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Item 5 of the provisional agenda

STATISTICS FOR SUSTAINABLE DEVELOPMENT

COMMENTS BY COUNTRIES AND INTERNATIONAL ORGANIZATIONS ON THE REPORT ON MEASURING SUSTAINABLE DEVELOPMENT

Note by the secretariat

I. BACKGROUND

1. The Joint UNECE/Eurostat/OECD Working Group on Statistics for Sustainable Development (WGSSD) was established in 2005. The Group had more than 90 members from countries and international organizations, who worked together to develop a framework towards measuring sustainable development. As a result of this work, the Group prepared a Report, which explores the capital approach to measuring sustainable development. The Report reveals commonalities with the existing sustainable development indicators (SDI) developed by some countries and provides some recommendations for further work.

2. The members of the Conference of European Statisticians (CES) were asked to comment on the Report. Comments were received from 17 institutions. The comments are presented in the next section in bullet form. They are divided in two groups: *general comments on the Report* and *comments on the proposed way forward*. The note presents only the comments on substance. Other comments, including editorial comments and technical mistakes have been recorded and will be taken into account in the revised version of the Report to be prepared after the CES plenary session.

GE.08-

II. COMMENTS BY COUNTRIES

A. GENERAL COMMENTS ON THE REPORT

ARMENIA

- We do not have any comments on the Report.

AUSTRALIA

- Supports the need to have a long-term view to direct the growing interest of policy makers in statistics for sustainable development.
- Agrees that the various forms of capital are fundamental dimensions of the inter-generational linkage.
- Capital approach requires a rigorous theoretical framework to build upon the conceptual statistical infrastructure underpinning the existing national economic statistics programs.
- Argues strongly that 'the capital approach' should be what needs to be aiming for in the long run. Recognises that there are many problems to be addressed and overcome to achieve this conceptual goal.
- The challenge is twofold. Firstly, to provide some relevant measures in a contemporary context while involving the user communities in understanding the importance of the longer term approach, and secondly, to derive nomenclatures for these contemporary measures that do not inadvertently mislead or confuse users into thinking the long term has already been achieved.
- Social inclusion is a key priority for the recently elected Australian government. The exclusion of social-capital based measures in the proposed small SDI set may lead some Australian users to view the set as irrelevant or unsuitable to their needs.
- The focus of the small set on long-term well-being when the current policy-imperative may be on the here-and-now may also be a cause-of-concern of some users.
- More detailed comments will be provided to the Chair of the WGSSD and the UNECE Secretariat following the Conference.

AUSTRIA- STATISTICS AUSTRIA

- The final Report constitutes a useful and valuable research paper.
- The Report provides:
 - i. General introduction in the field of measuring sustainable development

- ii. Comprehensive overview of already existing indicator sets for various countries.
 - iii. In-depth description of the capital approach, including helpful references to the state of play in both academic research and first attempts of practical implementation
 - iv. Comparison and a tentative reconciliation of the different approaches (short-term versus long-term and 'integrated' versus 'future-oriented' respectively)
 - v. Proposal for future work, highlighting some crucial research agenda for the capital approach
- Highly appreciated that the Report dedicates fair space to the wide range of opinions, suggestions and concerns that were expressed in the WGSSD discussions.

AUSTRIA-

FEDERAL MINISTRY OF AGRICULTURE, FORESTRY, ENVIRONMENT AND WATER MANAGEMENT

- The final Report is interesting to read, especially the thorough and detailed discussion of the capital approach.
- The proposed set of indicators is very important (Table 12). The description of selection criteria seems very useful.
- Supports the general rule that the selected indicators had to be consistent with the capital approach and identifiable with an indicator found among the most common indicators from policy-based sets.
- The SDI set does not cover all issues of interest. One purpose of the SDI set is its use for international comparisons. A balanced overview should be drawn by the SDI set. Indicators of social capital are missing.
- How to deal with indicators, which do not fit for specific countries, indicators on marine resources, in particular how will they be evaluated in the context of comparing countries?

FRANCE

- Thanks the editor and other members of the WGSSD for the great improvement of the final Report.
- The Report has become more readable with an enhanced clarity through concrete examples that are easily understandable.
- Thanks for taking into account the main points of previous remarks and suggestions.

- Notices the conceptual innovation of the Report, which is at the same time ambitious and moderate, and agrees with the final choice of a small SDI set.

