MEASURING PROGRESS

Sustainability will command top priority when the world meets to review Stockholm; post-pandemic recovery must be inclusive

BY PUSHPAM KUMAR

OF THE many factors that led to the pandemic, the primary were destruction of biodiversity, clearing of the land, illegal trade in wildlife, and climate change. These constitute the basis of our progress and are sometimes referred to as natural asset/capital. The loss or depletion of natural capital, like biodiversity, caused or facilitated the transfer of unwanted pathogens in humans. We have been receiving warning signs through outbreaks of disease like SARS, but we did not pay attention. Earlier, we were in luck; but not this time. As scientists suggest, this would not be the last pandemic if we do not change our development path and maintain the synergy between nature and human activities.

In June 2022, the world meets at Stockholm, Sweden, in an international UN meet to review what it achieved in the 50 years since the Stockholm conference of 1972, and what should be its priorities for next 50 years. Measuring progress and prosperity as if sustainability (economic, environmental and social) mattered, would command top priority.

Economic development since the industrial revolution has ushered in an era of unprecedented improvements in the human condition. Still, environmental trends require urgent action. Recent years have seen an unprecedented destruction of planetary health, a resurgence of populism and social unrest, spiralling inequalities in health, skills, and opportunities, and a growing sense of dissatisfaction with democracy. Combined, these pressures threaten to undermine more than a century’s worth of progress.

Calls to “build back better” are now widespread, but in practice, this requires building back differently: different objectives and different strategies to achieve the goals. The first step has been taken. The objectives are defined in the United Nations 2030 Agenda for Sustainable Development by its 17 Sustainable Development Goals (SDGs). Meeting them requires a wealth management strategy that recognises all of society’s assets—natural, human, social, and manufactured.

Delivering the SDGs will take much more than GDP growth alone. GDP is associated with improvements across many SDG targets and indicators, such as the elimination of poverty (SDG 1). But GDP growth can also come at the expense of progress towards other goals such as climate action (SDG 13). This suggests that delivering the SDGs entails moving “beyond GDP”.

The interconnected nature of the goals reflects the interconnected nature of wealth. Investments in any one component of wealth impact (for instance, human capital) impact the returns to other components of wealth (for instance, physical capital such as computers and IT infrastructure). This is equally true of SDGs, where progress towards Quality Education (SDG 4) impacts progress in other goals such as Decent Work and Economic Growth (SDG 8).
THE INCLUSIVE WEALTH PARADIGM SHOWS THAT FUTURE ECONOMIC POSSIBILITIES DEPEND ON THE CURRENT MANAGEMENT OF ALL FORMS OF WEALTH—HUMAN HEALTH AND SKILLS, INFRASTRUCTURE, SUSTAINABLE NATURAL RESOURCES

INCLUSIVE WEALTH

The United Nations Environment Programme’s Inclusive Wealth Index—crucial for delivering the SDGs—focuses on the change in wealth, not just the level of wealth. It is critical to achieving the 2030 Agenda on Sustainable Development and SDGs, which require a statistical infrastructure capable of measuring both the means (inclusive wealth) and the outcomes (SDG indicators). Inclusive wealth statistics present an opportunity to explicitly define the recovery from COVID-19 in terms of sustainable development, the Paris Climate Agreement, and the “Beyond GDP” movement.

The forthcoming assessment of inclusive wealth, by the United Nations Environment Programme—the Inclusive Wealth Report (IWR) 2022—records the continuous decline in per capita natural capital, while the per capita human and produced capitals are on rise. The growth of GDP per capita is much higher than the per capita wealth. That means part of wealth is depleted and is treated as income. The findings prove that the ongoing measure of progress and sustainability is inadequate as they show that we are mixing income with wealth.

Mainstream economic statistics have focused too heavily on changes in income over time without enough emphasis on changes in the underlying assets that generate those income flows. In the short term, income can be increased by over-consuming capital, but this reduces productive capacity in the long run.

The inclusive wealth paradigm demonstrates that future economic possibilities depend on the current management of all forms of wealth—human health and skills, physical infrastructure, sustainable natural resource and ecosystems management, trust and strength of social relationships, and the quality of democratic institutions. Combined, these assets determine an economy’s inclusive wealth, and are the building blocks for achieving SDGs.

Inclusive wealth statistics can help guide policy efforts towards enhancing the capacity of nations to deliver the United Nations 2030 Agenda for Sustainable Development. Sustainable development encompasses a broader suite of guiding objectives and requires a more inclusive statistical infrastructure to reflect it. There is an urgent need to compile inclusive wealth statistics now so they can shape the recovery.

Inclusive wealth statistics have seen major improvements in the past decade. The UN’s “Inclusive Wealth Reports” and World Bank’s “Changing Wealth of Nations” books have shown that it is possible to assess changes in natural, human, and physical capital in all countries, regardless of income level. The UN System of Environmental Economic Accounts and its Experimental Ecosystem Account have enhanced our ability to account for environmental stocks and their economic contributions.

But substantial investments are needed to improve, expand, and get the most out of inclusive wealth statistics. Priorities include greater funding for national statistical offices and investments to automate and digitise inclusive wealth data collection (for instance, remote sensing, machine learning, and artificial intelligence for environmental statistics). Existing measures of social and human capital—as underlying assets and outcomes in terms of SDG indicators—suffer from poor coverage and conceptually simplistic. That these fundamental assets are difficult to measure means they deserve more, not less attention in official statistics.

Building capacity and resilience after the pandemic requires investments in vital assets that can underpin a sustainable 21st century. Inclusive wealth statistics present an opportunity to define the recovery from COVID-19 in terms of sustainable development, the Paris Agreement, and the “Beyond GDP” movement.

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