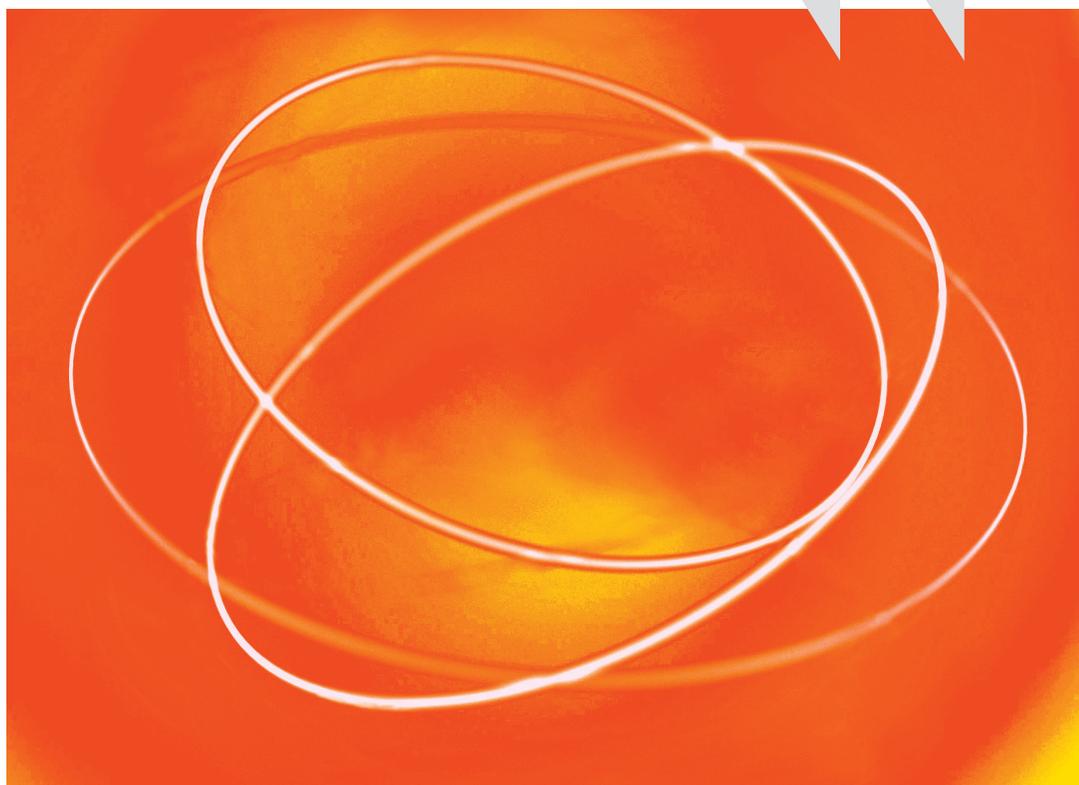


**2007 ANNUAL REPORT
ON SUSTAINABLE
DEVELOPMENT
WORK IN THE OECD**



2007 Annual Report on Sustainable Development Work in the OECD



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

Each year, the OECD Annual Meeting of Sustainable Development Experts (AMSDE), which is composed of Delegates from different Ministries in the capitals of OECD countries, reviews the range of work carried out by the organisation to identify gaps in analyses relating to sustainable development and to enumerate priorities for future activities. This brochure contains the 2007 survey, which is an important output of the OECD Horizontal Programme on Sustainable Development.

The level of joint OECD Committee and cross-Directorate work – in terms of integrating economic, environmental and social concerns – has increased significantly in the past few years. The OECD carries out numerous studies and discussions on issues related to sustainable development, particularly on the efficiency and effectiveness of policies in the economic, environmental and social spheres. This foundation of work on the three underlying pillars of sustainable development provides the basis for advancing on sustainability concerns. This report identifies where more horizontal and integrated activities would contribute to the heightened coherence, relevance and cost-effectiveness of OECD policy analyses.

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 2007 to incorporate sustainable development perspectives into the work of the organisation. It should be read in conjunction with the *2005 and 2006 Reports on Sustainable Development Work in the OECD*, which gave a history of sustainable development in the OECD context and reviewed progress in sustainability analyses in previous years. This is indicated by a better balance between economic, social and environmental concerns in the range of OECD work – data collection, analysis, country reviews and policy discussions – and inclusion of longer-term perspectives and intergenerational considerations.

This survey has been undertaken by the Horizontal Programme on Sustainable Development on behalf of the OECD Annual Meeting of Sustainable Development Experts (AMSDE). *First*, the report discusses selected “sustainability” highlights in OECD activities in 2007. *Second*, it reviews progress on the sustainable development priorities identified by the AMSDE in previous years. *Third*, it discusses OECD horizontal activities, including the Horizontal Programme on Sustainable Development. *Lastly*, it summarises work related to sustainable development undertaken in individual OECD Committees in 2007.

OECD Sustainable Development Highlights in 2007

Box 1. OECD Sustainable Development Highlights

Ministerial Council Meeting – Marking the OECD as a hub for dialogue on global issues, the Ministerial Council Meeting (MCM) in May 2007 discussed the economic benefits and also the adjustment difficulties and social impacts of globalisation under the theme *Advancing the OECD Agenda for Growth and Equity*.

Measuring the Progress of Societies – The Statistics Committee launched a project on *Measuring the Progress of Societies*, based on a range of economic, environmental and social indicators, at the second OECD World Forum on Statistics, Knowledge and Policy held in Istanbul in June 2007.

Development Effectiveness in Practice – The Development Assistance Committee (DAC) discussed how the effectiveness of official development aid may depend as much on attention to issues of gender, environment and human rights as on the level of financial flows in the Dublin Workshop on *Development Effectiveness in Practice* in April 2007.

Roundtable on Corporate Responsibility – The annual Roundtable on Corporate Responsibility, held in June 2007, focused on environmentally and socially responsible business practices and instruments in the financial sector and the supporting role of the *OECD Guidelines for Multinational Enterprises*.

Ministerial Council Meeting (MCM)

The meeting of the OECD Council at Ministerial Level on 15-16 May 2007, while stressing that globalisation is a process that offers substantial opportunities for gains in living standards for richer and poorer countries alike, addressed how to respond to the increasingly negative perceptions of globalisation and particularly its impacts on workers. Popular doubts about globalisation relate to perceptions that economic disparities are increasing within and between countries. The labour market impacts of globalisation make it imperative for governments to develop a coherent package of

regulatory, employment and social protection policies to ease adjustment and displacement caused by international trade and investment. Ministers also concluded that investing in human capital and skills, including training and life-long learning for workers, is critical.

The MCM discussion was based on outcomes of the Horizontal Programme on Globalisation and Structural Adjustment initiated in 2005. This aimed to shed light on the impact of globalisation on wage volatility, labour turnover and job creation and destruction as well as whether recent globalisation trends, *e.g.* outsourcing, have affected workers differently than before. Work by ELS and TAD focused on trade and labour market issues, while other parts of the horizontal project looked at the broad economic effects of globalisation (ECO) and globalisation and innovation in services sectors (DSTI and TAD).

