

**2006 ANNUAL REPORT
ON SUSTAINABLE
DEVELOPMENT
WORK IN THE OECD**



OECD



2006 Annual Report on Sustainable Development Work in the OECD



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

A main task of the OECD Annual Meeting of Sustainable Development Experts (AMSDE) is to review annually the range of work carried out by the organisation to identify outstanding gaps in analyses relating to sustainable development and to enumerate priorities for future activities. This brochure contains the 2006 survey.

The 2005 Report noted that the OECD carries out a wealth of studies and discussions on issues related to sustainable development, particularly on the efficiency and effectiveness of policies in the economic, environmental and social spheres. Progress cannot be made on sustainable development in the organisation without the solid foundation of excellent work on the three underlying pillars which is continually produced in its various Committees. With regard to integrating these domains, the level of joint Committee and cross-Directorate work in the OECD has increased greatly in recent years. Yet more could be done to promote integrated approaches and enhance policy coherence across the economic, environmental and social domains in OECD cross-sectoral analyses, sectoral studies, measurement, country reviews, and policy forums.

In 2006, the AMSDE identified priorities for future cross-cutting OECD Committee work, including sustainable consumption and production, education for sustainable development, governance for sustainable development, and analytical approaches for sustainability assessments.

This survey is published on the responsibility of the Secretary-General of the OECD.

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Introduction

This survey of OECD sustainable development activities is intended to highlight areas where progress was made in 2006 to incorporate sustainable development perspectives into the work of the organisation. It should be read in conjunction with the *2005 Report on Sustainable Development Work in the OECD*, which gave a brief history of sustainable development in the OECD context and reviewed progress towards sustainability analyses in the work programme in previous years. For the OECD, sustainable development means a better balance between economic, social and environmental concerns in the range of its activities -- data collection, analysis, country reviews and policy discussions. It also implies longer-term perspectives and inclusion of intergenerational considerations in OECD work as well as the recognition that global co-operation is required to achieve sustainable economic, environmental and social conditions worldwide.

This survey, which has been undertaken on behalf of the OECD Annual Meeting of Sustainable Development Experts (AMSDE), highlights where advances have been made in OECD work in sustainable development terms in 2006. *First*, it presents the activities of the Horizontal Programme on Sustainable Development, including those on subsidy reform and on national sustainable development strategies. *Second*, it discusses joint work related to sustainable development undertaken by two or more Committees in 2006. *Third*, it reviews progress on previously-identified sustainable development priorities, such as sustainable consumption and production and statistics for sustainable development. *Lastly*, the report discusses ongoing work related to sustainable development in the many OECD Committees.

Horizontal Programme on Sustainable Development

Annual Meeting of Sustainable Development Experts (AMSDE)

OECD work on sustainable development began in 1997 on the advice of the High-Level Advisory Group convened by the Secretary-General. The subsequent Horizontal Programme on Sustainable Development (1998-2001) culminated in a joint meeting of OECD Economy and Environment Ministers. This was followed by sessions of the Ad Hoc Group on Sustainable Development (2001-2004) which advocated mainstreaming sustainable development into the regular work of the OECD and recommended the creation of the Annual Meeting of Sustainable Development Experts (AMSDE). The AMSDE first met in September 2004 and prepared a programme of work and budget for the 2005-2006 cycle of horizontal OECD work on sustainable development.

At its meetings (October 2005 and September 2006), the AMSDE advanced its mainstreaming agenda through reviewing the *Annual Reports on Sustainable Development Work in the OECD*, identifying major gaps and recommending future priorities. AMSDE Delegates, who come from a range of Ministries in OECD countries, also engaged in discussions with OECD Committee Chairs on their sustainable development views and respective work programmes. In 2004 and 2005, the AMSDE recommended that the OECD undertake joint Committee work in the areas of education for sustainable development, sustainable consumption and production, governance for sustainable development, corporate social responsibility, and environment and health.

In 2006, the AMSDE suggested future work by the organisation on sustainable consumption and production, education for sustainable development, the costs of inaction, sustainability impact assessment methodologies, and governance for sustainable development. It proposed that means and approaches be explored for incorporating sustainable development perspectives in OECD country reviews and for enhancing

synergies across OECD Outlooks. It further recommended that the *2007 Annual Report on Sustainable Development Work in the OECD* review new OECD instruments or guidelines for their sustainable development content and also include a synthesis of the organisation's work on the political economy of structural reform to share lessons and insights.

Subsidy reform and sustainable development

Analysis of government subsidies, which are among the most pervasive and powerful of public policy instruments, is a main focus of the horizontal programme on sustainable development. This work is the most cross-disciplinary of the OECD, involving Directorates and Committees concerned with trade, industry, agriculture, fisheries, energy, investment, transport and environment. Different types of support, including subsidies, tax breaks or other preferential treatment, often introduce economic, environmental and social distortions with unintended consequences at both national and international levels. Previous OECD workshops on environmentally-harmful subsidies advanced the measurement of subsidy levels in different sectors and developed a "checklist" to identify subsidies whose removal would benefit the environment.

In 2006, the OECD published the proceedings of the 2005 Workshop on *Subsidy Reform and Sustainable Development: Economic, Environmental and Social Aspects*, which initiated integrated assessments of the costs and benefits of subsidy reform. This was followed by a workshop in June 2006 on *Subsidy Reform and Sustainable Development: Political Economy Aspects*, which examined how to overcome political obstacles to reforming harmful subsidies in countries and sectors. Discussions were based on a new analytical framework for subsidy analysis, which assesses costs and benefits in economic, environmental and social terms at national and international levels, and case studies of the forestry, fisheries, agriculture, industry, energy and transport sectors.

The 2006 workshop focused on the political economy of subsidy reform – the need for whole-of-government decision-making, timing and phasing of reforms, transparency in costs and benefits to various parties, inclusion of stakeholders, and transition aids – and concluded that governance structures that assist in promoting sustainable development are key to promoting reforms. Four suggestions were made for follow-up in the OECD context: 1) owing to differences across sectors, subsidy data collection and analysis could be done on a sectoral basis by relevant Committees (fish, transport) using the common analytical framework; 2) subsidy reform could be proposed as a topic for the structural chapters of the EDRC country reviews; 3) a follow-up workshop could be held in 2007 with a more in-depth focus

on the political economy aspects of a particular type of subsidy, *e.g.* to biofuels; and 4) the political economy aspects of subsidy reform and other structural reforms could become a continued focus of the Horizontal Programme on Sustainable Development.

National sustainable development strategies

The horizontal programme on sustainable development initiated analysis of national sustainable development strategies (NSDS) in 2005 to assist OECD Member countries in strategy formulation and implementation. Governments agreed to develop these strategies as part of *Agenda 21*, signed at the Rio Earth Summit in 1992. NSDS often represent the most visible manifestation of the importance of sustainable development for the policy agendas of individual OECD governments. In 2006, the OECD published the results of its review of *Good Practices in the National Sustainable Development Strategies of OECD Countries*, which found that countries continue to encounter difficulties in identifying synergies across the economic, environmental and social spheres and in undertaking coordinated decision-making processes.

Among the successful practices identified for national strategies are: 1) integration of economic, environmental and social concerns, 2) long-term timeframes which enable inclusion of intergenerational principles, 3) use of impact assessment tools in implementation, 4) placement of strategy responsibility in the office of the Prime Minister, Sustainable Development Minister or equivalent, 5) devolution of certain delivery aspects to sub-national levels, 6) full participation of stakeholders, *e.g.* business, unions, non-governmental organisations, 7) use of structured indicator systems to help monitor progress and serve as targets, and 8) assignment of monitoring and evaluation to independent watchdogs.

