable development in the OECD and its member countries, and at what more can be done to advance sustainable development in the Organisation's work and policy discussions. ■

What is sustainable development?

The term “sustainable development” first appeared in the WCED’s report “Our Common Future” (also known as the Brundtland Report) in 1987. That report defined it as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

This definition demands a long-term perspective about the consequences of today’s activities. It goes beyond economic aspects to include environmental and social concerns in formulating all types of policies. It also recognises that global co-operation is required to achieve sustainable economic, environmental and social conditions worldwide.

But putting this concept into practice is not a simple affair. Governments need analytical and methodological approaches to enable them to align the economic, environmental and social pillars of sustainable development in decision-making. And there is also the challenge of forecasting the future costs and benefits of actions taken today.

All this is difficult enough, but the question of how the actions of one government or region affect their neighbours is to be addressed as well. Guidance is still lacking on how countries can develop coherent sustainable development policies which take into account their likely impact on other nations. ■

BOX 1. SUSTAINABLE DEVELOPMENT IN THE OECD

The OECD has been working on sustainable development since the inception of the concept. Key milestones include:

High-Level Advisory Group (1997) – The OECD High-Level Advisory Group on the Environment, convened by the Secretary-General, recommended a re-interpretation of the OECD mandate to define “sustainable economic growth” as that which sustains human and environmental as well as economic capital.

Horizontal Programme on Sustainable Development (1998-2001) – This three-year programme focused on sustainability indicators and economic instruments including subsidies and taxes, and culminated in a joint meeting of OECD economy and environment ministers, who described sustainable development as an “overarching” goal for the OECD and its member countries.

Ad Hoc Group on Sustainable Development (2001-2004) – This group included representatives from the OECD’s economy, environment and employment, labour and social affairs committees and advocated mainstreaming sustainable development into the regular work of the OECD.

Annual Meeting of Sustainable Development Experts (2005-present) – The AMSDE has recommended new sustainable development topics for OECD work, e.g. sustainable consumption and production, and that co-ordination of sustainable development analyses be more firmly embedded in the OECD work programme.

Round Table on Sustainable Development (1998-present) – The OECD also hosts an independent body, the Round Table on Sustainable Development, which sponsors periodic high-level discussions on topics such as illegal fishing, renewable energy, and addressing climate change.

How can the OECD help achieve it?

The OECD is uniquely placed to advance the sustainable development agenda. It has a strong foundation in economic analysis and in developing internationally comparable statistics and indicators. Its interdisciplinary work programme covers such areas as fiscal and monetary policies, entrepreneurship and innovation, trade and foreign investment, education and employment, environment and development. Its work in individual sectors deals with agriculture, fisheries, energy, industry, transport and services. And the OECD has long experience in conducting peer reviews of countries' performance and policies.

The mainstay of OECD analyses is improving the cost-effectiveness of public policies in the economic, environmental and social domains. Great progress has been made in increasing multidisciplinary work on the different policies related to sustainable development. There are now joint working groups on taxes and environment, trade and environment, and agriculture and environment. Work on taxes shows that long-term sustainability may depend on incorporating real social and environmental costs into product prices, such as including the costs of healthcare in the price of cigarettes and the costs of pollution in the price of petrol.

Specific projects are directed to the environmental and social aspects of globalisation, including the role of multinational enterprises, and the climate change dimensions of development. Environmental and social costs should be calculated in planning climate change mitigation and adaptation strategies. OECD environment and development ministers meet in 2006 to discuss the fuller integration of environmental concerns into poverty reduction.

The ultimate goal is policy coherence – ensuring that policies in different areas do not conflict with or undermine each other. So a government would not, for example, call for increased use of rail networks to transport freight as part of a policy to reduce carbon emissions from road vehicles and then abandon investment in railways or drastically reduce road taxes. Or finance ecologically unsound projects through its development assistance or export credits.

The OECD is advancing in understanding the interrelationships between the three dimensions of sustainable development – economic, environmental and social. But it is difficult to come to grips with the tripartite nature of sustainable development – particularly the incorporation of the social pillar. Frameworks, tools and methodologies are being developed for understanding policy synergies and trade-offs across these policy areas. At the same time, the Organisation is looking at how to examine the intergenerational aspects and the longer-term impact of current policies at national and global level.

