

Measuring Wealth to Promote Sustainable Development

Leveraging Local Data in Ethiopia, Indonesia, and Trinidad and Tobago

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A plea from **ANTÓNIO GUTERRES**
UN Secretary-General
([Policy Brief](#), May 2023)

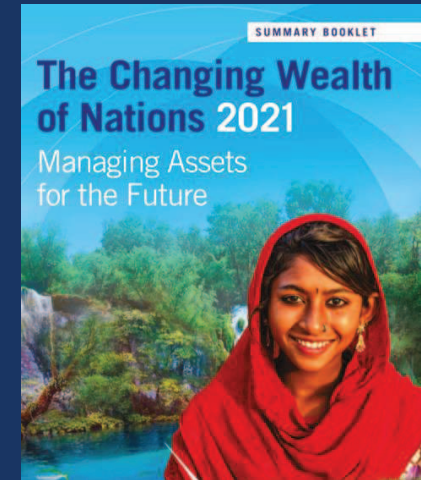
GDP "does not fully capture the complexities of the urgent challenges we face today", so "excessive dependence on GDP [has] serious consequences for the sustainable development of all countries"

The world must **shift priorities towards new metrics** that are **robust, concise, widely accepted, comparable, country-owned** and applicable to decision-making

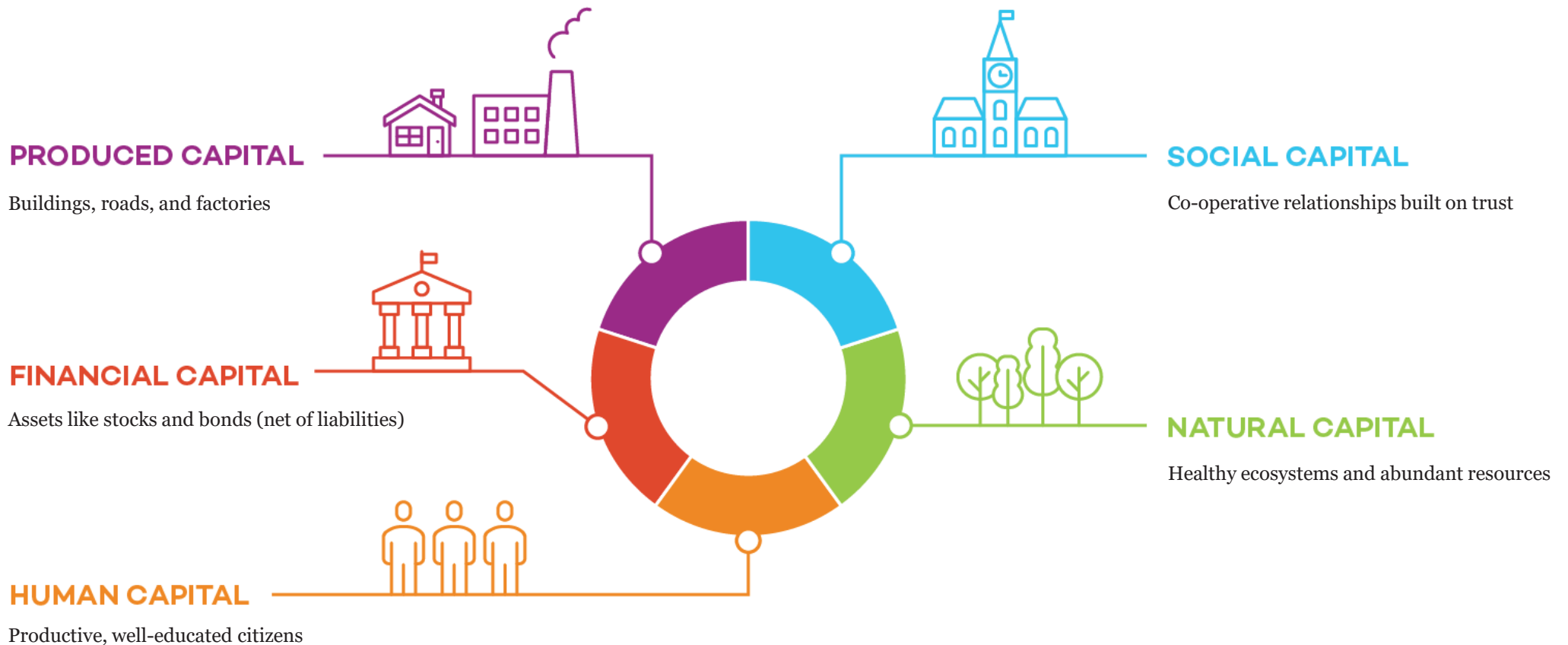


Types of new metrics

- Indicator sets or dashboards to measure well-being
- Well-established indices to capture issues important to people and countries (HDI, MDPI)
- **Index to assess the underlying wealth of the country: comprehensive or inclusive wealth**
- Gender aspects, inequality, and regional differences in the new metrics



What is Comprehensive Wealth?





