MEASURING WELL-BEING AND PROGRESS TOWARDS GREEN GROWTH

Measuring a green economy: Insights from Beyond GDP indicators

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OECD
BETTER POLICIES FOR BETTER LIVES

Nathalie Girouard
Coordinator, Green Growth and Sustainable Development

OECD Measurement Agenda

- Measuring Well-Being and Progress

- Measuring Green Growth

Background to well-being work

- Gap between the official statistics and people's perceptions of their own conditions
- Credibility of official statistics, and ultimately public policies and the functioning of democratic processes
- Partly, this disconnect reflects over-reliance on GDP as the measuring rod for living standards and quality of life
- OECD started to work on these issues around 2004
- Discussion about limits of GDP not new but now high-level political interest

Well-being and the crisis

- Crisis has put focus back to economic growth and jobs

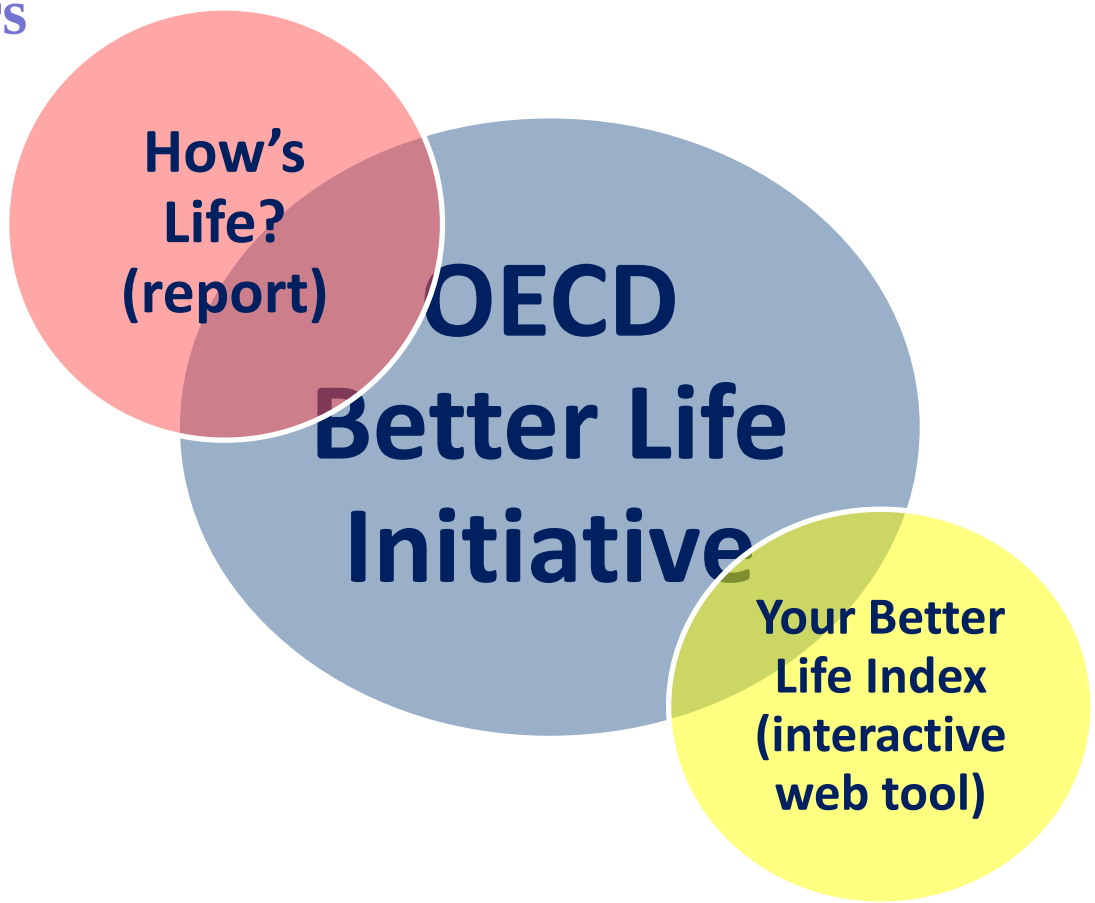
- However, *Beyond GDP* agenda more relevant than ever if past mistakes are not to be repeated
  - What kind of growth and for whom?
  - More than just growth: quality of life, democratic voice, sustainability
    - from the Arab Spring to Occupy Wall Street and Los Indignados…

