Beyond GDP: Experts preview 'Inclusive Wealth' index

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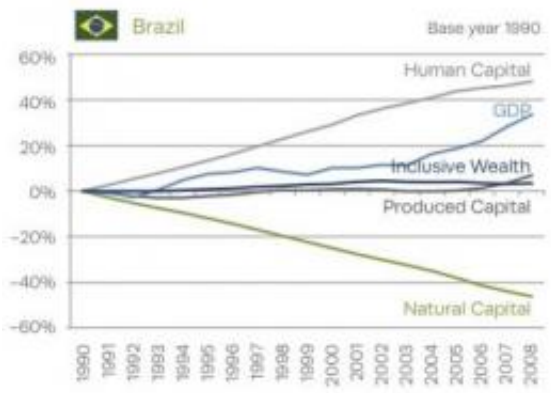


This graph illustrates the calculation of inclusive wealth for Brazil. Credit: UNU-IHDP

Brazil and India pay a high price for rapid economic growth, according to experts speaking at a major international meeting in London, Planet Under Pressure.

Between 1990 and 2008, the wealth of these two countries as measured by GDP per capita rose 34% and 120% respectively. But a myopic focus on economic capital is flawed, scientists and economists at the conference argue. Natural capital, the sum of a country's assets, from forests to fossil fuels and minerals, declined 46% in Brazil and 31% in India, according to a new "Inclusive Wealth Indicator" designed to augment GDP as a measure of economic progress.

When measures of natural, human and manufactured capital are considered together to obtain a more comprehensive value, Brazil's "Inclusive Wealth" rose just 3% and India's rose 9% over that time.

"The work on Brazil and India illustrates why Gross Domestic Product is inadequate and misleading as an index of economic progress from a long-term perspective," says Professor Anantha Duraiappah, Executive Director of UNU-IHDP.

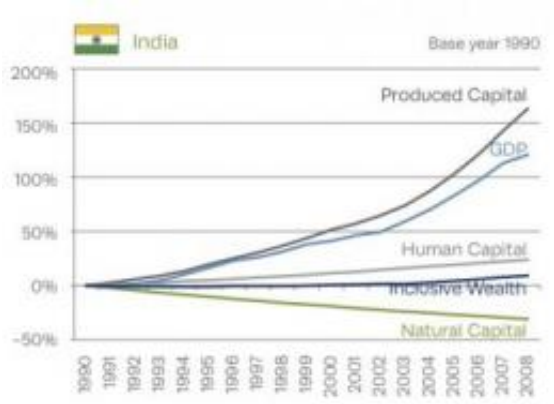
"A country could completely exhaust all its natural resources while posting positive GDP growth. We need an indicator that estimates the wealth of nations – natural, human and manufactured and ideally even the social and ecological constituents of human well-being."

The first Inclusive Wealth Report, to debut in full at a joint UNU-IHDP and United Nations Environment Programme event at June's UN "Rio+20" summit in Brazil, will describe the "inclusive wealth" of 20 nations: Australia, Brazil, Canada, Chile, China, Colombia, Ecuador, France, Germany, India, Japan, Kenya, Nigeria, Norway, the Russian Federation, Saudi Arabia, South Africa, USA, United Kingdom and Venezuela. The 20 nations featured in the report represent 72% of world GDP and 56% of global population.

Authored by 17 specialists from the UK, USA, Chile, Malaysia, India, Germany and Australia, the Inclusive Wealth Indicator is undertaken by UNU-IHDP with UNEP support and in collaboration with the UN-Water Decade Programme on Capacity Development (UNW-DPC) and the Natural Capital Project of Stanford University.

"Our goal is to provide national governments with a bi-annual report to assess transition to the so-called green economy, to create productive and sustainable economic bases for the future," says Duraiappah.

Says Dr. Pablo Muñoz of UNU-IHDP, the report's Scientific Director: "Until the yardsticks which society uses to evaluate progress are changed to capture elements of long-term sustainability, the planet and its people will continue to suffer under the weight of short-term growth policies."



This graph illustrates the inclusive wealth index values for India. Credit: UNU-IHDP

Yvo de Boer, former head of the UN Intergovernmental Panel on Climate Change and now Special Global Advisor to KPMG, has a similar message for businesses, calling on them to measure and report on sustainability in their corporate practices.

He notes a growing trend within commerce of companies "building frameworks for sustainability reporting processes, stronger information systems and appropriate governance and control mechanisms on a par with those currently used in financial reporting."

Unprecedented natural resource scarcity, rising food prices, energy security issues and population growth of up to 10 billion by 2100, means "the private sector is ever more challenged to overhaul its strategy and

make its business models future proof."

"First and foremost," he says, "businesses need to fully assess and understand future sustainability risks ... define their responses to deal with them, and analyze opportunities for efficiency, substitution or adaptation."

At present, he notes, "if companies had to pay for the full environmental costs of their activities, they would have lost 41 cents out of every (US) $1 earned in 2010. The external environmental costs of 11 key industry sectors rose by almost 50 percent between 2002 and 2010, from $566 billion to $854 billion."

"It is clearly no longer the question if we must transcend to a more sustainable economy. The question is the pace at which we are able, and especially willing, to achieve it."

Meanwhile, leading experts in the issue call for fundamental reforms of global environmental governance and a "constitutional moment" comparable in scale and importance to the reform of international governance that followed World War II.

"Stark increases in natural disasters, food and water security problems and biodiversity loss are just part of the evidence that humanity may be crossing planetary boundaries and approaching dangerous tipping points," says Prof. Frank Biermann of VU University, Amsterdam, director of the Earth System Governance research alliance.

Among specific measures called for by Biermann and colleagues:

Creation of a UN Sustainable Development Council to better integrate sustainable development concerns across the UN system, with a strong role for the world's 20 largest economies (G20).

Upgrading the UN Environment Programme to a full-fledged UN agency – a step that would give it greater authority, more secure funding, and facilitate the creation and enforcement of international regulations and standards. Stronger reliance on qualified majority-voting to speed decision-making in international negotiations; Increased financial support for poorer nations, including through novel financial mechanisms such as air transportation levies.

Says Biermann: "Incremental change is no longer sufficient to bring about societal change at the level and with the speed needed to stop earth system transformation. Structural change in global governance is needed, both inside and outside the UN system and involving both public and private actors"

At the London conference, 2,800 experts spanning the spectrum of interconnected scientific interests, policymakers and business representatives are examining the planet's vital signs, potential solutions, hurdles and ways to break down the barriers to progress. The conference is the largest gathering of experts in global sustainability in advance of "Rio+20" and the largest gathering ever of such a group of experts.

It concludes tomorrow with the presentation of the final conference statement.

Provided by Earth System Science Partnership

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