Measuring Countries' Wealth

Partnership driven

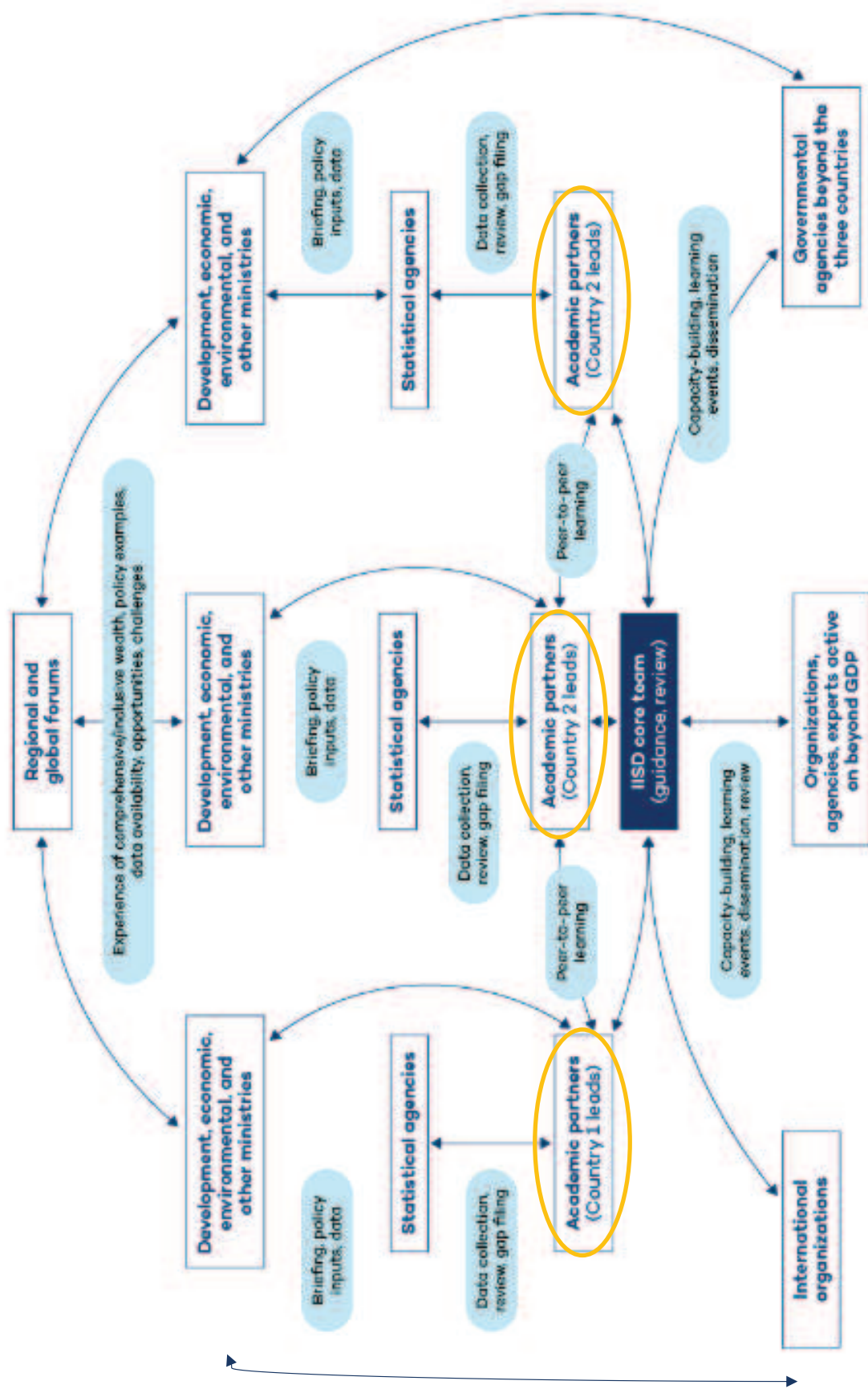
Project had strong focus on capacity-building with partners in Ethiopia, Indonesia, and Trinidad and Tobago

Partners led data collection and liaison efforts with statistical offices and other data providers

Clear policy implications prompted outreach to policymakers

Skill development, research and teaching efforts





Summary of data sources (1995 - 2020)