GERMANY

- The Report is highly valuable as a research Report in this field. Offers an enormous condensed insight view regarding the state-of-the-art of indicators on sustainable development.
- Not an easy task to bring together in a presentable form and in good structure all the various national and international developments concerning SDI.
- The Report arrived at the conclusion that capital approach is the appropriate theory to build up a Reporting system on statistics for sustainable development. Is that the right way for official statistics? Will the results based on capital approach correspond to the quality standards of official statistics?
- The “capital approach” is assessed as a theoretical fundament, on which the extension of accounting methods to new areas “beyond GDP” can be built.
- Some fundamental questions in the axiomatic set-up of the capital approach have to be discussed seriously and some sceptical considerations have to be highlighted. Four of the axiomatic assumptions are taken as examples:
 - i. flows and stocks of capital are linked and interacting in a well-defined system (defined in space and time)
 - ii. property rights exist; private ownership is the typical case, public goods the exception
 - iii. stocks and flows are measurable in a physical dimension
 - iv. the (monetary) value of flows and stocks is known or by technical/empirical valuation methods (= without strong assumptions) achievable
- The capital approach should guide in areas like climate change, biodiversity or society knowledge. Therefore, the above four assumptions are not realistic. The reasons are the following:
 - i. changes in stock of (intact) climate will take place in the future in countries which are (in time and space) far away from the flows which caused them
 - ii. property rights do not exist; private ownership has to be generated firstly (e.g. by the procedures of the Kyoto protocol)
 - iii. flows (of pressures to the environment) are to a high degree measurable in a physical dimension; stocks are very complicated to measure
 - iv. the (monetary) value of flows and stocks is neither known nor by technical/empirical valuation methods (= without strong assumptions) achievable

- Today major parts of capital approach are not measurable and especially its valuation is not in line with the requirements of official statistics and the data quality that users expect from official statistics.
- Capital approach does not cover all aspects of sustainable development. It does not take into account questions of distribution and disparity, which are inherent to sustainable development.
- It is not given that the capital approach can be used as a meaningful guide or the only guide for the design of official statistics in these areas.

HUNGARY

- Appreciates very much the Report. Impressed by the results achieved by the WGSSD. The Report is very well elaborated, structured, and is a good reflection of the work done by WGSSD.
- Finds the descriptions of theory and implementation of the capital approach adequately detailed and clear to assist in the design of SDI based on capital approach.

MEXICO

The comments were provided in Spanish. The text below is an unofficial translation of some main points.

- The Report represents an important effort for development and integration of indicators for sustainable development. On one hand, SDI are useful for international comparisons and on the other hand represent effective tools for evaluating the progress with respect to the established goals for each country in terms of their sustainable development policies.
- The Report is of special importance because it represents a methodology for measuring sustainable development and reviews the experiences of various countries.
- Signal that the identified indicators are those that are used mainly by the members of OECD. This could be an important limitation given the fact that the proposed indicators do not take into account the specificities of the other regions in the world. Thus, for example, in the case of Latin America, the UN Environment Programme through UN ECLAC has set the task to develop and define a series of sustainable development indicators suitable to the conditions of the region.
- The WGSSD has proposed a set of indicators that could be used as the basis for international comparisons. The set is consistent with the capital approach. It also takes into account the existing indicators that are policy driven.
- Should be noted that the countries with less developed statistical systems would prefer to develop indicators for monitoring the national sustainable policies.

- It is clear that not all kinds of capital should be measured in monetary terms – that is the case of natural and social capital using market prices.
- One complication with the present Report is the measurement of economic wealth for some categories of capital. The World Bank has discussed this approach in detail and has used it to estimate the economic wealth for more than 100 countries.

NETHERLANDS

- Supports the capital approach, which constitutes a solid and theoretically sound conceptual framework for SDI. The capital approach leads to indicators, which measure sustainable development in a consistent way.
- The capital approach is the basis for the Dutch Sustainability Monitor, expected to be published for the first time end of 2008.

NEW ZEALAND

- The Report on the whole is a good reflection of the work and progress made to date.
- Comfortable with the content of the Report.
- Notes that the final Report is quite different to the draft version discussed at the Lisbon meeting and this is the first time that all the indicators have been presented as 'complete'. Unless the Steering Committee has given its endorsement on behalf of the group, not clear whether there is a general agreement on this list from the WGSSD.
- Considerable effort has been made to incorporate the points made on the draft at the Lisbon meeting and this is appreciated.

