

# **Workshop Report**

## **6<sup>th</sup> ESDN Workshop**

### **“Reforms for Measuring Welfare and Wealth in the Context of Sustainable Development”**

Hosted by the [ESDN](#) in cooperation with the  
[German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety](#)

**Berlin, 2-3 December 2010**

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## Introduction

The 6<sup>th</sup> ESDN workshop, entitled “Reforms for Measuring Welfare and Wealth in the Context of Sustainable Development”, took place in Berlin on 2-3 December 2010 and was hosted by the ESDN in cooperation with the German Federal Ministry for the Environment Nature Conservation and Nuclear Safety. In total, 53 participants from 14 European countries participated in the workshop, including ESDN members, representatives from the Directorate General of Environment in the European Commission, representatives of Club of Rome and the KfW Bankengruppe as well as other invited experts from national statistical offices and, researchers of various universities<sup>1</sup>. The list of participants can be found in Annex I of this report.

## Thematic outline

The discussion on measuring wealth well-being and prosperity beyond economic growth measurement has already been taken up by academic circles in the 1970s and 1980s. The recent financial and economic crisis and the challenges posed by various sustainable development issues (e.g. climate change, natural resource consumption, poverty reduction, etc.) raised again interest in the arguments questioning conventional approaches to economic growth and the emphasis on the usage of gross domestic product (GDP) for measuring progress, wealth and prosperity in our societies. The reason of the various crises has contributed to the fact that measurement concerns for true economic progress stepped out of academic circles and were taken up by policy-makers and became top priority of international organizations. Numerous international (OECD’s Global Project on Measuring the Progress of Societies and Well-being), European (EU’s initiative “Beyond GDP”) and national organisations (Commission on the Measurement of Economic Performance and Social Progress established in France) have engaged in developing systems for measurement of well-being and progress of societies that aim to go “beyond GDP” and increasingly reflect issues central to sustainable development. The ways and means of measuring progress, wealth and prosperity are closely tied both to the underlying concepts as well as practical implementation of national sustainable development strategies and strategies that aim to link economic growth and environmental sustainability (e.g. Europe 2020 strategy, OECD’s Green Growth Strategy, UNEP’s Green Economy Initiative). Two recent [ESDN case studies](#), prepared as input to this workshop, provide an overview of international and national approaches of measuring wealth and well-being in the context of sustainable development. In general, the workshop has contributed to the current debate on “beyond GDP” by focusing on questions such as: What are the linkages and challenges between sustainable development policies and measurement? What is the current status of international and national reform processes to measure welfare and wealth? Which options for concrete actions are possible on the national level and in cooperation among countries?

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<sup>1</sup> Many participants, including some panelists and keynoters such as Brian Newson, Head of the Unit of environmental and Climate Change, Romina Boarini, Head of the Measuring Well-being and Progress sections in the OECD Statistics Directorate, Guillaume Mordant, Deputy Head of the Statistics Department in the Office of the General Commissioner for SD and Jacqueline McGlade, Executive director of the European Environment Agency, could not attend the workshop due to bad weather conditions.

## Topics and format

After an introduction to the topics and format of the workshop, the workshop consisted of two sessions: Session 1 concentrated on the overview of international and national measurement approaches as their latest development. The session was subdivided in three parts: First, a general overview on defining linkages and challenges between sustainable development policy and welfare measurement through a keynote presentation was provided. This was followed by a panel discussion on the latest developments in international measurement approaches. In a third second part, an overview and evaluation of four national measurement approaches<sup>2</sup> was provided in an interactive format, loosely based on the World Café format, with presentations from various countries. The results of the interactive format were then presented to the audience. In a plenary discussion, the major issues and concerns of the various national measurement approaches were presented and provided some inputs on questions and topics to be discussed in the working groups for the Session 2 on the following day. In Session 2 of the workshop, after a recap of the first day results, provided an overview of the political and practical implications of new measurement approaches “beyond GDP” in the context of SD at the European level<sup>3</sup>. The participants were then invited to collect, in three parallel working groups, inputs for recommendations for actions regarding new measurement approaches from an SD perspective. The working group discussion focussed on three topics: (a) most promising approach for actions (international and national), (b) critical challenges (methodological, conceptual, political), and (c) identification of most important factors enabling and facilitating the usage of those new measurement approaches by policy makers. The recommendations of the working groups were afterwards discussed in the plenary, where the ESDN co-chair, representative of the German Federal Ministry of Environment and the working group facilitators presented some concluding remarks and informed the participants about the forthcoming ESDN Conference in 2011 that will take place in Hungary from 27-29 June 2011.

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<sup>2</sup> The various national measurement approaches were based on the cases of Austria, Belgium, Finland and Germany. The representative of France, Guillaume Mordant, Deputy Head of the Statistics Department in the Office of the General Commissioner for SD, could not attend the workshop as planned, due to the bad weather conditions.

## Welcome addresses

The ESDN co-chair, **Wolfram Tertschnig** (Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria), welcomed the workshop participants on behalf of the ESDN Steering Group. He pointed out that the topic of the workshop is very timely as many international and national organisations currently develop initiatives on “Measuring Welfare and Wealth in the Context of SD”. This also shows that the topic is increasingly gaining momentum at the political level. Wolfram Tertschnig mentioned in this context the previous work and efforts of ESDN in providing research and information on linking economic growth and sustainable development, e.g. the [ESDN Quarterly reports](#) and the organisation of the last ESDN workshop in Madrid on “[From Green Growth to a Sustainable Economy?](#)” as well as the [ESDN Conference 2011](#) that discussed conditions of an economy that is compatible with sustainable development. Against this background, Wolfram Tertschnig mentioned the need of the ESDN to react also to the initiatives on measuring welfare and wealth in the context of SD through this workshop, especially by reflecting on the measurement approaches and by providing recommendations for political actions.

