1 Introduction

The concept of 'sustainable development' arose from widespread concern about the current and future social and environmental impacts of economic growth and development. Governments around the world have implemented measures directed at achieving sustainable development, particularly around the time of the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992 (referred to as the Rio Earth Summit). In Australia, the major policy initiative in this regard is the National Strategy for Ecologically Sustainable Development (NSESD), which was endorsed by Commonwealth, State and Territory Governments and representatives of Local Government in 1992.

The purpose of this inquiry is not to re-examine ecologically sustainable development (ESD) objectives, nor to directly assess environmental or ESD outcomes. It is about how Commonwealth agencies have gone about the pursuit of ESD and the implementation of the NSESD. However, in examining progress in implementing ESD, processes that appear to have been effective in furthering ESD have been analysed. Implicitly this involves some consideration of ESD outcomes.

The focus of the inquiry is on the processes that Commonwealth Government departments and agencies have applied to integrate economic, environmental and social considerations, how these have worked and how they might be improved. The whole of the policy process — including policy development, implementation, monitoring and feedback — is considered.

1.1 What is ESD?

The maximisation of human welfare is the main objective underpinning sustainable development. In 1987, the World Commission on Environment and Development (the Brundtland Commission) articulated what has become a commonly used definition of sustainable development:

> ... development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (WCED 1987, p. 8)

The Agenda 21 agreement at the Rio Earth Summit in 1992 provided further guidance on the broad scope of policy issues surrounding sustainable development. This agreement classified sustainable development activities into six broad themes:

- quality of life;
- efficient use of natural resources;
- protection of the global commons;
- management of human settlements;
- waste management; and
- sustainable economic growth (World Bank 1997a).

In Australia, governments have adopted the term 'ecologically sustainable development' to address these considerations. In 1992, in releasing the NSESD, the Council of Australian Governments considered that ESD:

> ... aims to meet the needs of Australians today, while conserving our ecosystems for the benefit of future generations. (CoA 1992b, p. 6)

Three core objectives are articulated in the NSESD:

- enhance individual and community wellbeing and welfare by following a path of economic development that safeguards the welfare of future generations;
- provide for equity within, and between, generations; and
- protect biological diversity and maintain essential processes and life-support systems.

Embodied in these core objectives are the three dimensions of ESD — economic, environmental and social. While the concept of sustainability is based in science — and the management of natural resources in particular — ESD also has implications for the broader concerns of welfare and equity. There are tradeoffs between these elements, for example between present and future consumption, and between economic, environmental and social objectives.

ESD covers such a wide range of issues that it is relevant to decision making in most areas of government. ESD consistent decision making requires the integration of economic, environmental and social considerations. It is therefore relevant to the activities of all Commonwealth departments and agencies to varying degrees. ESD considerations are an integral part of policy making for some departments and agencies, such as those concerned with natural resource management. Some other departments and agencies need to consider ESD because their activities have significant consequences for its achievement. For others, ESD considerations may be more limited, comprising internal management policies such as energy conservation.

The NSESD outlines a number of guiding principles. Important among them are the need for decision making processes to effectively integrate long term and short term

economic, environmental and social considerations and that the lack of full scientific certainty should not be used as a reason for postponing action — known as the precautionary principle. These issues are discussed in greater detail in chapter 2. ESD represents a broad policy agenda, and it introduces a number of complexities for policy making. While these complexities (for example, scientific uncertainty) are not unique to ESD, they tend to occur more frequently and often in combination. For example, ESD consistent policy making is characterised by information and measurement difficulties, scientific uncertainty and long timeframes (particularly in the environmental area).

1.2 Why is ESD important?

Environmental concerns, such as those associated with resource management, feature prominently among major ESD issues. While management of the natural environment has been a concern of governments for some time now, significant environmental problems still exist. In Australia, the State of the Environment Advisory Council has identified a number of areas where the natural environment is under pressure, including:

- habitat loss and decline in biodiversity;
- land degradation;
- decline in urban air quality;
- global climate change;
- degradation of inland water resources;
- decline of renewable resources such as old growth forests and fish stocks; and
- degradation of marine ecosystems (SEAC 1996).

The present day monetary cost of these problems is significant. For example, the financial loss alone from land and water degradation has been estimated at $1.4 billion per year (ANAO 1997). The direct cost to government is also significant. The Commonwealth Government expects to spend around $1.6 billion between 1996-97 and 2000-01 on environmental protection and remediation (CoA 1998a).

