

Gusztáv Báger

## *Third OECD World Forum on knowledge and policy*

**T***The Third World Forum, an OECD event so far with the largest number of participants in the history of the organisation, was held in the city of Busan, South Korea, between October 27–30 2009. Two thousand two-hundred participants from 103 countries dealt with the issues of charting progress, building visions and improving life at the time of global crisis at plenary meetings and in 37 working sessions with the contribution of 200 speakers.*

### EVENTS PRECEDING THE THIRD FORUM

Only a few of the participants at the First World Forum (Palermo, 2004) could foresee how strong interest the event will generate. The Second Forum (Istanbul, 2007) represented already a great step forward with 1200 participants exchanging views on how to measure and foster the progress of societies. Their commitment was affirmed in the Istanbul Declaration. The Declaration revealed an international consensus on the need to

- undertake the measurement of societal development, going beyond conventional economic measures such as GDP per capita;

- promote evidence-based decision making to increase the societal well-being ;
- strengthen citizens' capacity to influence the goals of the societies;
- increase the accountability of public policies.

The Global Project was formed in the wake of the two OECD forums in 2009. It is coordinated by the OECD, its members include international organisations (European Union, ILO, INTOSAI, UNDP, World Bank, etc.) as partners and various national advisory organisations (statistical, civil, communication, etc. organisations) as associates or correspondents.

In order to promote the goals of the Istanbul Declaration, the Global Project

- encourages communities to be involved in determining the content of development in the 21st century;
- contributes to become acquainted with the “best practices” in connection with measuring societal development;
- gives impetus to national and international debates on this subject matter, and
- supports the development of statistical capacities, particularly in the developing countries.

The work of the OECD Coordination Group, an organisation assisting the work of

the Global Project which plays an important role in organising the Third World Forum, commenced officially at the beginning of this year. It also serves as a forum for discussing experience about the measurement of societal progress.

It represented an important political step towards the Third World Forum that, an international commission dealing with the measurement of economic performance and societal progress (the Stiglitz Commission) has been created at the initiation of the French President *Nicolas Sarkozy*. It also represented an important step when the leaders of the G-20 countries called upon the participants to develop measurement methods which can better express the social and environmental dimensions of economic development.

## OPENING OF THE WORLD FORUM

In his opening address South-Korean President *Lee Myung-bak* announced that the administration will develop an index that can measure people's happiness/contentment and quality of life and will activate several public welfare programmes. These steps are crucial for South-Korea to become an advanced nation. In connection with the latter remark, it should be mentioned that the latest OECD Happiness Index showed South Korea ranking only 25th out of the 30 member countries. Only Poland, Slovakia, Mexico, Hungary and Turkey were behind Korea in the list, while Japan ranked highest among the Asian countries in the 11th place.

The South-Korean President also reaffirmed that the existing paradigm of economic development was no longer effective in resolving global issues and that South-Korea will actively participate in international efforts to establish a new world order reflecting the interests of emerging countries. An important component

of these efforts is to develop a new growth model that can benefit not only advanced countries but also developing nations.

In his welcoming address *Angel Gurría*, Secretary-General of the OECD, expressed his view about globalisation – as a driving force for development – that in addition to new opportunities, it also creates new risks and tensions as there is a danger of unequal development. In this context, it represents a major challenge today that there is a growing gap between what official statistics say about economic performance and people's perceptions of their own living conditions. This gap was already evident in the “good” years before the current crisis, but it will be especially critical as the consequence of the crisis in the years to come if we consider the growing unemployment and the effects of government emergency rescue packages. The question of the gap referred to earlier is also important from the perspective of social trust as there is a major risk that people will lose confidence in markets and institutions.

In these politically challenging times – he emphasised – the gap between the measured performance and people's perceptions does not result from poor quality of official statistics but from their inappropriate use. This can lead to biased analysis, wrong policy targets, and with policy actions may be damaging to the confidence in the very functioning of democracy. For instance, GDP is suitable for measuring market production.

However, the process that it has been increasingly used as a metric for households' consumption possibilities, as a proxy measure of well-being was a wrong and unreliable approach.

Today, two significant trends support the increasing need for “going beyond GDP”.

► In many countries we witness the emergence of grass-root movements to define and measure specific aspects of people's well-being and societal development.

▸ There is almost an abundance of research projects and programs in international organisations that are designed to produce indicators on various aspects of well-being and societal progress, such as peace, security, gender equity, social cohesion, governance and human rights. These indicators are day after day used by the media and policy actors.