**Karl-Ludwig Brockmann** (Coordinator of Environment and Sustainability at KfW Bankengruppe) welcomed the workshop participants on behalf of the KfW Bankengruppe which offered its premises for hosting the 6<sup>th</sup> ESDN workshop. Mr. Brockmann argued that the efforts undertaken to introduce SD as an important policy principle to guide development since the Rio-Summit 2002 were substantial. However, much remains still to be done by entrepreneurs, households and politicians to move the economies towards a sustainable path. Moreover, Mr. Brockmann emphasised the multiple crises (i.e. economic and climate change crisis) which have raised awareness at the political level on sustainability issues. Therefore, the challenge remains to make SD as an operational guideline for economics, where sustainability should be properly monitored and measured. The need of developing a sound basis for measuring the three dimensions of SD and developing appropriate indicators is already identified by various international initiatives.

## Introduction to the workshop topic and concept<sup>4</sup>

At the beginning of the workshop, the political background, the targets and important topics of the workshop were presented. Moreover, the work and contribution of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety regarding the measurement of welfare and wealth in the context of sustainable development was shortly outlined.

In his opening address, **Jörg Mayer-Ries** (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany) first mentioned the importance of ESDN as a for providing a useful platform for the organization of these thematic workshops. Secondly, he explained the importance of such a workshop at the political level for identifying the priorities, concrete actions on measurement for the future years, and providing a useful exchange platform for collaboration with other partners at the national and European level. Jörg Mayer-Ries reminded the workshop participants that new measurement models are needed in order to deal at the political level with complex financial, ecological and socio-economic crises. He emphasised that though this awareness is not new in academic circles, it

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<sup>4</sup> The slides of individual presentations can be downloaded from the [workshop section](#) on the ESDN homepage.

has gained only recently a political momentum, as demonstrated through the various initiatives at the European level (EU Communications and Roadmap on “Beyond GDP”,) and international level (the OECD Global Projects on Measuring Progress of Societies and Well-being and the UNEP TEEB). Jörg Mayer-Ries pointed out that despite the efforts undertaken at the various political levels, more could be done to take up the recommendations of the various international initiatives.

Finally, Jörg Mayer-Ries mentioned three aspects which should be taken into consideration at the political level when discussing the measurement of progress in society: (1) as the measurement discussion does not replace the political discussion, and indicators are not political goals, measurement has a role to play in the political actions, but has to be defined differently from now on and used more as an early warning function; (2) a better communication to the general public for what GDP stands for is needed and also what is the right indicator for measuring progress; and (3) there is also a need for a robust and international comparable approach of measurement for governing and steering societies, policy-makers and entrepreneurs. Jörg Mayer-Ries emphasised that this workshop is not only useful for policy-makers, but also for statistical offices. It should help to exchange knowledge on both sides. Moreover, the workshop discussion should not only focus on welfare and well-being but also create linkages to measurements of sustainability and how to link the environmental perspective to other socio-economic perspectives.

## Session 1: International and national measurement approaches- Latest developments

The workshop, moderated by **Andreas Kraemer** (Director of the Ecologic Institute), started with a session on the reflection of linkages and challenges between sustainable development policy and welfare measurement. The session comprised a keynote presentation which was followed by a panel discussion on the international approaches of welfare measurement. Due to bad weather conditions on the time of the workshop, the representatives of OECD, Eurostat and the European Commission could not attend this part of the workshop. The panel discussion was followed by an interactive exchange format, based on World Café, to discuss national initiatives of welfare measures. The main results of the discussion at the “country islands” were then presented by the country representatives to the plenary.

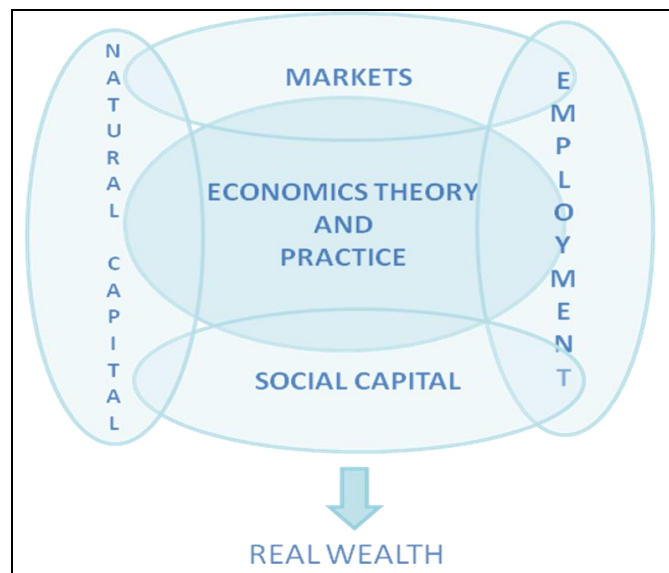
### **Keynote presentation: The New Economics of Growth, Wealth, Real Values: Towards a New economics for a Global Society.**

**Ian Johnson** (Secretary General of the Club of Rome) presented the agenda of “new economics” which criticises the current economic models of thinking and its outworn theoretical assumptions in not capturing new phenomena, new market opportunities and recent societal, political and economic developments<sup>5</sup> of the world of today. The Club of Rome, as one of the pioneers in thinking about economic growth and the limits imposed, has currently taken the lead also in working on the agenda of “new economics” in its working programme<sup>6</sup>. In this new agenda, economics remains still the

<sup>5</sup> Shifts in lifestyles, communications, production and consumption patterns as well as scarcity of natural capital and increasing global population.

<sup>6</sup> For more information on the goals of the Club of Rome Working Programme, please see the paper prepared by Ian Johnson for the Annual Meeting of the Club of Rome, which you might find it in the ESDN Homepage.

cornerstone for public policy decision-making and market economies, in establishing prices of goods and services and priorities for investment and policy-making. The new agenda's aim is twofold: Firstly, it links the various economic disciplines in an inter-disciplinary way. Secondly, it tries to relate to a more philosophical view purpose of economics and its central role in providing an ethical basis for maximising real wealth and sustainability. Therefore, in this growing complexity and expansion of new fields of economics, the macro- and micro-models are no longer valid. According to Ian Johnson, the economics of today become "unfit for purpose": it fails to address the real issues of today's world and measure the things that really matter for people.