- Remains a high priority for the OECD

The OECD Better Life Initiative

Building on almost 10 years of OECD work under the Global Project

Now moving to measuring what matters most in PEOPLE's life



OECD@50: Better policies for better lives

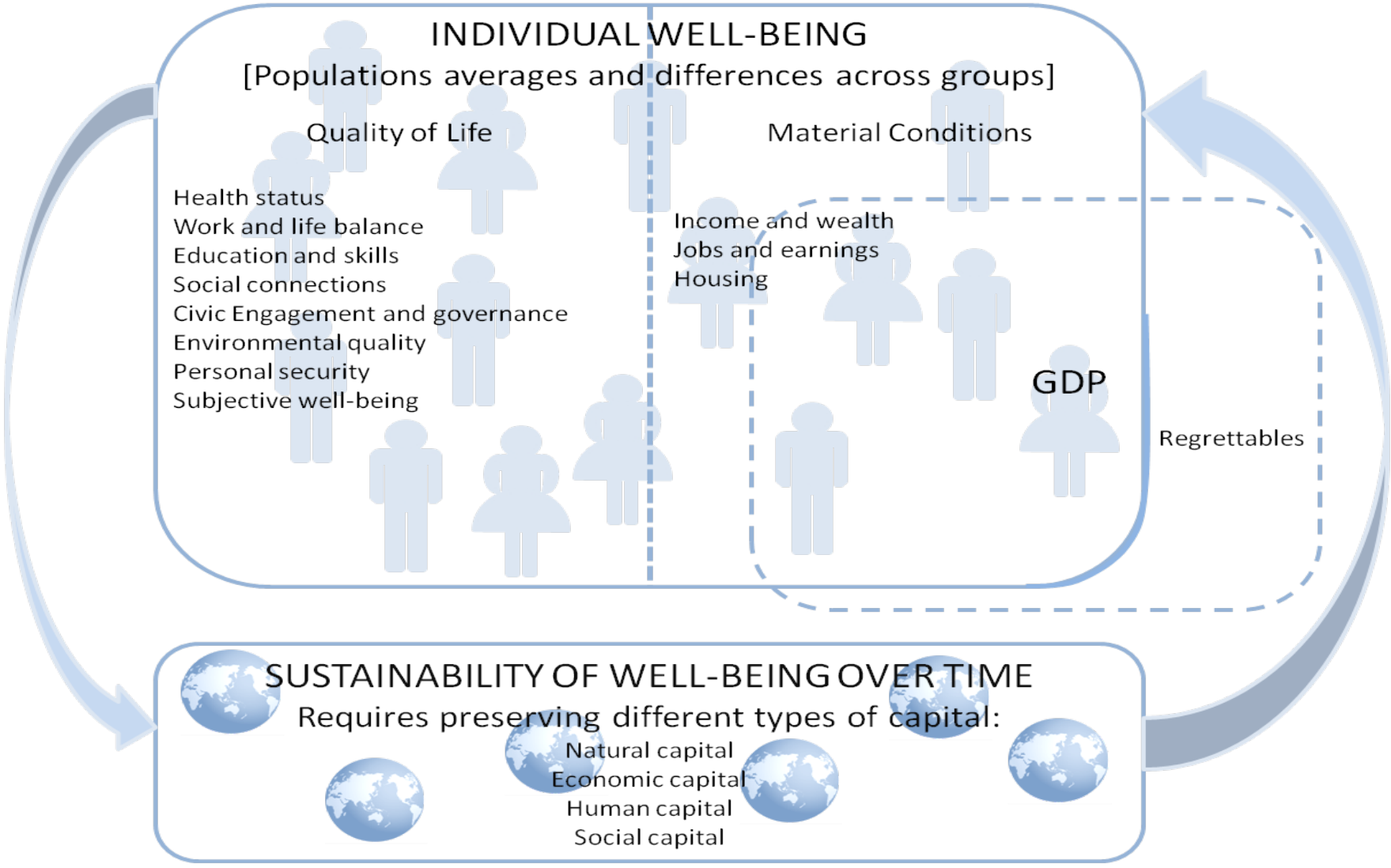
Scope

- **Well-being here and now**
  - **Quality of Life**
  - **Material Conditions**
- **Well-being in the future**
  - **Sustainability**
- **Complementary: OECD work on Green Growth**

Focus

- **Households and people, not just GDP**
- **Outcomes, not inputs or outputs**
- **Assessing inequalities alongside averages**
- **Including both objective and subjective aspects of well-being**

