Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the Council and the European Parliament — Beyond GDP — Measuring progress in a changing world'

COM(2009) 433 final

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On 20 August 2009, the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council and the European Parliament – Beyond GDP – Measuring progress in a changing world

COM(2009) 433 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 25 February 2010.

At its 462nd plenary session, held on 28 and 29 April 2010 (meeting of 29 April), the European Economic and Social Committee adopted the following opinion by 168 votes to 3 with 6 abstentions.

1. **Conclusion and recommendations**

1.1 The EESC welcomes the Commission's communication *Beyond GDP - Measuring progress in a changing world* and the initiatives it outlines. The Committee points out that we are still at an early stage of this journey and choosing the right instruments and benchmarks and integrating them into the management of key policies and strategies will be no easy matter.

1.2 The Commission has the very challenging role of drawing up a pilot version of the comprehensive index of the environment. This will evidently be an aggregate index, which means that it will have to balance the influences of various elements of the environment. It should be designed from the outset in consultation with interested parties.

1.3 Drawing up a comprehensive index of quality of life and social solidarity will be even more difficult. It is vital to put together pilot projects in this area. The Commission should identify this area as the focal point of the whole project and start with pilot projects immediately.

1.4 What is important when it comes to strategic issues and policy-making are the long-term trends in fundamental parameters, so this perspective should determine the choice of parameters to be monitored in real time. The reaction to changes ascertained must be considered and prompt.

1.5 Even for the Community as a whole, the national level – organised within a clear, unifying Community framework – should remain the cornerstone when it comes to gathering and evaluating data and processing them into indicators and parameters. A global, holistic approach must be taken to evaluation in order to reduce conflicts in the assessment of some instruments and parameters and the risks posed if such conflicts are left unresolved.

1.6 The assessment of sustainable development is really most about capturing trends in two fundamental areas: 1) assessing carrying capacity, and 2) assessing development in the governance of human societies. The proposals in the Commission communication (the scoreboard and the monitoring of threshold values of pollutants) take this line, which the EESC welcomes.

1.7 The EESC also welcomes the Commission's endeavours to extend national accounts to environmental and social issues. A legal framework for environmental accounting is due to be proposed at the beginning of 2010. The social indicators in the national accounts are not yet being used to the full. The need to use these indicators can be expected to grow as a comprehensive and integrated approach to measuring and evaluating progress in a changing world is further refined.

1.8 The process of making the changes that are being prepared will be neither short nor simple. For this reason, the greatest care should be given to the analytical preparation and the planning of the individual instruments, with solid research into their interaction and in-depth consultation with interested parties, in order to facilitate the adoption of these changes in a broad international context.

1.9 Going forward with the work and structuring the next steps will require reference to all available reports and projects. The crucial criterion must be maximum objectivity and preservation of the independence of the statistics and their stringency in terms of quality. The EESC is ready to play a part in assessing the vital changes and will promote their acceptance by civil society.

1.10 The Commission should establish timetables and deadlines for the introduction of the various elements. In particular it should aim to include some of the new measures in the new 2020 strategy as well as in the Sustainable Development Strategy. And it should aim to have a framework in place by 2011 on the basis of which it could develop clear proposals for comparable action on a global scale in time for the World Summit on Sustainable Development that the UN has convened for 2012.

2. **Introduction**

2.1 Gross Domestic Product (GDP) is the best known measure of macro-economic activity. (GDP = private consumption + investment + government consumption + (exports – imports). The framework and rules on how to calculate it are set in the European System of Accounts, which is broadly consistent with the UN System of National Accounts.) It has become a standard reference value used by policy-makers throughout the world and is widely used in public debates. GDP aggregates the value added of all money-based economic activities. It is based on a clear methodology that allows comparisons to be made over time and between countries and regions.

2.2 GDP has also come to be regarded as a proxy indicator for overall societal development and progress in general. It does not however measure environmental sustainability or social inclusion and these limitations need to be taken into account when using it in policy analysis and debates (for a recent overview of limitations of GDP see Stiglitz/Sen/Fitoussi (2008) Issues Paper, Commission on the Measurement of Economic Performance and Social Progress (http://www.stiglitz-sen-fitoussi.fr/documents/Issues_paper.pdf).