NORWAY

- The Report is a useful contribution to the knowledge on how to measure sustainability. Provides a good overview of different existing approaches to measuring sustainable development, with particular focus on the capital approach. Presents both strengths/weaknesses and challenges related to this methodology.
- Involved in this work in several ways: staff from Statistics Norway has provided Secretariat services and contributed through an editor to the preparations of the Report; the Norwegian Ministry of Finance has played an important role.
- The Norwegian SDI set was developed with the capital framework as its starting point. Useful framework for developing SDI, since maintenance of the total stock of capital clearly represents the long-term component of sustainability. Holds true despite the fact that the framework does not cover important international

challenges like poverty and distribution of wealth, which are often perceived to be part of the sustainable development domain.

POLAND

- The Report is extended too much, which makes its analysis difficult. Some fragments are repeated in various spots.

ROMANIA

- Hardly find something to be revised. The Report is comprehensive, very well structured and reflects in an excellent manner the work that has been carried out since 2005.
- One can find answers to many of the questions raised not only during the meetings of the WGSSD but also by those involved in research or policy-making related to sustainable development.
- The participation of Romania in the WGSSD coincided with the beginning of activities devoted to the revision of the National Strategy of Sustainable Development and formulation of the national set of indicators on sustainable development. This was an incentive to gain momentum, to extract as much knowledge as possible and to insert it in our work.
- The Report, as well as other documents presented during the meetings – especially those dealing with national experiences – can serve as a fundamental reference tool for countries that are in early stage of defining the national set of indicators to monitor the progress in implementation of national strategies for sustainable development.
- The Report could be helpful as a complement to the activities carried out at European level to support countries to develop their own SDS monitoring systems, based on a harmonized conceptual framework.

SPAIN

- Congratulate the WGSSD and the Steering Group for the work done.
- Fully support the conclusions of the Report.

SWEDEN

- Sweden has been a part of the work to produce the research Report, both as a member of the WGSSD and of the Steering Committee.
- Pleased that the Report is ready. Has been an interesting journey with many discussions.
- Our mission is to provide data that can feed into many different conceptual ideas on how society is evolving, and not to recommend one particular theory on how to measure development.

TURKEY

- The Report is acceptable for us and we do not have any additional comments.

UNIDO

- The Report makes significant contribution to the measurement of sustainable development by interpreting the concept in order to propose a theoretically sound and coherent SDI set.
- The Report mentions that conceptually the sustainable development refers to the sustenance of the increase in wealth derived from the consumption of all types of goods and services. The equation on total national wealth sums up the sources of wealth – capital – which has only potential to create wealth. However, actual total national wealth also depends on how productively the total capital stocks are utilized in a society. Since the contribution of total factor productivity to wealth creation is significant – often being a source of more than two-thirds of total wealth, exclusion of productivity factor in the measurement may distort the picture of sustainable development.
- The Report seems to purport that human capital and social capital take care of productivity part of production function as their insertion reduces the residual that is total factor productivity. However, a clear distinction between capital accumulation and productivity of capital provides better policy implications, especially when it comes to sustainable development, as policy makers might want to put emphasis on higher productivity of capital already existing in market rather than investment in new capital in order to economize on their limited capital stocks. The work of the Swiss Monitoring System for Sustainable Development may deserve attention in this regard.
- The Report provides a coherent small set of indicators, which are also mostly found in existing policy-based indicators used in various countries. However, no indicators related to social capital are included. Calculating dollar values for natural capital and human capital is not easy either. If the WGSSD thought that such calculation could be done fairly accurately, the methods for the calculation could be included in the Report.
- Percentage of population with post-secondary education is included in the final list without appropriate explanation on why the inclusion of this physical indicator alone for human capital would be sufficient. Improvements in primary and secondary education, especially by developing countries, are not reflected.

B. COMMENTS ON THE PROPOSED WAY FORWARD

AUSTRALIA

- Agrees with the “capital-based” approach. Worthy of further investigation and development.
- While the dimensions of human, natural and social capital are agreed to be fundamental dimensions of sustainable development, their practical application within this capital/monetised framework remains unclear and debatable.
- There is a risk that research in each of the capitals, for instance progress on natural or human capital valuation methods, proceeds independently of further work on statistics for sustainable development, thereby leading to an eventual need to harmonise across dimensions and schools-of-thought.
- Important that the policy relevance of the capital approach be established in order to articulate the benefits of this approach.
- The recognition of the difficulty in adequately measuring the social (and to a lesser extent human and natural) capital dimensions is inadequate, and requires greater prominence to ensure acceptance of the general approach by the wider stakeholder community.