**Figure 1:** Economic matters, (Presentation of Ian Johnson at the 6<sup>th</sup> ESDN workshop)

Ian Johnson then presented the fault lines of current economics of today, comprising of eight important aspects: (1) growth and wealth, (2) time, (3) natural capital, (4) pollution; (5) employment; (6) markets; (7) social capital; (8) risk and uncertainty; (9) systems. Ian Johnson criticised that economic growth has been used for economic and social progress, but it largely ignores economic externalities (the positive benefits of unpaid work and distributional effects), depletion of natural capital (destruction of forests) and it includes undesirable effects (crime, social unrest, war). This should be changed then in the future. Moreover, high discount rates and short political terms have produced a tendency to focus on the short-term and marginalized sectors that require long-term planning and encouraging markets to capture short-term profitability and ignore long-term financial sustainability. The question of the low- or zero-discount rate requires thinking in terms of generation when it comes to its application to natural capital stocks. According to Ian Johnson, the idea of the zero discount rate offers an opportunity for managing assets sustainably over time.

The third aspect of criticism comprised the efforts of linking economic thinking (what is accounted to contribute to growth and wealth) with ecological thinking for better evaluating natural capital in economic terms (depletion of natural assets). According to Ian Johnson, based on the current evidence, fixing accounts with evaluation of natural capital should be easy but there is great political opposition to that. Linked to natural capital stocks is also the evaluation of flow, such as negative costs of pollution



(“brown agenda”), where the policy-making has made considerable efforts in introducing countermeasures in this field.

In his presentation, Ian Johnson emphasised two big market failures: climate change and unemployment. In the field of climate change, further research needs to be conducted not only on its costs but also on the benefits to economic welfare. According to Ian Johnson, the new growth model based on green growth, described as a win-win strategy by politicians and some economists, does still not offer clear evidence in the link between green growth, jobs and poverty reduction. Furthermore, beside economic externalities, real economic values are not captured by markets. This is due to the fact that market prices have been unrelated to real economic values, causing an illusion of wealth which is unsustainable and “anti-economics”. The last aspects of criticism have been that economics ignores system effects. Ian Johnson presented the idea of thinking of the world in a non-linear way, where risks and uncertainty become parameters to think of. Through a systemic thinking, the failure of this deterministic way of assumptions from economics could be encountered. Ian Johnson suggested the introduction of what he referred to as “options theory”, instead of deterministic models of growth and welfare, where new ethics and not only financial capital is considered.

Based on the fault lines of current economics, Ian Johnson presented the need of new economics based on following guidelines:

- new “ethics rule-book” including transparency, accountability, risk management;
- new markets for a sustainable world to include following aspects:
  - ✓ Sustainable goods and services (carbon, water, forests, etc.)
  - ✓ Social capital goods and services (security, adaptation, employment)
  - ✓ Long and patient capital
  - ✓ Public good component (public and private risk and reward returns);
- new assets creation;
- new quality requirements.

He then argued that measurement is not sufficient and that concrete actions for policy design must be provided. As implementation matters, he referred to the risk of “the valley of intellectual death”, where too many good ideas are borne and researchers tend to improve and fine-tune them by requesting always more research funding and not making the further step of translating them into policies and concrete instruments<sup>7</sup>.

For measuring real wealth, translating real values into real economic prices should be accompanied by real actions to make a difference. He introduced various actions to show how new economics could be then concretely translated in measures: (1) establishing shadow prices reflecting the real resource and social cost of inputs, based on which the approval of public and private investments is dependent upon; (2) voluntary and, if needed, mandatory standards that embrace sustainability criteria; (3) market regulation that serves to enhance common good, promote responsible investments; (4) governments and global institutions can facilitate the creation of markets that embrace global public goods, which in the absence of public policy, could not exist (e.g. carbon markets); (5) government and private sector can design effective *co-mingled markets* with public and private returns; and (6) corporate responsibility could be rewarded through increased shareholder value.

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<sup>7</sup> An example mentioned by Ian Johnsons has been natural capital, where there is a large and growing literature on how to measure natural capital, but rarely any thought is given to how to design policy and market instruments as well as governance systems that ensure those values to be embedded in economic policy and decisions.making.



Ian Johnson regarded the various crises as a “window of opportunity” for shaping public policies and not only academic discussions. He emphasised in this context the Club of Rome’s work programme which is setting up a platform of partners and initiatives for providing the link of research and policies in these fields. Ian Johnson argued that the time is right, not only due to the various crises, but also to the emerging concerns in the public eyes.

## Panel Discussion

The panel discussion had the aim to discuss and reflect on the various international measurement approaches. Due to the last minute cancellations of three panellists (Oliver Zwirner, European Commission; Brian Newsons, Eurostat; and Romina Boarini, OECD) the panel was changed in the last minute and comprised Jörg Mayer-Ries, Michael Kuhn (Federal Statistical Office, Germany), Hans Diefenbacher (University of Heidelberg, Germany) and Ian Johnson.

**Jörg Mayer-Ries** presented the OECD Global Project on Measuring societal progress and wellbeing (for more information on the OECD Global Project please read the [ESDN case Study No.3](#) ).

**Michael Kuhn** opened with the statement that the discussion on GDP criticism is not new. However, the time for complementing it with environmental and social relevant data is now increasingly mature. He provided a short overview on the SD indicators in Germany and Germany’s efforts in implementing various measurement initiatives, such as the Stiglitz Commission report recommendations and the Sponsorship Group taskforces<sup>8</sup> with the national statisticians on quality-of-life and environmental sustainability. The SD indicators report was developed for the first time in 2002. The indicators are used for monitoring and controlling the performance of targets of the German NSDS. Indicators are developed per target value and target year. The selection of indicators was policy driven. Beside the indicator report, Michael Kuhn also mentioned the NSDS progress reports, which provides a broader view on statistical trends of fulfilment of targets and more qualitative assessment of policy making for SD.