A joint workshop was held with the United Nations Commission on Sustainable Development (UNCSD) in August 2006 on *Institutionalising Sustainable Development* to advance the implementation of national sustainable development strategies in OECD and non-OECD countries based on the above principles. Sessions explored the effectiveness of various governance aspects of national strategies and mechanisms for monitoring their implementation. Another focus was advancing NSDS in developing countries, including integration with development planning and Poverty Reduction Strategies (PRS).

The following suggestions were made for follow-up in the OECD and UN contexts: 1) the OECD and the UN should organise a follow-up workshop on sustainable development strategies to be held in Asia in March

2007; 2) the OECD and UN could update, harmonise and annotate their respective Guiding Principles for national sustainable development strategies and continue to identify good practices; 3) the OECD Development Assistance Committee (DAC) could review the possibility of developing guidelines for developing countries for increasing linkages between national sustainable development strategies, poverty reduction strategies, and plans for achieving the Millennium Development Goals; 4) the UN, OECD and European Commission (EC) could develop a common framework for conducting peer reviews of national sustainable development strategies as well as compare the outcomes of the different peer reviews now planned; to the extent possible, each Peer Review should include Peers from both developed and developing countries; and 5) the major international organisations (OECD, UN, World Bank, IMF) could set up an informal dialogue on treatment of sustainable development and related governance issues within their organisations.

Sustainable development partnerships

A Workshop on Evaluating the Effectiveness and Efficiency of Partnerships was organised with the OECD Environment Directorate in September 2006 as part of the follow-up to the 2004 Meeting of OECD Environment Ministers that requested the OECD to examine the effectiveness and efficiency of partnership initiatives. The workshop was intended to: 1) analyse the purpose and value-added of partnerships; 2) review evaluations of partnerships and the methodologies used; and 3) consider how the evaluation of partnerships could be strengthened, in particular by identifying possible elements of a partnership evaluation framework. The focus was on Type II sustainable development partnerships involving governments which were launched at the 2002 World Summit on Sustainable Development (WSSD).

Regarding follow-up, it was suggested that future work on evaluating partnerships should be carried out under the auspices of the Horizontal Programme for Sustainable Development in conjunction with the UN Commission on Sustainable Development (UNCSD), which maintains a database on partnerships. This work should take into account other OECD analyses relating to partnerships, including that of the Committee for Scientific and Technological Policy (CSTP) on public/private research partnerships, the Education Committee on partnerships for inclusion, the Public Management Committee on public/private partnerships, the Environment Policy Committee (EPOC) on public/private partnerships on water supply and sanitation, and the Development Assistance Committee (DAC) on evaluation principles for development partnerships (in

conjunction with the World Bank). Future OECD work on partnerships should also feed into the next World Partnerships Forum.

Contribution to the UN Commission on Sustainable Development

The OECD, International Energy Agency (IEA) and Nuclear Energy Agency (NEA) made contributions to the 14th session of UNCSD held in New York in May 2006. A presentation by Deputy Secretary General Kiyo Akasaka was accompanied by a joint brochure summarising aspects of OECD work relating to the UNCSD themes for 2007-2008 of climate change, energy and industry. In addition, an information booth was maintained for the distribution of OECD and IEA publications and brochures to participants, and a side-event was held attracting many representatives of non-OECD countries, NGOs and other stakeholders to hear presentations on relevant OECD work.

The focus was on three topics important to OECD relations with non-Members: 1) climate change mitigation through energy technology collaboration, including reports on the IEA collaborative programme and implementing agreements on energy research and development, 2) climate change adaptation and development, including presentation of the *Declaration on Integrating Climate Change Adaptation into Development Co-operation* adopted at the Environment-Development Ministerial in April 2006, and 3) industry and corporate responsibility, which discussed the role of the *OECD Guidelines for Multinational Enterprises* and the *Policy Framework for Investment* in promoting sustainable investments. In September 2006, the AMSDE discussed a follow-up contribution to UNCSD-15 in May 2007 on the theme of “energy for sustainable development”.

Round Table on Sustainable Development

The Round Table on Sustainable Development meets at high level to examine specific issues from the economic, environmental and social perspectives. Past Round Tables have discussed approaches to measuring sustainable development; eco-labelling; illegal, unregulated and unreported fishing (IUU) activities; and sectoral agreements for addressing climate change. In June 2006, the Round Table addressed the question *Do we have the right research and development (R&D) priorities and programmes to support the energy technologies of the future?* Discussions were placed in the context of energy security issues – how OECD countries can insulate themselves from the risk of disrupted energy supplies – and environmental

concerns – the need to stabilise greenhouse gases to minimise the risks of climate disruption. It was concluded that advances are needed across a range of energy technologies and approaches, including energy efficiency and energy pricing, to successfully address security and environmental concerns. The next Round Table will address issues related to illegal logging.

Cross-Cutting Sustainable Development Analyses

Box 1. 2006 Sustainable Development Highlights

Environment-Development Ministerial Meeting – in a ground-breaking April 2006 session, OECD Environment and Development Ministers agreed on ways to better integrate environmental issues into poverty reduction, including how to link climate change adaptation and development co-operation activities.

Updated OECD Jobs Strategy – in the revision of the 1994 Jobs Strategy, the OECD found that there is more than one combination of policies and institutions to achieve high employment and that certain economies with highly-centralised or co-ordinated bargaining, high welfare benefits and well-designed active labour market policies have enjoyed strong labour market performance in recent years.

Alternative Measures of Well-Being – in studies, working papers and a workshop, the OECD went beyond GDP per capita to explore how to measure the wealth of nations and the well-being of citizens taking into account dimensions such as leisure time, equity, and satisfaction regarding health care, education and environment.

Policy Coherence for Development in Fisheries – a joint workshop in April 2006 organised by the Committee for Fisheries and the Development Assistance Committee (DAC) discussed the many aspects – economic, environmental and social – needed to establish sustainable fisheries in both developed and developing countries.

Highlights of 2006

Environment-Development Ministerial Meeting

The Environment-Development Ministerial on 4 April 2006 endorsed a *Framework for Common Action around Shared Goals* to support capacity-building efforts for improved environment-development integration in developing and transition countries. This includes identifying instruments for linking environment and development, maximising the potential of international financing instruments such as export credits and the Clean

Development Mechanism (CDM), and enhancing developing country abilities for conducting environmental impact assessments, managing environmental expenditures, and enforcing environmental legislation. In addition, Ministers endorsed the *Declaration on Integrating Climate Change Adaptation into Development Co-operation* to help mainstream climate change adaptation objectives into development planning.

Proposed follow-up will build on the respective expertise of the DAC Network on Development Co-operation and Environment (ENVIRONET) and the Working Party on Global and Structural Policies of the Environment Policy Committee (EPOC) to support the objectives of the Framework and the Declaration. The focus will be on improving the co-ordination and coherence of efforts by Development Co-operation and Environment Agencies in OECD countries in support of poverty reduction and the Millennium Development Goals (MDG). This will include further work on integrating environmental sustainability issues into poverty reduction and development plans, and monitoring the environmental dimension of the *Paris Declaration on Aid Effectiveness*.

OECD Jobs Strategy

The reassessment of the 1994 OECD Jobs Strategy was undertaken by the Economic Policy Committee (EPC) and the Employment, Labour and Social Affairs Committee (ELSAC), who held a joint session in April 2006 and a *High Level Policy Conference on Boosting Jobs and Incomes* in Toronto, Canada in June 2006 to discuss the findings. It acknowledges that there is more than one road to high employment. This is because the detrimental effects of certain policies –such as high and long-lasting unemployment benefits– can be at least partly offset by favourable settings in other areas –such as well-designed active labour market policies. As a result, good job performance has been achieved in a few economies with highly-centralised or co-ordinated collective bargaining and high welfare benefits. The report also points out that enhancing job-search support and adopting family-friendly arrangements help promote labour market participation, especially by under-represented groups such as women, older workers, the disabled and immigrants.

