

Since the Earth Summit of 1992, OECD countries have been intensifying efforts to promote global economic development that is environmentally and socially sustainable. What have they achieved so far? What steps have been taken to enable economic growth to satisfy current needs while using natural and social resources in a way that preserves the ability of future generations to prosper? Rising awareness of this crucial question has brought the promotion of sustainable development to the forefront of public debate. The OECD has contributed to this debate by reviewing the extent to which its 30 member countries are meeting their sustainable development objectives.

This publication presents the lessons learnt from the 30 country reviews that have been published since 2002 as part of the regular *OECD Economic Surveys*. This publication also looks at the concrete action that countries have taken to promote sustainable development whilst focusing on two central questions:

- What have been the results when objectives have been set and policies introduced?
- Have these results been achieved efficiently?

The first question examines progress towards a goal in “one-dimensional sustainable development”, whether economic, social or environmental. The second question focuses on the extent to which policy aims at attaining a goal in one dimension while minimising the adverse outcomes induced in other dimensions as a result. The policy goals themselves have been taken as given and this report does not attempt to assess their relevance.

Each country review focuses on three topics from a list of seven major policy areas, selected for their particular relevance to the country examined. These are as follows:

- **Improving environmental areas:**
 - ❖ Reducing emissions of greenhouse gases.
 - ❖ Reducing air pollutants.
 - ❖ Reducing water pollution.
 - ❖ Moving towards sustainable use of renewable and non-renewable natural resources.
 - ❖ Reducing and improving management of waste.
- **Improving living standards in developing countries.**
- **Ensuring sustainable retirement income policies.**

In accordance with the focus on sustainability, the topics involved issues of irreversibility or, at least, a strong degree of permanence. At the same time, the choice of issues was based also on their analytical content. To gauge performance in the seven policy areas, a series of performance indicators (see Annex) were used to allow for cross-country comparisons.

Table 0.1. **Country coverage of topics for sustainable development reviews**

	Reducing emissions of greenhouse gases	Reducing air pollution	Reducing water pollution	Sustainable use of renewable and non-renewable resources	Reducing and improving management of waste	Improving living standards in developing countries	Ensuring sustainable retirement income policies
Australia				X		X	X
Austria	X				X	X	
Belgium		X			X		X
Canada		X	X				X
Czech Republic	X	X					X
Denmark	X		X		X		
Finland	X	X		X			
France	X		X				X
Germany		X			X		X
Greece	X	X					X
Hungary	X	X					X
Iceland	X	X		X			
Ireland	X		X		X		
Italy	X		X				X
Japan		X				X	X
Korea		X			X		X
Luxembourg	X					X	X
Mexico		X	X	X			
Netherlands	X		X	X			
New Zealand	X		X			X	
Norway				X	X	X	
Poland	X		X		X		
Portugal		X	X	X			
Slovak Republic	X	X					X
Spain	X			X	X		
Sweden		X	X		X		
Switzerland	X		X		X		
Turkey	X	X		X			
United Kingdom	X					X	X
United States	X		X	X			
Total	20	15	13	10	11	7	14
Percentage distribution	22	17	14	11	12	8	16

The synthesis of the lessons learnt from the country reviews is presented in two parts. Part I gives the main conclusions and consists of two chapters: and. Chapter 1, “Attaining Environmental Objectives in a Cost-Efficient Way”, provides a synthesis across the different environmental areas and countries. Chapter 2, “Attaining Social Objectives in a Cost-Efficient Way”, gives separate syntheses of the country reviews on ensuring sustainable retirement incomes and improving living standards in developing countries, as the issues differ across the two areas. Part II consists of five thematic chapters that pull together the lessons learnt in each environmental policy area in greater detail.