Among other mandates stemming from the 2007 MCM, Ministers called on the OECD to strengthen analyses on cost-effective policies for the mitigation of and adaptation to climate change and to intensify work on identifying best practices in the political economy of reform. They also supported the development of an *OECD Innovation Strategy*, along the lines of the *OECD Jobs Strategy*, which would analyse and develop policy recommendations for governments on how to encourage and capture the benefits of innovation aimed at addressing global challenges.

Measuring the Progress of Societies

A global project on *Measuring the Progress of Societies* was launched by the OECD in conjunction with the UNDP, EC and World Bank at the *OECD World Forum on Statistics, Knowledge and Policy* held in Istanbul on 27-30 June 2007. The project is intended to foster a global conversation on what progress actually means as well as to develop measurement approaches. Key indicators to assess progress would include health, education and pollution, as well as employment and productivity.

A preliminary workshop was held in Rome in April 2007 on *Measuring Happiness* with the University of Rome and the EC Joint Research Centre. This explored the factors (*e.g.* work, family, health, education) which determine happiness and the development of related statistical indicators. On 19-20 November 2007, a Conference on *Beyond GDP: Measuring Progress, True Wealth and the Well-Being of Nations* was held in Brussels with the EC, Club of Rome and WWF. The intention is to foster agreement on the statistics and indices which are most appropriate for measuring the progress of nations and citizens and how to integrate these into the policy-making process.

Development Effectiveness in Practice

The Development Assistance Committee (DAC) and several of its subsidiary bodies – the Working Party on Aid Effectiveness together with the DAC networks on Environment and Development Co-operation (ENVIRONET), Governance (GOVNET), and Gender Equality (GENDERNET) – organised a Workshop on *Development Effectiveness in Practice: Applying the Paris Declaration to Advancing Gender Equality, Environmental Sustainability and Human Rights* in Dublin, Ireland on 26-27 April 2007.

The workshop underlined how achieving gender equality, human rights and environmental sustainability, while worthy goals of development in their own right, are functionally essential to achieving poverty reduction and the overall goals of the *Paris Declaration on Aid Effectiveness*. It was recommended that they be further integrated in the implementation and monitoring of the Paris Declaration, whose principles stress ownership, alignment, harmonisation, managing for results and mutual accountability in aid activities. The achievement of these principles could be furthered by including gender, human rights and environment considerations in legal frameworks, national strategies and OECD and non-OECD country policies. Further analysis on integrated development approaches will be reported to the High-Level Forum on Aid Effectiveness to be held in Accra, Ghana in September 2008.

Roundtable on Corporate Responsibility

The annual Roundtable on Corporate Responsibility, sponsored by the Investment Committee on 18 June 2007, focused on current trends in corporate responsibility practices and instruments in the financial sector. Financial institutions are strengthening their codes of conduct and reporting on the environmental, social and governance aspects of financing business investments. Representatives of the leading corporate responsibility bodies discussed the relationship between the OECD Guidelines for Multinational Enterprises, UN Global Compact, UN Principles for Responsible Investment (PRI), Equator Principles, ISO 26000, and Global Reporting Initiative (GRI). They agreed that more co-operation is needed to increase their influence on corporate behaviour and to fulfill the G8 Heiligendamm Summit mandate to encourage responsible business conduct in the interest of economic growth and sustainable development.

Also in 2007, the Investment Committee surveyed the environmental, social and anti-corruption aspects of international investment agreements

and discussed a presentation on the *IISD Model International Agreement on Investment for Sustainable Development*. This topic will be followed up as part of the Global Forum on International Investment to be held on 27-28 March 2008. Organised in co-operation with UNCTAD, the 2008 Forum includes a session on the social and environmental dimensions of international investment agreements. It will also consider the development of the environment aspects of the Policy Framework for Investment (PFI).

The next Roundtable on Corporate Responsibility, to be held on 23-24 June 2008, will be jointly organised by the Investment Committee and the Employment, Labour and Social Affairs Committee (ELSAC). It will discuss how best to promote responsible business conduct and effective implementation of the OECD Guidelines in the area of employment and industrial relations and further enhance co-operation between the OECD and the ILO. The BRICS and other non-Member partners and relevant stakeholders, including the social partners and NGOs, will be invited to actively participate in the discussion.

Progress on Sustainable Development Priorities in 2007

At its previous meetings, the AMSDE suggested several areas for future cross-cutting OECD work on sustainable development. This section contains a brief review of the status of activities on these priority sustainable development topics: sustainable consumption and production, education for sustainable development, environment and health, intergenerational analyses, country reviews, and the political economy of reform.

Sustainable consumption and production

The AMSDE identified sustainable consumption and production as a priority topic for horizontal work in the OECD to contribute to the UN Marrakech Process and to the UNCSD themes of sustainable consumption and production in 2010-2011. The Marrakech Process is based on seven task forces led by 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).

With regard to consumption, the EPOC is conducting a multi-country survey of the role of various factors in influencing household consumption patterns, including socio-economic, demographic and attitudinal variables as well as environmental policy measures such as regulations, economic instruments and eco-labelling. In 2007, a second survey in six OECD countries was initiated to assess the effects of environmental policy measures on household behaviour regarding waste generation and recycling, energy use, personal transport choices, food consumption, and water use.

In addition, the Trade Committee published its report on *Informing Consumers about Social and Environmental Conditions of Globalised Production*, which assessed how consumers could best be informed about the sustainability dimensions of internationally-traded products, including through labelling, consumer guides, and corporate reporting. The

implications for OECD work on corporate responsibility will be discussed in the context of the Investment Committee.

A study of *Good Practices in Promoting Sustainable Consumption in OECD Countries* was initiated in 2007 by the Horizontal Programme on Sustainable Development. This provides a general assessment of sustainable consumption policies and approaches in OECD countries, based on the results of OECD analyses and other evaluations of relevant tools, and includes examples of initiatives in OECD countries.

With regard to production, the EPOC published the results of its survey on environmental policy and corporate behaviour, which explored the influence of regulations, taxes and other policy instruments on the environmental practices of firms. A follow-up survey is being conducted 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.

A *Workshop on Sustainable Manufacturing Production and Competitiveness* was held in Copenhagen, Denmark on 21-22 June 2007 to review the state of the art in measuring sustainable production and possible work in this area by the Committee on Industry, Innovation and Entrepreneurship (CIIE). Together with the outcomes of work on sustainable consumption, the results of the Copenhagen workshop were presented to the *UN Marrakech Process Meeting on Sustainable Consumption and Production* held on Stockholm on 26-29 June 2007.

Education for sustainable development

The OECD Education Committee is developing a report on student attitudes towards the environment based on information from the 2006 *Programme for International Student Assessment (PISA)* survey, which included questions on environmental concerns, environmental optimism, and how environmental topics were included in school curricula. The new *Programme for the International Assessment of Adult Competencies (PIAAC)*, developed by EDU and ELSA, will include a review of social outcomes of education systems. In 2007, the OECD Centre for Educational Research and Innovation (CERI) published the results of its analyses on *Understanding the Social Outcomes of Learning*, which explored how education affects social behaviour including health and civic engagement. The OECD also published *Human Capital: How What you Know Shapes*

Your Life, explaining parallels between knowledge, human capital and progress.