OECD area employment has risen since 1994, and those countries that embraced the recommendations of the original Jobs Strategy have in general done better in raising employment levels. In this regard, the main recommendations for increasing employment introduced in 1994 still stand: macroeconomic policy should aim at low inflation to encourage investment, barriers to labour market participation should be reduced, wages and labour costs should be more flexible, and investments should be made in skills

upgrading. The updated study stresses that population ageing in OECD countries increases the need for raising employment through a number of strategies, including the Nordic approach, which promotes labour market dynamism through a combination of active services for job-seekers. There are plans to monitor the implementation of the Jobs Strategy in Member countries to increase understanding of what works and what doesn't, including a study of the employment effects of different ways of funding social protection.

Alternative Measures of Well-Being

Initiated as part of the stocktaking exercise of Working Party 1 (WP1) of the EPC to assess the impact of structural reforms on economic performance, the work on Alternative Measures of Well-Being is a joint project of WP1, ELSAC and the Statistics Committee. Recognising that per capita GDP provides only a partial measure of well-being, it explored and highlighted the merits and limitations of possible complements to GDP such as leisure time, income inequality, health and knowledge, and satisfaction with work and family life. Analysis found that GDP per capita and economic growth rates need to be complemented with measures of other dimensions of well-being to get a comprehensive picture.

A subsequent *Workshop on Alternative Measures of Well-Being and Societal Progress* was organised by the Statistics Directorate and the EC Joint Research Centre in June 2006. Sessions explored measurement issues relating to social welfare, environmental sustainability, health and educational output, cultural output, and satisfaction and happiness. The workshop also discussed the structure of an overall framework for measuring well-being and how to identify a set of key indicators for guiding structural policies beyond economic resources and towards societal progress in broader terms.

Policy Coherence for Development in Fisheries

The workshop on *Policy Coherence for Development in Fisheries*, organised by Committee for Fisheries and the DAC, was held on 24-25 April 2006 to explore how to overcome difficulties in the sustainable management of fisheries. Sessions addressed fisheries access agreements between developed and developing countries, the effects of trade policies including tariffs, subsidies and technical barriers to trade, and the role of development assistance in ensuring sustainable and responsible fisheries. With the World Bank, United Nations Environment Program (UNEP) and the Food and Agriculture Organisation (FAO) in attendance, another focus

was the political economy aspects of achieving coherence across the policy areas affecting fisheries.

This event was organised within the overall framework on Policy Coherence for Development (the *Development Framework*), a basis for combined OECD work on development issues formulated by AGR, DCD, DEV, EDU, ENV and SAH around the themes of: 1) fostering inclusive globalisation and supporting policy reform for growth and poverty reduction, 2) supporting capacity development and promoting good governance, 3) mobilising resources for development and improving their effective use, and 4) addressing shared risks. In 2006, the *Development Framework* proved to be a useful tool for identifying complementary activities and areas for co-ordination among parts of the OECD working on development issues.

Joint Committee activities

The OECD has several joint working parties which conduct sustainable development analyses, mostly formed by the EPOC with other Committees and groups. These include the Joint Working Party on Agriculture and the Environment, the Joint Meeting of Tax and Environment Experts, the Joint Working Party on Trade and Environment, the Annex I Expert Group on the United Nations Framework Convention on Climate Change, and the Internal Co-ordination Group on Biotechnology. Their activities in 2006 are briefly described below.

There are several other cross-Directorate activities which do valuable work, but which are not discussed here since they are concerned primarily with economic issues. These include: 1) the Joint Group on Trade and Competition, established in 1996 by the Trade Committee and the Competition Committee, which in 2006 focused on complementarities between trade and competition policies in developing countries; 2) the work by the DAC and the Trade Committee on *aid for trade* to focus more development assistance on trade-related capacity building; 3) the work by the DAC and the Investment Committee which led to the adoption by the OECD Council in May 2006 of the *Policy Guidelines for Donors using Official Development Assistance to Promote Private Investment for Development*; 4) the 2006 work by the Trade Committee and the Investment Committee on links between investment and trade provisions relating to services in regional trade agreements; and 5) the OECD anti-corruption strategy which involved DAF, GOV and DCD in efforts to improve the credibility of donor efforts to fight corruption.

Agriculture and environment

The *Joint Working Party on Agriculture and the Environment* (Agriculture Committee and EPOC), established in 1993, has developed concepts and frameworks for understanding agriculture-environment linkages, databases on agri-environmental indicators, and an inventory of agri-environmental policy measures in OECD countries. In 2006, work focused on completing the fourth report on environmental indicators for agriculture, extending the inventory to include more OECD countries, analysing the nature and implementation of environmental cross-compliance measures (where support payments are dependent on farmers meeting prescribed environmental practices and conditions) in selected OECD countries, using a newly developed modelling approach to analyse the quantitative effects of different agri-environmental policy measures on the environment and welfare, and an overview of the impacts of climate change on agriculture and options for adaptation. A review of policies and practices for the sustainable management of water in agriculture in China was addressed in an OECD-China workshop in 2006 in Beijing, under the ongoing OECD China programme.

Taxes and environment

The *Joint Meeting of Tax and Environment Experts* (Committee on Fiscal Affairs and EPOC), established in 1996, has been working since 2002 on how to overcome the obstacles to the full implementation of environmentally related taxes. Despite the recognition of the efficiency of these taxes, exemptions and special provisions have dampened their effectiveness, and concerns about their impacts on income distribution and the competitiveness of specific firms and sectors have limited their use. In 2006, the results of this work were published as *The Political Economy of Environmental Taxes*, promoting wider use of environmentally related taxes, including how to address impacts on income distribution and sectoral competitiveness. In addition, extensions were made to the database on environmental policy instruments (other than regulations) in place in Member countries.

Trade and environment

The *Joint Working Party on Trade and the Environment* (Trade Committee and EPOC) was established in 1990 to further understanding of the environmental impacts of trade as well as the trade impacts of environmental policies. It has sought to develop guidelines for the use of trade measures in implementing multilateral environmental agreements,

contributed to the analysis of the trade impacts of environmentally-harmful subsidies, examined the environmental and developmental impact of liberalising trade in environmental goods and services, and assisted developing country exporters in complying with environmental standards for traded goods. It also played a role in the development of the OECD Working Party on Export Credits and Credit Guarantees (ECG) recommendations for environmental reviews of projects receiving officially supported export credits. In 2006, the Joint Working Party held a workshop which examined the implementation and impacts of environmental provisions in regional trade agreements.

Energy and climate change

The *Annex I Expert Group on the United Nations Framework Convention on Climate Change (AIXG)(UNFCCC)* is a group of government delegates and experts from Annex I Parties to the UNFCCC. It was established in 1994 to address analytical issues relevant to the commitments of Annex I Parties and emerging climate change issues. Participants include OECD member countries and countries with economies in transition. The OECD and the International Energy Agency (IEA) provide secretariat support to the AIXG. The secretariat prepares technical papers aimed at national policy makers and other decision makers. Current AIXG work addresses: technology diffusion, emission trading, sectoral crediting, the Clean Development Mechanism (CDM), Joint Implementation, policy frameworks for adaptation in participating countries, possible future climate change agreements and seminars with experts from developing countries.

Biotechnology

The *Internal Co-ordination Group on Biotechnology* was established in 1993 to facilitate co-ordination among the Secretariat to the many OECD Committees and groups interested in biotechnology issues, including environment, agriculture, science and technology, industry, energy and trade (EPOC, COAG, CSTP, CIBE, CERT, TC). Joint projects and workshops examine the economic, environmental and social aspects of various biotechnology-related issues, including genetic inventions, health-related biotechnologies, biofuels, and regulatory oversight in terms of environment, health and safety. In 2006, a *Workshop on Managing the Transition to a Biobased Economy* examined the use of bioprocesses in a range of industries, and a multi-year project on *The Bioeconomy to 2030: Designing a Policy Agenda* was launched to increase understanding of the potential impacts from advances in the biological sciences.