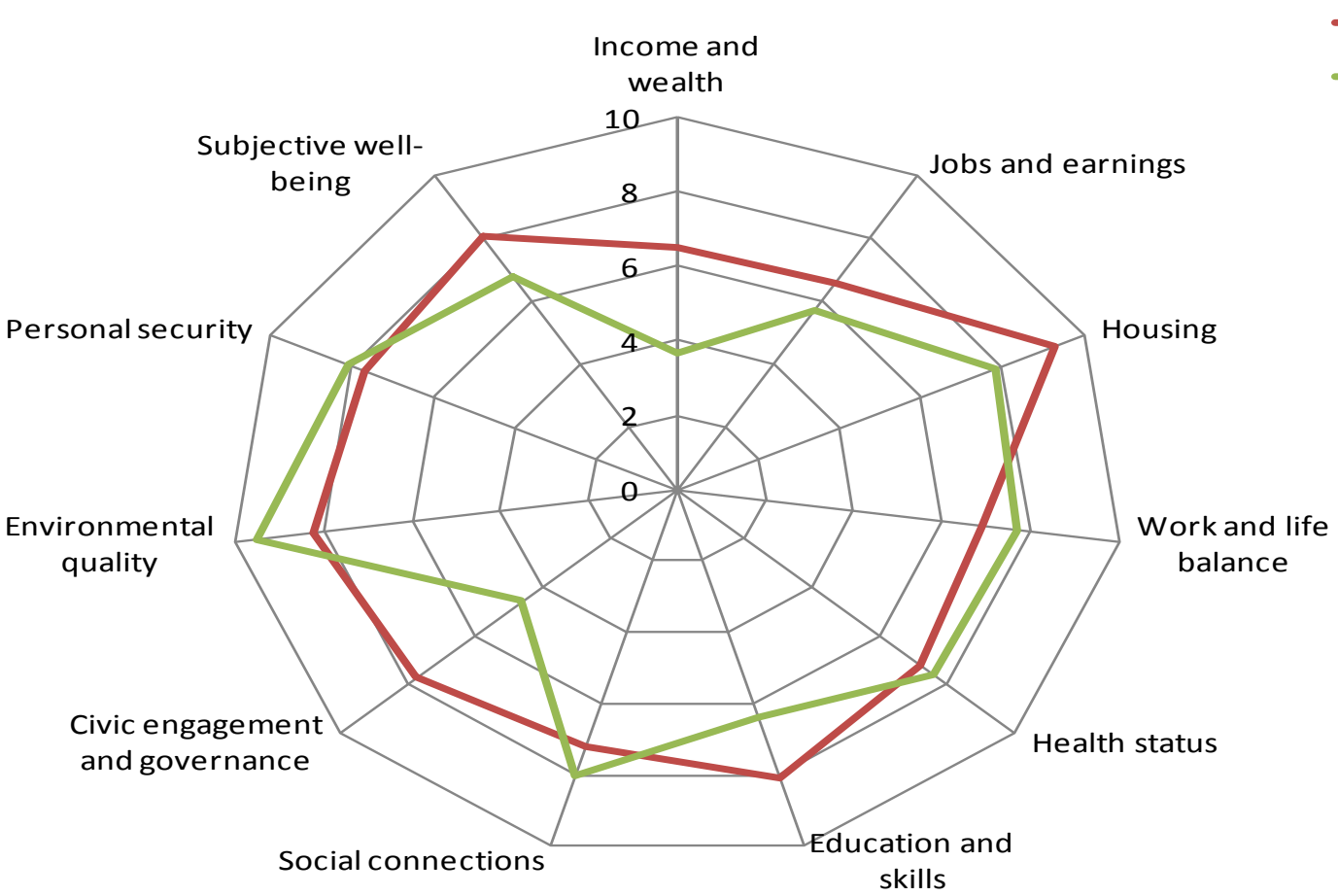
OECD well-being Framework



An evolutionary process

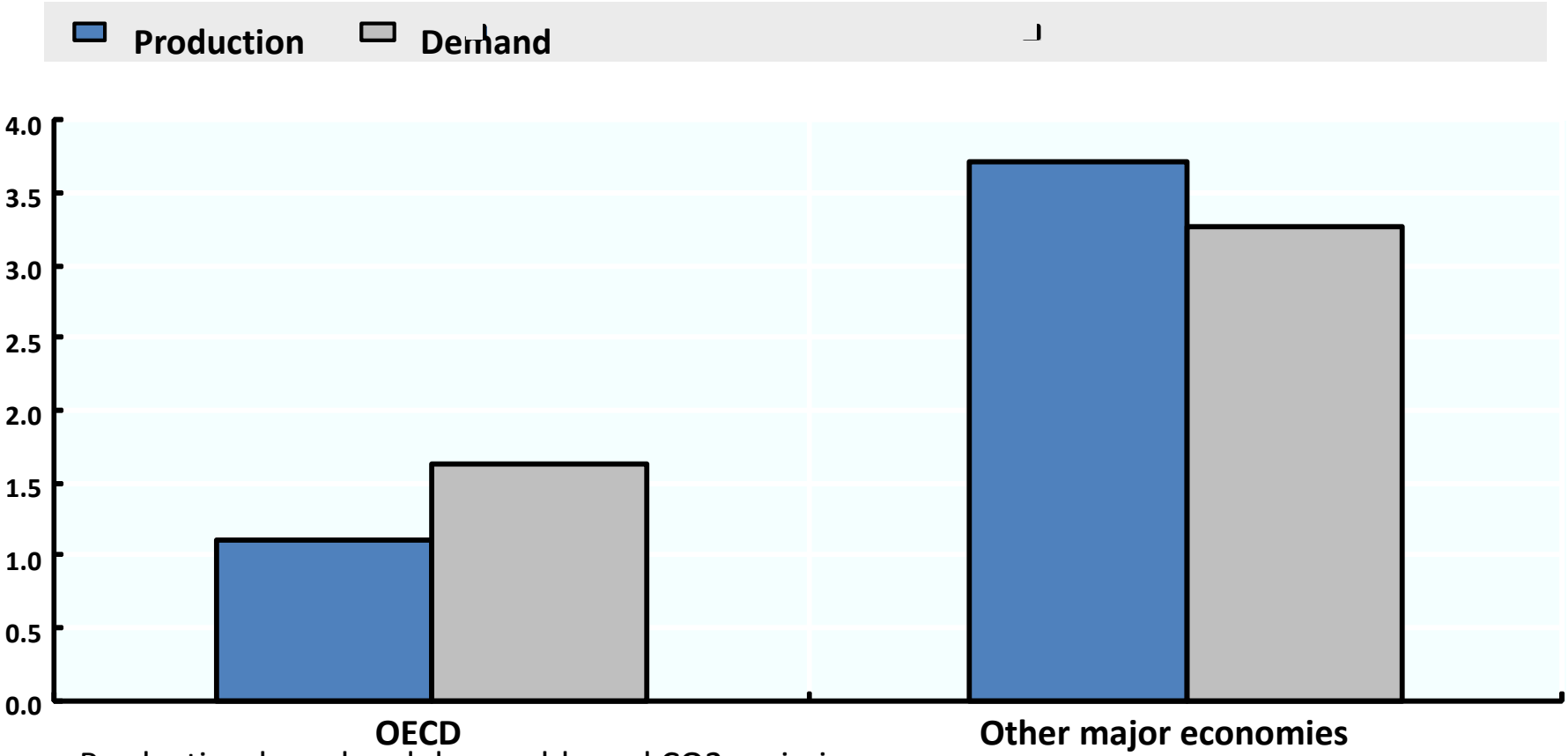
- **Now:**
  - **Indicators under each dimension based on *existing* data; all indicators reviewed by National Statistical Offices**
  - **But not all indicators satisfy all quality criteria equally well and many gaps remain→ *How's Life?* identifies a large unfinished statistical agenda for the future**
- **In future:**
  - **New and improved indicators as results from OECD work, research and other initiatives become available**
  - **More than just environmental sustainability (economic, human and social)**

Strengths and weaknesses differ among countries



Environmental sustainability

Demand-based CO2 emissions grew faster than production-based emissions in the OECD area



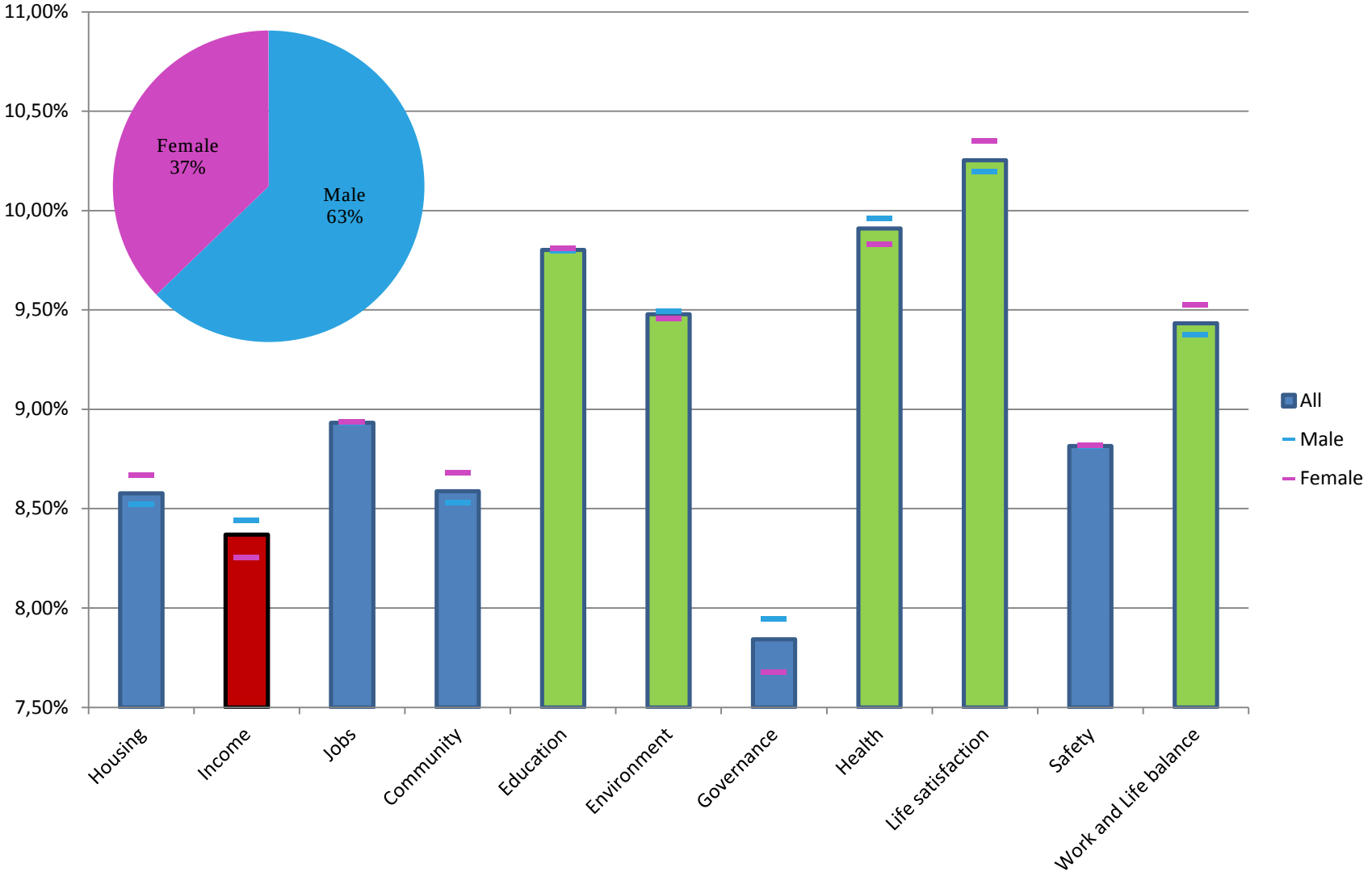
Production-based and demand-based CO2 emissions,
Rate of change per year, 1995-2005