In 2007, a project was initiated by the Horizontal Programme on Sustainable Development to identify good practices in curricula for teaching sustainable development at primary and secondary school levels. This is intended to provide a general assessment of school curricula in OECD countries pertaining to sustainable development concepts, principles and practices – including the role of education in imparting environmental and social values – in order to share effective approaches among countries. Results will be reported to the AMSDE and the Education Committee in the context of developing an OECD input to the *UN Decade of Education for Sustainable Development* (2005-2014) under the auspices of UNESCO.

Environment and health

The results of the EPOC study on the governance factors involved and the difficulties of formulating a coherent environmental health policy were published in 2007 as *Improving Coordination between Environmental and Health Policies*. This is based on country case studies of Canada, France and the United Kingdom and includes recommendations on how to improve synergies between environment and health policies at national level. In addition, the Environmental Performance Reviews of countries have 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.

Current EPOC work on environment and health links is in the context of the project on costs of inaction and as a contribution to the 2008 *Environment Outlook*. With input from the Health Committee, it estimates the costs of health care as a result of ecological damage, primarily air and water pollution. Analysis shows that there are significantly reduced costs to treating environmental health issues upstream. One study identifies the global health impacts of unsafe water, sanitation and hygiene and estimates the costs and benefits of policy interventions, including development assistance and other sources of financing. Work is ongoing on the economic costs and benefits of reducing environment-related health risks for populations in general and particularly for children who are more vulnerable.

Intergenerational analyses

The OECD published several Outlook publications in 2007 including the *Employment Outlook*, *Agricultural Outlook*, *Migration Outlook*, *Communications Outlook* and *Energy Outlook*. The *Environment Outlook* is due to be published in Spring 2008 including, among other things, analysis of the economic, environmental and social costs of inaction with respect to the impacts of climate change and the health impacts of environmental degradation. These Outlooks generally identify economic and policy drivers in a given area and attempt to project main trends and developments over the medium to long term.

Analyses of long-term issues regarding pensions and retirement are ongoing in several OECD Committees. In 2007, the Insurance and Private Pensions Committee (IPPC) prepared reports on the role of financial education in helping individuals save for retirement, developed guidelines on pension fund governance, and held a seminar in July 2007 on reforming pension benefit protection schemes. The Economic Policy Committee (EPC) discussed long-term public spending pressures associated with ageing and health care. ELSAC, in its publication *Pensions at a Glance*, assessed major pension reforms since the early 1990s and their impacts on financial and social sustainability and catalogued retirement incentives and provisions in OECD countries. The Public Governance Committee also released its survey of public sector pension schemes and the reforms needed to attract and retain capacity as large numbers of public servants retire.

In addition, ELSAC published work on the *Intergenerational Transmission of Disadvantage*, which reviewed the extent of transmission of advantages or disadvantages – in terms of income, education and occupations – across generations. The tendency of children to “inherit” their parents’ socio-economic status and the degree of upward mobility (people doing better than their parents) varies widely across countries and depends on levels of income inequality and economic opportunities.

Country peer reviews

Peer reviews are a main OECD mechanism for assessing the performance of countries *vis a vis* others and for sharing policy insights for addressing common challenges. These include environmental reviews by the EPOC, economic reviews by the Economic and Development Review Committee (EDRC), development co-operation reviews by the DAC, energy reviews by the IEA, regulatory reform reviews by the Public Governance Committee (PGC), innovation policy reviews by the Committee for

Scientific and Technological Policy (CSTP), and investment policy reviews by the Investment Committee.

The Environmental Performance Reviews often contain a short discussion of the institutional arrangements for implementing national sustainable development strategies (NSDS) as well as sections on the environment-economic interface and the environment-social interface. The EDRC reviews include a discussion of specific environmental (*e.g.* climate change, energy) or social (*e.g.* pensions, education) issues when these are identified as a key challenge facing the country. The DAC reviews of development assistance policies contain a small section on policy coherence and cross-cutting issues (*e.g.* gender, environment), but are mainly focused on financial flows and management of development aid. The AMSDE is reviewing the results of peer reviews of national sustainable development strategies conducted by the UN and EC (*i.e.* France, Korea, and Netherlands) based on the identification of good practices for these strategies.

Political economy of reform

In May 2007, the Ministerial Council Meeting (MCM) discussed the political economy of reform or how to overcome political and institutional barriers to reforming labour markets, product markets, financial markets, regulations, subsidies, taxes, etc. The MCM discussions and OECD analyses show that, to achieve policy reforms, certain common strategies and governance approaches are needed which consist of:

- a comprehensive package with a focus on burden-sharing,
- support from top political leadership,
- whole-of-government decision-making and integrated policy approaches,
- transparency in potential costs and benefits to all parties,
- consultations and coalition-building with stakeholders (industry, unions, NGOs), and
- careful timing and phasing of reforms, including possible transition supports or compensation.

OECD activities in 2007 which addressed political economy issues included a chapter on “What Shapes the Implementation of Structural

Reform?” in *Going for Growth*, which reviewed the role of concurrent reforms in different policy areas, supportive macroeconomic policies, and transparency and consultation with stakeholders in achieving structural reforms. The publication *Subsidy Reform and Sustainable Development: Political Economy Aspects* highlighted the strategies needed to remove harmful subsidies, including more attention to effects on communities and workers and the role of transition payments.

Using taxes to achieve environmental objectives will depend on mitigating effects on competitiveness through careful design and possible compensation as explained in *The Political Economy of Environmentally Related Taxes*. Combining regulations, taxes and other approaches may be an effective strategy for achieving reform as shown in *Instrument Mixes for Environmental Policy*. The Fisheries Committee continued to review political economy issues such as the human side of achieving structural adjustment in the fisheries sector, contained in *The Human Side of Fisheries Adjustment*, and the political economy of decommissioning schemes for fishing vessels.

OECD Horizontal Programmes and Projects

Horizontal Programme on Sustainable Development

Annual Meeting of Sustainable Development Experts (AMSDE)

The fourth Annual Meeting of Sustainable Development Experts (AMSDE), held on 8-9 October 2007, reviewed the 2007 *Annual Report on Sustainable Development Work in the OECD* to mark progress, identify gaps and recommend future priorities. AMSDE Delegates, who come from a range of Ministries in OECD countries, held discussions with OECD Committee Chairs and various stakeholders on sustainable consumption and production issues and policy coherence in development assistance activities.

The AMSDE discussed proposals that the OECD undertake horizontal projects in the areas of climate change, sustainable consumption and production, subsidy reform and sustainable development, and sustainable investment and trade, in addition to more work on education for sustainable development, governance for sustainable development, and the economics of environment and health. Outreach to non-OECD countries could be extended in the context of the Global Forum on Sustainable Development, and OECD peer review processes could more fully incorporate sustainable development perspectives.

National Sustainable Development Strategies

As follow-up to the 2006 publication on *Good Practices in the National Sustainable Development Strategies of OECD Countries*, the publication *Institutionalising Sustainable Development* was released in 2007. This resulted from a joint workshop in September 2006 organised with the UN Division on Sustainable Development (UNSD) and sponsored by the Government of Sweden. Sessions explored the effectiveness of various governance aspects of national sustainable development strategies (political commitment, policy integration, timeframes, stakeholder involvement) and mechanisms for monitoring implementation.

At the 2007 AMSDE, a session was held on the implementation of the results of reviews of national sustainable development strategies (NSDS) in OECD countries. Presentations on the progress of implementation of external peer reviews were made by France (UN shared learning on NSDS), Korea (UN shared learning on NSDS), the Netherlands (EC peer review of NSDS) and Norway (bilateral peer review by Sweden). Presentations on the progress of implementation of internal reviews of national strategies were made by Belgium, Italy and Switzerland.

