

**Minutes from the
First meeting of the joint UNECE/OECD/Eurostat
Working Group on Statistics for Sustainable Development (WGSSD)**

3-4 April 2006

Eurostat
Quetelet Room (3rd floor), Bech Building
5, rue Alphonse Weicker, Luxembourg

Participants: Australia, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Luxembourg, The Netherlands, New Zealand, Norway, Romania, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the European Commission (Eurostat, DG ECFIN and DG ENV), the Organisation for Economic Co-operation and Development (OECD), the World Bank (WB), the United Nations Division for Sustainable Development (UN DSD) and the United Nations Economic Commission for Europe (UN ECE).

Chair: Robert Smith, Statistics Canada

Agenda:

1. Review of the WGSSD's Terms of Reference and draft work plan
2. Operating principles of the WGSSD
3. Roundtable on country experience and organisations' work on sustainable development
4. Conceptual frameworks for statistics for sustainable development: presentations and discussion
5. Conclusions and next steps

1. Review of WGSSD Terms of Reference and draft work plan

Terms of Reference

The Terms of Reference, as they have been agreed upon in the Bureau of the Conference of European Statisticians (CES), were reviewed.

A point was made about what seems to be an inconsistency in the TORs. They say that we are not supposed to advise a recommended international set of indicators, while at the same time one of our tasks is to develop a menu of good indicators and identify a small set of indicators that might become the core for international comparisons. It was replied that we are working on a controversial issue, so the interpretation of this slight inconsistency is that we should explore whether there is any potential for arriving at an agreement on some common indicators one day.

It was stated that it is good timing between this group and the revision of the set of indicators in the UN. It is a good opportunity for some cross-fertilisation in this field.

Draft work plan

The work plan for the WGSSD, as it was proposed and accepted by the Bureau of the CES, was reviewed. It is an ambitious timetable. However, since the work period has been extended to June 2008, the timeframes for agreeing on a conceptual framework can be extended accordingly. A revised work plan will be circulated by the chair for comments and then submitted to the CES Bureau for approval.

It was agreed that the final product should be a detailed, coherent manuscript that outlines how statistical offices can proceed, from beginning to end, to measure sustainable development starting from a conceptual framework. The time available to us to prepare this manuscript is short. Therefore, a resolution on the conceptual framework issue needs to be found within about 10 months.

2. Operating principles of the WGSSD

Steering committee

The group was informed of the creation of a Steering Committee (SC) for the WGSSD. The reason for creating this group is that the full WGSSD is large and diverse. The chair believes that a smaller group is required to assist him in planning and carrying out the work of the group. Countries and institutions with a long experience in SDIs have been invited to participate in the SC, which is composed of representatives from Norway, Sweden, Canada, Germany, Switzerland, UK, UN ECE, OECD, Eurostat, WB and UN DSD. A Terms of Reference for the SC was adopted by the CES Bureau in February 2006. The TORs of the WGSSD and the Steering Committee will be posted on the UN ECE web site.

Secretariat's role

The participants were informed of the responsibilities of the three secretariats that will support the work of the WGSSD. The UNECE secretariat will provide logistics support to the WGSSD, including communication with the members of the Group, preparation of future meetings, distribution of documents and maintenance of a web site (<http://www.unece.org/stats/documents/2006.04.sust-dev.htm>) where materials for the meetings and other relevant material will be posted. All documents concerning the work of the WGSSD will also be posted on the Eurostat CIRCA. Eurostat's secretarial role has been related to this meeting, and ends by the end of this meeting, except in case there will be another meeting in Luxembourg. OECD will provide secretarial support to the chairman of the WGSSD including proceedings and drafting of minutes from the meetings.

Meetings

The WGSSD will meet 4 times during the two years project that will end by June 2008. It is also planned that the Steering Committee meets 5-6 times during the same period: the next meeting will take place in Paris on 9-10 May 2006.

3. Roundtable on country experience and organisations work on SD

Most participants made a short presentation of their countries' or organisations' experience with developing SDIs. They had also presented short written summaries beforehand, which can all be downloaded from the UN ECE web site. These presentations are therefore not summarised here.

The meeting noted that a lot of countries, at least in the European context, have developed national SD strategies and related sets of indicators. The participants expressed interest and general support in developing a conceptual framework for measuring sustainable development, even though a lot of countries have policy driven approaches themselves.