Involving the public

- **Engaging with civil society has been one of the goals of the OECD-hosted Global Project**

- ***How's Life?*** **is accompanied by interactive web tool (*Your Better Life Index)* aimed at involving the public**

What matters most to people?



Background to work on measuring green growth

- **Multi-disciplinary inter-governmental process**
  - Involving 25 OECD Committees: experts from Ministries of Finance, Economy, Environment, Agriculture, Development Co-operation, Industry, etc.

- **Drawing upon long-standing experience with:**
  - Fact-based policy analysis and evaluation
  - Country reviews
  - Environmental policies and economy-environment policy integration

- **Strategy delivered to OECD Ministers in 2011:**
  - Towards Green Growth
  - Tools for delivering on green growth
  - Towards Green Growth: Measuring Progress – OECD Indicators

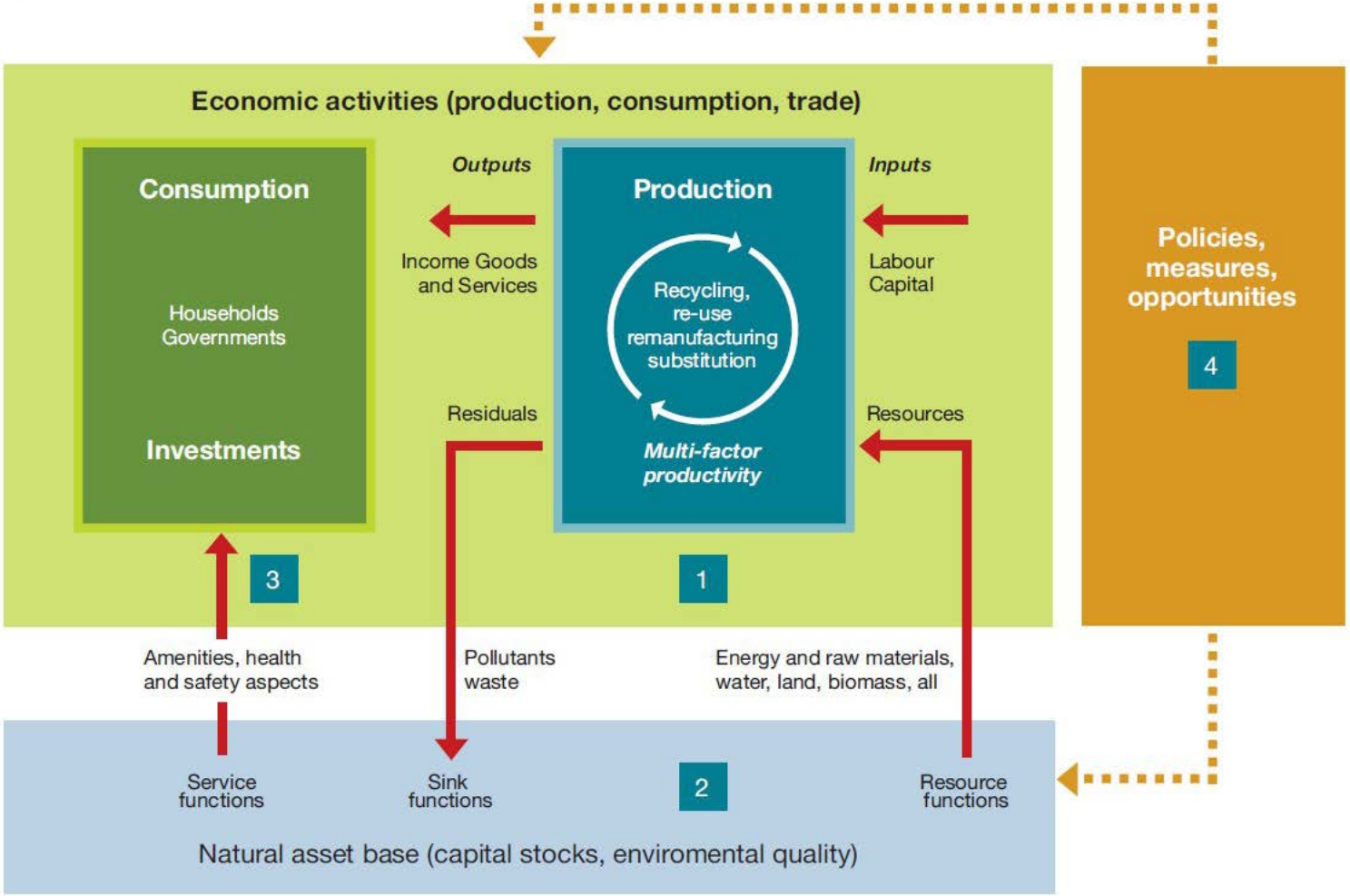
What is green growth? The essentials

- **Green Growth focuses on the economic and environmental pillars of sustainable development**
  - Emphasises need to make economic and environmental policies more compatible and mutually-reinforcing
  - Emphasis need for a low-carbon and resource efficient economy
  - Emphasises economic opportunities

  → requires an operational policy framework to help achieve concrete, measurable results