Priority Sustainable Development Areas

This section contains a brief review of the status of work on OECD sustainable development priority topics: sustainable consumption and production, governance for sustainable development, corporate social responsibility, environment and health, and education for sustainable development. It also reviews work in the sustainable development priority areas of intergenerational concerns and statistics and measurement.

Sustainable consumption and production

The importance of changing consumption and production patterns was first identified as a central theme in sustainable development in Chapter 4 of *Agenda 21* in 1992. The Johannesburg Plan of Implementation, adopted at the World Summit on Sustainable Development (WSSD) in September 2002, contains country commitments to changing unsustainable patterns of consumption and production in recognition that consumer habits and lifestyles must evolve as well as industrial output.

A follow-up meeting in Marrakech in June 2003 took the initial steps to develop a ten-year framework of programmes to accelerate the shift towards sustainable consumption and production. A second international expert meeting was held in Costa Rica in September 2005 and a third is planned in Stockholm, Sweden in autumn 2007. The Marrakech Process is based on seven task forces led by different OECD countries: 1) sustainable buildings and construction (Finland), 2) co-operation with Africa (Germany), 3) sustainable public procurement (Switzerland), 4) sustainable lifestyles (Sweden), 5) sustainable tourism (France), 6) sustainable products (United Kingdom), and 7) education for sustainable consumption (Italy). There is also a proposed task force on sustainable enterprises, particularly the role of small and medium-sized enterprises (SMEs).

Most OECD work has been concentrated in the EPOC, which has had work programme items on sustainable household consumption, green public procurement, extended producer responsibility, and environmental

management in enterprises. In the area of sustainable consumption, an EPOC survey in 2006 explored the role of various factors in influencing household consumption patterns, including socio-economic, demographic and attitudinal variables as well as policy measures such as regulations, economic instruments and eco-labelling. Key areas such as recycling household waste, residential energy use, personal transport choice and organic food consumption were covered in a workshop on *Household Behaviour and Environmental Policy* in June 2006. In 2007, a second survey in six OECD countries will assess the effects of policy measures on household behaviour regarding energy use, waste, food and personal transport.

Also in 2006, the EPOC surveyed countries on the extent to which they had implemented the recommendations agreed to in the *2002 OECD Council Recommendation on Improving the Environmental Performance of Public Procurement*. This survey found that green public purchasing policies are being practiced at national level in most OECD countries, but less so at sub-national levels. For many countries, taking environmental considerations into account in government procurement decisions is part of a broader sustainable development policy.

The Trade Committee initiated a project in 2006 assessing how consumers could best be informed about the environmental and social dimensions of internationally-traded products and the activities of multinational enterprises, including through labelling, consumer guides, and corporate reporting. Four case studies – of fisheries, cut flowers, cosmetics and textiles – revealed that consumers, who are driving the trend towards corporate responsibility, have serious difficulties obtaining information about the social and environmental practices of companies. A workshop organised by the Trade Committee, with input from the Committee on Consumer Policy (CCP), will be held in September 2006 to discuss the report on *Informing Consumers of Corporate Social Responsibility in International Trade*.

In the area of sustainable production, the EPOC plans to continue its work on environmental policy and firm-level management, which was the subject of the *2005 Workshop on Public Environmental Policies and Private Firms*. Proposals are included in the future work programme on corporate behaviour and environmental policy, which will be based on a follow-up survey of firms to explore the role of government incentives to the uptake of environmental management systems and the need for different regimes for small and medium-sized enterprises (SMEs). In addition, the survey will assess public incentives to corporate environment-related research and development (R&D) and innovation.

In 2006, EPOC continued its assessment of extended producer responsibility (EPR) approaches, which place responsibility for a product's end-of-life environmental impacts on the original producer and seller of that product. Analysis found that different EPR policy instruments, including fees, subsidies and producer take-back, can lead to higher recycling levels as well as more sustainable product designs.

Governance for sustainable development

The Public Governance Committee (PGC) has developed policy guidance and conducted case studies of governance for sustainable development. Early work by the PGC on national sustainable development strategies (NSDS) concluded that “good governance and sound public management are preconditions for the implementation of sustainable development policies”. Much ongoing analysis by the PGC is related to sustainable development governance, including that on regulatory reform, management of public finances and mechanisms for involving stakeholders in decision-making. In 2006, the PGC launched an initiative with the EPOC to include chapters on environmental governance in the regulatory reform reviews of OECD countries, starting with Sweden.

Current work on NSDS and on subsidy reform underline that achieving sustainable development goals may be largely a matter of “good governance” in terms of fostering policy coherence and integrated decision-making. The implementation of governance structures that assist in promoting sustainable development is primarily done in the context of country-level sustainable development strategies. In the chapters relating to sustainable development topics in the EDRC reviews (2001-4), brief assessments were made of the strategies in place in selected OECD countries. Similarly, the EPOC environmental performance reviews sometimes include a short discussion of the institutional arrangements for monitoring the implementation of NSDS.

Corporate social responsibility

According to the *OECD Guidelines for Multinational Enterprises*, “multinational enterprises have the opportunity to implement best practice policies for sustainable development that seek to ensure coherence between social, economic and environmental objectives”. While observance of the Guidelines is voluntary for business, adhering governments are committed to promoting them and to making them influential among companies operating in or from their territories. In 2004, the EPOC and the Investment

Committee undertook a review of the environmental components of the Guidelines which resulted in improved outreach to stakeholders and better use of the Guidelines to address corporate environmental performance. The environmental recommendations cover corporate management systems, life-cycle assessments, precautionary approaches, stakeholder involvement, etc.

A large share of the matters considered under the Guidelines involve labour and social issues – for example, over half of the nearly one hundred mediation proceedings have explored the social and labour dimensions of foreign investments by OECD companies. The guidelines on employment and industrial relations cover all core labour standards, including the abolition of child and forced labour. New recommendations were added in 2000 on respecting human rights and encouraging human capital formation. In June 2006, the OECD Council adopted the *OECD Risk Awareness Tool for MNEs in Weak Governance Zones* to offer further guidance to companies operating in certain regions and areas.

Other OECD Committees have touched on corporate social responsibility issues. In 2000, the OECD Local Employment and Economic Development (LEED) programme held a Roundtable on new approaches to corporate social responsibility at the local level, which was followed by a 2004 seminar on *Taking Corporate Social Responsibility Seriously*. In 2006, the Trade Committee project on *Informing Consumers of Corporate Social Responsibility in International Trade* included a review of good practices in reporting and communicating on corporate social responsibility and the need for a better disclosure process on the social and environmental impacts of corporate practices. It is proposed that the Investment Committee and the Employment, Labour and Social Affairs Committee (ELSAC) jointly work on *Globalisation and Responsible Business Conduct in Employment and Industrial Relations*.

Environment and health

Work on environment and health links has been mainly undertaken by the EPOC and the Chemicals Committee in activities on the safety of chemicals, the safety of food and feed which contains genetically modified crops, and the valuation of health risks to children. The Group on Health, which reports directly to the OECD Council, primarily focuses on developing data, indicators and analytical frameworks for assessing the performance of health systems in OECD countries. This includes health accounting systems and indicators of the cost-effectiveness of health systems and the quality of care.

In 2006, the EPOC initiated a project concerning environmental degradation and human health which addressed the costs of health care as a result of ecological damage. Undertaken in the context of the EPOC project on costs of inaction, it provided estimates of potential human health costs with respect to certain environmental pressures. The EPOC also carried out country case studies (United Kingdom, France and Canada) on the governance factors involved and the difficulties of formulating a coherent environmental health policy. A summary report includes recommendations on how to improve co-ordination of environment and health policies at national level.