AUSTRIA- STATISTICS AUSTRIA

- The proposed small set of indicators is exploratory (as emphasized in the Report) and not a fully elaborated recommendation. There might be conceivable alternatives or extensions to some of the indicators.
- The proposed list will serve well as an appropriate and appealing starting point for future work.

AUSTRIA-FEDERAL MINISTRY OF AGRICULTURE, FORESTRY, ENVIRONMENT AND WATER MANAGEMENT

- Further research work is necessary until a small set of indicators can be recommended.

FRANCE

- The French Official Statistical System is willing to participate in further research that will lead to the SDI implementation.

GERMANY

- Further work on the capital approach including tests of indicators should be done taking into account the quality standards.
- The set of indicators does not sufficiently represent the vision on sustainable development. For some of the listed indicators, measuring and calculating problems are not solved.
- Have to assess whether the capital approach is appropriate for official statistics or not. Capital approach is widely accepted in economic theory. However, this is not a sufficient precondition for a conceptual base of official statistics.
- The existing national indicator sets should be compared with indicators derived from capital approach.
- For official statistics it is a basic requirement to supply timely reliable data that meet the important questions of politics and society. The data has to fulfill the quality standards of official statistics. Ethical rules for official statistics are available on the UN level as well as on the European level. These rules are crucial for the brand mark “official” since users rely on its characteristics when they trust the high quality of information.
- The work should concentrate on further development of concepts and methods for SDI giving hope for suitable, useful and meaningful results.

HUNGARY

- The participation in the WGSSD was definitely useful. Would like to take part in further work.

MEXICO

The comments were provided in Spanish. The text below is unofficial summary of some main points.

- Further work should consider the methodological work conducted by some countries and bodies, such as the London Group when looking for an alternative to value the natural resources;
- In order to develop a comparative set of indicators it is important to work internationally.
- Consider adequate to use the SNA framework for developing a framework for measuring SD.

NETHERLANDS

- Positive about the CES proposal to start a Task Force to work out the capital approach. However, the text and plans need to be concrete and further elaborated in order to make quicker progress in this important area.
- Look forward to making suggestions on the terms of reference.
- Stress the following points:
 - i. Explore ways in which the capital approach be expanded to become more policy relevant (have some experience in this field because of the Dutch Sustainability Monitor)
 - ii. Further expand the work on social capital. This area is clearly an important but challenging area because of the variety of ways in which is viewed and implemented.
 - iii. The area of Natural Capital is already covered by the work in the London Group. Very little benefit in including this area in the terms of reference of the Task Force. Cooperation should be sought between the London Group and the Task Force.

NEW ZEALAND

- Supports the setting up of the task force to continue the programme of work.

NORWAY

- Need to further develop and operationalise the capital approach to sustainability, and to continue the work carried out by the WGSSD. Several capital related topics have to stay on the research agenda, until eventually can be included as official statistics in the future.
- Supports efforts to identify and value new components of national wealth. Important to develop more reserves (stock) indicators, where today there are only flow indicators.
- Supports the idea of better co-ordination of important ongoing work. Further development of sustainable development measurement as an integrated part of official statistics is on the agenda of several international organisations.
- The creation of a new CES task force should be well co-ordinated with ongoing international activities on related topics. Further work with SEEA is of special relevance. Coordination with official statistics on climate, environmental economic accounting and sustainability should be given a high priority. A revised mandate and government structure of the UNCEEA is under discussion.
- Necessary to continue work in smaller groups of specialists on the different kinds of capital (for example economic wealth, natural/critical capital and human/social capital). Concerning natural capital, more work is needed on critical natural capital in the field of thresholds, irreversibility, ecosystem resilience and the precautionary

principle. These issues are crucial for establishing a *complete* SDI set from a capital perspective (strong sustainability view).

SPAIN

- Agree with the establishment of a research agenda for further statistical work in this issue, in particular with the need to continue with the work on improvement the measuring of the economic wealth.
- The intra-generational needs and the global aspect of the sustainable economic are other points to be studied more precisely.
- Agree with the proposal of the Bureau about the creation of a new Task Force to identify indicators that present the long-dimension of sustainability in the framework of the capital approach.

SWEDEN

- Committed to the indicator work lead by Eurostat initiated with the EU strategy for sustainable development. Development work is important in order to make possible an integrated analysis in support of the sustainable development strategy.

TAJIKISTAN

- Supports the way forward proposed by the CES Bureau. Consider the preparation of the indicator list very important taking into account the quality standards of official statistics, as well as, in view of developing core principles for measuring the indicators.
- Statisticians from the CIS countries should be involved in this activity and regularly informed about the progress of work.

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