

Open Working Group on Sustainable Development Goals (OWG)
Statistical note for the issue brief on:

Sustained and inclusive economic growth and infrastructure development and industrialization

(draft, 22 November 2013)

A. Main policy issues, potential goals and targets

1. Prosperity for all and eradication of poverty could be the outcome of economic growth, if the benefits of economic growth are shared between countries and with all segment of society within the countries. Current projections¹ indicate that the global output is set to double by 2030. Moreover, on current trajectories, the per capita income gap between developed and developing countries will have narrowed but still remain large. This rate of growth cannot be taken for granted, however, and we must redouble our efforts to ensure that it can continue at these current levels, and be made more inclusive and sustainable, through structural transformations in every economy.

2. The structural transformation is envisaged in the diversification of the production structure and in particular the manufacturing sector with a commensurate enhancement in the level of investment in infrastructure such as transport (road, rail, air and inland and sea); energy generation and distribution; water collection, treatment, supply and distribution; information, communication and technology, etc. Through its backward and forward linkages in industrial production, it is expected under this industrialisation growth path that its pull-effects on other sectors will stimulate growth in agricultural and services sectors. This in turn can generate technological change and innovation, fuel productivity increases through shifts in global value added chains, create employment, and increase wages and profits.

3. The above-mentioned considered are squarely focussed on economic growth. While economic growth and related economic prosperity are major policy objectives for most countries, it should be pursued in a sustainable and equitable manner. Therefore, sustainable pathways should reflect inclusive and sustained economic growth that improve the material well-being and quality of life in general and avoid reaching the limits in the sustainable use of our limited natural resources and ecosystems.

B. Conceptual and methodological tools

4. The measurement of economic growth has traditionally been a fundamental element of the national, regional and global statistical system. Compilation of GDP and other macro-economic statistics are governed by a global statistical standard called the System of National Accounts². These statistics are compiled by almost all countries of the world which is collected by international and regional organisations and held in their statistical databases. Also, the recently updated methodological guidance for the measurement of industrial activities with annual and infra-annual frequency are available in the form of International Recommendations for Industrial Statistics 2008 (IRIS 2008) and the International Recommendations for the Index of Industrial Production 2010 (IRIIP 2010). In this context, also the measurement disaggregated by economic activity and products are relevant which could be organised following the International Standard Industrial Classification revision 4 (ISIC rev 4), the Central Product Classification ver 2 (CPC) and the Harmonised System 2012 (HS).

¹ High Level Panel report on the Post-2015 Development Agenda, A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development

² System of National Accounts 2008, United Nations, European Commission, International Monetary Funds, Organisation for Economic Co-operation and Development, World bank

5. It is well recognised that GDP is a measurement of output and not of well being. Therefore, the statistical community during the past decades has explored and developed broader measures of progress. Progress is about improvements in human well-being and its sustainability over time, where well-being is a multi-dimensional concept that covers material living standards and the non-monetary aspects of quality of life. The work of developing broader measures of progress can be grouped broadly under the three conceptual pillars of material living standards, quality of life and sustainability.

6. The focus on economic growth in terms of GDP is understandable, because it provides a simple and widely understood macroeconomic measure of economic activity. However, measures of material well-being have to go beyond GDP. Measuring material living standards has an emphasis on the household perspective. It requires looking beyond GDP as output measure at income measures to market and non-market activities, but also at assets and consumption expenditures. Moreover, it includes inequality and accessibility measures on how consumption, income and assets are distributed among individuals, households, population groups and future generations. The Organisation for Economic Co-operation and Development (OECD) building on the project Measuring Well-Being and Progress of Societies and as part of its Better Life Initiative has recently released methodological guidance on distributions measures on household wealth³ and joint distributional analysis of income, consumption and wealth as measures of material well-being⁴.

7. Quality of life depends on people's objective conditions and capabilities⁵. Economic resources, while important, are not all that matters for quality of life. Health, education, job satisfaction, work conditions, environmental conditions, governance, civic engagement, security, human contact and personal activities are all fundamental to quality of life. Measuring quality of life requires looking at these elements as a whole and includes subjective and objective multi-dimensional measures of well-being and comprehensive assessment of inequalities. Again the OECD Better Life Initiative has provided guidance⁶ with further analysis on well-being in the economic and financial crisis, in the workplace, by gender and sustainability over time.

8. Sustainability poses the challenge of determining if the current level of well-being can be maintained for future generations. Sustainability over time can be assessed by looking at the set of key economic, environmental, social and human assets transmitted from current to future generations, and how these assets are affected by today's actions, policies and behaviours. The assessment of sustainability necessitates an effort to advance existing macroeconomic accounting frameworks as the System of National Accounts with a system approach of stocks and flows to capture the complex interactions of the economy, society and environment. An internationally agreed statistical standard has now been adopted by the Statistical Commission, the System of Environmental-Economic Accounting 2012 Central Framework to provide the guidelines for generating these integrated statistics and accounts.

9. Another major initiative in the measures of sustainability and well-being has been the work undertaken by the UNECE/Eurostat/OECD Task Force for Measuring Sustainable Development (TFSD)⁷. Its final report was recently endorsed by the Conference of European Statisticians (CES). The TFSD presents a flexible system that can measure sustainable development from a variety of different perspectives and can be applied in developed and developing countries. The guiding

³ OECD Guidelines for Micro Statistics on Household Wealth, 2013

⁴ OECD Framework for Statistics on the Distribution of Household Income, Consumption, and Wealth, 2013

⁵ Capabilities of people are the extent of their opportunity set (a combination of various "doings and beings") and of their freedom to choose among this set.

