GDP and beyond - Measuring progress in a changing world

2010/2088(INI) - 20/08/2009 - Non-legislative basic document

PURPOSE: to improve data and indicators to complement Gross Domestic Product (GDP).

CONTENT: GDP is a powerful and widely accepted indicator for monitoring short to medium term fluctuations in economic activity. For all of its shortcomings, it is still the best single measure of how the market economy is performing. But GDP is not meant to be an accurate gauge of longer term economic and social progress and notably our ability to tackle issues such as climate change, resource efficiency or social inclusion. There is a clear case for complementing GDP with statistics covering other economic, social and environmental issues, on which people's well-being critically depends.

The Commission intends to step up its efforts to complement GDP. The aim is to provide indicators that measure progress in delivering social, economic and environmental goals in a sustainable manner. Ultimately, national and EU policies will be judged on whether they are successful in delivering these goals. Future policies should be based on data that is rigorous, timely, publicly accepted and cover all the essential issues.

Against this background, the Commission proposes to implement the following five actions:

Complementing GDP with environmental and social indicators: the Commission services intend to develop a comprehensive environmental index and improve quality-of-life indicators. Such a single measurement for the environment would help foster a more balanced public debate on societal objectives and progress. Commission services intend to present a **pilot version of an index on environmental pressure** in 2010. This index will reflect pollution and other harm to the environment within the territory of the EU to assess the results of environmental protection efforts. A fall in the value of the index will show that progress on environmental protection is being made. It will comprise the major strands of environmental policy: climate change and energy use; nature and biodiversity; air pollution and health impacts; water use and pollution; and waste generation and use of resources.

There is also potential to develop a **comprehensive indicator of environmental quality**, e.g., showing numbers of European citizens living in a healthy environment, and, in addition, the Commission has launched studies on the feasibility of **well- being indicators** and on consumer empowerment.

Near real-time information for decision-making: currently, there are considerable differences in the timeliness of statistics in different areas. GDP and unemployment figures are published frequently within a few weeks of the period they are assessing and this can allow near real-time decision making. By contrast, environmental and social data in many cases are too old to provide operational information e.g. on fast-changing air and water quality or work patterns. The Commission will therefore aim to increase the timeliness of environmental and social data better to inform policy-makers all across the EU.

More accurate reporting on distribution and inequalities: distributional issues attract increasing attention. For example, even if the GDP per capita figure for a country is rising, the number of people living at risk of poverty may be increasing. Policies affecting social cohesion need to measure disparities as well as aggregates such as GDP or GDP per capita. The Commission currently reports on a set of indicators agreed with Member States, to inform policy-makers about income disparities. The analysis also looks at education, health, life expectancy, and various non-monetary aspects of social exclusion. Indicators of equal access to quality housing, transport and other services and infrastructure that are

essential to participate fully in society are being developed. In addition, the link between social exclusion and environmental deprivation has been gaining attention. Clean air and water, unspoiled landscapes and rich biodiversity on the one hand and pollution and noise on the other are not evenly distributed. These analyses will be regularly updated and their results published.

Developing a European Sustainable Development Scoreboard: EU Sustainable Development Indicators (SDIs) have been developed with Member States to monitor progress on the multitude of objectives of the EU Sustainable Development Strategy (SDS) and are reflected in the Commission's biennial Progress Report. 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). The Commission is exploring the possibility of developing a Sustainable Development Scoreboard. The SD Scoreboard, based on the EU SDI set, could also include other quantitative and qualitative publicly available information, for instance on business and policy measures. The Commission services intend to present a pilot version of the SD scoreboard in 2009.

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). The national accounts will be complemented with **integrated environmental economic-accounting** that provides data that are fully consistent. As methods are agreed and the data becomes available this will be complemented with additional accounts on social aspects. This will provide an integrated evidence base to underpin policy analysis and identify synergies and trade-offs between different policy objectives.

The Commission recalls that several Member States now provide first sets of environmental accounts. Most common are the physical flow accounts on air emissions (including greenhouse gases) and the monetary accounts on environmental protection expenditure and taxes. As the next step, the Commission plans to extend data collection in these areas to all Member States. 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. The Commission aims to have these accounts fully available for policy analysis by 2013. To ensure the accounts are comparable the Commission plans to propose **a legal framework for Environmental Accounting** early next year.

A further challenge in the development of environmental accounting is **complementing physical environmental accounts with monetary figures**, based on valuation of the damage caused and prevented, changes in the stock of natural resources and in eco-system goods and services obtaining comparable monetary measures at national and EU level. The Commission intends to step up work on monetary valuation and the further development of conceptual frameworks.

The Commission intends to report on the implementation and outcomes of the actions put forward by this Communication by 2012 at the latest.