According to a recent survey (ABS 1998), an estimated 71 per cent of Australians are concerned with at least one specific environmental problem. Air pollution was considered the environmental problem of greatest concern, followed closely by freshwater pollution and ocean or sea pollution. When the same survey was conducted in 1996, 68 per cent of participants indicated they had some

environmental concerns. In 1992, the proportion was 75 per cent. In addition, in the 1998 survey, 46 per cent of participants felt that the quality of the environment had declined during the past 10 years, compared with 44 per cent in the 1996 survey (ABS 1998).

Environmental concerns are an essential aspect of ESD, but they are not the only consideration. Sustainable development is bound to a number of other issues, reflecting the complex interactions between the three components of sustainability (see chapter 2 for a more detailed discussion of these interactions). The World Bank has identified five central challenges of sustainability at an international level which encompass the economic, environmental and social aspects:

- reducing poverty;
- doubling food production;
- addressing linkages between energy use and its impacts on the environment;
- conserving biodiversity and natural habitats; and
- addressing social disruption and dislocation (World Bank 1997a).

Policies addressing sustainability are clearly not unique to Australia. Internationally, around 100 countries have adopted national strategies for sustainable development (World Bank 1997b). Implementation of such strategies has taken diverse forms, ranging from policies requiring government departments to consider ESD principles in their internal operating procedures, to the implementation of comprehensive market based instruments applicable economywide, such as environmental taxes and tradeable emission permits. The World Bank has recognised four broad approaches to address ESD related issues through economywide policies. They are:

- using markets;
- creating markets;
- using environmental regulation; and
- engaging the public (World Bank 1997b).

1.3 What is this inquiry about?

The Commission has been asked to examine how Commonwealth departments and agencies have implemented ESD. The full terms of reference are reproduced on page v.

A key focus of the inquiry is on the integration of economic, social and environmental considerations by those Commonwealth departments and agencies

with significant responsibility for ESD implementation, or whose activities directly impact on its achievement. Another important focus of the inquiry is the scope for improving the incorporation of ESD into government policy formulation and decision making processes, and for monitoring, evaluating and reporting the implementation of ESD by departments and agencies, through the use of improved frameworks.

1.4 The inquiry process

In undertaking this inquiry, the Commission was guided by the terms of reference, and its general operating guidelines as outlined in the *Productivity Commission Act 1998*. The Commission's inquiry processes are designed to facilitate participation by all interested groups and individuals, and to permit a high degree of transparency and public scrutiny. In making recommendations, the Commission's Act requires it to consider the impact on the whole community rather than any particular group or activity.

For this inquiry:

- extensive consultations were held with a range of Commonwealth Government departments and agencies, as well as other bodies affected by Commonwealth Government actions in this area (see appendix A);
- an Issues Paper was sent out in September 1998 to assist those interested in participating in the inquiry. It was also available on the Commission's web page;
- submissions were sought from interested parties, and a questionnaire seeking information on ESD related policies, programs and activities of Commonwealth departments and agencies was prepared and distributed to government departments and agencies;
- a draft report was released in February 1999 and distributed widely;
- 42 submissions and 25 responses to the questionnaire were received prior to the release of draft report. After the release of the draft report, a further 42 submissions were received; and
- further consultations were held with State government representatives after the release of the draft report.

1.5 Outline of this report

The issues and principles underlying ESD, and the role of governments in implementing ESD, are explained in detail in chapter 2.

Australian governments' approaches to implementing ESD, including the Commonwealth's ESD responsibilities, are discussed in chapter 3. Chapter 4 details the relevant programs and policies in place and how Commonwealth departments and agencies have incorporated ESD principles into their decision making processes.

The terms of reference require case studies in priority areas to be undertaken. Five case studies were undertaken in the areas of:

- regional forest agreements;
- fisheries management plans;
- the Natural Resource Management Strategy of the Murray-Darling Basin Commission;
- the National Greenhouse Strategy; and
- environmental management by the Department of Defence.

An examination of these areas is contained in appendix D. Key observations raised by the case studies are presented in chapter 5.

On the basis of the information contained in chapters 2 to 5, chapter 6 explores specific areas where there is scope for improvement in ESD implementation by Commonwealth departments and agencies. The Commission's recommendations, designed to further implement ESD objectives and principles in government decision and policy making processes, are presented in chapters 6, 7, 8 and 9. These recommendations are canvassed within the context of adopting 'good practice' policy making processes and cover areas such as: better integration of economic, environmental and social considerations in decision making; improving coordination, the information base, and monitoring and feedback in policy formulation; and raising the commitment to ESD implementation by decision makers. Chapter 9 also includes a discussion on priority areas for further implementation of ESD.