**Hans Diefenbacher** related the beyond-GDP-debate to what Thomas Kuhn coined the “*revolutionary science*”<sup>9</sup>. He mentioned that we are not following the same paradigm of growth as we did before. Although there is no consensus yet on what should be measured and how, in some decades, the paradigm would not be revolutionary any more, but will become the underlying thought of “normal science”, where GDP becomes less important and new indicators of measuring societal progress will follow. Hans Diefenbacher regarded the beyond-GDP-debate as a “beyond measurement debate” which comprises a philosophical (what should lie at the heart of societal progress) and also a political debate (how to address the problem of intellectual death valley). According to Hans Diefenbacher, the latter problem should be addressed as soon as possible. The researchers should be satisfied with an “optimal

<sup>8</sup> Eurostat and FR-INSEE (National Statistical Institute of France) sponsorship group in which the national statistical institutes of 16 EU Member States as well as OECD and UNECE collaborate, is currently establishing 4 taskforces: three on the topics of the Stiglitz Commission report and one on the coordination. Within this sponsorship group, roundtables at the national level are established with other stakeholders;

<sup>9</sup> Thomas Kuhn book “The Structure of Scientific Revolutions” (SSR), argued that science does not progress via a linear accumulation of new knowledge, but undergoes periodic revolutions, also called “paradigm shifts” (although he did not coin the phrase), in which the nature of scientific inquiry within a particular field is abruptly transformed. These paradigm shifts open up new approaches to understanding that scientists would never have considered valid before, and making them move from “normal science” to “revolutionary science”.

degree of unpreciseness” in the research results and therefore better address politicians rather than not address the issues at the political level at all.

**Ian Johnson** provided some remarks on the various measurement approaches and where measurement of welfare in the context of SD “hooks”. The measurement hooks on life cycle costs, different new concept of rate of returns, financial metrics of sustainability and how to get governments to use these new concepts. According to Ian Johnson, the international measurement initiatives have not provided so far any clarification on how to move from measurement to policy action. The concept of green jobs, which is not complex, needs to hook somewhere. According to Ian Johnson, the participants (statisticians or policy advisors) have to “hook the messages on changes of paradigm about welfare and progress”, for providing a long-term change in thinking which overcomes the short-term political cycles.

## Plenary Discussion

Based on the panel discussion, comments were made also from the audience. One participant criticised Michael Kuhn’s statement that the criticism of GDP is not new. Now, more than ever, is a close connection made of costs of climate change and GDP growth and public debt (especially in US, Japan).

Kuhn answered that the situation of various crises and problems, such as the economic crises and biodiversity loss as sustainability issues are new, but the shortcomings of the GDP criticism are known since the 1970s. Moreover, in the last 20 years, there was not a lot of statistical progress as budget constraints hindered bringing forward statistics beyond GDP.

Another participant remarks that there are diverging evidence on growth and employment. Some researchers argue that no growth is needed for achieving full employment while others say growth is needed for employment. The question raised was how to get evidence for actions which leads away from growth drivers?

Ian Johnsons answered that there is still no evidence if green growth is employment inducing. This evidence has to be provided yet. The current growth is GDP-produced outcome. There is evidence only that 2% of growth is needed to generate positive change in employment. However, Ian Johnson also emphasised that this is only a correlation and it depends if new technologies (as in the case of green technologies) do generate more employment or cause unemployment.

One participant expressed the concern regarding the lack of new measures for the young generation of politicians which is increasingly referring to the Stiglitz Commission report recommendations. They are calling currently on new measures. The problems policy advisor face is that they don’t have any new developed measures on the Stiglitz report. On the other hand, there is also an urgent need to come up towards those politicians with an answer on measures now.

## World Café results

Four national initiatives from Austria, Belgium, Finland and Germany<sup>10</sup> were presented in a World Café format, where participants could chose three “country islands” for receiving more information and

<sup>10</sup> The national representative of France, Guillaume Mordant, Office of the General Commissioner for Sustainable Development, could not attend the workshop due to the bad weather conditions. Mr. Mordant was kind enough to make the poster available to us and they can be found on the [ESDN website](#).

discussed the initiatives with national representatives who presented the respective country activities. This sub-section outlines shortly the main arguments and questions raised during the discussions. For a broader and more detailed overview on the national initiatives, please read the [ESDN Case Study No.4](#).

### **Austria**

Ingeborg Fiala from the Austrian Federal Ministry of Agriculture, Forestry, Environment, and Water Management presented two main initiatives of measuring welfare and wellbeing in the context of SD in Austria. The first initiative was based on the monitoring report for SD (2006), based on 26 headline indicators and a set of 80 indicators. The second initiative was on the appropriateness of the SDIs for measuring well-being, by further complementing the SDIs with subjective indicators. The discussion of the participants was around methodological, conceptual as well as political aspects of indicators.

*Methodological* aspects discussed were:

- When targets are conflicting how to weigh indicators among each other;
- If there should be a usage of composite indicators or an indicator set;
- Link of indicators to GDP;
- Time horizons of indicators (short-term versus long-term period);
- Comparisons of indicators and difficulties linked with comparability of data.

*Conceptually* interesting for the participants was:

- How to link “welfare” to other issues presented separately in an indicator set (e.g. health, environment and SD in general)

*Political* aspects linked to indicators were:

- Communication of indicators to general public and politicians;
- Need of a political framework for assessment.