4. Conceptual frameworks for statistics for sustainable development: presentations and discussion

This agenda item was discussed on the basis of presentations by Sweden, OECD and the WB and on presentations/papers by Switzerland, Norway and the UK. The follow topics were covered in the presentations:

- a. Defining the role of a conceptual framework – Tone Smith, OECD
- b. The need for a conceptual framework for the measurement of SD – Kirk Hamilton, WB
- c. Conceptual framework of the Swiss sustainable development indicator system – Andrea Scheller, Swiss Federal Statistics Office
- d. A capital-based framework for statistics on sustainable development – Thorvald Moe, Ministry of Finance, Norway
- e. Conceptual framework of the UK sustainable development indicator system – Stephen Hall, Department of Environment, Food and Rural Affairs, the UK
- f. Conceptual framework of the Swedish sustainable development indicator system – Viveka Palm, Statistics Sweden

There were discussions around the different presentations concerning both the presentation itself and broader questions it raised on the measurement of SD. Below, the discussions are summarized under separate themes that do not reflect the chronological order in which they were presented. In general, only the elements considered of interest for further discussion have been noted.

Identifying the “object” of sustainability

Several participants expressed concern about the notion of SD being too broad, overburdened, covering everything, and that we therefore need a narrower, more focused scope for the concept. One delegate pointed out that we should decide upon a definition before choosing the approach.

The “object” of sustainability, or that which is to be sustained, was touched upon several times through the meeting. There were several notions put forth during the two days: needs, basic needs, human wellbeing, human welfare, human development, and the economy. At the end there was a broad consensus that options for future “human development” was the object of sustainability. However, the concepts of wellbeing and welfare also inspired some interest, and their definitions need to be clarified before further discussion.

As part of this discussion another issue emerged: the question of whether SD is about sustaining the environment for its own sake or for the sake of human beings. There was agreement that SD is an anthropocentric or human-centred concept. The issue was raised that human beings don’t always value everything that is important for sustainability, and that value judgements of the humans today may not be enough to guarantee wellbeing in the future. Therefore, scientific research on nature is important, to help us conserve what we need for future wellbeing.

Sustainable development is a normative concept

There was agreement that SD is a normative concept.

Regarding the subjective notion of “wellbeing”, a question was raised on how to measure the appreciation of e.g. nature and culture. Some countries (UK, Sweden) shared experiences on surveys asking people how happy they were, which might be one way to measure current well-being.

Both for wellbeing, welfare and human development, there are several definitions in use. We have to look into these definitions, clarify, and discuss further.

Deriving objective statistics from a normative concept

From the above discussion a new issue emerged: the concern of how to derive objective statistics from a normative or even subjective (as for wellbeing) concept. Some delegates noted the role of statistical agencies to produce objective statistics that people can use in any normative way they wish. However, the point was also made that statistics are never objective in the sense that there is a value or theoretical judgment behind the choice of variables that are to be measured, whether this choice have been made explicit according to a theory/conceptual framework or not.

One participant said it was not enough to choose a single objective framework and argued that we should have several frameworks that correspond to different normative evaluations of the concept. Stakeholders must make their values more explicit, so that we can respond to their needs. Should statistical agencies be able to feed data into several theories? There wasn't made any conclusion on this question, which might therefore need some further discussion.

Inter- and intra-generational dimensions/current and future welfare

Another issue that was discussed at length was the distinction between inter- and intra-generational aspects of wellbeing and whether both dimensions should be part of our approach to SD. Some participants claimed that sustainability is about long-term policies only and about *sustaining* development. They agreed that fairness is important, but argued that income distribution of today and next year is a matter of short-term development policy, while sustainability is about inter-generational issues, long-term policy, and about maintaining wellbeing per capita. In this view, sustainability is about equity in an inter-generational sense only.

Others thought SD was about *both current and future* wellbeing, and some argued that there is a clear link between these two dimensions. This is a fundamental postulate, for example, in the Swiss model. This model is based on the view that we cannot say that equity is a concern only for the future. The right to development for everyone, is stressed – a right for development now - not in the future.

It was said that if one includes both current and future aspects in the notion of SD, there is a risk of mixing current and future welfare measures. If we confuse these measures, it was said, we are not being particularly useful for policy makers.

At the end of discussion it was clear that many participants agreed that both dimensions need to be measured, although there was still debate as to whether both could be measured under the heading of SD. The group was reminded that the Rio-principles include both. The group therefore agreed to search for a framework for measuring both current human development/welfare/wellbeing and the options for long-term development/wellbeing/welfare, or in other words both inter- and intra-generational issues.

Some said this could be done either within two different frameworks, or within one framework that makes a clear distinction between current and future welfare. Others thought we don't need two different frameworks, and argued that short- and long-term policies are not different in relation to frameworks. This has to be discussed further.

How to measure the future

There was some concern about how one can actually measure the future or make indicators that says something about the future.