In addition, the 2nd cycle of Environmental Performance Reviews have sometimes included a chapter on the environment-health interface, with assessments of institutional co-operation on environmental health concerns, reducing health threats from air and water pollution, reducing health hazards from chemicals, and noise abatement. A proposal is included in the future EPOC work programme on evaluating the health impacts to children from environmental factors on a cross-country basis to include consideration of social insurance and health care systems.

Education for sustainable development

In 1992, *Agenda 21* underlined that “education is critical for promoting sustainable development and improving the capacity of people to address environment and development issues”. The role of the education system in contributing to environmental awareness and social values is the theme of the *UN Decade of Education for Sustainable Development* (2004-2015) under the auspices of UNESCO.

The OECD Education Committee has indirectly looked at social issues, such as in the Programme for International Student Assessment (PISA) which includes socio-economic background variables, and previous work on social capital in terms of returns to education. In the late 1980s-early 2000s, the Centre for Educational Research and Innovation (CERI) supported the *Environment and Schools Initiative* (ENSI) which advocates mainstreaming environmental awareness into school curricula at all levels. At present, the Education Committee together with ELSAC is designing the Programme for the International Assessment of Adult Competencies (PIAAC) which will include a review of certain social outcomes of education systems. A session on measuring the social outcomes of education is also included in a Global Forum on Education proposed for June 2007.

Intergenerational concerns

The standard definition of sustainable development from the 1987 Brundtland Report, *Our Common Future*, is “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 and consideration of potential impacts of economic, environment and social policies on future generations. The most forward-looking OECD activities are its many Outlook publications, including the Economic Outlook, Employment Outlook, Agricultural Outlook and Environment Outlook. These Outlooks generally identify economic and policy drivers in a given area and attempt to predict main trends and developments over the medium to long term. Many employ economic and engineering models to highlight possible adverse consequences in the future of current activities or policies.

In 2006, the IEA *Energy Outlook* predicted that global carbon dioxide emissions will increase by more than 50% by 2030 and recommended certain economic, environmental and technological measures to slow global warming. The 2006 *Agricultural Outlook* predicted that productivity growth in the poorest countries will not keep pace with the food needs of their rising populations. The 2006 *Employment Outlook* predicted that ageing populations will put considerable downward pressure on economic growth in many OECD countries in the coming decades. The May 2006 *Economic Outlook* showed by how much ageing (and non-demographic factors) may boost public health and long-term care spending over the next half century.

Ongoing analysis for the next *OECD Environment Outlook* will provide projections to 2030 based on economic and environmental modelling. This will assess the main drivers of environmental change – population growth, economic development, globalisation, consumption and production patterns, technological innovation, and decoupling trends. It will encompass key environmental developments to 2030, including those relating to climate change, air quality, biodiversity and water, and some cross-cutting issues such as health-environment and urban issues. These scenarios form the basis for simulations to assess the future environmental benefits and potential costs of various policy options.

The longer-term economic and social consequences of ageing populations in OECD countries has been analysed by EPC and ELSAC in a series of studies and working papers. In 2005, WP1 looked at the channels through which ageing will shape the main economic factors that in turn affect potential growth. ELSAC prepared country reports on *Ageing and Employment* which review the employment barriers confronting older people and an assessment of measures in the areas of wage scales, job

discrimination, skills acquisition and working conditions for keeping older people on the job. The lessons learned from the country studies were compiled in a 2006 report *Live Longer, Work Longer* which discusses how to remove work disincentives and increase choice in work-retirement decisions, improve the employability of older workers, and change employer attitudes and employment practices.

Analyses of long-term pension issues are ongoing in several OECD Committees. The 2005 Social Policy Ministerial recommended ELSAC work on the social and economic implications of pension policies. The report *Pensions at a Glance* is intended to help countries assess how pension reforms driven by economic considerations will affect the living conditions of future generations of workers. In addition, proposed work on improving social protection systems to meet demographic challenges is to include recommendations on modernising pension systems

The Insurance and Private Pensions Committee (IPPC) (until 2005 the Insurance Committee) maintains statistics on OECD pension systems including comparisons of retirement ages, benefit accrual rates, ceilings and indexation, pension entitlements, redistribution effects and the cost of future pension promises. At present, the Committee is seeking public comment on draft guidelines on the funding of occupational pension schemes, including how to protect money paid by employees into pension systems. In addition, the Committee on Financial Markets (CFM) prepared a report in 2006 reviewing the economic consequences of ageing populations and the need for new financial instruments such as government bonds to support retirement savings and pensions.

Another approach to looking at intergenerational concerns has been taken by EPOC in its work on the long-term costs and consequences of environmental policy inaction. In a high-level session in 2005, the EPOC launched this activity through discussions on how to measure and better understand the economic, environmental and social costs of inaction with respect to: 1) the human health impacts of air and water pollution, 2) the impacts of climate change, and 3) the impacts of biodiversity loss. Future reports are to assess the costs of inaction in specific areas such as resource exploitation and access to water and sanitation.

Statistics and measurement

The Joint Working Group on Statistics for Sustainable Development (JWGSSD), established at end-2005 by the OECD Statistics Committee, EUROSTAT, and the UNECE Conference of European Statisticians, met twice in 2006 – in March in Luxembourg and in November in Oslo,

Norway. The Working Group was set up to articulate a broad conceptual framework for sustainable development measurement and to develop a menu of sustainable development indicators to assist governments and international organisations when they are designing indicator sets. The Group will also review the relationship between integrated environmental and economic accounts and sustainable development indicators. An update is being prepared of the 2002 publication *Overview of Sustainable Development Indicators used by National and International Agencies*. The Working Group is to develop recommendations on sustainable development statistics by June 2008.

The Statistics Committee on Alternative Measures of Well-Being and on Statistics for Sustainable Development are part of an OECD project on *Indicators for Measuring Progress and Indicators for Policy Making*, which aims to develop and disseminate key sets of indicators for assessing the results of economic, environmental and social policies. Most OECD Directorates are contributing to this effort to enhance statistical indicators in various domains, their more effective dissemination, and assessment of how they are used in decision-making. This project is intended to improve the nexus between statistics and policy-making as well as the coherence of OECD statistics and indicators. It will feed into the 2nd *OECD World Forum on Statistics, Knowledge and Policy* to be held in Istanbul, Turkey on 27-30 June 2007, which will include a session on statistics for sustainable development. The 1st World Forum in 2004 in Palermo, Sicily focused on the use of statistics for decision-making in economic, environmental and social fields.

Sustainable Development in OECD Committees

Economic

Economic Development and Review Committee (EDRC)

The approach to structural issues in the country reviews conducted by the Economic and Development Review Committee (EDRC) has evolved with the emphasis on key challenges facing each country; sustainable development issues are included when they are important challenges to the country concerned. This broadens the perspective compared with the approach followed in 2001-4, when economic survey chapters on sustainable development covered a more restricted menu of topics pertaining to the environment (reducing greenhouse gas emissions, air pollutants, and water pollution, moving towards sustainable natural resource use, reducing and improving management of waste) and to social concerns (improving living standards in developing countries and ensuring sustainable retirement income policies). However, there is follow-up of previous recommendations on sustainable development issues in the *Box on Progress in Structural Reform* in the Challenges chapters.

A wide variety of topics have been picked up in the EDRC surveys, the coverage depending on the specific challenges facing countries. Issues in nearly all surveys include: ageing and pensions, fiscal sustainability (occasionally with a long-term intergenerational angle), welfare benefits (including often a sickness and disability focus) and their interaction with taxes and other measures in the context of labour supply and demand, childcare and linked issues of early childhood education, health, education and training, and labour market issues more generally.

In 2006, new areas that have been developed include: chapters on housing (Denmark, Iceland and Ireland); infrastructure (Australia and Ireland); and income inequality, poverty and social spending (Japan). Surveys where there has been a section focused on one or several

environmental issues include: Australia (sustainable water supply); the Czech Republic (environmental policy); Denmark (windmills); Iceland (environmental challenges and the Kyoto Protocol); Portugal (selected environmental areas); and Switzerland (reducing carbon emissions efficiently).