### **Belgium**

As Belgium has been very active in various measurement initiatives in welfare, the presentation of activities was then rather focussed on the region of Flanders. The initiatives, presented by Yanne Gossens (Policy advisor from the Environment, Nature and Energy Department, Flemish Government) were the following:

- “[Flanders in Action](#) (ViA)” and “Pact 2020” with concrete objectives and targets to implement the EU Lisbon strategy<sup>11</sup>
- Monitoring of the NSDS 2010 based on a set of SDIs
- A “City Monitor for liveable and sustainable cities” (based on 190 indicators) was developed to give insight into the living quality of cities.<sup>12</sup>
- Indicators related to specific themes (Ecological Footprint<sup>13</sup>, Index on quality of life at municipality and city level<sup>14</sup>, Flemish Environmentally Extended Input-Output model<sup>15</sup>, Economic valuation of biodiversity, Flemish Welfare Barometer<sup>16</sup>)

<sup>11</sup> Next to GDP, the ecological footprint and the indicator for sustainable economic welfare (ISEW) are used to monitor progress. Throughout the whole process, the principle of sustainability was used as a basis to formulate the 20 objectives.

<sup>12</sup> The indicators relate to culture and leisure, learning and education, work, safety care, housing, mobility, care and support, management of environment and nature, social, physical and institutional aspects and principles. Moreover, work is being done on improving data gathering for health, well-being and poverty. So far, 13 cities have been analysed three times (2004, 2006 en 2008).

<sup>13</sup> Research is ongoing on developing the ecological footprint of Flanders and its opportunities for policy-making. A [first report](#) on the EF of Flanders was published in June 2010

The discussion, based on the broad overview of activities in Flanders, was focussed on the following topics:

- Comparability of data: How well comparable are the data. A broader debate in this topic was focussed on the comparability of city monitor across the cities. Based on some participants, this indicator had in some countries (e.g. Germany) not a very high acceptance among politicians, as they feared bad performance due to diverging trends across cities. In Belgium however, this indicator was not understood for ranking cities from the most sustainable to the least one, but for demonstrating positives trends.
- Cooperation across regions on SDIs, which seemed to be in Flanders at least not formally established. This, on the other hand, hinders the comparability of SDIs across regions.
- The media and press coverage of various indicators in Flanders and Belgium, which seemed to be sporadically and less on a continuous basis, depending on which topics were in trend for the media and society.
- Awareness raising campaigns for an increasing usage of indicators.
- Accountability of politicians based on the indicators development.

### *Finland*

The initiatives of Finland presented from Ulla Rosenström( Finnish Prime Minister's Office) focused on a set of indicators for social progress named "Findicators". After a short overview of what this set of indicators is about, the future challenges were shortly described as follows:

- A better conceptual framework for the indicators;
- More indicators that focus on human well-being;
- Improve the environmental indicators;
- Better use of the system of national accounts;
- Consider the use of subjective data;
- Increase dissemination and communication efforts.

The participants discussed on "Findicators" conceptual issues as the need of a conceptual framework for placing the indicators. Moreover, according to the participants, the differentiation between SDIs and "beyond GDP indicators" should be clearly communicated as SDIs, in comparison to mainstream indicators, consider long-term trends and value-based judgements. However, according to the discussion results, a hidden risk exists that the "beyond GDP" agenda generates a separate indicator set not related to SDIs. The communications of the indicators to politicians remain as a crucial aspect also in Finland.

<sup>14</sup> A first part relates to "offer and availability", indicating the efforts done (possibly by local governments) to support the quality of life. The second part on "environmental quality/burden" contains indicators related to factors that may affect the health of citizens (air quality, water quality, etc). A third section "Environment related behavior and attitude" includes indicators on citizens' behavior and attitude related to the environment.

<sup>15</sup> The tables (based on standard national accounts) show which sectors contribute most to the level of prosperity and those sectors where the most environmental gain is possible, allowing policy makers to stimulate eco-efficient production.

<sup>16</sup> The Welfare barometer includes various dimensions(individual/household/society level), each with selected indicators.

## Germany

The initiatives presented in the “German Island” were the SD indicators 2010 of the KfW Bankengruppe presented from Karl-Ludwig Brockmann (Coordinator of the Environment and Sustainability Department). The Sustainable Development Indicator system of the National Sustainable Development Strategy and the National Welfare Index, as a new approach to policy information on societal welfare and sustainable growth, presented from Roland Ziehschank (Research fellow at the Environmental Policy Research Centre in the University of Berlin).

The aspects discussed around the SDIs mostly methodological issues, concerning the following issues:

- Equal weighting of indicators along the three dimension of SD (environmental, economic and social aspects)
- Critical questions on transparency of weighing indicators
- Purposes of indicator development ( public information versus KfW portfolio strategy)

Based on the discussion, the participants demonstrated substantial interest in the Sustainable Development Indicators of the German Federal Government sustainability strategy.

The National Welfare Indicator was developed by Hans Diefenbacher (University of Heidelberg) and Roland Ziehschank as a complementary indicator to GDP, based on 21 variables which modify the GDP approach. In the first round of the presentation, *methodological issues* were discussed on following concerns:

- Gap between GDP and National Welfare Index as an important signal concerning the quantitative economic growth on one hand and the ecological transformation and societal welfare on the other hand
- Income inequality significance for the performance of indicator
- Integration of economic, societal and environmental indicators in the index
- Impact of income losses on the income distribution

The second round of the discussion was based on mainly two issues: (1) integration of the indicator in the policy cycle of sustainable development; (2) NWI design for various target groups and its political and societal functions.

The political functions of the NWI:

- Monitoring (new economic reporting system)
- Engineering (Information for policy making)
- Assessment (Evaluation of policy measures as well as environmental quality)
- Goal finding (Input to discussion in new priorities )
- Enlightenment (Initiation of policy learning)

The societal functions of the NWI:

- Instruments for agenda setting
- Input for the formation of public opinion
- Basis for social reframing of quantitative economic growth
- Policy change in sectors in direction of green growth or “steady states” economies
- Facilitate acceptance of new ecological welfare concepts .

The NWI was generally assessed as generating high interest and having many positive reactions.