Some thought the current path predicts future wellbeing. This was strongly opposed by several participants, who argued that it is not enough to measure welfare today to determine how high future welfare might possibly be. We have to keep track of those assets that exist today that provide welfare-enhancing flows now and for the future. This is the basic idea on which the capital approach is based. This approach is not

about measuring the future, but how we manage our assets today. We should maintain resources (assets) for future welfare and protect options for the future, and this is what we should measure. We cannot know what future generations derive wellbeing from, but we don't have the right to take wellbeing away from them.

Another question that was raised was how many future generations we have to take into consideration, what timeframe.

Statisticians' role vis-à-vis the politicians'

The Chair asked whether the participants considered it legitimate for statisticians to be well ahead of politicians. Some thought yes. They argued that we should be ahead of politicians if we can, because if we are not, we cannot respond to the politicians' needs once they appear. Statisticians should therefore anticipate the future. The group was reminded about the development of the SNA (national accounts), which is an example of how statisticians and academics can be ahead of policy and develop tools that has become very important for policy. Others said that statisticians may well be ahead of politicians, but that we still have to be able to sell what we propose.

Others questioned whether we, as statistical offices, can proceed on measuring SD without having politicians tell us first what to measure. Yet, others asked how we could avoid indicators being influenced by policy.

Some said we might do both - be relevant to policy needs and at the same time develop new conceptual frameworks.

It was noted that Swiss model was developed independently of politicians and other stakeholders, although the selection of indicators was made through a multi-stakeholder process.

Discussion about the capital approach

The group is explicitly asked in its Terms of Reference to consider the capital approach as a starting point for identifying a conceptual framework and therefore there was quite a lot of focus on this approach. Many points were raised in favour of and out of concern about the approach.

A point that was repeatedly stressed by the World Bank and supported by others was the need to think about sustainability in terms of preserving options for future development by maintaining stocks of assets that provide welfare-enhancing material and service flows. This is, in its essence, what the capital approach is about. It was noted that it is not just the size of asset stocks that matters, but the change in those stocks from one period to another. The direction of this change tells us whether a society is developing on a sustainable or unsustainable path. Since change in stocks is what matters, it is not always necessary to measure the absolute stock size so long as the change can be measured from one period to the next. This is helpful when trying to measure complex assets like the atmosphere.

Some were afraid that the capital approach could lead to perverse results if all the data to fill out the framework are not available. In the absence, for example, of data on ecosystem assets, the approach might lead to the conclusion that a country is sustainable when it really isn't. This was noted to be a serious concern, since not all the required data actually are available today. Others noted that perverse results can happen with any approach.

Some also wondered whether we should recommend an approach when we know there are elements of it that will remain methodologically difficult, if not impossible, for some time to come (e.g. social capital). Some said we might end up focusing on only that which we can measure, and this might influence the very

direction of development. It was again noted, that this problem might appear with whatever framework one chooses.

There is research going on internationally on social and human capital. It was said that in Norway the human capital residual is calculated to be about 80 per cent of net national savings. Therefore it is too important to just leave the topic. We should look more into it.

There was some concern about the capital approach focusing mainly on future welfare, and in this way considering a poor country sustainable if it saves its resources for the future, while letting people starve today. This interpretation was opposed. The capital approach does not make prescriptions about current wellbeing (that is the subject of short-term development policy). Its focus is on whether current development patterns are undermining the options for future development.

A positive aspect of the capital approach that was stressed is the fundamental difference between this approach and other approaches in the question of inter versus intra-generational equity. The capital approach is very clear in this regard.

Yet another positive comment was that the capital approach is very clear on trade-offs, contrary to the indicators focussed on current wellbeing in which there is almost no means of assessing trade-offs. Others were not convinced that the capital approach gives any better foundations for measuring trade-offs than other approaches.

Some said the capital approach seemed to be a good approach for purely economic sustainability, but thought welfare or human development is more difficult to measure. It was also said that themes some feel are important for sustainable development, like international responsibility, equity and health, cannot be measured in monetary terms. It was emphasized in reply that the capital approach does not lead inevitably to measurement in monetary terms, although there are clear advantages to monetary measures. In particular, monetary measures allow assessment and comparison of different assets' marginal (additional) contributions to wellbeing. Physical measures do not allow this. But, of course, one can use monetary value only for assets for which there are clear substitutes. For "critical natural capital" (that for which no substitute exists), monetary measurement is not appropriate or necessary.

Other concerns were about how we are going to use the capital approach. What policy implications would there be? This question has to be looked more into, and must be clarified in the group.

The need for a conceptual framework

There was a great deal of agreement that a common conceptual framework is desirable. Still there were some participants that didn't see how starting from a theoretical concepts would take us much further than we are today. They asked whether measurement of SD really cannot be successful in the absence of a conceptual framework and whether it would necessarily be more successful with one, especially if there is no clear SD policy framework in place.