  → needs to pay attention to distributive issues and an equitable transition towards GG
- **Reframing growth and analytical frameworks**
  - Account for the contribution that natural assets and ecosystem services make to growth: in measurement, in analysis, in decision making
  - Improve the understanding of the determinants of GG; of the interdependence , synergies and trade-offs between economic and environmental policies
- **→ Role of measurement tools and indicators**

Green growth measurement framework



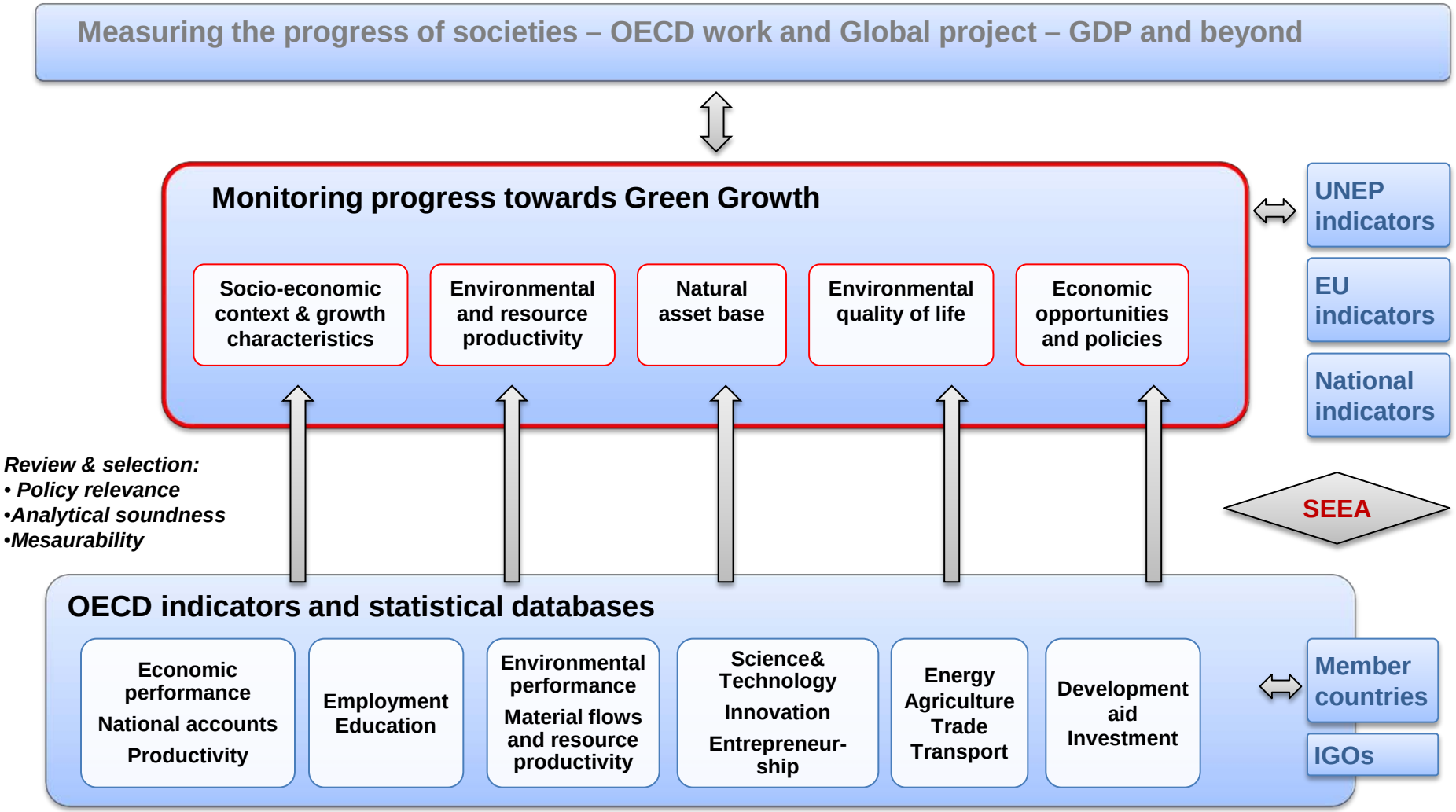
Green growth indicator groups and topics

1 The environmental and resource productivity of the economy	• Carbon and energy productivity • Resource productivity: materials, nutrients, water • Multi-factor productivity
2 The natural asset base	• Renewable stocks: water, forest, fish resources • Non-renewable stocks: mineral resources • Biodiversity and ecosystems
3 The environmental dimension of quality of life	• Environmental health and risks • Environmental services and amenities
4 Economic opportunities and policy responses	• Technology and innovation • Environmental goods & services • International financial flows • Prices and transfers • Skills and training • Regulations and management approaches
Socio-economic context and characteristics of growth	• Economic growth and structure • Productivity and trade • Labour markets, education and income • Socio-demographic patterns

OECD approach

- **Basis**
  - Selected from existing indicator sets and refined
  - Multi-disciplinary inter-governmental process
- **Main criteria for selecting indicators and validating their choice**
  - Policy relevance; Analytical soundness; Measurability
- **Characteristics**
  - Pragmatic approach
  - Balanced coverage of “green” and “growth”, and of their elements
  - No composite indicator, rather a set of internationally comparable indicators (≈ 25)
  - Flexible framework → easy to adapt to countries’ circumstances
    → easy to improve and develop further
- **Implementation challenges**
  - Data quality and availability
  - Interpretation and communication
  - Institutional arrangements and capacity: many actors involved; need for continuity in measurement effort; funding

The foundations and the overall indicator architecture



Ongoing work and future developments

- **Advance the measurement agenda**
  - Extended accounting framework to capture better growth contribution of natural assets
    - Adjusted multi-factor productivity measures
    - Natural resource index
  - Monitoring progress at sectoral and local level
    - Measuring the "greening" of economic sectors
    - Biodiversity and ecosystem services
  - Headline indicators

- **Apply the measurement framework and the indicators in OECD work and in countries**

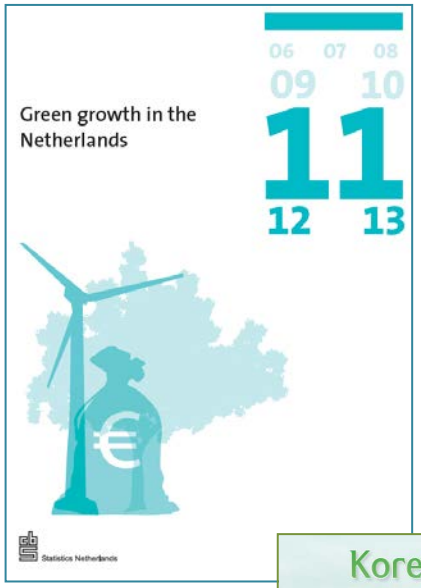
- **Publish the indicators regularly**
  - GG indicators database online: www.oecd.org/greengrowth/indicators