2.3 Discussions of this topic at various levels have been carried out for about ten years and in October 2008 the EESC adopted an own-initiative opinion [1] which elucidates current schools of thought and supports endeavours to find suitable complementary indicators that will map the evolution of human society more thoroughly.

2.4 This Communication identifies a number of actions that can be taken in the short to medium term. The overall aim is to develop more inclusive indicators that provide a more reliable knowledge base for better public debate and policy-making. The Commission intends to cooperate with stakeholders and partners to develop indicators that are internationally recognised and used.

[1] OJ C 100 of 30.4.2009, p. 53.

3. **Gist of the Commission document**

3.1 The Commission proposes to implement the following five categories of action, which can be revised or supplemented in the light of the review planned in 2012.

3.2 ***Complementing GDP with environmental and social indicators:*** Indicators that summarise important issues with a single figure are essential communication tools. GDP and 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. The Commission services intend, therefore, to develop a comprehensive environmental index and improve quality-of-life indicators.

3.2.1 ***A comprehensive environmental index:*** There is currently no comprehensive environmental indicator. Close candidates for such a purpose are the ecological and carbon footprints, but both are limited in scope. (The carbon footprint summarises only greenhouse gas emissions. The ecological footprint excludes some impacts, e.g. on water. However, the Commission is testing it, along with other indicators, to monitor the Thematic Strategy on the Sustainable Use of Natural Resources and the Biodiversity Action Plan.) Commission services intend to present a pilot version of an index on environmental pressure in 2010. It will reflect the major strands of environmental policy:

— climate change and energy use

— nature and biodiversity

— air pollution and health impacts

— water use and pollution

— waste generation and use of resources.

3.2.2 ***Quality of life and well-being:*** Income, public services, health, leisure, wealth, mobility and a clean environment are means to achieve and sustain those ends. The Commission has launched feasibility studies on well-being indicators and on consumer empowerment, as well as, with the OECD, on people's perception of well-being.

3.3 ***Near real-time information for decision-making:*** 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. Environmental and social data in many cases are too old to provide operational information, e.g. on fast-changing variables such as air and water quality or work patterns.

3.3.1 The Commission will therefore aim to increase the timeliness of environmental and social data to better inform policy-makers all across the EU. Satellites, automatic measurement stations and the internet make it increasingly possible to **monitor the environment in real time** through INSPIRE (Directive 2007/2/EC) and GMES (Global Monitoring for Environment and Security – COM(2009) 223 final).

3.3.2 Whenever possible, the **timeliness of social data will be improved**, e.g. with the new European System of Social Statistical Survey Modules.

3.4 ***More accurate reporting on distribution and inequalities:*** Social and economic cohesion are overarching objectives of the Community. Existing data from national accounts, e.g. on household income, or from social surveys such as EU-SILC (EU Statistics on Income and Living Conditions) already allow for an analysis of key distributional issues.

3.5 ***Developing a European Sustainable Development Scoreboard:*** The EU Sustainable Development Indicators (SDIs) (see: Eurostat Statistical Book 'Measuring progress towards a more sustainable Europe – 2007') have been developed together with Member States and are reflected in the Commission's biennial Progress Report. 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).

3.5.1 The Commission is therefore exploring the possibilities of **developing**, together with Member States, a **Sustainable Development Scoreboard**. This SD Scoreboard, based on the EU SDI set, could also include other quantitative and qualitative publicly available information.

3.5.2 The SDS sets respecting the limits of the planet's natural resources as a key objective. These include nature's limited capacity to provide renewable resources and absorb pollutants. It is important to know the 'danger zones' before the actual tipping points are reached. It will therefore be necessary to **identify – and regularly update – such threshold values for key pollutants and renewable resources** in order to inform policy debate and support target setting and policy assessment.

3.6 ***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). 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 Commission will ensure that the work is taken further in future revisions of the international System of National Accounts and the European System of Accounts. In the longer-term it is expected that more integrated environmental, social and economic accounting will provide the basis for new top-level indicators.