Reforming subsidies is a prime example. Government support is a pervasive item in OECD countries and is among the most powerful public policy instruments currently in use. Different types of support, such as subsidies, tax breaks or other preferential treatment often introduce economic, environmental and social distortions with unintended consequences. Fuel tax rebates and low energy prices can encourage overuse of fossil fuels and

stimulate greenhouse gas emissions, while agricultural subsidies can lead to the overuse of pesticides and fertilizers.

Socially, these supports can redistribute income from consumers to producers and distort allocations across firms and sectors. They often stymie the export attempts of developing countries. Not all subsidies, however, are bad for the environment. Some are used to correct specific market failures or to generate environmental benefits, such as payments to farmers to plant trees to reduce agricultural run-off or maintain ecosystems.

During 1998-1999, the OECD looked at the costs and benefits of subsidies, and developed a “quick scan” approach to identify those likely to have an adverse effect on the environment and show little positive gain in terms of their stated objectives, such as employment and income. In 2002, the OECD developed a “checklist” to identify subsidies whose removal would benefit the environment. This focussed on how subsidy reform would affect the decisions of consumers and producers and the linkages between those decisions and the environment.

Thus, for example, adjusting subsidies for water can help reduce water use, but removing subsidies for waste water collection and treatment may mean more harm to the environment. The OECD is also developing frameworks for defining, classifying and measuring subsidies across sectors, from agriculture to industry.

A workshop in 2005 discussed integrated assessments examining the economic, environmental and social costs and benefits of subsidy reform at both national and international levels. While domestically, subsidies can distort prices and production levels, they also affect trade and competitiveness at international level (see Table 1). The ecological impacts of subsidies in terms of overuse of resources and higher emissions easily spill over to the global sphere. Socially, these supports can redistribute income across regions and countries, with adverse effects on overall living standards and livelihoods.

Analysing subsidies demands integrated assessments as well as a whole-of-government approach to their reform. Ongoing OECD work brings together experts in a wide range of areas including trade, development, industry, agriculture, fisheries, energy, transport and environment. This holistic approach contributes to greater transparency about the effects of subsidies – short-term and long-term, national and global – and more public understanding of potential distortions. It also provides sound arguments for overcoming vested interests to prompt subsidy reform. ■

TABLE 1.
SUBSIDIES AND
SUSTAINABLE
DEVELOPMENT:
THEIR ADVERSE EFFECTS

SD DIMENSION	NATIONAL	GLOBAL
Economic effects	Price distortions Production distortions Budget deficits	Trade distortions Competitiveness gaps Slower poverty reduction
Environmental effects	Higher pollution levels Greater resource use	Climate change Loss of biodiversity
Social effects	Uneven income distribution Unemployment	Inequities Unsustainable livelihoods

Are OECD countries making progress towards sustainable development?

Most OECD governments now have national sustainable development strategies (NSDS) in place. Countries agreed to prepare these strategies as part of *Agenda 21*, signed at the Rio Earth Summit in 1992. They represent the most visible manifestation of the importance of sustainable development for the policy agendas of individual OECD governments.

These strategies help countries harmonise economic, environmental and social policies and plans to increase coherency in government approaches. They enable governments to identify and remove counter-productive and duplicative schemes. Environmentally and socially responsible economic development for the benefit of future generations is more likely in countries with well-founded national sustainable development strategies.

The OECD is working with its member countries to identify good practices in national strategies regarding their content, governance, implementation and monitoring (see Box 2). But coherent decision-making for sustainable development is not yet a full reality. Recent assessments find that countries continue to encounter difficulties in identifying synergies and making trade-offs between the environmental, economic and social spheres. The timeframes of national strategies are often too short to take into account intergenerational and long-term considerations, which are difficult to assess

BOX 2. GOOD PRACTICES IN NATIONAL SUSTAINABLE DEVELOPMENT STRATEGIES

Successful practices in the national sustainable development strategies of the OECD countries include:

Policy integration – national strategies should give consideration to environmental, economic and social concerns in integrated approaches contained in national plans and reports.

Intergenerational timeframe – national strategies should adopt long-term timeframes which enable inclusion of intergenerational principles and indicators.

Analysis and assessments – integrated assessment tools should be used in national reports to identify the environmental, economic and social costs and benefits of policy and strategy options.

Co-ordination and institutions – a wide range of government departments and agencies should be involved in the formulation and implementation of national strategies, with overall responsibility in the office of the Prime Minister or equivalent.