The main challenges to implementing these strategies were identified as: obtaining top political commitment; integrating sustainability considerations in sectoral and cross-sectoral policy-making processes; securing co-operation from a range of Ministries, particularly the social pillar; and establishing effective mechanisms for involving stakeholders.

Outreach to Non-members

In March 2007, a workshop on *Developing Sustainability Strategies in Asia* was organised in Bangkok, Thailand with the UNDS and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP). The workshop reviewed the status of national sustainable development strategies in countries in Asia and the Pacific, including China, Malaysia, Mongolia, Thailand and Vietnam. It also considered their relationship to national development plans and poverty reduction strategies (PRS) with a view to better integration. Workshop recommendations addressed the need for common approaches and coordinated efforts on sustainable development strategies by international organisations, including the OECD, United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP), International Monetary Fund (IMF) and World Bank.

Contribution to the UN Commission on Sustainable Development

The OECD, International Energy Agency (IEA) and Nuclear Energy Agency (NEA) made a combined contribution to the 15th session of UNCSD in May 2007 on *Energy for Sustainable Development*. The brochure presented policy findings from OECD, IEA and NEA reports relating to energy, climate change and sustainable development. It focused on four main topics: i) widening energy access in developing countries, ii) increasing energy research and development, iii) promoting energy efficiency and diversity, and iv) benefiting from energy-related climate change policies. The AMSDE discussed the contribution to UNCSD-16 in May 2008 on analytical findings relating to the 2008-2009 themes of agriculture, rural development, land, drought, desertification and Africa.

In addition, a side-event was held on 10 May 2007 on *Sustainable Development Twenty Years Later* to mark the 20th anniversary of the publication of the Brundtland Report, *Our Common Future*. Featured speakers were Gro Harlem Brundtland, Chair of the World Commission on Environment and Development (WCED) and currently UN envoy on climate change; Jim MacNeill, Secretary-General of WCED and former OECD Environment Director; and Volker Hauff, WCED Member and Chair of the German Council for Sustainable Development.

The event, which attracted many representatives of non-OECD countries, NGOs and other stakeholders, was also addressed by Kiyoo Akasaka, UN Under-Secretary General, and Ambassador Ton Boon von Ochssee, AMSDE Chair. During the second week of UNCSD-15, information booths were maintained for the distribution of OECD, IEA and NEA publications and brochures to participants.

Statistics for Sustainable Development

The Joint UNECE/OECD/Eurostat Working Group on Statistics for Sustainable Development (JWGSSD) met in April 2007 in Geneva and in November 2007 in Bucharest. The Working Group was established in 2005 to articulate a conceptual framework for sustainable development measurement and to develop a menu of sustainable development indicators. In 2007, two sub-groups were formed: one to examine the use of the “capital approach” including the measurement of natural capital, human capital, social capital, etc. The other sub-group will identify commonalities in existing sustainable development indicator sets. An update was also prepared of the 2002 publication *Overview of Sustainable Development Indicators used by National and International Agencies*.

A session on Statistics for Sustainable Development, including the status of the development of indicator sets by the JWGSSD, was featured at the *OECD World Forum on Statistics, Knowledge and Policy* held in Istanbul, Turkey on 27-30 June 2007. The JWGSSD will deliver a final report on sustainable development statistics in June 2008 to be discussed by the Statistics Committee and the AMSDE.

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. In February 2007, the Round Table discussed *The Economics of Illegal Logging and Associated Trade*. Findings included the need for a multilateral agreement to curb illegal logging in tropical forests with

participation by customs agencies, climate change experts and trade officials.

A *Round Table on Subsidies to Biofuels*, held on 11-12 September 2007, examined the economic, environmental and social costs and benefits of government supports to biofuels production. Several activities are ongoing in the OECD related to biofuels, including a *Workshop on Bioenergy Policy Analysis* organised by TAD in January 2007; the *Policy Forum on Bioenergy* in the Agriculture Committee meeting in May 2007; a *Workshop on Biofuels: Linking Support to Performance* organised by the International Transport Forum in June 2007; analysis of biofuels demand and agricultural prices in the *OECD-FAO Agricultural Outlook 2007-2016*; and analysis of biofuels markets and policies in the 2008 *Environment Outlook*.

Horizontal Programme on Policy Coherence for Development

The OECD Horizontal Programme on Policy Coherence for Development (PCD) originated with the 2002 Ministerial mandate, *OECD Action for a Shared Development Agenda*, in which Ministers called for the OECD to “enhance understanding of the development dimensions of member country policies and their impacts on developing countries. Analysis should consider trade-offs and potential synergies across such areas as trade, investment, agriculture, health, education the environment and development co-operation”. Closer co-operation between the PCD programme and the Horizontal Programme on Sustainable Development is being developed, including through the panel discussion on the coherency and sustainability of development policies at the 2007 AMSDE.

The aim of the PCD programme is to achieve greater integration of development considerations across OECD work and to develop a better understanding of how OECD policies affect the development prospects and competitiveness of developing countries. With regard to development assistance, its effectiveness can be increased through greater: 1) internal coherence in official development assistance (ODA) efforts; 2) intra-country coherence in development planning; 3) inter-donor coherence in assistance efforts to developing countries; and 4) donor-partner coherence in joint activities.

In addition to broad integration efforts, the PCD also focuses on development coherence in particular sectors, including fisheries, agriculture and health. A workshop on *Policy Coherence for Development in Fisheries* was organised by the Committee for Fisheries and the DAC in April 2006 to explore how to overcome difficulties in the sustainable management of fisheries. A *High-Level Forum on Medicines for Neglected and Emerging*

Infectious Diseases: Policy Coherence to Advance their Availability, organised by PCD, DCD and DSTI, was held in the Netherlands on 20-21 June 2007. The Environment Directorate has undertaken modelling work to develop quantitative analysis of linkages between environment and development objectives and policies as a contribution to the PCD programme.

OECD Innovation Strategy

The OECD Ministerial Council Meeting (MCM) in May 2007 asked the OECD to develop a broad-ranging *OECD Innovation Strategy* in order to strengthen innovation performance and its contribution to growth. The Innovation Strategy, along the lines of the *OECD Jobs Strategy*, is to be formulated around evidence-based analysis and benchmarking, a framework for dialogue and review, new indicators on the innovation-economic performance link, initiatives for innovation-friendly business environments, and the development of best practices and policy recommendations. The Strategy will *inter alia* examine ways by which innovation-related policies could help address global challenges, notably in the environmental and health domains.

Heiligendamm Process

The G8 Summit in Heiligendamm, Germany on 7-8 June 2007 called on the OECD to provide a platform for an international dialogue process between G8 members and the major emerging economies of Brazil, China, India, Mexico and South Africa. The Heiligendamm Process began in the second half of 2007 with reports to be made to the G8 Summit in Japan in 2008 and in Italy in 2009.