## Presentation of the most important results from the World Café

In the last part of session one, the moderator of the workshop Andreas Kraemer, invited the national representatives to present major issues resulting from the discussions at the “country islands”. Please find the results in the picture blow (and also on the [ESDN website](#)):



In order to foster further discussions among the participants in the working groups on the next day, the moderator asked the ESDN Office team to summarise issues and questions raised during the World Café and the presentations by the country representatives (the issues/questions below were distributed to all workshop participants):

- Are politicians or stakeholders held accountable for development based on SD indicators?
- Politicians don't like comparisons and bad messages and they want to use the indicators when it suits them.
- The politicians don't understand the delays in collecting data (as e.g. GDP or inflation are collected almost instantly).
- Would daily /weekly measurement of subjective indicators draw politicians' attention to more robust indicators?
- We need to communicate complex indicators with standardised symbols (to politicians and the media).
- How to link welfare to other issues presented separately in an indicator set (e.g. health, the environment, SD in general)?
- Is the direction of composite indicators or indicator sets more appropriate (and why)?
- When targets are conflicting, how to weigh individual indicators

- Is there a risk that the discussion about well-being and beyond GDP leads to development of new indicators not fitting into the SD indicator frameworks?
  - Should there be several parallel frameworks or one overarching framework?
  - Is there a reason for SD indicators remaining a separate set?
- How can we avoid intellectual death valley
- How should critical aspects of weighting in the case of composite indicators be dealt with?
- Should national SDI sets be standardised in order to allow for benchmarking and comparison (between countries and regions)?

## **Session 2: Recommendations for action on measuring welfare and wealth in the context of sustainable development**

The Session 2 had the aim to formulate recommendations for action on measuring well-being/progress from a sustainable development perspective for (i) statistics/science, (ii) policy-making (mainly at the national/sub-national level), and (iii) international organizations (EU, OECD, UN). The session was held in two parts. The first part started with a recap of session one from the workshop moderator, followed by a presentation by Oliver Zwirner (DG Environment, European Commission). In the second part of Session 2, the participants reflected in parallel working groups on the various methodological and political aspects of the international and national initiatives and were asked to develop recommendations for action and implementation regarding the measurement of well-being and progress of society from a sustainable development perspective. At the end of Session 2, the various recommendations were presented and a plenary discussion provided the opportunity to reflect on which of the approaches seems to be the most promising one.

### **Political and practical implications of new measurement approaches for sustainable development policies and sustainable economy at the European level**

**Oliver Zwirner** (DG Environment, European Commission) provided an overview of the European Commission's initiative "beyond GDP" and the implementation of this agenda at the political level by the various European institutions as well as at the statistical level by the technical engagement of Eurostat, which coordinates all activities within the European Commission and the European Statistical System (EES) for this initiative at the national and international level.

Oliver Zwirner emphasised the importance of the European Commission Communication on "GDP and beyond" at the political level as the first real discussion on how to use additional indicators complementing GDP. He argued that this development should be evaluated as very positive in comparison to several years ago when such a movement would have been politically unacceptable.

Oliver Zwirner mentioned that the main actors in this initiative are the European Commission, European Parliament, Council of Ministers, Committee of the Regions and the European and Social Committee. All these actors have started not only to discuss the statements and recommendations put forward by the European Commission in its Communication "GDP and beyond", but also reflect on how to contribute to its implementation. The European Parliament discussed the European Commission Communication



“Beyond GDP” in five of its Committees (Committees on Regional Development; Employment and Social Affairs; Industry, Research and Energy; Development, and Economic and Financial Affairs) which, according to Oliver Zwirner, has been something “exceptional”. All committees have prepared a draft opinion in September and October 2010 and a plenary decision will follow in March 2011 where all the documents, amendments and hearings will be published. According to Oliver Zwirner, some “cautiously supportive statements” are expected. Moreover, also the Committee of the Regions expressed its opinion and willingness to change structural and cohesions funds beyond the GDP basis and this is expected to be done for the programming period 2014-2020.

The EU initiative to go beyond GDP has not only been discussed at the political level but has also resulted in a technical engagement of Eurostat in implementing its actions. Oliver Zwirner mentioned the role of Eurostat in the implementation of the key actions of the “GDP and beyond” communication through the Sponsorship Group on “Measuring progress, well-being and sustainable development”, co-chaired by Eurostat and FR-INSEE (National Statistical Institute of France), with the participation of 16 EU Member States as well as OECD and UNECE. The sponsorship Group is currently establishing 4 taskforces: three on the topics of the Stiglitz Commission report (Classical GDP Issues, Quality of Life, Sustainable Development and Environment) and one on coordination. According to Oliver Zwirner, the sponsorship group functions are twofold: Firstly, in providing clarity in conceptual work (definition of well-being, welfare and other concepts), and secondly, in helping to establish a better producer (statisticians) and user (politicians) dialogue. As the user side of statistics is not well developed, the Sponsorship group would help to understand barriers of the policy system for using certain indicators that would guide the statics and value judgements.

After a discussion of the political and technical implementation of the “GDP and beyond” agenda, Oliver Zwirner emphasised that GDP will continue to play major role in allocating funds. However, in assessing outcomes, new indicators will be used (based on life satisfaction, quality of government corruption and other aspects of societal progress). Oliver Zwirner recognizes, in light of the broad range of initiatives around GDP and beyond, no clear decision on which is the most appropriate indicator set complementing GDP. However, he advised the workshop participants to further discuss the most promising approaches to be more focussed on the strengths and what can the indicators set be used for rather than on the weaknesses and what it cannot be used for.

## Plenary discussion

In the plenary discussion, some participants asked which approach is useful for what and what are their strengths. **Frank Hönerbach** (German Federal Ministry for the Environnement, Nature Conservation and Nuclear Safety) stressed the need to clarify the consistent message for what an indicator set should be used. In this context, he provided some examples of indicators and their purposes. He mentioned that the human development indicators are more useful for measuring societal progress in developing countries rather than developed countries. Highly aggregated indicators are good for communicating overall messages. Moreover, macroeconomic indicators from environmental accountings are useful for showing the relation of economic growth and resource usage and environmental policies. However, he criticised the lack of linkages between the tools for economic policy-making and well-being as quality of life measurement approaches. Frank Hönerbach identified this lack of linkages as an obstacle for the economists to become operational.

