Opening Remarks “The Role of the OECD”

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Why OECD countries need to lead the work on sustainable development?

Our Ministers have recognised that OECD countries “bear a special responsibility for leadership on sustainable development worldwide, historically and because of the weight they continue to have in the global economy and environment”. It was agreed in Johannesburg that now is the time to move from words to action. The priorities for action are clear: We need to achieve more sustainable consumption and production patterns, to increasingly decouple environmental pressure from economic growth, to ensure sustainable management of natural resources, and to work together in partnership to reduce poverty.

But these are easier said than done. In some areas there are major obstacles hampering the necessary policy reforms, resulting in a distinct “implementation gap” between policy advice and action. The result of this “implementation gap” has been deterioration in some environmental conditions, and the continuance of poverty, hunger and disease as defining characteristics of the lives of so many. Most of the challenges that remain relate to either the protection of global public goods, such as biodiversity or a stable climate, or to continuing inequalities between countries or peoples in terms of development, poverty reduction, and access to basic good and services such as energy and clean water and other ecosystem services.

One of the areas where OECD countries can show leadership is to increase the coherence and integration of their own policies, and to take the necessary steps either unilaterally or in co-ordination with others to overcome some of the obstacles to policy reform. This includes integrating sustainable development concerns across Ministries, and ensuring that existing policies do not work against each other. For example, OECD countries are the largest donors of overseas development assistance (ODA), but at the same time have policies in place to protect and subsidise their own national industries often at the expense of developing country economic opportunities. In fact, it is probable that in many instances the development benefits of official aid are swamped by the effects of trade distorting subsidies and other barriers to trade. OECD country support to domestic production – particularly in the sectors of agriculture, fisheries and energy – amount to roughly 6-7 times the amount of ODA provided to developing countries. Not only do many of these subsidies lead to economic distortions and environmental damage in OECD countries, but together with other barriers to trade they represent a loss of an estimated US$ 43 billion a year to developing country trading partners.

OECD is working together with its member countries to identify and establish more coherent policies for sustainable development, and to overcome some of the obstacles – such as the fear of a loss of competitiveness – which block policy reform. As an
interdisciplinary Organisation, the OECD is particularly well suited to supporting
countries in their efforts to increase coherence across the full range of public policies
affecting sustainable development. But policy prescriptions are not enough. Success boils
down to a question of will! For that we depend on political leadership.

OECD also plays an important role in reinforcing political will by monitoring country
progress towards sustainable development. Monitoring progress helps countries to
identify the effectiveness of the policies they are using both to achieve nationally agreed
objectives and to implement their international commitments; it also facilitates peer
review and peer pressure as tools to encourage countries to implement appropriate
policies effectively. OECD’s unique system of country surveys helps to foster good
governance by ensuring accountability in government policies using the peer review
system and by sharing best practices in policy experience amongst countries.

As you may know, the OECD has been actively promoting policy analysis and
prescriptions for sustainable development since 1998. In particular, to respond to the
mandate received by OECD Ministers in 2001, a horizontal project was launched,
involving national and international organisations, to identify measurement, analytical
and policy issues. The project brought to the attention of policy makers and civil society
the need for a more integrated view of economic, social and environmental dimensions of
the development, proposing policy prescription to enhance sustainable development.

One of the issues raised in the project concerned is measurement problems. This
meeting aims to analyse models developed in the field of accounting frameworks for
sustainable development, as well as projects launched in a few OECD countries to extend
the national accounts schemes to environmental and social phenomena.

Following the mandate given by Ministers in 2001, OECD has been working to better
incorporate reviews of sustainable development policies and performance in our country
economic surveys. Having agreed upon a list of sustainable development indicators, each
Economic and Development Review of OECD countries will include a new section
assessing the country’s performance. This is a new departure for OECD as an
Organisation, and an important one to ensure transparency and accountability in moving
towards sustainable development. This new activity will not replace the comprehensive
environmental performance reviews which will continue to be undertaken for all OECD
member countries over a 5-6 year cycle.

The OECD is also doing new, groundbreaking work on environmentally harmful
subsidies and environmental taxes. Work in both areas is linked to accounting
frameworks for sustainable development.

**What is the OECD doing on the social pillar of sustainable development?**

Work on the social aspects of sustainable development analyses the links between
environmental and social changes and on balancing progress between the various
dimensions of sustainable development.

Environmental issues have historically driven much of the discussion on sustainable
development. More recently, however, social aspects have also come to the fore, both at
international and domestic level. The social and economic needs of the poorest countries
were as much a part of the agenda of the 2002 World Summit on Sustainable
Development as the environmental themes that dominated the Rio Earth Summit 10 years
earlier. At the same time, several OECD countries are more fully integrating some of the
social challenges they face – the fight against poverty and exclusion, the importance of providing all individuals with the skills required to compete in more flexible labour market, the special needs of groups such as children and ethnic minorities – in their national sustainable development plans or strategies.

OECD work on the social aspects of sustainable development is pursuing two main tracks. The first looks at some of the direct links between environmental and social conditions. The OECD Environmental Strategy for the First Decade of the 21st Century, which was adopted by Environment Ministers in May 2001, identified the social and environmental interface as one of its five objectives. Under the heading of “enhancing the quality of life” Environment Ministers called for measures to limit the adverse environmental effects of urbanisation and spatial development; to address disparities in exposure to environmental threats and policies; to increase awareness of environmental threats; and to promote participation in decision making and access to justice on environmental matters. OECD activities that are contributing to better understanding the relations between environmental and social conditions include special chapters in individuals OECD Environmental Performance Reviews, analysis of the employment and distributive effects of environmental policy, and work on environmental democracy and education.