The process is to address four major issues: 1) promoting and protecting innovation, including intellectual property rights issues; 2) enhancing freedom of investment through an open investment environment including strengthening corporate social responsibility principles; 3) defining common responsibilities for development with special regard to Africa; and 4) sharing knowledge for improving energy efficiency and technology co-operation with the aim to contribute to reducing CO₂ emissions, consistent with the Gleneagles Dialogue on Climate Change, Clean Energy and Sustainable Development and the St. Petersburg Plan of Action on Global Energy Security. The OECD has set up a special unit to implement the Heiligendamm Process, with the International Energy Agency (IEA) designated as the relevant organisation in the field of energy efficiency. The

G8 Summit Declaration on Africa called for increased support for the NEPAD-OECD Africa Investment Initiative.

Horizontal Project on Water

In 2007, the OECD initiated a horizontal project on *Sustainable Financing to Ensure Affordable Access to Water and Sanitation* involving the Environment Directorate, Development Co-operation Directorate (DCD), Directorate for Financial and Enterprise Affairs (DAF), and the Trade and Agriculture Directorate (TAD). Initial studies and data were released in late 2007 and an OECD Meeting of Water Experts was held on 14-15 November 2007. The project will run through 2008, including a High-Level Meeting on Water Financing in Fall 2008, with a view to providing inputs to the 5th World Water Forum to be held in Istanbul in March 2009.

The project is organised around three dimensions. Pillar 1 will identify good practices and share experiences with water pricing and financing of water supply and sanitation infrastructure, including a survey of water infrastructure needs in OECD and BRIC countries and analysis of sustainable water use in agriculture. Pillar 2 will provide support to developing country governments to prepare finance strategies for water infrastructure, including the development of financing tools and case studies in African countries. Pillar 3 will develop practical guidance for engaging private investors in the development and management of water infrastructure, building on the 2007 *OECD Principles for Private Sector Participation in Infrastructure*.

Horizontal Project on Migration

An horizontal project on *Migration: Managing Labour Migration to Support Growth* was launched in 2007 coordinated by the Directorate for Employment, Labour and Social Affairs (ELS) with DCD, the Development Centre (DEV), the LEED programme (CFE), the Directorate for Science, Technology and Industry (DSTI), and the Education Directorate (EDU). This project is aimed at developing policies to minimise the adverse impacts of migration on receiving and sending countries and to improve management of low-skilled and high-skilled migration. Outputs will include better data on international migration movements and characteristics, and reports on current migration movements, the incidence and impacts of return migration, recruitment and retention of highly qualified immigrants, and good practices in education of migrants.

A comparative analytical report will examine the challenges involved in organising low-skilled migration with a view to satisfying domestic labour requirements for low-skilled workers. Another study will examine the best ways of attracting high-skilled migrants without adversely affecting development capability in sending countries and of ensuring that their talents are fully used in the receiving countries. This should help countries manage their migration flows and coherence between their development policies and migration policies as well as related education policies. The results will be reported to a high-level meeting on the management of migration at the end of 2008.

Sustainable Development in OECD Committees

Economic

Economic Development and Review Committee (EDRC)

The Economic and Development Review Committee (EDRC) has addressed sustainable development issues through its analysis and recommendations concerning "key challenges" confronting each country. In that respect, sustainable development issues are treated much like other important policy challenges for improving and sustaining living standards in member countries and reflects the EDRC's request that attention continue to be given to environmental issues. This practice mainstreams the earlier approach of addressing sustainable development issues in stand-alone chapters but expands the analysis to a variety of different topics.

In 2007, topics covered in the EDRC economic surveys of countries include ageing and pensions; fiscal sustainability (occasionally with a long-term intergenerational angle); welfare benefits and their interaction with taxes and other measures; social spending and income distribution; childcare and early childhood education in the context of female labour supply; health; education and training; and housing and infrastructure. Environmental issues were analysed in almost all surveys, including Austria (environmental taxes and emission permits), France (environmental protection), Hungary (update on environmental policy), Italy (energy markets), Mexico (water infrastructure management), New Zealand (climate change policies), Spain (climate change policies), Switzerland (environmental taxes), the United Kingdom (land use issues and transport infrastructure), and the European Union (emissions trading).

Economic Policy Committee Working Party No. 1

Working Party No. 1 (WP1) of the Economic Policy Committee (EPC) addresses issues that relate to sustainable development in that they are concerned with trade-offs and balance between outcomes in the social,

environmental and economic dimensions. In 2007, this included: measurement of the output and efficiency of health care; measurement and analysis of the efficiency of public spending on primary and secondary education, taking into account the dispersion of attainment across students and their social background; analysis of economic incentives to invest in tertiary education and relevant policies; and analysis of factors, including regulation and taxation, affecting cross-country differences in average working hours.

Two projects address issues at the interface between the environment/natural resource dimension of sustainable development and economic growth. In the area of climate change, joint work was initiated with EPOC on post-2012 measures to reduce greenhouse gas emissions. Emphasis is on identifying policy approaches to reducing greenhouse gas emissions that allow environmental goals to be achieved at low cost in terms of economic growth. A second project involves the identification of the role of non-policy factors, including economic distance and natural resource wealth, in determining cross-country income levels.

Committee on Fiscal Affairs (CFA)

The Committee on Fiscal Affairs (CFA) addresses issues of sustainable development through the *Joint Meetings of Tax and Environment Experts* (CFA and EPOC), which concentrate on environmentally related taxes through analytical studies, discussing country experiences and collecting internationally comparable data. Analytical work currently focuses on the impact of environmentally related taxes on technological development, including their ability to encourage the development of more environmentally benign technology. In the context of climate change, this will examine the role of environmentally related taxes relative to technology and how they can be designed to guide innovation and provide the right incentives.

Analysis is also ongoing on a comparison of the relative advantages of environmentally related taxes and tradable permits, taking account of the political economy factors that influence their design in practice. This will review the relative merits of tradable permits and environmentally related taxes in terms of political acceptability, international linkages, and providing long-term incentives for major investments, particularly in the context of price volatility in tradable permit markets.

Committee for Information, Computer and Communications Policy (ICCP)

The Committee for Information, Computer and Communications Policy (ICCP) is monitoring broadband Internet deployment in OECD countries, with analysis of its broad economic impacts, including productivity and growth, employment, teleworking and off-shoring, global value chains and trade. Some analysis of the patterns and drivers of remote working has been undertaken, including country data and programme evaluation information on the environmental benefits of teleworking and other uses of the Internet. Future questionnaires for the *Information Technology Outlook* could be designed to collect policy information on cross-cutting themes such as the environment, health and demographics.

The ICCP is organising a Ministerial Meeting on the *Future of the Internet Economy* (Korea, June 2008) which will generally review the implications of deploying and using the Internet and other network technologies to connect the next billion users. It will examine the role of the Internet in addressing fundamental policy challenges such as globalisation, ageing and sustainability.

Committee for Scientific and Technological Policy (CSTP)

In 2007, the Committee for Scientific and Technological Policy (CSTP) addressed sustainable development issues in several projects: 1) country reviews of innovation policy which cover the contribution of science and innovation to sustainable development (including in the non-Member economies of China, Chile and South Africa); 2) analysis of nanotechnology and contributions to meeting challenges in the health, environment, energy and water areas; 3) strengthening the contribution of innovation to health outcomes and the diffusion and uptake of health technologies; 4) work on the globalisation of science and innovation and the changing business environment for innovation; and 5) analysis of “brain drain” and “brain gain” in relation to the international mobility of researchers.