⁶ OECD How's life? 2013 Measuring well-being

⁷ Report of the TFSD: A conceptual framework and suggested indicators for measuring sustainable development (2013)

principle is that sustainable development is about the wellbeing of current generations ('here and now') and the impact on future generations ('later') or other countries ('elsewhere'). Importantly, the measurement of inequalities and subjective wellbeing measures are also included in the framework.

10. The European Commission, since 2007, has engaged in the debate about the limitations of GDP as a measure of key societal goals such as well-being and sustainability, which accumulated in the drafting of a Resolution. In 2011, the European Parliament adopted this Resolution on GDP and beyond: Measuring progress in a changing world.⁸ The Resolution stresses the need to develop clear and measurable indicators for measuring medium- and long-term economic and social progress. The Resolution called for the development of indicators that focus more closely on the household-level perspective, reflecting income, consumption and wealth and stressed the need to develop clear and measurable indicators that take account of climate change, biodiversity, resource efficiency and social inclusion. It underlined the need to measure quality of life in societies and assign a greater role to indicators which measure important factors such as health, education, culture, employment, housing, environmental conditions etc. The Resolution supported fully the establishment of a solid legal framework for the European Environmental Economic Accounts as a positive step in the 'GDP and beyond' process.

11. While the conceptual development on the broader measures of progress by the official statistical communities has been significant in the recent decades, there are still important thematic areas like peace and security, governance and global partnership where further work is needed.

C. Existing and new indicators

12. Measurement of sustainable development has a history of about two decades. Work at United Nations level started in the 1990s and the first United Nations recommendations for sustainable development indicators were published in 1994 (and updated in 2006). Based on the methodological tools discussed in section B, the latest development is the 2013 report of the Task Force for Measuring Sustainable Development (TFSD), of which the latter also reflects the work undertaken the European Commission's *GDP and Beyond* or the OECD's *Measuring the Well-being and Progress of Societies*. Meanwhile, many countries adopted sustainable development strategies and related indicator sets to measure progress.

13. Many of the proposed indicators in the TFSD report correspond to the goals and targets for the post-2015 development agenda proposed by the Report of the High Level Panel of Eminent Persons and by other reports like those from the Sustainable Development Solutions Network. The TFSD report also contains an initial assessment of the availability of 94 indicators across 46 countries⁹. The analysis covers the statistical databases of the UN, the OECD and Eurostat. The analysis was performed over the period February 2012 - April 2012 and counts the numbers of data points available for these 46 countries since 2000. Also Australian Bureau of Statistics as part of its programme on Measures of Australian Progress (MAP)¹⁰ has developed an inventory of practices on measures of progress that further extends the range of country practices.

D. Data requirements, challenges and limitations

14. While the debate on the post 2015 development agenda is still on-going, a broad consensus seems to emerge that the post 2015 development framework does include goals, targets and

⁸ <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2011-0175&language=EN&mode=XML>

⁹ Members of the European Union and/or the OECD, Brazil, Russia, India, Indonesia, China, and South Africa.

¹⁰ Measures of Australia's Progress - Aspirations for our Nation: A Conversation with Australians about Progress, 2011-12

indicators, as in the case of the MDG framework. That said, the post 2015 development framework will be different in terms of scope by covering the economic, social and environment dimensions of sustainable development. Moreover, monitoring and reporting on these dimensions of sustainable development paths have to inform the multi-dimensional policies in an integrated manner. Also it is expected that the framework will not only contain universal and global goals and targets, but also provide sufficient room for adaptation to country specificities through disaggregated measures of inclusive economic and social development and environmental stewardship.

15. The analysis undertaken by the TFSD has determined that a large number of expected indicators can be informed by official statistics, following the international statistical standards like the System of National Accounts 2008 and the System of Environmental-Economic Accounting 2012 and the related macroeconomic and sectoral statistics standards.

16. The challenge is that national statistical capacity and best practices are to be developed based on the implementation of existing and new methodological standards for official statistics. It requires the strengthening of both the institutional environment and statistical infrastructure and operations of the national statistical system in general, and the national statistical organisations in particular. While moving away from an ad-hoc indicator approach to a broad based, balanced and sustainable national statistical capacity building approach determined by country policy priorities and ownership, much more collective action is needed at national, regional and global level to meet these challenges, in particular in developing countries. International and regional organisations have a key role in providing technical assistance and coordinating statistical capacity building. This work is being executed in close cooperation with the multi-lateral development banks.

17. The global statistical community through the Statistical Commission has expressed the need and supported the initiative to scale up the implementation of the SNA 2008 and SEEA 2012. In the last year, all regions have adopted strategy plans for this implementation, which are being translated into national strategy plans. In addition to the strengthening of basic, sectoral and macro statistics for the economy and the environment, also considerable capacity building activities are undertaken in population, social and demographic statistics, including the strengthening of multi-purpose household survey and use of administrative data for statistical purposes such as vital statistics and civil registration.

E. Conclusions

18. The 2013 report of the TFSD on a conceptual framework and suggested indicators for measuring sustainable development presents a good starting point for the monitoring of sustained and inclusive economic growth. The analysis undertaken by the TFSD has further determined that a large number of expected indicators can be informed by official statistics compiled for the implementation of SNA 2008 and SEEA 2012. This presents a move away from an ad-hoc indicator approach to a broad based, balanced and sustainable national statistical capacity building approach determined by country policy priorities and ownership.

19. The Statistical Commission as apex body of the official statistical community has central role in supporting the statistical agenda of the post-2015 development programme. In its endeavour to contribute to the post-2015 development agenda, it will mobilize its global partnership consisting of policy and decision makers in the public and private sector, representatives of academia, civil society, think tanks and corporate sector, parliamentarians, media and the general public to elevate the use of official statistics in sustainable development. With the recognition of official statistics for decision and policy making, the official statistical community will contribute to the data revolution needed for the transformational agenda on accountability and transparency.