Based on the discussion of usage of indicators from politicians, some statisticians were worried if politicians actually use their statistical work. **Michael Kuhn** (German Federal Statistical Office) answered

that there was demand from politicians for easy-to understand figures and for clear messages from statisticians. The problem now (with the crisis and the resulting public budget cuts) is that it would be cost-efficient to simply stop producing data within indicators which are not any more relevant and focus on indicators which are helpful for current challenges. However, there are institutionalised interests behind less relevant data and cutting statistics always meets some political resistance. It would be important to have a systemic way of setting (indicator/policy) priorities, but also to identify so-called negative priorities: which indicators are not relevant or needed any more.

Another participant, **Volker Schmitt** (representative of the German Federal Ministry of Labour and Social affairs) communicated that politicians opposed the usage of some indicators as they would reflect bad performance in some policies. This is the case with the integration of inequality measures in the traditional policy fields (e.g. labour or housing) which have already their developed indicators. The integration of inequality measures might then unveil some unpleasant results of some policies.

In this debate, **Gerry Brady** (Central Statistics Office, Ireland) mentioned that nowadays much more sophisticated sets of indicators are being produced which can help measure progress also in the traditional policy fields (such as labour policies), which were earlier (10 or 20 years ago) relying on more basic indicators. He, however, sees the OECD Global Project on Measuring Societal Progress and Well-being as a different one from the sustainable development agenda. The OECD agenda targets of the Global Project (dealing with ensuring for material needs of the current, and growing, population in developing countries, mostly on short term political systems) are conflicting with the SD agenda (requires either lower consumption or lower population and long-term perspective). Moreover, he criticised that performing well in some indicators of well-being at the national level, excluded international effects – meaning indicators of national level would show great performance if a country outsources its heavy industry for example at the expense of poorer countries. This would not be in line to the SD agenda. Therefore, measurement of well-being at the national level might also provide not good indications on well-being at the international level.

In the debate of indicators usage by politicians, **Oliver Zwirner** argued that the need of improving the “producer (statisticians) and user (politicians) dialogue”. According to Mr Zwirner, statisticians have the tendency to first think about the indicators and then present it to policy-makers, while it should be the other way around. He supported the idea of Michael Kuhn on the need of a systematic approach of setting (indicator/policy) priorities, but also identifying so-called “negative priorities” (which indicators are not relevant or needed any more).

## Working group results

The workshop participants discussed in three parallel working groups three topics: (a) most promising approach for actions (international and national), (b) critical challenges (methodological, conceptual, political), (c) identification of most important factors enabling and facilitating the usage of those new measurement approaches by policy makers. The working groups reflected on several questions and had the aim to develop about 5 recommendations each for action on measuring well-being/progress from a sustainable development perspective for (i) statistics/science, (ii) policy-making (mainly at the national/sub-national level), and (iii) international organizations (EU, OECD, UN).

The recommendations for action resulting from the three working groups for **statistics/science** were:

- Defining indicators for use and indicators for communication; collaboration with creative tools, artist, journalist and NGOs;
- Communicate implicit values behind indicators;

- Tailored and differentiated communication to peer-groups;
- Diversify the information based on the different users;
- Communication of less complicated, but more generally accepted indicators to media and public more timely;
- Presentation in an easy to understand format (e.g. graphs);
- Usage of a more target-based indicator system (systemic interaction of policy target and indicators) based on current data( close cooperation between statistical offices and politicians);
- Briefing together users and producers (e.g. research projects);
- Don't concentrate on development of new indicators but use the strengths of current indicators on a regular basis for political recommendations;
- Interlinkages between SD pillars need to be made more clear and communicated better;
- Need of future data (forecasting ) for SDIs;
- Synthetic and full set of indicators (to be used complementary for different stakeholders);
- Proceed simultaneously on all levels of the pyramid (meaning invest into further research and development of indicators but also provide concrete actions for politicians).

The recommendations for actions resulting from the three working groups for **policy-making** were:

- Invest money to develop data on social and human capital;
- Develop democratic processes to identify desirable outcomes (political aspects) and what needs to be measured (technical component);
- Communicate implicit values behind indicators;
- Communicate indicators through NGOs, and invest in public relations;
- Usage of amore target-based indicator system(systemic interaction of policy target and indicators) based on current data(close cooperation between statistical offices and politicians);
- Prioritising what is important to measure and what not;
- Proceed simultaneously on all levels of the pyramid (meaning invest into further research and development of indicators but also provide concrete actions for politicians).

The recommendations for actions resulting from the three working groups for **international organizations** were:

- Proceed simultaneously on all levels of the pyramid (meaning invest into further research and development of indicators but also provide concrete actions for politicians);
- Increase the use of satellite accounts (strategic priority setting);
- Promoting the SDIs , especially for monitoring EU 2020, should become obligatory.

The recommendations did not relate to which approach is the most promising one. According to the moderator of the workshop, this was seemingly due to the various contexts from where participants came from.

## Plenary discussion

In the closing plenary discussion, the recommendations for future actions and some final reflections on future challenges have been discussed.