Economic Policy Committee Working Party No. 1

Working Party No. 1 of the Economic Policy Committee (WP1) looks at the sustainability of policies within each of the three dimensions of sustainable development, particularly economic concerns, taking account of synergies or trade-offs between the different dimensions where relevant.

The social dimension is reflected in WP1 consideration of the possible economic policy implications of the effects of ageing on growth, the pressures on public finances likely to arise from both demographic and non-demographic drivers of health expenditure, work on the relationship between economic growth and well-being; and, in the context of revising the OECD Jobs Strategy, the implications of economic recommendations and developments for income distribution. Current and future work in this area will consider the policy requirements for achieving desirable outcomes in the fields of education and health through greater efficiency, thereby reducing public outlays. In addition, WP1 is to consider important post-Kyoto issues such as climate change and the long-term supply of energy.

Committee for Scientific and Technological Policy (CSTP)

Sustainable development was addressed in an activity of the Committee for Scientific and Technological Policy (CSTP) on International Science and Technology Co-operation for Sustainable Development. This followed on the *Declaration on International Science and Technology Co-operation for Sustainable Development* adopted by Ministers in 2004 at the Ministerial level meeting of the CSTP. The work aimed at identifying good practices in international science and technology co-operation, especially between OECD and developing countries; fostering capacity-building in science and technology; facilitating effective diffusion of scientific knowledge and technology transfer; and developing knowledge infrastructure and networks. It also considered possible indicators of good practices in international science and technology co-operation for sustainable development and methodologies to evaluate international science and technology co-operation initiatives. This activity resulted in an international conference in South Africa in November 2005.

The CSTP carries out several other activities that relate to sustainable development such as country reviews of innovation policy; in 2005-2006, such reviews were started for three non-member economies -- China, Chile and South Africa. New work will respond to the growing interest in nanotechnology in OECD countries, a technology that can have important impacts on meeting economic and social needs, including those related to health, environment and energy. Other new activities will aim at strengthening the contribution of innovation to health outcomes and uptake of health technologies; improving understanding of the globalisation of science and innovation; and examine policy issues related to human resources in science technology, including brain drain and brain gain and achieving a better circulation of researchers.

Environment

Environment Policy Committee (EPOC)

In January 2006, the Environment Policy Committee (EPOC) adopted a strategic vision, partly to reinforce EPOC's work on the integration of environmental issues in economic and other policies, and contribute toward the achievement of sustainable development. All issues in EPOC's programme of work are in a broad sense related to sustainable development: 1) environmental peer reviews, 2) indicators and Outlooks; 3) natural resource management and climate change; 4) environment, health and safety and social linkages; and 5) decoupling environmental pressures from economic growth.

In 2006, EPOC discussed progress in the 2nd cycle of environmental performance reviews of OECD countries and selected non-OECD economies and options for further work after the 2nd cycle of reviews. The 2nd cycle of reviews, which commenced in 2001, included a part on sustainable development which assessed the integration of environmental concerns in economic policies (the environmental-economic interface) and in social policies (the environmental-social interface). Chapters on the environmental-economic interface examine the institutional and market-based integration of the economy and environment, including decoupling environmental pressures from economic growth, environmentally-related taxes, enforcement of environmental regulations, climate change mitigation measures, and pollution abatement and control expenditures. Chapters on the environmental-social interface examined issues including environment and employment, environmental democracy, distributive aspects of environmental policies, environment and health, and environmental

education. The sustainable development sections sometimes included short discussions of institutional issues relating to national sustainable development strategies. In 2006, four member countries (Belgium, Korea, New Zealand, Switzerland) and China were reviewed.

The Environment Directorate also provides Secretariat support to international bodies, including the *Task Force for the Implementation of the Environmental Action Programme for Central and Eastern Europe* (EAP Task Force). The EAP Task Force was established in 1993 to promote the integration of environmental considerations into the process of economic and political reform in central and eastern Europe in several main areas: water supply and sanitation; environmental finance; environmental policy reform, including enforcement and compliance; and supporting the achievement of the objectives of the EECCA Environment Strategy. In 2006, the Proceedings of a *Conference on Financing Water Supply and Sanitation* held in Yerevan, Armenia in November 2005 were published.

Social

Education Committee

The Education Committee manages a programme of work supporting sustainable development, including reviews of different aspects of education policy and practice – such as on tertiary education, school leadership, school choice and autonomy; the development of policy instruments such as, with UNESCO, guidelines on quality in cross-border higher education; country reviews – such as currently on higher education in Portugal; and networks such as those on school bullying and violence. Other Committees linked to the Education Committee also undertake relevant work, including the PISA Governing Board which manages regular surveys of the knowledge and skills of 15-year-olds in schools, and CERI Governing Board which pursues a wide range of work on research and innovation in education.

The Education Committee's programme of work is largely concerned with the business of how best to pass on the skills necessary for a sustainable future from one generation to the next, a task which sits alongside, for example, the task of passing on a sustainable natural environment as different components of sustainable development. For example: 1) work on early childhood education and care has helped to establish the importance of the learning environment very early on in life to the long term development of both cognitive and social skills; 2) the PISA survey has revealed large differences between countries in their ability to

provide school leavers with the knowledge and skills which they will need during their adult lives; and 3) work on equity in education is exploring how fairness and inclusion in education systems can sustain social cohesion in OECD countries. Future work on vocational education will look at how best to develop the technical and professional skills which will be needed in future economies of OECD countries.

Employment, Labour and Social Affairs Committee (ELSAC)

Social concerns and their economic impacts are considered by the Employment, Labour and Social Affairs Committee (ELSAC). In 2006, work on “alternative measures of well-being” carried out in co-operation with the Economics Department and the Statistics Directorate was a natural complement to that undertaken by the Working Group on Statistics for Sustainable Development on measurement of different types of capital, in the perspective of getting better measures of well-being in each society.

The preparation of a report which provided a framework for analysing the challenges to the sustainability of social protection systems testifies to the importance that ELSAC attaches to the notion of sustainable development as it applies to its own work. While most of ELSAC work focuses on the domestic conditions of OECD countries, the work on the integration of migrants and on the social component of the Guidelines for Multinational Enterprises has critical implications at the global level.

Public Governance Committee (PGC)

The Public Governance Committee (PGC) is concerned with good governance and sound public management, including the search for policy coherence, the use of high-quality regulation tools for environmental issues, and mechanisms for consulting and involving stakeholders. It has carried out work in several areas related to sustainable development: 1) public procurement, including “green procurement”, creation of jobs in economically disadvantaged areas, and opportunities for small and medium-sized enterprises; 2) regulatory reform and regulatory impact assessments, which include environmental impacts, as well as assessments of the future benefits and costs of regulations; and 3) budgeting and public expenditure planning for ensuring sustainable public services and income distribution in the future, budget transparency, macroeconomic stability and sustainable public finances.

In addition, OECD’s horizontal work on regulatory reform addresses cross-cutting regulatory, trade and competition policy issues, as well as the potential relevance of high-quality regulation in specific sectors. In 2006, an

analysis of environmental policy and regulatory reform was included in the regulatory reform review of Sweden. The current work on regulatory frameworks for public services, and the exploration of the interface with public sector activities opens the possibility of further expansion to environmental policies. Another key dimension is how to address and reduce the frequency and severity of risks that could jeopardize the natural or social environment.

New activities of the Public Governance Committee include work on: 1) open and inclusive policy-making such as involving stakeholders in the decision-making process and good information and consultation practices; 2) risk management, including integrating risk in regulatory management and practice; 3) public-private partnerships both from a budgetary and regulatory perspective; and 4) reducing administrative burdens to help countries determine the most efficient and effective ways to monitor compliance and make enforcement effective, thereby enhancing the credibility of government with the public and private sector.