The development of the *OECD Innovation Strategy*, as mandated by OECD Ministers in 2007, will help countries realise the contributions of innovation for addressing global challenges such as those related to the environment, energy or health. The G8 Summit in Heiligendamm in June 2007 called on the OECD to reinforce co-operative efforts with emerging economies on research and innovation, including in the areas of water, land, energy efficiency, and environmental innovations. They also called for the OECD to initiate an international dialogue on innovation and intellectual property protection, market incentives for innovation, and innovation value

chains. The work done by the CSTP in the context of the *OECD Innovation Strategy* will also contribute to the Heiligendamm Process.

Environment

Environment Policy Committee (EPOC)

Since the adoption of the “Strategic Vision” in January 2006, the Environment Policy Committee (EPOC) has worked to reinforce the integration of environmental issues in economic and other policies, thus addressing sustainable development issues in all of its activities. The *Environmental Outlook to 2030*, to be published in 2008, will focus on interactions between OECD and non-OECD countries and the environmental impacts and economic costs of specific policies, including projections using a multi-sector, multi-region, general equilibrium economic model combined with an integrated environmental assessment model.

The sustainable development sections of the *Environmental Performance Reviews* of countries were strengthened in 2007. These include a review of sustainable development institutions (e.g. Committees, Councils), national and territorial sustainable development strategies and indicators, progress in their implementation, as well as analysis of the interface of environment and economics, social issues, and sustainable sectoral policies (e.g. energy, agriculture, transport). An international survey and analysis is ongoing of household consumption decisions with regard to energy use, solid waste generation and recycling, personal transport choices, organic food consumption and water consumption. On the production side, work addresses the links between environmental policies and firm-level management, including how best to encourage technological change that benefits the environment

EPOC maintains several joint working parties with other Committees: agriculture and environment (with COAG), taxes and environment (with CFA), and trade and environment (with TC). Other EPOC joint projects include: 1) modelling the costs of policy inaction on key environmental challenges such as climate change (with WP1); 2) analysis of sustainable financing of water and sanitation services (with COAG, IC and DAC); 3) work on Cities and Climate Change (with TDPC); and 4) implementation of the *Framework for Common Action around Shared Goals*, adopted by OECD Environment and Development Ministers in 2006, focusing on climate change adaptation and natural resource management (with DAC).

The Annex I Expert Group (AIXG) on the United Nations Framework Convention on Climate Change (UNFCCC) is staffed by the OECD Environment Directorate and the IEA. Established in 1994, the AIXG provides a forum where Annex I countries with specific emissions reduction commitments under the Kyoto Protocol can share experiences with climate change policies and discuss analysis of key issues on the climate negotiating agenda. In 2007, work was conducted on domestic sectoral approaches to mitigating climate change; implementation of incentives to reduce emissions from deforestation in developing countries; the role of international processes in adaptation to climate change; commitment period lengths and policy uncertainty; the role of carbon capture and storage in the Clean Development Mechanism (CDM); and trends and prospects for emissions trading.

Social

Employment, Labour and Social Affairs Committee (ELSAC)

Sustainable development issues of interest to the Employment, Labour and Social Affairs Committee (ELSAC) include: 1) the sustainability of welfare systems, not exclusively from a financial perspective, 2) pensions and their developments in terms of financial sustainability and prospective social adequacy, 3) labour markets and the social integration of migrants at domestic and global levels, and 4) the work on adult competencies in the context of the joint work with EDU on the Programme for the International Assessment of Adult Competencies (PIAAC).

Committee on Consumer Policy (CCP)

The Committee on Consumer Policy (CCP) interest in sustainable development is focused on issues related to household consumption of goods and services. Promoting sustainability in this regard requires examination of the price structures for consumer goods and services and how they can internalise environmental and social costs and benefits. It also involves assessing: 1) the policy and regulatory frameworks that set priorities and directions for enhancing sustainability from the demand side, 2) the availability of environmental goods and services, 3) the needs for appropriate information on the environmental and social impact of products, and 4) the types of education and/or information that could be effective in motivating consumer action that supports sustainable development goals. The CCP is contributing to ongoing work on identifying good practices in

promoting sustainable consumption in OECD countries and the EPOC survey on environmental policies and household consumption.

Public Governance Committee (PGC)

The Public Governance Committee (PGC) is concerned with good governance and sound public management, including policy coherence, high-quality regulation tools, and mechanisms for consulting and involving stakeholders. It has carried out work in several areas related to sustainable development, including: 1) public procurement, including “green procurement”; 2) regulatory reform and regulatory impact assessments, which include environmental impacts and the costs and benefits of regulations; and 3) budgeting and public expenditure planning.

Current activities include work on: 1) open and inclusive policy-making such as involving stakeholders in decision-making processes; 2) risk management, including integrating risk in regulatory management and practice; 3) public-private partnerships, both from a budgetary and regulatory perspective; 4) regulatory impact analysis (RIA) to help decision-makers select efficient and effective policy instruments; 5) reducing administrative burdens for effective compliance monitoring and enforcement; and 6) E-government, including tele-working and electronic transactions which can reduce the use of fuel, paper, etc.

In addition, horizontal work on regulatory reform addresses cross-cutting regulatory, trade and competition policy issues and high-quality regulation in specific sectors, including environment. In 2007, a regulatory reform review of China was prepared with a focus on public services in urban areas, including environmental quality, water and health. Current work on regulatory frameworks for public services and the interface with public sector activities could be expanded to environmental policies. Another key dimension is how to address and reduce the frequency and severity of risks that could jeopardise the natural or social environment.

Territorial Development Policy Committee (TDPC)

Work by the Territorial Development Policy Committee (TDPC) on “Competitiveness and Sustainable Cities” includes analysis of: 1) trends in urban development policies, including issues relating to competitiveness and climate change mitigation; 2) promoting sustainable urban communities and social cohesion through education, vocational training, and the promotion of community identity; and 3) policies to enhance the urban environment such as the coupling of landscape regulation and economic incentives.

An international conference, on “What Policies for Globalising Cities?” (Madrid, March 2007), included a session on cities and climate change, and will be followed by a conference focusing on the impact of climate change on the competitiveness of cities (Milan, February 2008). In June 2007, a roundtable discussion on the “Urban Environment and Climate Change” focused on best practices to maintain the urban environment and economic vitality in the context of climate change.

Local Economic and Employment Development (LEED)

In 2007, the LEED programme continued work on achieving a balanced approach to employment, economic development and social inclusion at the local level. Projects included: 1) the assessment of policy coherence at the local level to avoid short-term and unintegrated approaches and to coordinate employment policies with economic development strategies and social inclusion initiatives; and 2) a study of local skills strategies to balance different policy actions, *i.e.* attracting new talent, integrating disadvantaged groups into the labour market, and up-skilling the low-qualified.

Research with ELSAC examined the role of immigration in offsetting demographic change and population loss in local communities, and how to support integration of migrants through education, housing and transport infrastructure (based on studies of Canada, Italy, Spain, Switzerland and the United Kingdom). Follow-up work will extend the focus to skills development for ethnic and aboriginal communities.

LEED’s capacity building programme includes the Trento Centre of Local Development (focusing on Central and South Eastern European Countries) and the *LEED Forum on Partnerships and Local Governance*, which seeks to optimise the contribution of partnerships and other forms of governance to local economic and employment development. In 2007, the Forum adopted the *Vienna Action Statement on Partnerships* which provides guidelines for governments to stimulate vertical and cross-sector co-ordination around local economic and employment development issues.

