

**4TH MEETING OF THE
EUROPEAN STATISTICAL SYSTEM COMMITTEE**

LUXEMBOURG 11 FEBRUARY 2010

Item 13 of the agenda

**Sponsorship Group to deal with the outcomes of the Stiglitz-Sen report and the
Commission Communication on GDP and Beyond**

Sponsorship “*Measuring progress, wellbeing and sustainable development*”

MANDATE AND TERMS OF REFERENCE

As presented to the PG on 11.12.2009

SPONSORSHIP «Measuring progress, wellbeing and sustainable development »

TERMS OF REFERENCE AND MANDATE

Summary

Eurostat and Insee are proposing to set-up a sponsorship on “Measuring progress, wellbeing and sustainable development”.

It will build on the recommendations of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP), given out on 14 September 2009, and on the policy paper of the European Commission, “GDP and beyond: Measuring progress in a changing world” released on 20 August 2009. It takes also into consideration the proposed EU2020 strategy launched by the Commission.

It will consider and propose how to proceed with these recommendations within the European Statistical System (ESS).

1. Introduction

The Commission on the measurement of economic performance and social progress (known as the 'Stiglitz Commission') was created at the beginning of 2008 on French government's initiative. The Commission was chaired by Professor Joseph E. Stiglitz, Columbia University, with Professor Amartya Sen, Harvard University, as Chair Adviser. Members of the Commission were renowned experts from universities, governmental and intergovernmental organisations, in several countries (USA, France, United Kingdom, India).

On 14 September 2009 the Stiglitz Commission issued its final report which provides a number of recommendations structured under three pillars:

- GDP-related issues;
- Quality of life
- Sustainable development and environment.

On 20 August 2009, the European Commission released its policy paper “GDP and beyond: Measuring progress in a changing world”. The actions proposed in this communication aim at improving the measurement of a nation's progress by complementing the current and best known measure of economic activity: Gross Domestic Product (GDP). GDP is a very well defined indicator of pure economic nature, but is not in itself a sufficient guide for modern policy making that covers social and environmental objectives. This becomes a problem when GDP is understood as the unique yardstick for progress.

In that context, the Communication comes as a follow-up of the « Beyond GDP conference" that was held in November 2007, and outlines an EU roadmap with five key actions that represent the next practical steps beyond, to be undertaken now and in the near term.

These five key actions are:

- Complementing GDP with environmental and social indicators ;
- Near real-time information for decision-making ;
- More accurate reporting on distribution and inequalities ;
- Developing a European Sustainable Development Scoreboard ;
- Extending National Accounts to environmental and social issues.

These recommendations, both from the Stiglitz Commission and from the European Commission, are of great relevance for the medium- to long-term development of the European Statistical System. Therefore Eurostat and Insee decided to propose setting-up a sponsorship group on “Measuring progress, wellbeing and sustainable development”. Directorate F will coordinate the work on Eurostat side.

It is proposed to the ESSC Partnership Group (PG) to discuss the implementation of this sponsorship and to comment on the draft mandate given hereafter.

2. Background

During several years, some criticism focused on GDP as an indicator failing in measuring progress and wellbeing. Statisticians around the world were requested to react and propose alternative and/or complementary measures.

This gave birth to several initiatives in international organisations :

- OECD with the Global Project on Measuring the Progress of Societies
- EU with the Communication of the Commission on « GDP and beyond »
- The Commission on the Measurement of Economic Performance and Social Progress (CMEPSP, also -called « Stiglitz Commission »).

The challenge is now to implement the recommendations arising from these converging initiatives, in order to deliver richer statistical information. It will also further enhance harmonisation at the International level, in particular in Europe.

Recently, the Commission has launched a consultation on the future EU2020 strategy that focuses as well on several similar items (social cohesion, sustainability, knowledge). Monitoring indicators are expected to be defined that would benefit from the enlargement of the statistical scope.

3. Objectives and mandate

A new high level Sponsorship on “Measuring progress, wellbeing and sustainable development” shall work on the recommendations contained in the CMEPSP report and the "GDP & Beyond" Communication of the European Commission. Its aim is to analyse and promote the areas covered, to agree on the level of ambition in the implementation and to propose a strategy to prioritise and implement these recommendations and actions within the ESS.

In this respect, it will contribute to achieve consensus within the ESS on the most relevant recommendations to be implemented.

