

CONFERENCE OF EUROPEAN STATISTICIANS

For information

Third meeting of the 2006/2007 Bureau
Geneva, 12-13 February 2007

Item 7d of the Provisional
Agenda

**PROGRESS REPORT BY THE JOINT UNECE/OECD/EUROSTAT WORKING
GROUP ON STATISTICS FOR SUSTAINABLE DEVELOPMENT**

**Note prepared by Robert Smith, Chairman of the Steering Committee of the Joint
Working Group**

1. Since its last progress report in October 2006, the Working Group on Statistics for Sustainable Development has made considerable progress. The CES Bureau's clarification of the Group's mandate in November 2006 has cleared the way for the Group to move beyond the impasse that had been reached over the question of the appropriate temporal focus of SD indicators.
2. The full Working Group has met once since the Bureau's clarification and the Steering Committee has met twice. Sub-groups have been established to address specific issues related to the capital approach and the assessment of commonalities among existing SD indicator sets.
3. Decisions have been made with respect to the scope of our efforts in each of the three principle new domains of capital. It is agreed that our efforts to elaborate indicators of social capital would be limited to summarizing the existing literature on this topic and suggesting some fruitful avenues for further research, given the early stage of development in this field. It is agreed that more is possible with respect to human capital as this field is further developed. An offer from Norway to prepare a paper on human capital for the next Working Group meeting has been welcomed. It is agreed that natural capital is well established as a domain and that our work on it should therefore extend quite far. The foundational principles of the capital approach are now clearly established and a list of issues that the Working Group should pursue during the remainder of its mandate has been established.
4. The Working Group will next meet in Geneva, April 18-20, 2007.
5. Full details of the Group's progress since November are attached in the annex to this report.

ANNEX – DETAILS OF WGSSD PROGRESS SINCE NOVEMBER 2006

WGSSD STEERING COMMITTEE MEETING – OSLO, NOVEMBER 14, 2006

1. The members of the Steering Committee were introduced to Mr. Knut Alfsen of Statistics Norway at this meeting. Mr. Alfsen will be seconded to the Working Group full-time beginning in February 2007 to serve as the group's editor. His role will be to assist in the drafting of the final report. Mr. Alfsen has more than 25 years' experience in the field of statistics and policy analysis, much of them spent dealing with environmental issues. His salary is generously being covered by the Government of Norway.
2. The members of the Steering Committee met for one day prior to a meeting of the full WG the following two days. The members of the Steering Committee discussed the decision of the Bureau regarding the Working Group's mandate at length. All agreed that the decision had been well taken and that it would allow the group to get beyond the impasse that had emerged over the short-term versus long-term aspects of sustainable development.
3. In addition to discussing the Bureau's decision, the Steering Committee also discussed the need to form sub-groups within the Working Group to address specific issues with regard to the capital approach and to the assessment of existing SD indicator sets. It was agreed to propose this to the full Working Group.
4. The draft outline for the Working Group's final report was discussed at some length and a number of revisions were made. It was agreed that the revised version would be presented to the full Working Group for its approval.
5. The meeting concluded with a discussion of the objectives for the full Working Group's meeting planned for the following two days in Oslo and of the work plan for the remainder of the group's mandate.

WGSSD PLENARY MEETING – OSLO, NOVEMBER 15-16, 2006

6. The full Working Group met for the second time in Oslo. The meeting covered the following major topics:
 - **Update on Work of The Steering Committee** – The Chair of the Working Group reviewed the discussions that had taken place in the meetings of the Steering Committee since the first full meeting of the Working Group in Luxembourg in April 2006. He noted that the Steering Committee was divided among those who take the view that sustainable development is equally about ensuring welfare for the current generation and welfare for the future - and - those who take the view that it is mainly about ensuring welfare for the future. He explained that the CES Bureau had been requested to clarify the Working Group's mandate in order to allow it to progress beyond this apparent impasse. He outlined the decision of the Bureau regarding this clarification and led a discussion of its implications for the future work of the group. There was general agreement that the decision was sound and that it paved a productive way forward.
 - **Social Aspects of Sustainable Development** – Mr. Marco Mira d'Ercole of the OECD gave a presentation discussing the relation of social issues to current and future welfare. Ms.

