



FINANSDEPARTEMENTET

# THE NEED FOR AN INTERNATIONAL FRAMEWORK FOR THE CONSTRUCTION OF NATIONAL INDICATORS FOR POLICIES TO ENHANCE SUSTAINABLE DEVELOPMENT

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Development*

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1. There is a need for two sets of indicators to monitor and guide policies to enhance sustainable development:
  - 1.1 Sets of ***national*** indicators in OECD (and major developing) countries for surveillance and guidance for national SD policies, as many (most?) policies are still under the authority of national governments.  
As some two-thirds of world GDP is still produced in OECD countries, sustainable development in the OECD area will contribute importantly to SD globally.
  - 1.2 A small and manageable set of ***global*** SD indicators for surveillance of the major global challenges for SD (economic developments, poverty, the global environmental commons – including climate change-etc.). To be used by international organisations like the UN, the World bank, OECD and EU, hopefully in close cooperation. Point of departure: WDG.

I will in the following concentrate on 1.1, i.e. an international framework for national SD policies.

2. The point of departure is economic development. Economic development in the longer term should be sustainable environmentally and socially.
3. We should focus on potential future developments, what resources that determine development are available today, and how we should manage our present capital stock so as to maintain and further develop this resource base in the future. The basis for this interpretation of potential sustainability is the assumption that our welfare, today and in the future, is produced by nature and human beings, using services from a broad resource or capital base. This conceptual point of departure should be uncontroversial among economists and non-economists alike.

4. Resources, or the total stock of capital producing services that contribute to welfare, must be understood in a broad sense:
  - 4.1 Financial capital (money)
  - 4.2 Real capital (machines, buildings, production equipment)
  - 4.3 Natural capital (renewable and non-renewable natural resources)
  - 4.4 Environmental capital (cleaning services)
  - 4.5 Human capital (labour, competence, knowledge)
  - 4.6 Social capital (networks, suitable organisation of society)

The total resource base is defined as our ***National Wealth***

5. We should monitor these key capital components, not only look at National Wealth, because:

5.1 **Critical resources.** Reduction in e.g. environmental capital cannot without difficulty be replaced by ever increasing income. If the climate is destabilised by increasing global warming, the basis for our civilisation in the long run may be threatened in fundamental sense.

5.2 **Systems complexity.** This point is further strengthened by the fact that we have limited understanding of how economic activity depends on and influences the development of e.g. environmental and natural capital. Uncertainty and inability to assess the effects of climate changes is an example of incomplete knowlegde.

5.3 **Practical problems.** Even though estimates of National Wealth is now standard procedure in most national statistical agencies in the OECD countries, it is well known that there are many practical problems associated with the estimation of National Wealth.

6. I will argue, as elaborated in the paper for this meeting, that:

6.1 Sets of national indicators for SD should take this approach as a point of departure, i.e. the capital approach as first proposed by Statistics Canada in 2001;

6.2 Core national SD sets should be small, closely related to long term policy making, and cover as far as possible the main capital categories that determine economic development over time and its environmental and social sustainability;

6.3 Even though national statistical offices are organised differently in OECD countries, they all have the competence in the areas of economic, environmental and social statistics. As they also cooperate internationally, they should in my opinion be key players in further work.

6.4 Core sets of national SD indicators should be small. cfr. 6.2, but such sets do not replace the need for more detailed economic, environmental and social statistics (for shorter term policy making).

## 7. Further work

7.1 As elaborated upon in my paper, a lot of work has been carried out since the Rio Conference in 1992, but with mixed success;

7.2 To strengthen SD policy making, enhance visibility, and facilitate peer reviews and international comparisons, there is a need for an international framework for national (core sets of) SD indicators;

7.3 The UN and the OECD is well placed, in cooperation with the European Conference of Statisticians (with participation of major players including Eurostat), to explore the possibility for consensus on such an international framework.

7.4 It has now been decided to establish an international working group to see if consensus can be reached on a framework for **national** indicators to guide policies to enhance sustainable development.

## 7. Further work (cont.)

7.5 As mentioned at the outset, in **addition** to sets of national indicators to guide national policies, for comparison of policies and peer reviews (looking for best practice), there is a need for **global** set of SD indicators. A natural point of departure in my view is the UN millenium goals i.e. the WDGs.

7.6 These should be used for **global surveillance** of sustainable development by the UN system, the World Bank and the OECD (DAC).

7.7 When the WDGs were constructed, economic development was the main focus, not sustainable development. Thus, especially the environmental part of the initial indicators should be worked on and improved. A role for the UN Commission of Sustainable Development? (in corporation with the World Bank and the OECD)?