The Sponsorship has as mandate:

- To set up priorities among the recommendations of both the CMEPSP and the European Commission Communication.
 - In order to promote the harmonious development of international statistics, these priorities should take into account similar work that may be underway in international organizations.
 - These priorities are to be split up into two categories depending on their time horizon: short and medium to long term actions.
- On the short term, the group will assess the availability and quality of European statistics that could be better analysed and disseminated. The sponsorship will also steer the implementation of the recommended indicators and statistics, and follow up their elaboration up to the dissemination phase.

- The sponsorship will propose a strategy to develop statistical information to meet in the medium to long term the above-mentioned recommendations and action lines, having in mind that the development of new statistical information is an important investment within the ESS. Besides their relevance according to the “CMEPSP/GDP&Beyond” recommendations, a feasibility assessment will be made, bearing in mind the cost-effectiveness principle. This strategy would include a roadmap and an organisation of the work to be done in the ESS. The sponsorship will set up the organization of work through the creation of dedicated Task Forces or Working Groups, when necessary.

4. Work methods

The ESSC and PG need to be involved as parent bodies of the Sponsorship. The work programme of European statistics being involved, contacts will need to be established with ESAC.

The Sponsorship will ensure coordination with other structures, in particular under the auspices of the OECD that would develop activities in the same area.

The Sponsorship will attribute specific tasks, most notably the preparation of issue papers, to its members. It may also set up Task Forces dedicated to specific areas of work.

5. Output

The Sponsorship is expected to submit a strategic document to the PG and ultimately to the ESSC, considering the issues mentioned in the mandate. Moreover, the Sponsorship should contribute where appropriate to key events in the ESS.

6. Timetable and reporting

The Sponsorship is expected to define its work programme during its first meeting in March 2010. Documents will be submitted to the PG and the ESSC from then. The final report is expected by Summer 2011. All documents will be available for review by Member States through CIRCA. The Sponsorship will facilitate the organization of the 2010 DGINS conference in Bulgaria.

7. Communication

Meetings (possibly back-to-back to other events), e-mails through a functional mailbox, a CIRCA site for depositing relevant documents.

8. Members

It is proposed to the PG that Eurostat and Insee co-chair this Sponsorship which will be composed of high-level representatives of participating NSIs (i.e. the DG or – in accordance with the internal organisation - the Director in a domain relevant to the subject matter). Members States are invited to express their willingness to take part in this Sponsorship.

Being a member of the CEMPSP and having taken a significant part of the work within this commission, it is proposed to the PG that OECD could be a member of the Sponsorship.

ANNEX 1

RECOMMENDATIONS FROM THE STIGLITZ COMMISSION

Recommendation 1: When evaluating material well-being, look at income and consumption rather than production.

Recommendation 2: Emphasise the household perspective.

Recommendation 3: Consider income and consumption jointly with wealth.

Recommendation 4: Give more prominence to the distribution of income, consumption and wealth.

Recommendation 5: Broaden income measures to non-market activities

Recommendation 6: Quality of life depends on people's objective conditions and capabilities. Steps should be taken to improve measures of people's health, education, personal activities and environmental conditions. In particular, substantial effort should be devoted to developing and implementing robust, reliable measures of social connections, political voice, and insecurity that can be shown to predict life satisfaction.

Recommendation 7: Quality-of-life indicators in all the dimensions covered should assess inequalities in a comprehensive way.

Recommendation 8: Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields.

Recommendation 9: Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different indexes.

Recommendation 10: Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.

Recommendation 11: Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of some underlying "stocks". A monetary index of sustainability has its place in such a dashboard but, under the current state of the art, it should remain essentially focused on economic aspects of sustainability.

Recommendation 12: The environmental aspects of sustainability deserve a separate follow-up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks.)

ANNEX 2

ACTION PLAN OF GDP AND BEYOND

1. Complementing GDP with environmental and social statistics

Indicators that summarise important issues with a single figure are essential communication tools. They trigger policy debate and give people a feel for whether or not progress is on track. GDP and the unemployment and inflation rates are prominent examples of such summary indicators. But they are not meant to reflect where we stand on issues such as the environment or social inequalities. To fill this gap, the Commission services intend to develop a comprehensive environmental index and improve quality-of-life indicators.

1.1 A comprehensive environmental index

1.2 Quality of life and well being

2. Near real time information for decision making

Factors including globalisation and climate change are bringing ever faster changes to the economy, society and the environment. Policy-making requires equivalent information on all those aspects – even if this goes at the expenses of accuracy – as it has to react quickly to new developments. Currently, there are considerable differences in the timeliness of statistics in the different areas. GDP and unemployment figures are published frequently within a few weeks of the period they are assessing and this can allow near real-time decision making. By contrast, environmental and social data in many cases are too old to provide operational information e.g. on fast-changing air and water quality or work patterns. The Commission will therefore aim to increase the timeliness of environmental and social data to better inform policy-makers all across the EU.