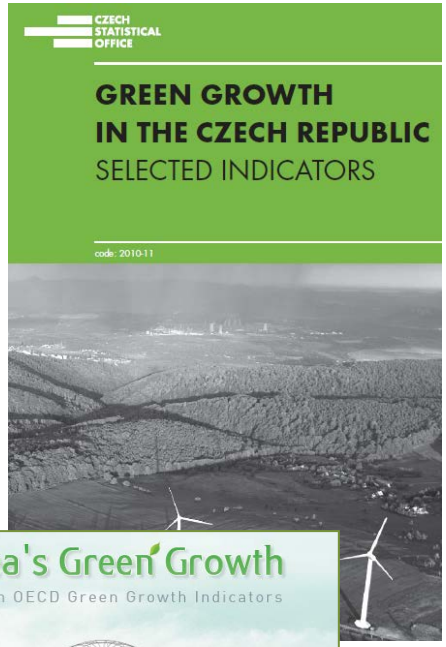
Green Growth Indicators in practice

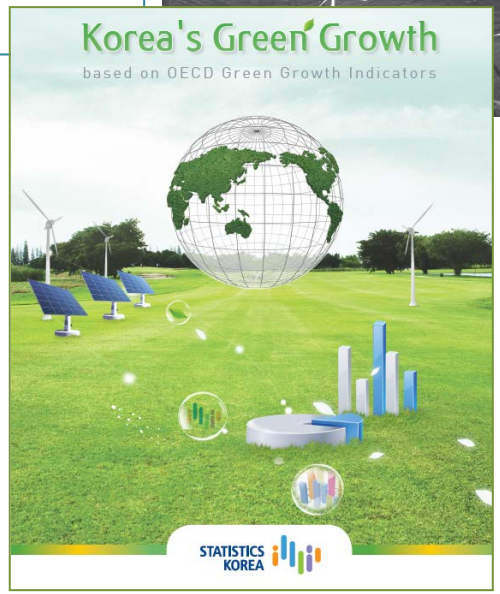
Green growth indicators are used in OECD work: country studies, peer reviews

Green growth indicators are applied in countries (OECD countries, emerging economies, developing countries)

- The Czech Republic, Korea and the Netherlands have applied the OECD green growth measurement framework
- Work is underway in Mexico, Colombia, Costa Rica, Ecuador, Guatemala, Paraguay, … (UNIDO).
- Work is underway in Kyrgyzstan.
- Work is planned in East-Asian countries.







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Part I. Progress towards sustainable development

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Part II. **Progress towards selected environmental objectives**

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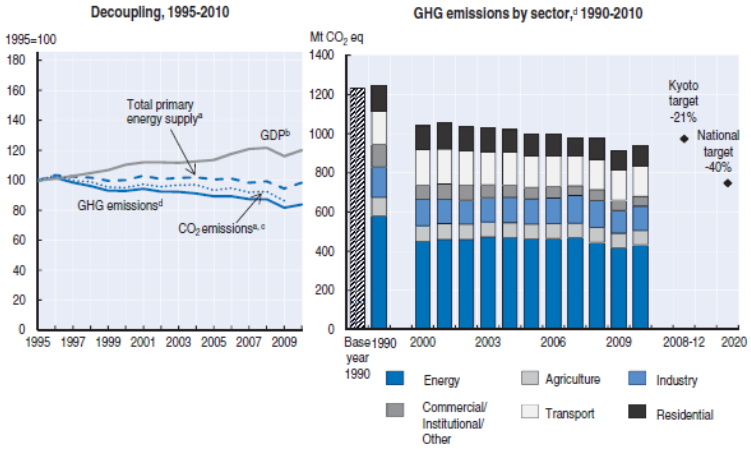
The environmental and resource productivity of the economy

Figure 1.1. CO_2 and GHG emissions



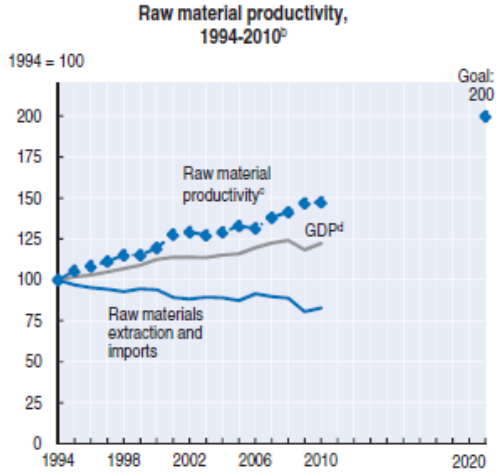
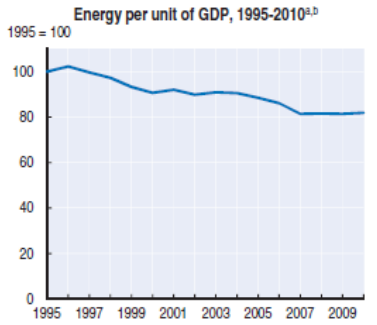
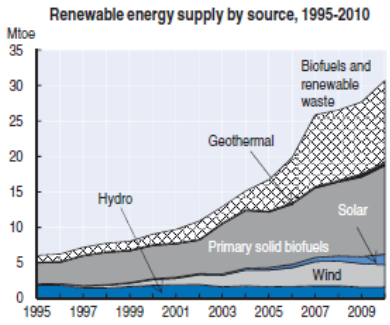
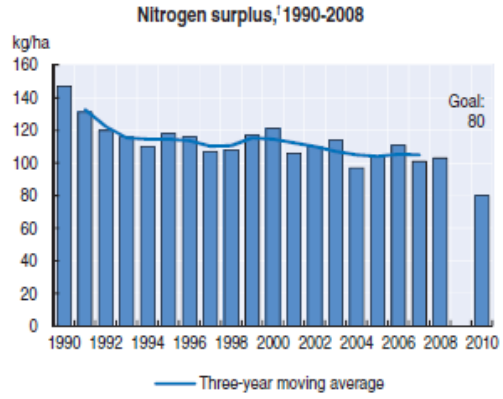