Local and regional governance – local and regional authorities should be fully involved in the development of national strategies, with certain delivery aspects devolved to sub-national levels.

Stakeholder participation – stakeholders (e.g., business, unions, non-governmental organisations) should participate with government representatives in commissions responsible for developing and implementing national strategies.

Indicators and targets – strategies should be based on structured indicator systems (enumerated in national plans and reports) to assist in monitoring progress and to serve as quantitative targets.

Monitoring and evaluation – independent bodies or processes should be established to act as watchdogs monitoring implementation of national strategies and providing recommendations for their improvement.

in any case. And there are still numerous problems in co-ordinating the various parts of government to implement the strategies.

However, many countries are adopting innovative approaches to assessing sustainable development impacts. Some have sustainable development ministries, or presidential commissions on sustainable development, whose job is to implement sustainable approaches across government. Countries are using integrated assessments to identify the likely impact of policy proposals from a sustainable development perspective. Peer reviews and audits are directed to monitoring and evaluating national strategies.

The OECD is encouraging countries to share their experiences in this area through events such as a workshop in 2006 on institutionalising sustainable development. Procedures and forums for peer reviews of national sustainable development strategies are under discussion. ■

How can progress be measured?

Clearly governments need ways to measure whether they are progressing towards sustainable development, and how their progress compares with that of their neighbours. We need to be able to measure the synergies and trade-offs between economic, environmental and social values. But since the concept of sustainable development includes a time element, any measure of progress towards it must also include evaluating the longer-term implications of current decisions and behaviour. And before we can measure progress, we first need to establish the current state of play as regards sustainable development.

Simple and easily-understood measures of progress towards sustainable development have proved difficult to formulate. There are plenty of statistics available – the *OECD Factbook of Economic, Environmental and Social Indicators* contains a wealth of data for OECD countries. But there is lack of agreement on which indicators are relevant to sustainable development.

The OECD is advancing on several measurement fronts. In the environmental sphere, decoupling indicators show how economic growth can be accomplished without environmental damage. Materials flow indicators track the production, use and reuse of materials in an economy and the implications for resource productivity. In the social sphere, indicators of social capital are being developed to couple with measures of economic and environmental capital. Alternative measures of well-being are being formulated to accompany purely economic concepts of development.

Countries tend to have different concepts and measures of sustainable development because of their different natural attributes, industrial structure, political and social environment and other variables. A seaboard country whose economy relies heavily on fisheries, for example, is likely to see a sustainable level of fish stocks and marine pollution levels as vital indicators for sustainable development, while its landlocked neighbour will be far more interested in the level of nutrients in the soil, or perhaps air pollution.

Measurement of sustainable development which takes account of such differences is obviously very complex. One solution might be to develop

different sets of indicators for different groups of countries. Or to develop overall measurement frameworks where the selection of indicators in agreed categories could vary by country. Accounting approaches can be used to provide insight into the interrelations among the various measures. The OECD is now developing conceptual frameworks for sustainable development measurement which could provide the basis for sets of indicators to measure progress on sustainability. ■

Where do we go from here?

Every year, the OECD reviews progress in its work relating to sustainable development to identify major gaps. The Annual Meeting of Sustainable Development Experts (AMSDE) – who come from a range of ministries in member countries – makes recommendations on where integrated perspectives would enhance ongoing OECD work. For example, AMSDE has recommended more analysis in areas such as sustainable consumption and production, governance for sustainable development, and the sustainability dimensions of the OECD Guidelines for Multinational Enterprises.

The development of analytical frameworks and tools which could be used for sustainability assessments in a range of OECD work is a priority. Progress on defining sets of sustainable development indicators will contribute to interdisciplinary work. Countries will continue to assess together what works and what does not in their national sustainable development strategies.

Transparency and outreach are important components of sustainable development. Representatives of business, unions, non-governmental organisations and other stakeholders participate in OECD sustainable development meetings and workshops. Non-member countries are involved in OECD sustainable development activities. And work with other international organisations such as the United Nations Commission on Sustainable Development (UNCSD) is crucial. With these partners, the OECD is advancing on the sustainable development agenda. ■

For further information

For more information on the OECD's programme on sustainable development, contact Candice Stevens, OECD Sustainable Development Advisor, Tel.: 33 1 45 24 93 24, or e-mail: Candice.Stevens@oecd.org, or see: www.oecd.org/sustainabledevelopment.



For further reading

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