As an invited speaker, *Dr. Danilo Türk*, the President of the Republic of Slovenia, offered a keynote address on the subject of measuring social progress and development from the perspective of human rights, national policy-making and implementation of the Millennium Development Goals. In connection with human rights, he pointed out that the broad legal norms and procedures can only be implemented in governments' action if they are combined with economic and social indicators, and if legal standards and statistical information go hand in hand. Although GDP and GDP per capita were generally useful in economic policy-making, they were clearly insufficient for measuring social development, let alone for assessing the implementation of economic, social and cultural rights.

As regards the effects concerning national political policy-making, he pointed out that while in the developing world, GDP growth may continue to be an essential indicator of social development, in the developed industrialised countries this indicator does not meet the requirements of sustainability: it only measures income growth today without indicating appropriately growth expected in the future. Dr. Türk also underlined that in policy-making after the present crisis, there is a need to take a fresh look on paid work and other personal activities, on the question of organising work (for example, unpaid domestic work) and the role of the civil sector.

The Slovenian President indicated that the implementation of MDGs has been uneven and generally below expectations. However, from a

methodological point of view, the range of indicators showing the achievement of the goals is much wider than the sole application of GDP or GDP per capita.

## NEW PARADIGMS TO MEASURE DEVELOPMENT

In his keynote speech Nobel prize winner professor *Joseph Stiglitz*, as chairman of the Stiglitz Commission, addressed the new paradigms required to better measure social progress (development).<sup>1</sup> The goal of the Commission chaired by Stiglitz was to determine the limits of GDP – as an indicator of economic performance and societal development – and to study what additional information can help better measure this development. As a point of departure, the already-mentioned phenomenon of the gap between measured performance and people's perceptions was used which has undermined the confidence in official statistics mainly in France and the United Kingdom where only one-third of the population trusts official figures.

Joseph Stiglitz gave a comprehensive demonstration of the distortions arising from the use of GDP in the work of the Commission, on the one hand, and consequently applied the approach of making a distinction between the requirements and assessment of sustainability and the present societal well-being, on the other hand. An important message of his activity is that it is high time to change the measurement system of economic activity so that it can better reflect structural changes taking place in modern economy, with special regard to the increased role of the public sector through the provision of public goods, such as security, health-care and education. The challenge is that – while GDP is suitable for measuring the value of products and services – this is not applied adequately in the government

sector, because output is often simply measured by inputs. Consequently, with the increase of government expenditure output also rises even if public funds are spent lavishly. For instance, in the past 60 years, the GDP ratio of the government sector was up from 21.4 per cent to 38.6 per cent in the USA, from 27.6 per cent to 52.7 per cent in France, from 34.2 per cent to 47.6 per cent in the United Kingdom and from 30.4 per cent to 44.0 per cent in Germany. The problem, which was relatively small earlier, has thus grown into a problem of a larger scale by now.

The Commission made the following findings and recommendations:

- when financial well-being is assessed, income and consumption should be taken into account rather than production;
- there is a need to examine households' future prospects from many aspects;
- in addition to income and consumption, great attention should be paid to wealth (assets);
- examining the distribution of income, consumption and wealth (assets) is of special significance;
- there is a need to extend the measurement of income to non-market activities;
- considering that well-being is a multi-dimensional concept, taking account of both its objective and subjective dimensions is equally important:
  - quality of life indicators should also assess inequalities in a comprehensive way,
  - reports should establish connections among the various components of the quality of life specifically relevant to individuals, and this information should be used in the course of defining policies for the different areas,
  - statistical offices should provide information for aggregating the various dimensions of the quality of life, enabling the compilation of different indices,

▸ beyond conducting researches, the activity of statistical offices should also extend to the examination of people's subjective quality of life;

- it is justified to apply pragmatic approaches in the course of defining the economic and financial indices to measure and assess sustainability;
- it is necessary to apply a well-selected group of physical indicators in the interest of environmental sustainability.

The discussants of the keynote speech and most speakers agreed with the Commission's message and recommendations as well as with the direction of the necessary changes. Although – as they stressed – there is no perfect system of measurement, nevertheless the recommended changes make it possible to take a significant step towards better measuring and assessing social and economic development both from the human perspective as well as considering the environmental conditions and political and economic sustainability.

One of the discussants, Executive Director of the Macroeconomic Group, the Australian Treasury, *David Gruen*, in agreement with the Commission's recommendations, reported that the well-being framework represents the core of the Australian Treasury's activity and, by recognising the limits of GDP, it already applies alternative measurement methods for measuring social progress.