2.1 More timely environment indicators

2.2 More timely social indicators

3. More accurate reporting on distributional and inequalities

Social and economic cohesion are overarching objectives of the Community. The aim is to reduce disparities between regions and social groups. In addition, far-reaching reforms – such as those required to fight climate change or to promote new patterns of consumption – can only be achieved if efforts and benefits are felt to be equitably shared among countries, regions, and economic and social groups.

This is why distributional issues attract increasing attention. For example, even if the GDP per capita figure for a country is rising, the number of people living at risk of poverty may be increasing. Existing data from national accounts, e.g. on household income, or from social surveys such as EU-SILC¹, already allow for an analysis of key distributional issues. Policies affecting social cohesion need to measure disparities as well as aggregates such as GDP or GDP per capita.

4. Developing and European Sustainable Development Scoreboard

Sustainable Development (SD) is an overarching objective of the European Union. The aim is to continuously improve the quality of life and well-being on Earth for present and future generations. The EU Sustainable Development Indicators (SDIs)² have been developed together with Member States to monitor progress on the multitude of objectives of the EU Sustainable Development Strategy (SDS) and are reflected in the Commission's biennial Progress Report.

¹ EU Statistics on Income and Living Conditions

² Cf. Eurostat Statistical Book "Measuring progress towards a more sustainable Europe – 2007".

However, this monitoring tool does not fully capture recent developments in important areas that are not yet well covered by official statistics (such as sustainable production and consumption or governance issues). For several reasons, SDIs cannot always be based on the most recent data. Consequently, they may not fully reflect the efforts that businesses, civil society or governments at local or national levels are making to meet these challenges.

4.1 A Sustainable Development Scoreboard

4.2 Thresholds for environmental sustainability

5. Extending National Accounts to environmental and social issues

The European System of Accounts is the main tool behind EU economic statistics as well as many economic indicators (including GDP). As a foundation for coherent policy-making, we need a data framework that consistently includes environmental and social issues along with economic ones. In its June 2006 conclusions, the European Council called on the EU and its Member States to extend the national accounts to key aspects of Sustainable Development. The national accounts will therefore be complemented with integrated environmental-economic accounting that provides data that are fully consistent. As methods are agreed and the data becomes available this will be complemented, in the longer term, with additional accounts on social aspects.

5.1 Integrated environmental- economic accounting

5.2 Increasing use of existing social indicators from national accounting

ANNEX 3

STARTING POINT FOR THE SPONSORSHIP ON “MEASURING PROGRESS, WELLBEING AND SUSTAINABLE DEVELOPMENT”

The Sponsorship will as a first step set priorities among the following areas of work:

- Better promoting the already existing information in the National Accounts that is relevant to the recommendations of CMEPSP (net adjusted disposable income and actual final consumption, as well as balance sheet accounts of households).
- Further harmonising and improving the measurement of prices and volumes in non market sectors (health, education).
- Using the household surveys in order to provide macro-economic information on the distribution of income, consumption and savings.
- Measuring the production of non-market domestic services as well as leisure time
- Establishing objective and subjective indicators of quality of life on the basis of household surveys and relevant administrative sources
- Reviewing the indicators to monitor the sustainable development: dashboard/scoreboard, definition of green growth, links between energy and national accounts through an energy input-output table
- Measuring material and human capital, as well as the part of natural capital that can be expressed in monetary terms; establishing physical indicators for environmental pressures

ANNEX 3

STARTING POINT FOR THE SPONSORSHIP ON “MEASURING PROGRESS, WELLBEING AND SUSTAINABLE DEVELOPMENT”

The Sponsorship will as a first step set priorities among the following areas of work:

- Better promoting the already existing information in the National Accounts that is relevant to the recommendations of CMEPSP (net adjusted disposable income and actual final consumption, as well as balance sheet accounts of households).
- Further harmonising and improving the measurement of prices and volumes in non market sectors (health, education).
- Using the household surveys in order to provide macro-economic information on the distribution of income, consumption and savings.
- Measuring the production of non-market domestic services as well as leisure time
- Establishing objective and subjective indicators of quality of life on the basis of household surveys and relevant administrative sources
- Reviewing the indicators to monitor the sustainable development: dashboard/scoreboard, definition of green growth, links between energy and national accounts through an energy input-output table
- Measuring material and human capital, as well as the part of natural capital that can be expressed in monetary terms; establishing physical indicators for environmental pressures