Territorial Development Policy Committee (TDPC)

The Territorial Development Policy Committee (TDPC) addresses a number of sustainable development issues related to regional policy: 1) sustainable use of building stock which aims to lengthen the real service life of buildings by promoting appropriate maintenance, renovation, conversion, etc.; 2) socially sustainable housing which stresses the importance of social cohesion to achieve long-term urban competitiveness and housing policies to achieve better social mix; 3) policies to enhance city attractiveness and urban regeneration, including through social cohesion and community involvement; and 4) sustainable cities and competitiveness, including case studies of metropolitan areas and city-regions (e.g. urban regeneration policies in Seoul, sustainable and environmental friendly transport policies in Melbourne, London and Stockholm).

Work carried out for the Working Party on Territorial Policy in Rural Areas highlights new factors influencing rural policy. These concern the increased focus on rural amenities, pressures to reform agriculture policy, and decentralization and trends in regional policy. An increased focus on rural amenities – quality of life and environment, natural and cultural heritage – also assist in promoting real attributes that attract investments and employment.

Future work of the Territorial Development Policy Committee includes: 1) promoting sustainable urban communities to examine policies to achieve better integration of urban communities and to attract immigrants with skills and valorise them; and 2) policies to enhance the urban environment by

integrating environment dimensions into urban development strategies. Ongoing work on governance issues will assess vertical contracts between levels of government and inter-municipal arrangements, including a horizontal project on fiscal relations across levels of government.

Sectoral

Committee for Agriculture

The work of the Committee for Agriculture is grouped into three broad categories: 1) agricultural policy reform, 2) agriculture and trade, and 3) agriculture sustainability. Concerning the latter, the work has primarily focused on the interlinkages between the economic (production, consumption, trade) and environmental (both harmful and beneficial effects) dimensions of sustainable development. A major interest has been the work on the harmful environmental effects of subsidies. In addition, the Committee has explored the multifunctional nature of agriculture and developing appropriate conceptual and analytical frameworks to better understand the complex linkages between production agriculture and the environment, along with other issues such as rural development and food security.

Work gradually shifted from describing the state of the environment in agriculture (agri-environmental indicators) and policies in place (agri-environmental policy inventory) to explaining the linkages between policy change (policy reform and trade liberalisation) and environmental effects (modelling policies and trade liberalisation in the arable crops sector and using an OECD-developed model to analyse the effects of different policies in different country settings, looking at environmental, economic and government budget implications). Another feature of the work has been to focus on specific topical issues through workshops and expert meetings: agricultural biomass, agriculture and water, agriculture and rural development (including land use), agri-environmental policy evaluation, agri-environmental technology, and resource issues in agriculture in China.

Work will be undertaken on analysing the environmental effects of bio-energy from agriculture, the links between agriculture and the bio-economy, and policies to achieve sustainable water use and quality. A major thrust of the work will be on understanding the causal link between agri-environmental policies and tools and the resulting environmental outcomes. Countries employ a vast array of tools, but not enough is known about which instruments work, in what situation will they work, and which tools are the most efficient and effective. The work is intended to contribute to

identifying the characteristics of good policy practices to achieve agri-environmental goals in effective and efficient ways.

Committee for Fisheries

The Committee for Fisheries has focused on three major outputs: 1) the economics of illegal, unreported and unregulated fishing (IUU), 2) the use of market mechanisms to manage fisheries, and 3) analysis of government financial transfers to the fishing industry from a sustainable development perspective. The Committee's work on IUU fishing focused on the economic, social and environmental aspects of fish piracy and identified the forces that drive the activity. A key finding is that IUU activities will continue as long as it is profitable for the IUU fishers, and it is therefore important to augment the chances for being caught, while also changing the incentive structure and making this activity unprofitable.

In the work on the use of market mechanisms, the Committee mapped out a large number of existing fisheries management frameworks using the six characteristics of property rights theory (*i.e.* exclusivity, duration, quality of title, transferability, divisibility and flexibility), and assigning numerical scores to observed situations. The work showed that there is a wide spectrum of market like instruments being used in OECD countries to manage fisheries and that the perception that market mechanisms were restricted to individual transferable quotas was largely in error. The study concluded by offering ten operational paths containing practical advice which policy makers can draw on in designing policy changes in their countries.

The Committee has worked for a number of years on financial support provided to the OECD fisheries sector (known as government financial transfer or GFTs), focusing on the conceptual, data and trade policy issues of subsidies. The Committee has analysed GFTs within a sustainable development framework by addressing the economic, social and environmental consequences of financial support. The analysis emphasizes the effects within the three pillars of sustainable development as well as the interactions between the pillars under various fisheries policy settings.

The Committee is undertaking further work on fisheries policy reform and the effects of globalisation on the fisheries sector. While the tools to achieve sustainable and responsible fisheries are known, actual policy reform is difficult to get underway owing to political economy factors. This work seeks to identify the challenges that policy makers face in getting the reform process underway and provide practical policy recommendations on how to undertake reform. The pace of globalisation and structural adjustment in the fisheries sector has increased rapidly over the past decade,

causing increased pressure on the fisheries resource base. Work will outline the broad range of consequences of globalisation for the sector, actual and potential inhibitions to adjustment to globalisation, and explore how these might be addressed.

IEA Committee on Energy Research and Technology (IEA/CERT)

The Committee on Energy Research and Technology (CERT) aims to provide clean, efficient, reliable, and secure energy supply through technology research and development (R&D) and policies. The CERT has working parties in each of the major sectors of the energy economy: fossil fuels, renewables, end-use technologies, and fusion power. The contribution made by the technology programme to achieving the goals of the International Energy Agency (IEA) -- energy security, economic growth and environmental protection -- are in themselves a key part of achieving sustainable development in the area of energy.

A recent publication, *Energy Technology Perspectives*, demonstrates how technologies can make a difference in a series of global scenarios to 2050. It assesses ways the world can enhance energy security and contain growth in CO₂ emissions by using a portfolio of current and emerging technologies, providing detailed technology and policy insights to help policy makers craft sustainable solutions. The energy technology R&D and outreach carried out in the 41 IEA Implementing Agreements work to advance technology solutions in, for example: energy-savings in power supply and end-use technologies (buildings, transport, industry); CO₂ abatement (e.g. clean fossil fuels, CO₂ sequestration); and energy security or import independence (e.g. renewable energy technologies).

There are currently 12 non-OECD countries participating in the joint research activities of IEA Implementing Agreements. Leaders of the G8 look to the IEA to increase developing country participation in order to share best practice and increase the knowledge base, particularly among the "plus 5" countries Brazil, Russia, China, India, and South Africa. This work is organised as the NEET Initiative (*Networks of Expertise in Energy Technologies*). Other efforts to increase capacity building in developing countries include the Global Renewable Energy Policies and Measures Database, which features renewable energy market and policy information for over 100 countries.

Future CERT activities linked to the G8 Plan of Action include: a study on integration of renewable energy into electric grids; analysis and potentials of carbon sequestration; broadening *Energy Technology Perspectives* to include analysis of non-OECD countries with a special focus on potential energy savings in the industry and transport sectors; an *Energy*

Technology Handbook of technology scorecards (GHG emissions, investment costs, possible energy savings, and fuel supply constraints); and comparative tables to provide policy-makers with the information necessary to make informed decisions and R&D policy assessments.