**Oliver Zwirner** emphasised the need to use indicators that are already developed and especially because much of the existing data is already "underused". The development of indicators should be

further promoted while progress on better linkages between indicators and policy targets is being promoted. According to Oliver Zwierner, composite indices would be more adequate for competing with GDP, as the latter one has a high level of aggregation. As there is still not a ready and well-established indicator set for societal progress complementary to GDP, the focus should be put on the strength of the various measurement approaches and less on the weaknesses. Moreover, he identified two important political functions for indicators: (1) on one hand for explaining the concepts it represents and for shaping the policy impact; (2) and secondly for underpinning these concepts with figures. Creating current data by forecasting from most recent data should become a standard procedure for all data producers, while for policy-makers information about the trend is usually sufficient (continuing or changing). Finally, Oliver Zwierner reflected on institutional strategic questions for the future. The question was if the large statistical institutes dealing with economic data should also shift their priorities towards the development of socio-economic and environmental data or if new institutes for forecasting should be developed. In this respect, he mentioned the commitment of the head of three EU Member States, Angela Merkel, Nicolas Sarkozy and David Cameron, on the preparation of the political road to prosperity measurement in the 21<sup>st</sup> century.

**Jörg Mayer-Ries** identified some future challenges and actions to undertake for coordinating the various measurement initiatives. He reminded the participants of the current situation of multiple crises (economic, climate change, biodiversity and poverty), serving as an opportunity to show the trade-offs between economic growth, environmental protection and societal progress. Therefore, he called for “first experiments” to be initiated in measurement and policy-making approaches. This would imply, as a first step, a better analysis of current indicator sets and existing data based on their functions (which sets serve to what functions, and which instrument fit for what purpose). For achieving this, not only technical engagement, but also political networking between the various communities, such as sustainable development, welfare economics and well-being actors and more brokerage between the producers and users of indicators is needed. Moreover, “strategic priority setting” to guide the way and establish a better landscape structure (which target groups, sectors, purposes (models)) should be addressed) might be supportive for the reforms of measuring welfare and well-being in the context of sustainable development.

**Wolfram Tertschnig** closed the workshop by emphasising that it remains a political challenge to identify what should be measured. This will drive the indicators and data development process further on and he identified the need that ESDN members, as policy advisors, need to step up and help politicians. In this context, he called for an increasing usage of the idea of “system thinking”, based on the presentation of Ian Johnson in the first session of the workshop. Wolfram Tertschnig suggested, therefore, to partner up with the Cub of Rome and reframe European policies through more system dynamics. Moreover, he suggested coming up with recommendations for national governments and European processes on the reform processes for measuring welfare and wealth in the context of sustainable development.

## Annex 1: List of participants

No.	Name	Institution	Country
1	Barth, Veronica	Center for Societal Progress	Germany
2	Bauernfeind, Stefan	Federal Chancellery	Germany
3	Berger, Gerald	ESDN Office	Austria
4	Bergheim, Stefan	Center for Societal Progress	Germany
5	Brady, Gerry	Central Statistics Office	Ireland
6	Braekveld, Dieter	Flemish Government	Belgium
7	Brockmann, Karl Ludwig	Coordinator Environment and Sustainability , KfW Bankengruppe	Germany
8	Debono, Roberta	Office of the Prime Minister	Malta
9	Diefenbacher, Hans	University of Heidelberg	Germany
10	Doering, Christian	Federal Foreign Office	Germany
11	Fiala, Ingeborg	Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
12	Frydrych, Anna	Central Statistical Office	Poland
13	Gavanski, Ljubica	Office of the Deputy Prime Minister for European Integration	Serbia
14	Geiger, Wilhelm	Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
15	Gjoksi, Nisida	ESDN Office	Austria
16	Gossens, Yanne	Environment, Nature and Energy Department	Belgium
17	Göpel, Maja	World Future Council Foundation	Belgium
18	Hackl, Josef	Federal Environment Agency	Austria
19	Heinen-Esser, Ursula	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
20	Herrera Giménez, Pedro J.	National Statistics Institute	Spain
21	Hönerbach, Frank	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
22	Irsch, Norbert	Chief Economist , KfW Bankengruppe	Germany
23	Jablonski, Jan	Central Statistical Office	Poland
24	Jarvis, Richard	Countryside Council for Wales	Wales, UK
25	Johnson, Ian	Club of Rome	Switzerland
26	Leipprand, Anna	German Advisory Council on the Environment	Germany
27	Kiehl, Kerstin	Acting Head Department for Economic Research , KfW Bankengruppe	Germany
28	Koller, Matthias	Federal Office for Environment	Germany
29	Kraemer, R. Andreas	Ecologic Institute	Germany
30	Kuhn, Michael	Federal Statistical Office	Germany
31	Massink, Henk	Ministry of Economic Affairs, Agriculture and Innovation	The Netherlands
32	Mayer-Ries, Jörg	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
33	Meyer, Bernd	Institute of Economic Structures Research	Germany
34	Mirkovic, Dragan	Office of the Deputy Prime Minister for European	Serbia

		Integration	
35	Müller-Gulland, Jennifer	Ecologic Institute	Germany
36	Nasman, Gunilla	Prime Minister's Office	Sweden
37	Nedeljkovic, Ana	Office of the Deputy Prime Minister for European Integration	Serbia
38	Niestroy, Ingeborg	European Environment and Sustainable Development Advisory Councils (EEAC)	Belgium
39	Piciga, Darja	Government Office of Climate Change	Slovenia
40	Porsch, Lucas	Ecologic Institute	Germany
41	Quitow, Rainer	Free University of Berlin	Germany
42	Rosenström, Ulla	Prime Minister's Office	Finland
43	Sabiell, Friedericke	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
44	Schmitt, Volker	Federal Ministry of Labour and Social Affairs	Germany
45	Schumacher, Jan	Economist, KfW Bankengruppe	Germany
46	Schuster, Martina	Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
47	Schwermer, Sylvia	Federal Environmental Agency	Germany
48	Sedlacko, Michal	ESDN Office	Austria
49	Springmann, Marco	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany
50	Tertschnig, Wolfram	ESDN Co-chair, Federal Ministry of Agriculture, Forestry, Environment and Water Management	Austria
51	Vlachos, Panagiotis	Hellenic Statistical Authority	Greece
52	Zieschank, Roland	Free University of Berlin	Germany
53	Zwirner, Oliver	DG Environment, European Commission	Belgium