Figure 1.2. Energy intensity and renewable energy sources







a) Total primary energy supply. Excludes international marine and aviation bunkers.
b) GDP at 2005 prices and purchasing power parities.
Source: OECD-IEA (2011), *Energy Balances of OECD Countries*; OECD (2010), *OECD Economic Outlook No. 88.*

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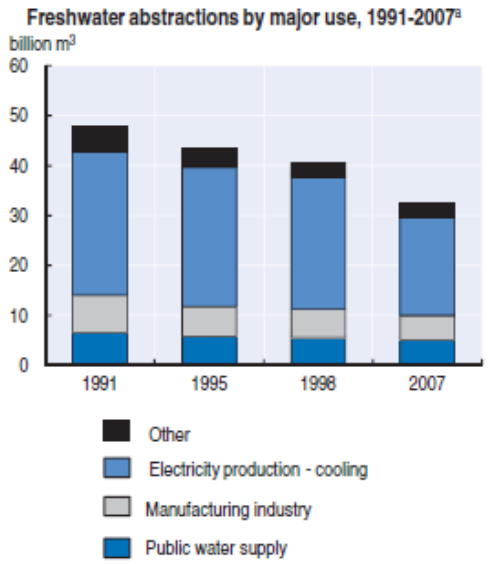
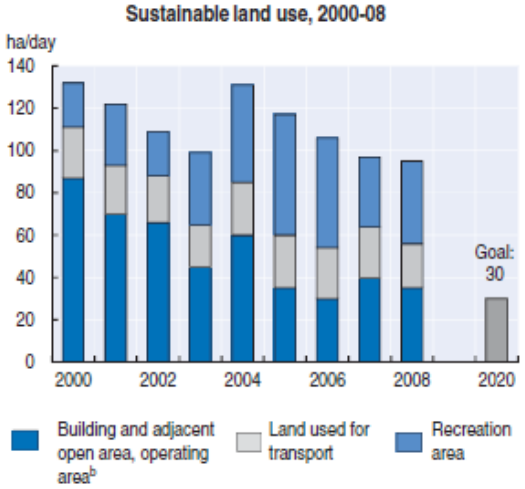
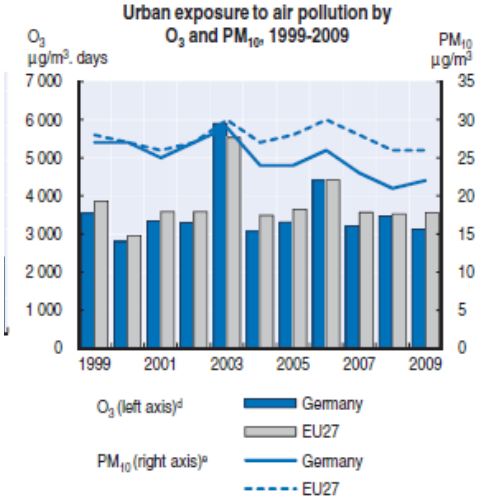
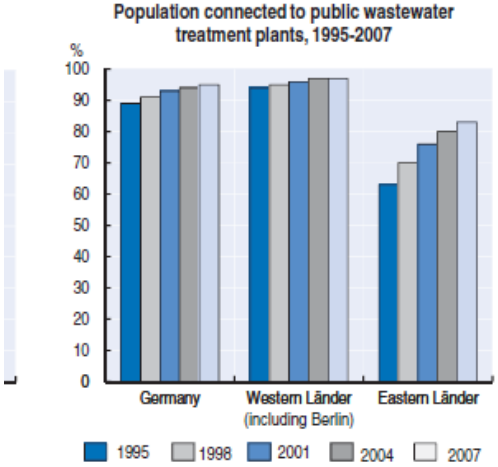
The natural asset base





The environmental quality of life





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Towards green growth

. Pollution abatement and control expenditure by sector 2000 and 2008

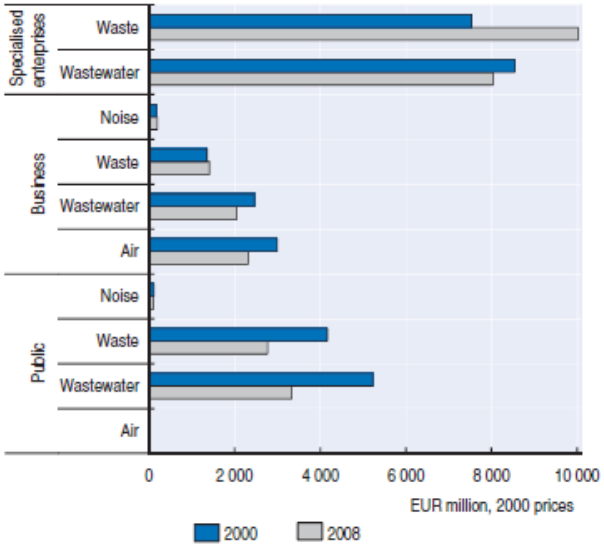
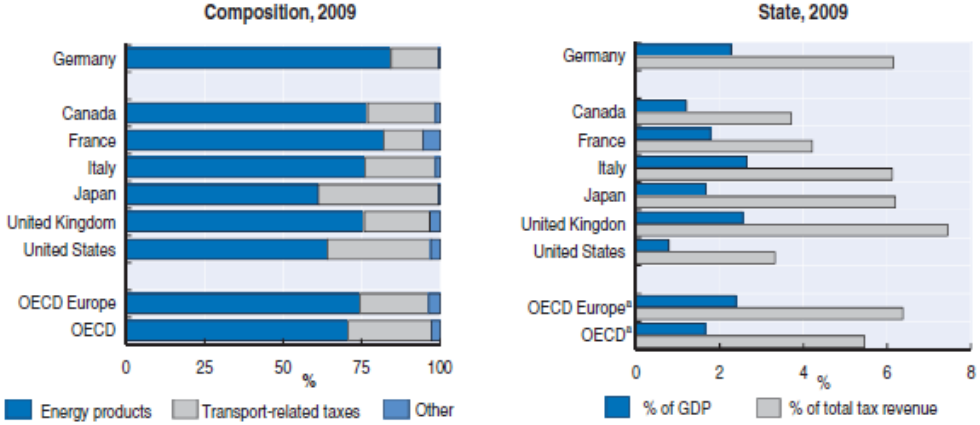
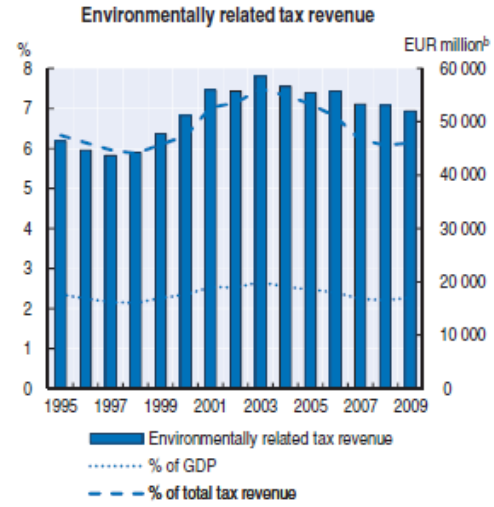
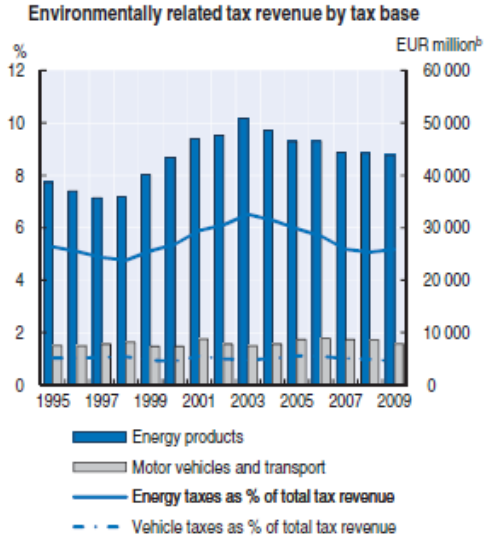