Rachel Milicich of New Zealand presented some of the work that has been done on social capital in her country. These presentations generated good discussion, with the conclusion that the group must pursue questions related to the social dimension. In particular, the question whether social capital is more than a useful metaphor was set out as a challenge for the group.

- **Overview of The Capital Approach to Sustainable Development** – Several presentations were made laying out the foundations of the capital approach (Thorvald Moe, Norway; Kirk Hamilton, World Bank; Lidia Bratanova, UN ECE). These generated a number of comments - including the need to clarify as much as possible the meaning of the residual in the World Bank's estimates of total wealth. The size of this residual, it was noted, serves at a minimum to put bounds on our ignorance. Emphasis was given to the need to measure the change in real wealth as the basis for assessing sustainability. It was concluded by the Chair that the capital approach appears to have been shown to be more flexible than originally thought by some. There is considerable room for flexibility and for measuring many aspects of sustainability within the capital approach. The approach clearly has room for both monetary and physical measures – and both are necessary. He also noted that the approach, if it is to be attractive beyond technicians, has to be communicated carefully.

- **Overview of Natural Capital Concepts and Measures** – Robert Smith of Canada made a presentation introducing the main conceptual elements of the capital approach as it relates to the environment. He noted that the approach requires measurement not only of stocks of environmental assets, but also of the sources of change in those stocks from one period to the next (e.g. resource extraction, pollution flows, environmental protection expenditures). This presentation seemed to clarify for a number of participants a misunderstanding that the capital approach demanded a nearly exclusive focus on aggregate measures of stocks.

7. The Working Group meeting ended with a commitment to establish two sub-groups - one focused on further exploring the capital approach (to be chaired by Robert Smith, Canada) and another focused on further exploring existing SD indicator sets (to be chaired by Stephen Hall, United Kingdom).

NORWEGIAN MINISTRY OF FINANCE SEMINAR ON MEASURING SUSTAINABLE DEVELOPMENT - OSLO, NOVEMBER 17, 2006

8. Robert Smith (Canada) and Kirk Hamilton (World Bank) were invited by Thorvald Moe, Deputy Secretary General of the Norwegian Ministry of Finance to make presentations in a half-day seminar on the question of measuring sustainable development. The seminar was attended by about 70 people from across the Norwegian government, from non-governmental organizations as well as from the media. The seminar was opened with a speech by Mr. Roger Scherva, Member of the Norwegian Parliament and Chair of the Norwegian State Secretaries Group on Sustainable Development.

9. Mr. Hamilton presented the work of the World Bank on the measurement of the wealth of nations. Mr. Smith discussed the genesis of the Working Group on Statistics for Sustainable Development, why the group is necessary, what its objectives are and what progress it has made to date. Both presentations were well received and generated considerable discussion.

SUB-GROUPS ON CAPITAL AND EXISTING INDICATOR SETS

10. As agreed during the Working Group meeting in Oslo, two sub-groups have been established dealing with the capital approach and the assessment of existing SD indicator sets. Terms of reference have been developed and discussed for each group and members have been identified from within the broader Working Group. These two groups will be actively pursuing their agendas over the coming months. The capital group, for its part, will focus in the near term on identifying the major issues within the capital approach that require further research. The group focused on existing indicator sets will compile a list of such sets and then sort out the common elements among them.

WGSSD STEERING COMMITTEE MEETING – LONDON, JANUARY 29-30, 2007

11. The Steering Committee met for two days to discuss progress made in establishing the sub-groups on capital and existing indicator sets and to agree on the scope of work to be undertaken by the group with respect to each of the broad forms of capital. Following presentations by the OECD on the state of the science with respect to social, the Committee agreed that, given the early stage of development in this field, our effort to elaborate indicators of social capital would be limited to summarizing the existing literature on this topic and suggesting some fruitful avenues for further research. Following a presentation by the OECD on human capital, it was agreed that more will be possible here as the field is further developed. The Committee welcomed Norway's offer to prepare a paper on human capital for the next Working Group meeting. Following a presentation on natural capital by Canada, it was agreed that this area was well established and our work could therefore extend quite far in this domain. Presentations on the overall capital framework were made by Norway and the World Bank, setting out the foundational principles of capital and its measurement and providing a clear list of issues, including that of wealth distribution, that the Working Group should pursue during the remainder of its mandate.

NEXT MEETING

12. The next meetings of the Steering Committee and the full Working Group will take place in Geneva, 18-20 April 2007.

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