Improving environmental areas

In the selected environmental areas examined in the country reviews, performance has improved in several respects since 1990, and governments are targeting further improvements in the next decade. However, **environmental protection costs** have risen throughout this period and are likely to be equal to around 2% of GDP or more in countries that have set comparatively demanding standards. For most of the OECD countries, the reviews highlighted that costs could have been kept lower by greater use of more cost-efficient instruments. An option not exploited in part because of a lack of integration of environmental and economic concerns in policy making. Concerns over the social consequences, in addition to political-economy considerations, also appear to have boosted costs. For the future, several country reviews noted that the **cost of pollution abatement** could rise markedly as standards become stricter, therefore emphasising the need to employ the most cost-efficient options in **reducing pollution** in the coming years. This is particularly the case with the **reduction of greenhouse gas emissions**, where policies to meet objectives at the least cost become increasingly urgent as the target date (2008 to 2012) approaches.

Recommendations: Against this background, country surveys have recommended fundamental changes in policy settings to achieve environmental objectives at a lower economic cost. In view of the **lack of effectiveness of voluntary agreements**, the reviews have called for a reassessment or a termination of such practices. Also, while recognising that regulations are the most appropriate instrument to control pollution in some cases, the surveys generally recommended that **less emphasis should be placed on such instruments** for the purpose of improving the environment. Mounting evidence has suggested that preventing companies from using the most efficient ways to reduce their emissions typically increases costs for society. Instead, the country surveys concluded that **greater use should be made of taxes or tradeable emission permits**. However, these instruments will only be cost efficient if they cover all sources of any given type of

pollution, and hence the surveys called for the removal of current exemptions from carbon and water pollution taxes in the most pollution-intensive industries. For dealing with **cross-border environmental problems**, the reviews often recommended taking advantage of **international agreements that allow abatement** to be concentrated in areas where it could be obtained at relatively low cost and noted the benefits of further international co-operation. Insofar as taxes and tradeable permits have adverse social consequences, these should be mitigated **through the standard social security system**. In some cases this could mean adjusting the way support payments are calculated or introducing new support instruments.

Improving living standards in developing countries

On the critical issue of improving living standards in developing countries, the surveys showed that there has been a certain amount of progress since 1990, but also noted that Sub-Saharan Africa has not shared in this general trend. In other developing country groups, improvements in **living standards have been accompanied by strong export performance**, which in part reflects falling protectionist barriers in the OECD countries in the wake of the Uruguay Round and unilateral measures to open up markets to the least-developed countries. However, **agricultural products from the developing countries still face problems** in accessing OECD markets because of trade restrictions and agricultural subsidies. Living standards in developing countries have also been lifted by **increased emphasis on poverty alleviation** in official development assistance.

Recommendations: The reviewed countries were encouraged to scale back support to agriculture. A number of the reviewed OECD countries had taken measures to make their official development assistance more targeted and efficient, and the surveys recommended further moves in that direction.

Ensuring sustainable retirement income policies

With respect to the social dimension of sustainable development, the reviews concluded that a number of countries have made substantial progress in **containing the fiscal pressures of ageing** in coming decades without compromising the level of income for the elderly. Common elements of reforms in most of these countries have been to: **reduce public pension replacement rates** in coming years, which will in turn reduce fiscal outlays; automatically **adjust pensions to changes in life expectancy**, while at the same time **increase private saving** for retirement either through mandatory means or by granting tax advantages to private pensions; and **establish**

minimum pensions to ensure adequate income. Countries are at different stages in the process of reform; most have further to go to offset the fiscal consequences of ageing, whereas some have hardly started to tackle this challenge.

Recommendations: In this area, the recommendations of the surveys were for countries to **strengthen their sustainability assessments** and to take swift corrective measures if needed. Corrective measures would most likely be a reduction in public pension replacement rates in addition to other changes in pension and income-replacement systems. With private pensions likely to play a bigger role in income provision in old age, some of the reviews also emphasised the need for appropriate prudential **regulation and supervision of private pension funds**. A few countries were even called on to reduce restrictions on the type and use of retirement saving in order to make it more attractive. Practically all countries reviewed on this policy topic were encouraged to **remove incentives that artificially shorten the working life of their citizens**, as earned income would provide the elderly with an additional resource and could reduce public spending on pensions and other transfers. Recommendations for this purpose included raising the standard age of entitlement to public pensions and reducing opportunities to withdraw from the labour force permanently at an early age via unemployment, disability or special benefit schemes.