Figure 3.1. **Environmentally related taxes**







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Focus on innovation

Figure 4.1. **Patenting activity in selected environment-related technologies**[a, b]

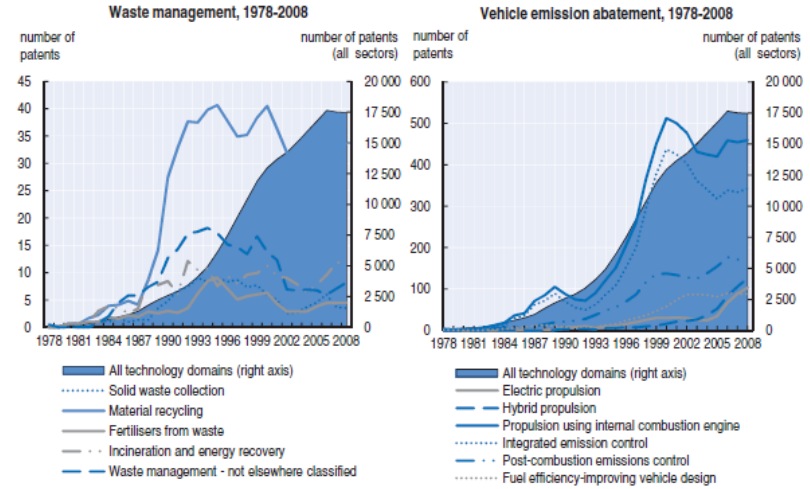
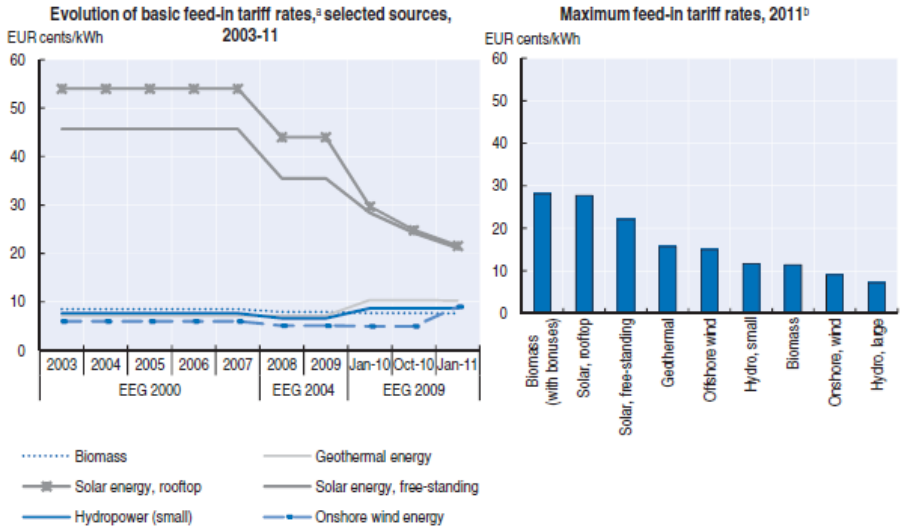
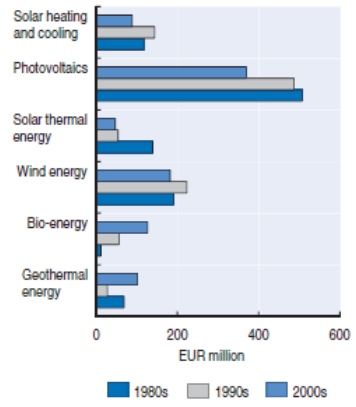


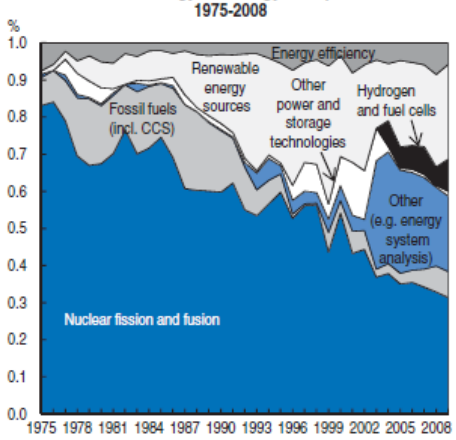
Figure 4.2. **Feed-in tariffs for renewable sources**



Public R&D spending on renewable energy sources,[a] 1980s, 1990s and 2000s



Share of total energy technology R&D, public funds 1975-2008



International cooperation for green growth

- **GG Knowledge Platform (GGGI, WB, UNEP, OECD)**
  - enhance and expand efforts to identify and address major knowledge gaps
  - help countries design and implement green growth policy

- **OECD contribution to Rio+20**
  - Environmental Outlook to 2050
  - Green Growth Strategy and indicators

- **OECD cooperation and partnerships on indicators and meaurement frameworks**
  - UNEP
  - UNSD
  - UNIDO
  - UNESCWA
  - World Bank
  - EU, ...

For more information, see
www.oecd.org/greengrowth
www.oecd.org/greengrowth/indicators