IEA Standing Group on Long-Term Co-operation (IEA/SLT)

With regard to climate analysis, the IEA Standing Group on Long-Term Co-operation (IEA/SLT) is intensifying its efforts to identify best policy practice in the field of energy and greenhouse gas reductions, both at national and international level. The objectives of the analysis are to identify effective policy tools and strategies to deliver least-cost reductions in energy-related greenhouse gas emissions, and to assist Member countries in meeting their responsibilities under the UNFCCC. The major activities include work on: 1) a database of policies and measures to reduce greenhouse gases, 2) competitiveness implications of a carbon constraint on energy-intensive industry, 3) effects of uncertainty from climate change policies and measures on energy investment decision, 4) investment in climate-friendly technology, and 5) adaptation of the energy sector to climate change

The IEA/SLT has contributed a number of analyses on the international mechanisms established under the Kyoto Protocol, providing expert views on how various options could work in light of the energy sector realities in developed and developing countries. This includes analysis of options for international co-operation on GHG mitigation and assessment of the project-based and sector-based crediting mechanisms and international emissions trading schemes. In addition, energy sustainability, which includes climate change, energy efficiency, renewables, etc, is an important component of the country reviews of the energy policies of IEA countries. With regard to environmental issues, the IEA/SLT is focusing on modern biomass uses which can ensure an access to energy services in developing countries, including a workshop on the modern use of biomass and an information paper on *Policies for Sustainable Traditional Biomass*.

Through the World Energy Outlook (WEO) series of studies, the IEA draws lessons in the medium (2010-2015) and longer-term (2030) for energy security, investment and the environment in order to provide IEA Member countries with an analytical tool for identifying the most appropriate and cost-effective policy actions to achieve a more sustainable energy future. The WEO 2007 will focus on the outlook for energy markets in China and India and implications for global markets. As with previous editions, the WEO 2008 will analyse the possible evolution of global energy markets and

related environmental issues based on detailed region-by-region and fuel-by-fuel projections for different scenarios.

International

Development Assistance Committee (DAC)

Most of the work of the Development Assistance Committee (DAC) on sustainable development issues has been carried out under the framework of the collaboration between the Network on Development and Environment (ENVIRONET) and the EPOC Working Party on Global and Structural Policies. Joint work has focused on how to integrate climate change adaptation into development co-operation, and led to the Joint Meeting of the DAC and EPOC at Ministerial Level in April 2006, which provided the opportunity to share their perspectives on key issues at the interface of environmental and development policy.

In addition, the ENVIRONET has worked to identify ways to integrate environmental considerations at the level of development co-operation policies, plans and programmes, as called for by the *Paris Declaration on Aid Effectiveness*. It has also worked with the DAC Poverty Reduction Network to ensure appropriate consideration of environmental issues in the context of DAC work on poverty reduction and pro-poor growth. As a standard chapter of its regular Peer Reviews, the DAC examines issues of policy coherence for development on a systematic basis, including both institutional and sectoral aspects.

Investment Committee

The *OECD Guidelines for Multinational Enterprises*, developed by the Investment Committee, comprise a code of conduct that aims to “enhance the contribution to sustainable development made by multinational enterprises.” In the current biennium, the 30 OECD member and 9 non-member adhering governments have *inter alia* undertaken the following implementation measures: provision of mediation services on disputes involving business conduct in such areas as human rights (*e.g.* in core labour standards and private management of detention facilities); seeking regulatory exemptions for an oil pipeline in the Caspian Sea region; managing the environmental and social impacts of mining projects in Africa, Burma and Ecuador and of hydroelectric projects in Laos; and a fish farming project in Chile. In addition, the Investment Committee has developed a risk awareness tool for multinational enterprises in weak governance zones,

which asks companies to “comply with their legal obligations and to observe other relevant international instruments covering such areas as human rights, the fight against corruption, labour management (including observance of core labour standards) and environmental protection”.

Follow up will involve continued improvement of adhering countries’ implementation capabilities through experience sharing and regular peer reviews. Promotion of internationally-recognised corporate responsibility standards with key non-member players (including Russia, India, China and South Africa) will be another focus of Guidelines follow-up. In response to requests from the Chinese government and from business sectors in both OECD countries and in China, the Investment Committee will be engaging in discussions with China on government approaches to responsible business conduct. Russia’s policies towards responsible business conduct, including by Russian energy investors operating abroad, will also be explored.

In 2006, the Investment Committee developed the *Policy Framework for Investment* (PFI) as part of an OECD contribution to broader follow-up on the Monterrey Consensus. It is directed to governments, complementing the MNE Guidelines which are directed to companies. The PFI is non-prescriptive checklist of issues for consideration by interested governments engaged in domestic reform, regional co-operation or international policy dialogue aimed at mobilising “investment that supports economic growth and sustainable development.” It brings together ten sets of questions covering the main policy domains identified in the Monterrey Consensus as having a strong impact on the investment environment: investment policy, investment promotion and facilitation, trade policy, competition policy, tax policy, corporate governance, responsible business conduct, human resource development, infrastructure and financial sector development, and public governance. The PFI chapter on “infrastructure development” (written jointly with the World Bank) will be supported by the development of a set of *OECD Principles for International Investor Participation in Infrastructure* with a focus on the energy and water sectors.

Acronyms

OECD Bodies

A1XG – Annex 1 Expert Group on the United Nations Framework Convention on Climate Change

AMSDE – Annual Meeting of Sustainable Development Experts

CCP- Committee on Consumer Policy

CERI – Centre for Educational Research and Innovation

CERT – IEA Committee on Energy Research and Technology (CERT)

CFA- Committee on Fiscal Affairs

CFM – Committee on Financial Markets

CIBE –Committee on Industry and Business Environment

COAG – Committee for Agriculture

CSTAT – Committee on Statistics

CSTP – Committee for Scientific and Technological Policy

DAC – Development Assistance Committee

ECG – Working Party on Export Credits and Credit Guarantees

EDRC – Economic and Development Review Committee

EDU – Education Committee

ELSAC – Employment, Labour and Social Affairs Committee

EPC – Economic Policy Committee

EPOC – Environment Policy Committee

ERC – External Relations Committee (previously CCN – Committee on Co-operation with Non-Members)

FISH – Committee for Fisheries

GH – Group on Health

IC – Investment Committee

IPPC – Insurance and Private Pensions Committee (previously Insurance Committee)

JWGSSD – Joint Working Group on Statistics for Sustainable Development

LEED – Co-operative Action Programme for Local Economic and Employment Development

PGC – Public Governance Committee

TC – Trade Committee

TDPC – Territorial Development Policy Committee

WP1 – Working Party 1 of the EPC

OECD Directorates and Associated Agencies

AGR – Directorate for Food, Agriculture and Fisheries

CCNM - Centre for Co-operation with Non-Members

DAF – Directorate for Financial and Enterprise Affairs

DCD – Development Co-operation Directorate

DEV – Development Centre

ECO – Economics Department

ECH – Trade Directorate

EDU – Education Directorate

ELS – Directorate for Employment, Labour and Social Affairs

ENV – Environment Directorate

GOV – Public Governance and Territorial Development Directorate

IEA – International Energy Agency

NEA – Nuclear Energy Agency

SAH – Sahel and West Africa Club

STD – Statistics Directorate

STI – Directorate for Science, Technology and Industry

Other

CDM – Clean Development Mechanism

DDA – Doha Development Agenda

EC – European Commission

ENSI – Environment and Schools Initiative

EPR – Extended Producer Responsibility

EUROSTAT – Statistical Office of the European Commission

FAO – Food and Agriculture Organisation

IUU – illegal, unregulated and unreported fishing

MCM – OECD Ministerial Council Meetings

MDG - Millennium Development Goals

NERO – National Economic Research Organisations

NSDS – National Sustainable Development Strategies

PFI – Policy Framework for Investment

PIAAC – Programme for the International Assessment of Adult Competencies

PISA – Programme for International Student Assessment

PRS – Poverty Reduction Strategies

SME – Small and Medium-sized Enterprise

UNCSD – United Nations Commission on Sustainable Development

UNECE – United Nations Economic Commission for Europe

UNESCO – United Nations Educational, Scientific and Cultural Organisation

UNEP – United Nations Environment Program

UNFCCC – United Nations Framework Convention on Climate Change

WEO – World Energy Outlook

WSSD – World Summit on Sustainable Development

WTO – World Trade Organisation

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