According to sceptic opinions voiced by some of the discussants – for example, *Pali Lehobla*, Statistician General of South-Africa – despite the recommendations, it is difficult to interpret the content of social progress, particularly its human components, i.e. social cohesion and spiritual values. Everybody shared the view, however, that the Commission's efforts should be continued both at international and national levels in order to concretise the recommendations.

## NEW POLICIES, MEASURES AND BEHAVIOURS

The speakers as well as numerous active participants of the Forum welcomed the paradigm shift set out by the Stiglitz Commission – according to which paradigm shift, the additional information listed above necessary for the indicators, which can better measure social development, and the statistical information should be presented in a different and appropriate manner. They also exchanged views about a large number of relevant cases, programmes and recommendations for changes. Only a few of them can be described briefly within the framework of this report.

*Geoff Mulgan*, Director of the Young Foundation based in London, looks upon the debates about the relevance and limits of GDP as part of a broader paradigm shift in which societies seek indicators which reflect the things that are valuable to them. So there is increased attention paid today to integrating measurement results into government policy which led to new developments: quantitative targets are used in strategic plans (for instance, in the USA and in the United Kingdom), open co-ordination methods are applied by the EU, performance-based management methods are used more and more extensively by the public sector and deeper conversations are carried on with the public about the priorities.

*László Pintér*, Director of the Measurement and Assessment Programme of the International Institute for Sustainable Development in Canada, also interprets – based on the Bellagio principles – the task of updating the measurement of social and economic performance broadly keeping in view the requirements of sustainable development, and assumes that a new domain of science, the “science of sustainability”, is being borne. Its major components are the following:

- ① guiding vision;
- ② essential consideration;
- ③ adequate scope;
- ④ practical focus;
- ⑤ transparency;
- ⑥ effective communication;
- ⑦ broad participation;
- ⑧ continuity and capacity.

*Jon Hall*, Director of the OECD Global Project on Measuring the Progress of Societies, regards the following as the three contentual characteristics of the notion of indicators: theoretical framework of indicators, the indicator itself and the value of the indicator's usefulness. The usefulness increases if the objective of the indicator is clear, if its value is real, if it can be used integrated in the policy-making process and if it is flexible and has a long-term validity. From the perspective of use, the indicator must be capable of shaping policy, on the one hand, and expressing people's opinion, on the other.

*Mark Orkin*, Director General of the South African Management Development Institute (SAMDI), pointed out – as an important general experience – that there was a proliferation of indicators generated by the desire to eliminate the shortcomings of the Millennium Development Goals. Instead of an indiscriminating methodological eclecticism that can be witnessed, he recommended that transparent and attainable indicators should be developed which reflect the requirements of sustainability both at global and national levels.

*Andrew Ellis*, Director for Asia-Pacific, International Institute for Democracy and Electoral Assistance (IDEA) highlighted that in many developing countries national objectives were not issues decided by the platforms of political contenders, but instead it is the international support factors that played an excessive role. Consequently, in the measurement process of social and economic performance reflecting development, dominant role should be given to country-specific, compre-

hensive analyses rather than applying the widely used methods of national institutions and international rankings.

The speakers and discussants often touched upon the role of statisticians in the proposed measurement reform. Although no explicit criticism was addressed to statisticians, there were naturally some participants who felt it necessary to protect them. The majority, however, held the clear-cut view that it is necessary and advisable for statistical offices to update their measurement in order to reduce the gap between the official and socially relevant information. Such updating is needed in a number of areas, such as measuring human rights, democracy and governance.<sup>2</sup> Another area is the application of the approach of subjective measurements, which reflect the quality of life, together with the generally indirect objective measurements. In connection with this subject, *Insill Yi* – Commissioner of Statistics Korea, leader of the local Organising Committee of the World Forum – gave report on some valuable and exemplary efforts. The quality of life index referred to above is developed based on using 480 indicators broken down into 10 areas and by determining the subjective index in addition to the objective one. The subjective index is expected to help reduce the gap between official and socially relevant information.

*Ulla Rosenström*, Project Manager of the Prime Minister's Office in Finland, reported on a successful programme which combined statistical and research indicators. Encouraged by the Second OECD World Forum (Istanbul), the Prime Minister's Office launched a new indicator project linked with the efforts of the Finnish Government to strengthen the evidence-based decision-making culture. Based on the recommendations of the feasibility study – as a result of joint efforts of the Prime Minister's Office and the Finnish Statistical Office – a new FINDIKATOR information

service was launched in 2009 which contains the most frequently used indicators, keeps them updated and provides accessibility to them at any time.