3.6.1 ***Integrated environmental-economic accounting:*** The Commission presented its first strategy on 'green accounting' in 1994 (COM(1994) 670). Since then Eurostat and the Member States – in collaboration with the UN and the OECD – have developed and tested accounting methods to the point where several Member States now regularly provide first sets of environmental accounts. As a following step, physical environmental accounts could be set up for energy consumption, waste generation and treatment, and monetary accounts for environment-related subsidies. To ensure the accounts are comparable, the Commission plans to propose a legal framework for Environmental Accounting in early 2010.

3.6.2 ***Increasing use of existing social indicators from national accounting:*** The existing European System of Accounts already includes indicators that highlight socially relevant issues, such as the disposable income of households and an adjusted disposable income figure that takes into account the differences in the social protection regimes of different countries.

4. General comments

4.1 Measuring mankind's progress in a more comprehensive way is an issue attracting keen and growing interest from both politicians and the public. New approaches are needed to show how far mankind's demographic changes and continuing economic development can be reconciled with the finite dimensions of the planet and its resources.

4.2 New approaches and methods for measuring progress are essential in today's ever more complex social environment so that we can better formulate a strategic vision for human societies, including the EU. They are important, for example, for mapping the resources needed to achieve strategic goals – especially sustainable development, which depends not least upon effective climate protection and sparing use of all resources.

4.3 Another important area is the formulation of key Community policies that take into account all measurable impacts and influences (and the interaction amongst them) and, of course, the assessment of how well these policies are implemented.

4.4 The EESC therefore welcomes the Commission's communication *Beyond GDP - Measuring progress in a changing world* and the initiatives it outlines. Although a raft of activities and projects are already underway, the Committee points out that we are still at an early stage of the journey and choosing the right instruments and measures and integrating them into key policies and strategies will be no easy matter.

4.5 For any instrument to be effective, it must be as simple as possible and as easy to operate as possible. Instruments that their users do not fully identify with and which are not generally accepted cannot deliver the desired result. It will of course take time for a new instrument to win general acceptance as a measure of progress. But no instrument should exist simply for its own sake and any instrument that proves ineffective should be dropped.

4.6 Clearly, we are moving from the more simple to the more complex, but the complexity should not outweigh the expected benefits. Even for the Community as a whole, the national level – organised within a clear, unifying Community framework – should remain the cornerstone when it comes to gathering and evaluating data and processing them into indicators and parameters.

4.7 At the same time, however, aggregating parameters for the entire Community should mean that strategies and policies can also be adopted in a coordinated and compatible way at both national and Community level, while rigorously applying the principles of subsidiarity and proportionality. At Community level, again, it will be particularly important to act in line with development trends and the instruments chosen should be capable of identifying even weak warning signals of potentially dangerous changes reliably and well in advance.

4.8 Despite its familiar shortcomings, GDP is a unique aggregate instrument that reacts to events quickly. Ideally, the instrument sought should also be an aggregate indicator that brings in social and environmental factors, which will obviously be very difficult. For this reason, the EESC thinks that when several parameters from various areas are being assessed in the formulation of policies, decision-making criteria should be established that favour the sustainable development of the global community.

4.9 The EESC is convinced that a specific approach is only possible for the development of individual instruments. When it comes to their evaluation and effective application, a global, holistic approach must be taken in order to reduce as much as possible conflicts in the assessment of some instruments and parameters and the risk of skewed political and strategic decisions arising from conflicts that are ignored or left unresolved.

4.10 The whole process of making the changes that are being prepared is neither short nor simple. For this reason, the greatest care has to be given to the analytical preparation and the planning of the individual instruments, with solid research into their interaction and in-depth consultation with interested parties.

4.11 Priorities and deadlines need to be set for the further stages of this process and these are only very sketchily set out in the Commission communication. In particular the Committee urges the Commission to establish an early process for integrating the new measures into the objectives and review machinery of the new 2020 strategy for Europe as well as into the longer-term goals of the Sustainable Development Strategy. The EESC also urges that other interested parties, such as the relevant economics DGs of the Commission, be brought into the planning at an early stage. It is not enough to have only DG ENVI, the EEA and Eurostat working on such radical changes.