The second track of OECD work takes a broader perspective of the social aspects of sustainable development, and looks at the role of social protection systems in creating more inclusive societies. Such systems include not only government programmes such as unemployment or child welfare payments, but also support provided by families, communities and firms. Each has an important role in promoting more inclusive societies, reducing poverty, protecting individuals against a range of risks, and facilitating structural adjustment. However, sustaining the performance of these institutions over time requires confronting a range of persistent pressures (such as lower fertility rates, changing family structures, weaker community ties, migration pressures, widening inequalities, and persistent poverty and exclusion) that are putting at risk their capacity to deliver results.

The OECD has looked at how various pressures affect social protection systems over the lifecycle of individuals. It discusses ways of reducing the possibility of conflicts between social, economic, and environmental trends, and stresses that social protection systems are essential not only in industrialised countries, but also in developing and transition economies, where the existence of adequate and extensive social safety nets will affect the pace and sequencing of economic and environmental reforms.

There is a need to improve accounting frameworks to measure sustainable development and to address information gaps that remain in many areas. Currently available statistics are not capable of giving an integrated view of various dimensions of sustainable development, nor fully taking into account in a transparent way all the subsidies arising from policies. There is a lack of integration between the three dimensions of sustainable development and policy-makers have difficulties in evaluating trade-offs between alternative policies through the use of different sets of indicators. This meeting will analyse models that have been developed for sustainable development, as well as projects launched in a few OECD countries to extend the national accounts schemes to environmental and social phenomena. In addition to technical issues, this meeting will also address the problem of establishing institutional set-ups for promoting the dialogue between statisticians and policy makers in this field.

While the OECD is using available information to support policy analysis, information gaps remain daunting in many areas. Major gaps standing in the way of
progress relate to scientific information, specific indicators, and underlying data. It is important that throughout the OECD, the organisation continues to address these gaps in order to better inform policy debates and to help overcome obstacles to policy reform.

The difficulty in achieving an agreement on this issue can be partially due to the lack of theoretical foundation of some initiatives aimed to measure sustainability. Although long and accurate debates took place on the measurement of sustainable development, one can say that no clear consensus has been found on this issue. In addition, users are looking for “integrated” views of economic, social and environmental domains and tools for evaluating trade-offs between different policy options, questions to which indicators are not able to provide fully satisfactory answers.

A possible way for overcoming these problems is the development of accounting frameworks to provide a fully integrated view of economic, social and environmental phenomena and looking at some experiences developed by some OECD countries, the integration of traditional input-output matrices with more recent proposals concerning environmental and social accounting models appears a very attractive solution. In addition, projects carried out by international organisations over the last few years (i.e. the development of the System of Economic and Environmental Accounts and studies on Social Accounting Matrixes) provided not only coherent and well established methodological frameworks, but also a new impetus to the implementation of such frameworks in OECD countries.

What is the strength of the OECD for the work on sustainable development?

The strength of the Organisation and the value added of its work on sustainable development are its holistic approach based on economics and the multidisciplinary nature in which the work is carried out. These stem from the OECD’s ability to bring together decision-makers across the whole range of policy communities, including through peer review processes. The OECD provides governments with a forum in which to identify emerging issues and analyse, discuss and develop public policies. The OECD also acts as facilitator and, through multi-stakeholder co-operation, helps to move the sustainable development agenda forward. Governments are not the only ones that can move SD forward; the business community has an important role to play. One example of this is the work to promote the environmental component of the Guidelines for Multinational Enterprises.

Rather than continuously refining the definition of “sustainability”, the OECD focuses on those components of the sustainable development concept that it regards as particularly relevant and where it has a clear comparative advantage. In 1998, the OECD Ministers agreed to interpret “sustainable economic growth” as including social and environmental, as well as economic, considerations. While the environmental intensity in some economic sectors has declined in recent years (i.e. some environmental pressures have been decoupled from economic growth), the increased scale of economic activity at world scale is resulting in a net degradation of the global environment.

Conclusion

Few people question the Brundtland Commission definition of sustainable development, namely “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Within societies, the luxuries of one generation are often the needs of the next. But that is not
true of the health of the biosphere upon which all of us, rich, less rich and poor, depend. This means sound and effective management of the global commons which takes us far beyond our individual country reviews.

In both instances the OECD has a key role to play by carrying out new, groundbreaking work on environmentally harmful subsidies, environmental taxes and decoupling indicators. The 30 OECD countries need to take lead on sustainable development, and that if they work together to achieve sustainable development, other countries would follow. The OECD also provides a forum for exchanging views and policy experiences among countries, and for working together to develop the right framework conditions and monitoring systems to facilitate the implementation of global sustainable development.

After the work already done in the area of indicators for sustainable development, the OECD decided to organise this workshop on accounting frameworks for comparing experiences already available in member countries and looking at the quantity and the quality of the papers one could say that this initiative has been absolutely necessary and timely. The results of this workshop will be presented to OECD Committees active in this field and I hope that the contributions presented during these three days will push policy makers to support further the implementation of accounting frameworks for sustainable development.
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