Sectoral

Committee for Agriculture (COAG)

Work on sustainable development in agriculture has been largely undertaken in the *Joint Working Party on Agriculture and the Environment* (COAG and EPOC). In 2007, the fourth report on indicators tracking the environmental performance of agriculture was completed, with input from a

workshop held in Washington D.C. (March 2007) The inventory of agri-environmental policies was extended to include most OECD countries, and efforts commenced on calculating the amount of support provided by governments that is intended to address environmental issues in agriculture. A study on analysing the nature and implementation of environmental cross-compliance (where support payments are dependent on farmers meeting prescribed environmental practices and conditions) in selected OECD countries was undertaken and will be the topic for a 2008 workshop.

Modelling the environmental, economic and budgetary effects of agri-environmental policy measures continued, with the aim of covering the broad range of agri-ecological settings across OECD countries. A review of policies and practices for the sustainable management of water in agriculture, in particular with a focus on fuller cost recovery of agricultural water, is underway as part of the horizontal programme. Analysis is also ongoing on the economic and environmental impacts of the rapid expansion (often due to policy interventions) in the use of agricultural feed stocks for the production of biofuels, including an analysis of policy and market options, with a view to identifying those that are sustainable. A round table discussion on biofuels was held in 2007 which covered the farming and agri-food industry, development, and environmental interests.

Committee on Industry, Innovation and Entrepreneurship (CIIE)

The Committee for Industry, Innovation and Entrepreneurship (CIIE) discussed a proposed project on sustainable production, which would develop quantitative indicators to help monitor progress and evaluate the costs and benefits of sustainable programmes across various industries. An earlier workshop with business on sustainable production had concluded that the ability of firms to adopt forward-looking environmental strategies was often hampered by the high cost of collecting relevant information and the difficulties in assessing the benefits of individual initiatives.

A workshop on *Sustainable Manufacturing Production and Competitiveness* was organised (Copenhagen, June 2007) to review different approaches to sustainable development targets and metrics and discuss the potential value added by OECD. The conclusion was that, given the diversity of approaches, methodologies and levels of analysis in measuring sustainable production, the OECD could play a useful role in bringing greater coherence to the compilation of indicators and measurement. It was suggested that toolkits of sustainable production indicators, perhaps at sector level, accompanied by case studies to illustrate good practices would be useful to those firms, particularly SMEs, that do not currently use sustainable production metrics. In the first instance, the development of a

toolkit could focus on environmental indicators of sustainable production, which are more widely accepted and available.

CIIE will touch upon issues related to sustainable development as part of its work on the *OECD Innovation Strategy*, which will address the role of innovation to address global challenges, including those related to environment, health, energy efficiency and water.

Committee for Fisheries (COFI)

In 2007, the Committee for Fisheries focused on two major outputs, both developed in the sustainable development context: 1) the impacts of globalisation on the fisheries sector, and 2) the political economy of fisheries policy reform. In addition, the Committee completed its biennial review of fisheries policies in OECD countries.

Analysis addresses the way in which the process of globalisation is creating opportunities and risks for the fisheries sector, which depends on a natural renewable resource base that must be managed in a sustainable and responsible way. This is intended to help countries in formulating, developing, adapting and implementing management frameworks that can accommodate the pressures stemming from the process of globalisation (calls for more open markets, less restrictive investment flows, improved tradability of fisheries services) without compromising the sustainability of the resource.

Key features include the implementation of appropriate management models (which may be dependent on the particular resource situation), dealing with structural adjustment, and garnering the political will to move forward. A workshop with the FAO on the “Challenges and Opportunities of Fisheries Globalisation” (Paris, April 2007) examined how globalisation is affecting the sustainable development of the fishing industry to better understand the challenges that are unique to fisheries and the policies needed.

The second project focuses on the political economy of reform in key policy areas of fisheries management: labour market adjustment, fleet capacity adjustment, and governance – both domestically and on the high seas. A workshop on the *Human Side of Fisheries Adjustment* examined the social effects of structural adjustment in the fishing industry and fishing communities based on case studies. Work has also been undertaken to develop a set of best practice guidelines for the design and implementation of vessel decommissioning programmes, which are necessary to address continuing problems of overcapacity in many OECD fishing fleets and to ensure the sustainable development of the fishing sector.

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

In 2007, the IEA Committee on Energy Research and Technology (CERT) produced a five-year Strategic Plan (2007-2011), which includes a vision for technology to achieve a globally clean, clever and competitive energy future. The four CERT Working Parties (on fossil fuels, renewables, end-use technologies, and fusion power), and the 41 IEA Implementing Agreements (which bring together experts on basic science, R&D, demonstration, deployment and information exchange), worked to advance technology solutions in: 1) energy-savings (buildings, electricity, industry, transport); 2) CO₂ abatement (*e.g.* clean fossil fuels, CO₂ sequestration); and 3) energy security and import independence (*e.g.* renewable energy technologies). The CERT reviewed a proposal for a new Implementing Agreement on deployment of efficient electrical end-use equipment and appliances, which would include seeking energy gains through more efficient use of standby power, lighting, set-top boxes, and motors.

In the area of technology policy, briefs entitled *Energy Technology Essentials* outlined the status, costs and potential of mainstream energy technologies. In addition, analysis was initiated on indicators for industrial energy efficiency and CO₂ emissions, clean coal and carbon capture and storage, mobility modelling and transport, combined heat and power, and energy sector methane recovery.

Other activities in 2007 were linked to the G8 Plan of Action, including a study on integration of renewable energy into electric grids; analysis and potentials of carbon sequestration; and a second edition of *Energy Technology Perspectives* to broaden analysis of non-OECD countries with a special focus on potential energy savings in the industry and transport sectors. The NEET Initiative (*Networks of Expertise in Energy Technologies*) aims to increase access to technology expertise and modern energy services for non-OECD countries, 12 of which now participate in the joint research activities of the IEA Implementing Agreements (including Brazil, Russia, China, India, and South Africa).

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

The contribution of the IEA Standing Group on Long-Term Co-operation (SLT) to sustainable development is primarily through its work on climate change mitigation, energy efficiency, and future scenarios. From an energy perspective, sustainable development is usually translated in the “three Es” of economic development, energy security, and environmental protection. With regard to energy and climate policy options, the SLT published the following analyses in 2007: the competitiveness implications

of a carbon constraint on energy-intensive industry; the effect of CO₂ prices on electricity prices; the impact of climate policy uncertainty on investment choices; and the interactions between energy security and climate policy.

The SLT also contributed a number of analyses on the international mechanisms established under the Kyoto Protocol in the context of the AIXG. In 2007, these included: the potential for “sectoral approaches” to greenhouse gas reductions and their possible integration in the future climate change regime; technology penetration and capital stock turnover; carbon dioxide capture and storage technologies under the clean development mechanism; commitment periods for international climate change goals; and trends and prospects in GHG emissions trading schemes. With regard to energy and environment, the SLT focused in 2007 on the use of biomass in developing countries and how to help them move from traditional, inefficient uses to more modern uses.