*At the World Forum the chairman and experts of the Working Group on Key National Indicators of INTOSAI (International Organisation of Supreme Audit Institutions) could give an account of their activity (the experts meeting in a separate section also reported on their work). Sergey V. Stepashin, President of the Accounts Chamber of the Russian Federation and chairman of the Working Group, presented the objective of the Working Group: to develop key national indicators that improve the efficiency of the supreme audit institutions' work and promote objective assessment of risks. Based on an agreement concluded between the OECD and the INTOSAI, this work is conducted in close co-operation with the OECD's Global Project.*

*Bernice Steinhardt, Director of the Strategic Issues Team, United States Government Accountability Office (GAO), emphasised that an important prerequisite of accomplishing US government objectives is the strengthening of co-operation among public institutions as well as between the institutions and the private sector. The systems of key national indicators can largely foster this co-operation as well as enhancing transparency and accountability. Therefore, GAO gives active assistance to these efforts. Steinhardt described the results of a survey conducted on SAOs in 2007 aimed at identifying, assessing key national indicator systems and familiarising the characteristic features of their use.*

*Alexander A. Piskunov, auditor of the Accounts Chamber of the Russian Federation and Head of the Secretariat of the INTOSAI Working Group, argued that the assessment criteria of development strategies, scenarios and well-founded performance audits make it*

necessary to develop the key national indicator systems.

*The author of this paper* – Senior Advisor to the President of the State Audit Office of Hungary, scientific advisor of his Research Institute and a member of the Working Group – outlined the conceptual framework, indicators of one of his projects dealing with the indicators of knowledge-based economy and society as well as described the necessary directions of indicator development based on the experience of the European Union, Finland and Hungary.

In her speech *Ulrike Mandl*, economist of the Department of Strategic Planning at the Austrian Court of Audit, overviewed the key indicator system of the EU Lisbon Strategy, while *Wojciech Misiag*, Advisor to the President of the Supreme Chamber of Control in Poland, dealt with the role key indicators may play in control.

### ADDITIONAL OECD COMMITMENTS<sup>3</sup>

The OECD will continue its strong support of the Global Project as a movement to advocate for the importance of progress and well-being. The OECD also looks forward to organising another similar World Forum.

In addition, the final Report of the Stiglitz Commission has given renewed impetus and concrete direction to the process initiated by the OECD. The Organisation commits to play a leading role, particularly in the following three areas:

► *Setting priorities for the statistical development:* the OECD will put in place a process to prioritise the recommendations of the Commission. Relevant OECD Committees (and

therefore member countries and observers) will be invited to consider how their work relates to the measurement of social progress, development and how they can contribute to implementing the recommendations of the Stiglitz Commission.

► *Developing measures, methods and tools:* the OECD is called upon to advance methodologies and tools to produce new indicators of well-being and to present existing measures under a well-being perspective. Concrete deliverables, namely statistical compendiums and working papers, are foreseen for 2010 and 2011.

► *Improving and enhancing policy-making:* the OECD will use improved measures of well-being to enhance policy-making. The OECD will promote the use of indicators to inform policy-makers in various fields about the impact of policies on key dimensions of well-being. The OECD is considering creating a series of monographs with a common title, structure and approach. Each monograph will deal with one of the main areas of well-being (for example, health) and discuss: (1) the outcomes of the area in question (e.g. health status of different parts of the population); (2) the drivers behind these outcomes (e.g. medical services, life styles and environmental factors); and (3) the various policies that bear on these drivers and outcomes (e.g. health-care delivery systems, environmental policies).

The above-mentioned work by the OECD will be carried out in co-ordination with both OECD and non-OECD member countries (via the relevant Committees) and with other international organisations. It will be linked to other horizontal OECD projects, in particular the Green Growth Strategy.

## NOTES

<sup>1</sup> The World Forum consciously used in its work the term 'social progress' instead of the earlier used notion of 'social development' which is associated with GDP. In spite of this, the present report is using the term 'development' although 'progress' would better reflect the change on the content of the notion.

<sup>2</sup> In order to develop the necessary methodology, the OECD launched, in 2004, the so-called METAGO-

RA (Measuring Democracy, Human Rights and Governance) project, which forms a part of the Partnership in Statistics for Development in the 21st Century (PARIS21).

<sup>3</sup> Source: Measuring and Fostering Well-being and Progress: The OECD Roadmap (Summary) Busan, 29 October, 2009