4.12 Going forward with the work and structuring the next steps will require reference to all available reports and projects, namely: the Report by the Commission on the Measurement of Economic Performance and Social Progress (Stiglitz report: http://stiglitz-sen-fitoussi.fr/en/index.htm, the reports of the TEEB (The Economics of Ecosystems and Biodiversity: http://www.teebweb.org/), and the work of the European Environmental Agency (EEA), Eurostat and others collaborating on this complex European and worldwide project. The crucial criterion must be to preserve the independence and qualitative stringency of the statistics and the generally accepted explanatory power of the instruments.

4.13 The General Assembly of the United Nations has recently decided to convene a new global summit in 2012 to review progress on sustainable development twenty years after the Rio Earth Summit of 1992. It is understood that ways of moving to a greener, less carbon-intensive global economy will be one of the key themes of the event. It would therefore be desirable for Europe to establish a clear framework for charting its own progress in this direction by 2011, so as to be able to bring well-defined proposals to the global community in 2012.

5. **Specific comments**

5.1 These specific comments address the five key areas and their further subdivisions in the order they are presented in chapter 3.

5.2 The Commission has the very challenging role of drawing up a pilot version of the comprehensive index of the environment. It has pledged to submit this index as early as this year, 2010. It will evidently be an aggregate index, which means that it will have to be evaluated not least in terms of how it balances the influences of various elements of the environment. The present carbon and ecological footprints cover specific elements of the environment and the consumption of resources. Although other concepts, such as the water footprint and the forest footprint, have emerged, the new index must be more comprehensive still. It should be designed from the outset in consultation with interested parties and the importance given to the individual factors should be very carefully balanced.

5.3 Working out the quality of life and well-being indicators [2] will be no less demanding –notwithstanding the availability of feasibility and other studies –, since these indicators are in large part about subjective perceptions and not precise measurements. It has to be said, however, that GDP is not entirely objective either.

[2] OJ C 100 of 30.4.2009, p. 53.

5.4 Near real-time information for decision-making is very important for operational management of the quality of the environment and corrective interventions in the social sphere. More important when it comes to strategic issues and policy-making are the longer-term trends in fundamental parameters. This distinction should therefore determine the choice of parameters to be monitored in real time in order to avoid detailed information unnecessarily clogging up the decision-making process. What will be more important here is a considered and prompt reaction to change. Monitoring in the GMES system will mostly feed into operational management. Needless to say, to the extent that it also indicates longer-term trends, it will also help in policy-making.

5.5 When it comes to formulating Community policies that require combined efforts, it is important to have information about differences and imbalances at Member State and regional level. The goal is to eradicate stark imbalances with suitably framed policies, and these need more precise data. The success of policies depends on them being widely accepted and embraced, which is virtually impossible if there is a perception of unfair treatment. This approach will also determine how the public sees the Community in the future.

5.6 It is extremely difficult to evaluate sustainable development. Since sustainable development is a long-term, umbrella strategy, it does not – and cannot – have a single goal and deadlines. By the very nature of things, goals must be set that are sufficiently general. In other words, the assessment of sustainable development is really most about capturing trends in two fundamental areas: 1) assessing the carrying capacity of ecosystems, including the use of renewable and non-renewable resources, and 2) assessing development in the governance of human societies in general. How these two basic factors evolve will determine whether the world community, including the EU Community, will or will not develop in a sustainable manner. The proposals in the Commission communication (the scoreboard and the monitoring of threshold values of pollutants) take this line, which the EESC welcomes.

5.7 The EESC also welcomes the Commission's endeavours to extend national accounts to environmental and social issues. Having enough reliable and well structured information from these accounts can make an important contribution to the desired rational internalisation of external costs in areas where this information is indeed available and where the market balance will not be upset. These accounts already hold valuable data, though there may be problems of comparability between Member States. It is important, therefore, for the players concerned to plan the best possible data systems and collection in line with the need to create physical environmental accounts. The Commission has assumed the difficult task of putting forward a legal framework for environmental accounting at the beginning of 2010. The social indicators in the national accounts are not yet being used to the full. The need to use these indicators can be expected to grow as a comprehensive and integrated approach to measuring and evaluating progress in a changing world is further refined.

Brussels, 29 April 2010.

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