In response to this, the chair reminded the group that about our mandate is explicit on the need to consider a conceptual approach to measuring SD. It will not be enough to report back that we all have our policy-driven frameworks and that is all that is needed. A participant added that we could instead reflect in our report how to integrate political goals into our chosen conceptual framework.

There was also agreement that a conceptual framework should be based on theory or include explicit assumptions on relationships between variables. However, for topics that are not yet refined or that are complex, such as SD, these inter-linkages might not be very well understood (yet). We might therefore

have to accept a conceptual framework that still has some way to go before being operationalised in a quantitative model.

It was said that there is a lot of thinking going on within stakeholders (NGOs and others) that could be used in developing a conceptual framework. It was also noted that conceptual ideas could as well come from theory.

Communication and engaged policy community

The UK shared its experience in producing a small A6-book of indicators, without any extra technical information in it. This book has proved very popular in communicating to the public what SD is about. The group saw the importance of effective communication of SD indicators regardless what conceptual framework is adopted. The group was also reminded about the value of an engaged policy community in popularising measures of SD, such as in the UK. Without political support and interest, even the best framework may lead to measures that are ignored.

Official statistics

There was quite some interest in the possible use of already existent statistics to measure SD. What kind of statistics are needed, what do we have, what is missing? How long do we come with existing statistics? How much statistics can from official sources, and how much from elsewhere? Switzerland explained that all of their 17 core indicators come from official statistics. However, to calculate some of the other indicators on the broader list, less official data sources were used. There are also several indicators that cannot yet be measured.

Composite indexes

There was some discussion on composite indexes. Some countries thought it would be interesting to look into this issue. Sweden had some experience in this regard, having used the measure of green GDP in their long-term policy paper. However, the index was interpreted by the government as expressing that Sweden was sustainable, which was opposed by the Swedish EPA, particularly because the greenhouse gas problem was not addressed and it is clear that Sweden still needs to implement new policies to meet the environmental goals in this area. As long as there was a slight growth in GDP other factors didn't influence on the overall outcome. One representative mentioned the interest in the "Ecological footprint", but there wasn't any follow up on this issue.

5. Conclusions and next steps

In the conclusion from the discussions above, the following points were agreed:

- There is a great deal of agreement that a common conceptual framework for measuring SD is desirable;
- SD is a normative concept;
- The SD discussion is overburdened with too much content and it risks sinking under the weight of its own success;
- Some consensus emerged that SD is about sustaining human development;
- The concepts of wellbeing and welfare also inspired quite some interest;;
- The distinction between the intra- and intergenerational issues, or between current welfare and determinants of future welfare, is important;
- The communication of the SD indicators is crucial to their success;
- The value of having the policy makers engaged in the work of measuring the SD;
- From the frameworks discussed so far the Swiss framework seems to be the closest to our needs. It captures both the short-term and the long-term dimensions in a coherent, while explicitly separate, way. Even though the interactions are not as neatly tied up in theory as we could wish, the framework is still

explicitly based on some assumptions of interactions that define the limits for selection of indicators: allowing some variables, while rejecting others.

- The Swiss framework can encapsulate both the capital framework, which is requested by the TORs of the WGSSD, policy frameworks and other approaches. There is already a lot of “capital” in the Swiss model.

Items to follow up

- It is necessary to clarify what we mean by welfare and wellbeing;
- The distinction between the intra- and intergenerational issues is important; the topic should be on the agenda for future discussion; including the possibility of having 2 sets (categories) of indicators and frameworks;
- There is need a to clarify what the policy implications of the capital approach are;
- It was decided to start with the Swiss model as the basis for work and explore it as a possible framework, how it relates to the TOR for the work of the WGSSD and how it fits the notion of sustainability, as agreed by the WG. This does not preclude exploring further other possible approaches. In this context the meeting agreed that the Steering Committee study the framework in greater detail, decide on the next steps and report back to the members of the WGSSD.
- An idea was launched on mapping the different countries’ sets of indicators into the Swiss framework. The group agreed to follow up on this concrete idea.
- It was agreed that the Steering Committee should see to it that the summary of country activities on SD measurement prepared by Statistics Norway in 2002 is updated.

Final review of work plan

As the meeting ran overtime, there was no time to review the draft work plan. It was agreed that this can be done by the Chair and the Steering Committee and the new version circulated to the full WG for comment.

Next meeting

The WGSSD agreed that a second meeting of the joint Working Group would be organised on 2-3 November 2006 in Oslo to be hosted by the Ministry of Finance of Norway. A meeting of the Steering Committee will be held on 31 October–1 November prior to the meeting of the WGSSD.