In the context of the G8 Plan of Action, the SLT has analysed energy efficiency best practice in transport, buildings, appliances and industry. End-use analyses identify the potential and policies for cost-effective energy efficiency improvements, particularly in electric appliances and lighting. The publication *Mind the Gap* provides the first attempt at quantifying energy efficiency potentials that are hampered by “principal-agent” situations. The alternative policy scenario of the *World Energy Outlook* examines how greater energy efficiency could contribute to reductions in energy demand, lower CO₂ emissions and cost-effective savings. In 2007, the *World Energy Outlook* provides insights on the energy future of China and India and their increasing role in the global energy markets.

International

Development Assistance Committee (DAC)

The Network on Environment (ENVIRONET) leads the work on sustainable development on behalf of the Development Assistance Committee (DAC), which in 2007 focused on follow-up to the 2006 Environment-Development Ministerial Meeting. Carried out with EPOC, this included: 1) a review of progress made by development co-operation agencies in raising awareness of climate risks (both internally and with partner countries) and in taking specific measures to facilitate integration of climate adaptation within their core activities; 2) development of *Good Practice Guidance on Financing Environmental Management* to provide a guide for donors on integrating environmental management issues in

development assistance; and 3) review of experiences in the sustainable financing of water supply and sanitation, with a particular focus on Africa.

The DAC also ensures that its other subsidiary bodies take sustainable development into account in their respective policy areas. Work on the social dimension of sustainable development focused on ensuring that efforts to implement the *Paris Declaration on Aid Effectiveness* take account of gender equality and human rights as well as environment, as reviewed at the 2007 Dublin *Workshop on Development Effectiveness in Practice*.

In the context of DAC Peer Reviews, institutional aspects of policy coherence – including environmental and sustainable development aspects – are being assessed in a special review. POVNET is developing guidance to tackle the multiple dimensions of poverty, including the cross-cutting issues of gender and environment. The Working Party on Statistics is tracking: 1) to what extent development co-operation efforts support the objectives of the three Rio Conventions (on desertification, biodiversity and climate change), and 2) ODA activities for which donors intend to apply for certified emission reduction units (CERs) through the Clean Development Mechanism (CDM).

Investment Committee (IC)

In 2007, the Investment Committee (IC) focused on implementation of the *OECD Guidelines for Multinational Enterprises*, including the promotion of responsible business conduct in emerging market economies and weak governance zones. The number of specific instances considered by the National Contact Points (NCPs) under the mediation and conciliation facility of the Guidelines increased to a total of 123 since the 2000 Review. Egypt became the 40th adherent to the *Declaration on International Investment and Multinational Enterprises* and is in the process of establishing a national contact point. The 2007 OECD Roundtable on Corporate Responsibility reviewed the usefulness of the Guidelines for financial practitioners and identified various ways in which they can support the financial sector to actively promote corporate responsibility. In June 2008 a high-level dialogue will be organised with ELSAC on globalisation and responsible business conduct in employment and industrial relations.

The G8 Summit declaration in Heiligendamm in June 2007 called for the continuation of the Investment Committee's project on "Freedom of Investment, National Security and Strategic Industries". Leaders also called for additional non-Member adherences to the *Declaration on International Investment and Multinational Enterprises*, active use of the *Policy Framework for Investment* in developing countries, effective implementation of the *OECD Guidelines for Multinational Enterprises*, and

wider dissemination of the *OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*. They also asked the OECD, in cooperation with the Global Compact and the ILO, to compile the most relevant standards of corporate social responsibility.

In the context of the Committee's outreach programme, responsible business conduct was discussed at a seminar on "Recent Developments in Russia's Investment Environment and Policy" (Helsinki, May 2007). A cooperation project with China on "Chinese and OECD Government Approaches to Encouraging Responsible Business Conduct" is being prepared. The Committee also launched a survey of state practice and jurisprudence in addressing environmental, labour and anti-corruption issues in bilateral investment treaties and investment chapters of regional trade agreements. In March 2007, the OECD Council adopted the *OECD Principles for Private Sector Participation in Infrastructure* which will be used to develop guidance to help governments optimise their collaboration with the private sector for the development and better management of water and sanitation infrastructure.

Trade Committee (TC)

In 2007, the *Joint Working Party on Trade and the Environment* (TC and EPOC) completed work on environmental provisions in regional trade agreements based on a workshop (Tokyo, June 2007) to share findings among negotiators from Asia. As there are now about 400 regional trade agreements in operation, estimated to account for more than 40% of world trade, they are providing an important mechanism for addressing economic, social and environmental issues in a balanced way. The Working Party also analysed business perceptions of non-tariff barriers facing trade in environmental goods and associated services in some OECD and non-OECD countries. While potential benefits that can accrue from liberalising trade in environmental goods and services are great, there is limited understanding of the impact of non-tariff barriers on trade in environmental goods and associated services.

New projects are examining: 1) the role of liberalising trade in climate change related goods, technologies and services, and 2) the sustainability criteria being developed for biofuels and their potential effects on trade. In addition, the OECD Working Party on Export Credits and Credit Guarantees (ECG) strengthened the *Council Recommendation on Common Approaches on the Environment and Officially Supported Export Credits*.

Acronyms

OECD Bodies

AIXG – 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

CFA – Committee on Fiscal Affairs

CIIE – Committee on Industry, Innovation and Entrepreneurship

COAG – Committee for Agriculture

COFI – Committee on Fisheries

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

HC – Heath Committee

IC – Investment Committee

IPPC – Insurance and Private Pensions Committee
ITF – International Transport Forum
JWGSSD – Joint Working Group on Statistics for Sustainable Development
LEED – Local Economic and Employment Development
PGC – Public Governance Committee
SLT – IEA Standing Group on Long-term Co-operation
TC – Trade Committee
TDPC – Territorial Development Policy Committee
WP1 – EPC Working Party No. 1

OECD Directorates and Associated Agencies

APF – Africa Partnership Forum Support Unit
CFE – Centre for Entrepreneurship, SMEs and Local Development
DAF – Directorate for Financial and Enterprise Affairs
DCD – Development Co-operation Directorate
ECO – Economics Department
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
NEPAD – New Partnership for African Development
STD – Statistics Directorate
STI – Directorate for Science, Technology and Industry
TAD – Trade and Agriculture Directorate

Other

BRIC(S) – Brazil, Russia, India, China (South Africa)

- CDM – Clean Development Mechanism
- CER – Certified Emission Reduction
- EC – European Commission
- EUROSTAT – Statistical Office of the European Commission
- FAO – Food and Agriculture Organisation
- GDP – Gross Domestic Product
- IISD – International Institute for Sustainable Development
- ILO – International Labour Organisation
- IMF – International Monetary Fund
- MCM – OECD Ministerial Council Meeting
- NGO – Non-Governmental Organisation
- NSDS – National Sustainable Development Strategies
- ODA – Official Development Assistance
- PCD – Policy Coherence for Development
- 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
- UNDP – United Nations Development Program
- UNSD – United Nations Division on Sustainable Development
- UNECE – United Nations Economic Commission for Europe
- UNESCO – United Nations Educational, Scientific and Cultural Organisation
- UNEP – United Nations Environment Programme

UNFCCC – United Nations Framework Convention on Climate Change

WCED – World Commission on Environment and Development

WTO – World Trade Organisation

WWF – World Wide Fund for Nature

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