

UN Commission on Sustainable Development
Ministerial Segment
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I. Sustainable Development at the OECD

I am very pleased to represent OECD here today. I would like to take this opportunity to reaffirm the OECD's commitment to Sustainable Development and pledge our support for the CSD process.

Promoting sustainable development -- in our member countries and globally -- has been one of the overarching goals of OECD governments and the OECD. Our mandate is to contribute to global economic development. We recognise that this mandate encompasses the world's environmental protection, social development, as well as economic growth.

Our approach is, therefore, multidisciplinary and cross cutting. As you may know, the OECD helps countries assess and implement policies in a wide variety of areas. Concern for sustainable development has been mainstreamed into our work on economics, international trade and investment, agriculture, development assistance, environment, labour and social affairs, and science and technology.

There are various ways in which the OECD contributes to promoting sustainable development. We:

- Collect data
- Develop new indicators and measures of progress
- Analyse issues and policy choices
- Share country experiences and identify best practices
- Perform peer reviews of policies and hold our members to account for the international commitments that they have made
- Promote partnerships with developing countries.

The range of activities at the OECD which support the implementation of the Johannesburg Plan of Implementation is vast. I would like to point out some specific activities:

1. Horizontal Project on Sustainable Development. This horizontal activity focuses on the interface between the economic pillar of sustainable development and the “environment” on the one hand and “society” on the other. In May this group on Sustainable Development will report on its findings to the OECD Council at Ministerial level, including the conclusions that:

- Greater use should be made of transparent taxes and tradable emission permits because they concentrate abatement in activities where emissions can be cut at lowest costs.
- Less emphasis should be placed on regulations as an instrument to control pollution because they can prevent companies from using the most efficient ways to reduce their emissions.
- Voluntary agreements appear not to be as effective or efficient as hoped.
- Reducing environmentally harmful subsidies requires a “whole of government strategy”.

2. Future horizontal work on Sustainable Development to 2006. In May 2004 the OECD Council at Ministerial level will agree on new directions for Sustainable Development at the OECD. They will likely recommend new work on (1) the obstacles to reducing environmentally harmful subsidies; (2) obstacles to the further use of economic instruments including environmentally related taxes and permits; (3) sustainable resource use, including material flow accounting, the decoupling of environmental pressures from economic growth and resource productivity; and (4) emerging issues which feed into the work of the UN CSD.

3. The OECD Global Forums on Sustainable Development. The OECD Global Forums bring Member and Non-Member countries together to address issues that defy resolution in a single country region. One of these specialised dialogues focuses on the environmental aspects of Sustainable Development. Topics include: environmental financing, compliance and enforcement (December 2003’s “Financing Water and Environmental Infrastructure for All”); development and climate change (November 2004); emission permits; and the environmental dimensions of the Guidelines on Multinational Enterprises.

4. The Roundtable on Sustainable Development. The Roundtable is a forum for international dialogue which brings together environment and economic ministers in an informal setting with representatives from international organisations business and civil society. These meetings generate policy ideas and build consensus for actions for achieving sustainable development objectives. The focus is on solutions that are difficult to introduce in formal negotiating processes. Subjects considered to date include sanitation and integrated water resources management, governance issues, climate change, eco-taxes, the linkages between official development assistance and foreign direct investment flows, sustainable development indicators, illegal fishing and the role of eco-labels in promoting sustainable development. Future topics include: the world energy market and the place of renewable sources of energy; the sustainability of the global mobility system; and global public good.

5. The Development Assistance Committee (DAC). Turning to the poverty agenda, earlier in April a High Level Meeting of the DAC reviewed our member countries' cooperation with developing countries. The heads of development cooperation agencies discussed recent trends in development assistance in anticipation of the 2005 UN high-level review of the Millennium Declaration. The positive news is that there has been a real increase of 11% over the last two years, reversing the declines in aid in the previous decade. DAC ODA reached \$68.5 billion, the highest level ever. In addition, many donors have set timetables for achieving an ODA/GNI ratio of 0.7% in the context of the 2002 Monterrey Conference on Financing for Development. This could increase aid by a further 25% between 2003 and 2006. However, there is no room for complacency, and the High Level meeting of the DAC recognised that much more will need to be done to achieve the MDGs.

I would like to stress that one of the strengths of the OECD is accountability. It is vital that OECD countries honour their commitments in view of their combined economic and environmental weight in the world. The meeting of OECD Environment Ministers last week in Paris is a good example of how this is done. Ministers met to assess progress in achieving the objectives of the Environment Strategy they adopted three years ago. Based on an assessment conducted by the OECD secretariat, they concluded that although important progress had been achieved, it would not be sufficient to meet the targets they had set for 2010 unless they introduce more ambitious policies supported by stronger political will. Ministers also discussed how some of those policies could be made more efficient and effective.

II. Water Supply and Sanitation

OECD can also contribute to Sustainable Development by sharing our experience on the state of implementation in the thematic cluster under consideration at CSD. We were pleased to organise a side event and to submit documentation for this meeting focussing on the financing of water supply and sanitation. We hope to mount similar efforts at future meetings of the CSD, but for now let me highlight a few of the main findings from our work on water supply and sanitation:

- Many developing and transition countries will find it difficult to meet the internationally-agreed water targets on a business-as-usual scenario
- While additional finance is crucial, it may be wasted unless it is linked to effective reforms of water sector governance. Policies for water supply and sanitation, and the associated institutional arrangements, need to be strengthened in order to improve the mobilisation and effective use of financial resources
- Except in the poorest of countries, external finance will account for a very small fraction of total financing needs. In the countries of the former Soviet Union where we have carried out work, external resources account for a negligible portion of total finance. External finance nevertheless can have an important demonstration and catalytic function
- There are no "magic bullets" for financing water infrastructure. One of the main challenges is to blend available financial sources so as to maximise their leverage effect and overall impact. Finance planning tools such as the FEASIBLE model developed by OECD and Denmark can help in this regard.

- Various financial tools are available to help spread costs over time or to mitigate risk, but, ultimately, taxpayers and users finance water infrastructure. In most countries there are advantages in shifting the financing burden from taxpayers to users: it would reduce demand and investment needs; it would help put the sector on a more financially sustainable basis, particularly if user charges cover recurrent costs; and it would promote better governance by enhancing accountability.
- An important obstacle to increasing user charges is their affordability to poorer groups. Our work suggests that there is often more scope to raise user charges than is commonly thought, and that better targeting of support is preferable to maintaining artificially low tariff tariffs; indeed, maintaining low tariffs often benefits the rich more than the poor. However, better targeting of support requires appropriate social policies and institutions.
- In the 1990s, public budgets accounted for about two-thirds of capital investments in the water sector. They will continue to play an important role, but they should be used in “smart” ways: to finance priority projects in a cost-effective manner; to enhance synergies; to maximise their leverage on other financial flows; and to avoid “crowding out” other financial sources.
- Local governments have a vital role to play in financing water infrastructure. There is some recent positive experience of establishing mechanisms in developing countries that enable them to access savings vested local capital and financial markets.
- Private sector participation in the water sector has declined globally in recent years. In most developing and transition countries, private operators are more likely to be a source of management and technical know-how than investment capital for the foreseeable future.

I hope that this short summary of some of the key lessons learned will contribute to our discussion today, and I would recommend those who are interested to consult our website for further information (www.oecd.org).

In conclusion, let me re-affirm OECD’s support for the CSD process. The OECD will continue to be a strong partner of the CSD in its efforts to ensure that the goals and targets of the Johannesburg Plan of Implementation be met in time and in the most effective way. Thank you for your attention.