Examples of national data

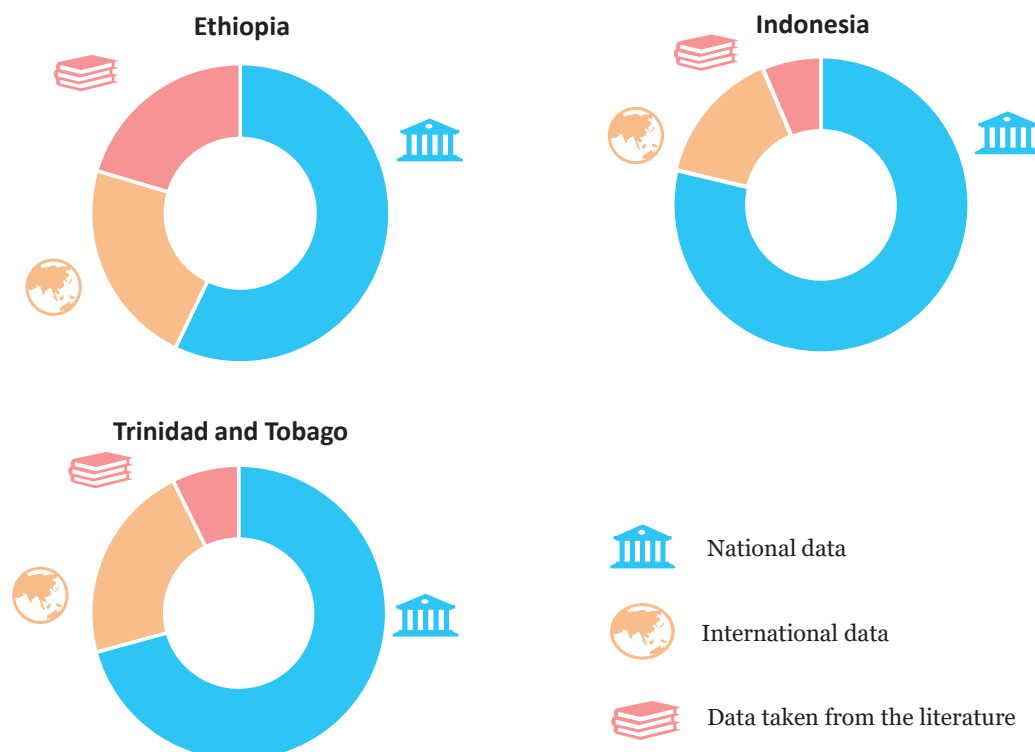
- Gross fixed capital formation
- Consumer price index
- Labor compensation

Examples of international data

- Purchasing power parity (PPP) conversion rate
- Proven oil/gas reserves

Examples of data from the literature

- Physical asset depreciation rate
- Wood and non-wood products extraction costs



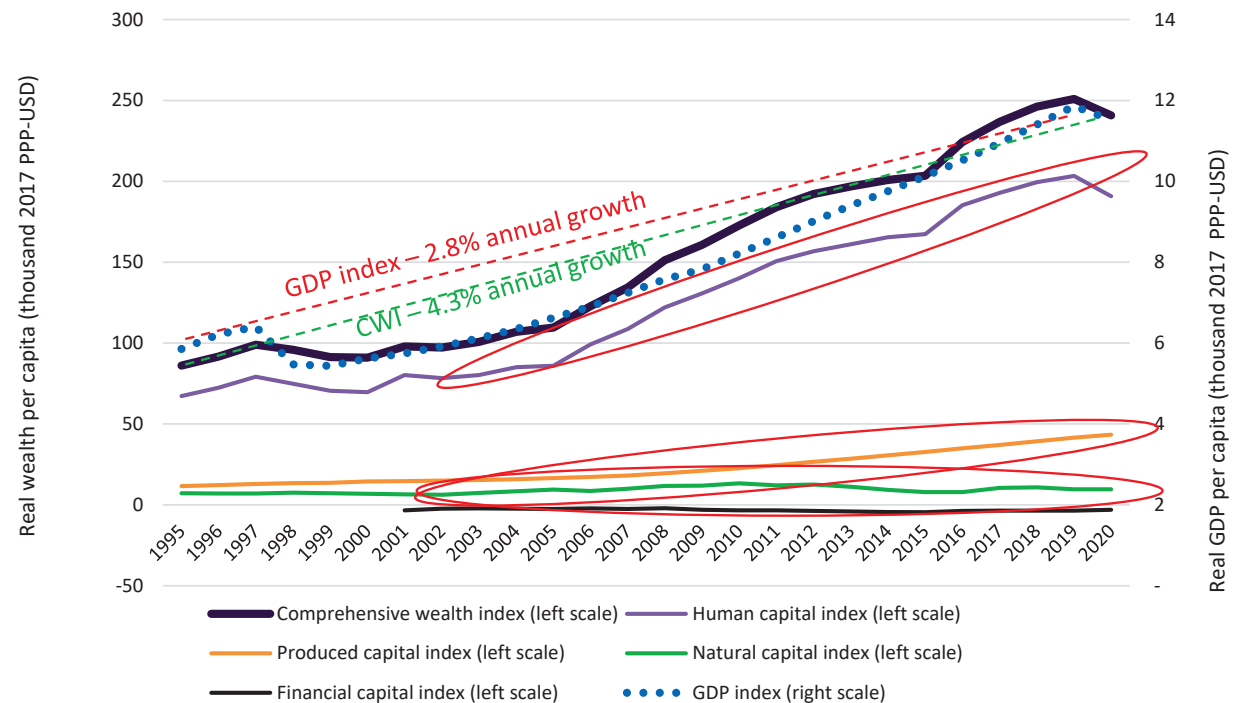
Indonesia

Wealth nearly tripled, growing at an average annual growth rate of 4.3%

The relatively slow growth of GDP index (2.8%) compared with CWI suggests the country has not benefited as much from its increasing wealth as it should

CWI nearly tripled thanks to human and produced capital, which grew at average annual rates of 4.4% and 5% respectively... then began to decline in 2019 and 2020

In contrast, natural capital hardly changed over the period



Ethiopia

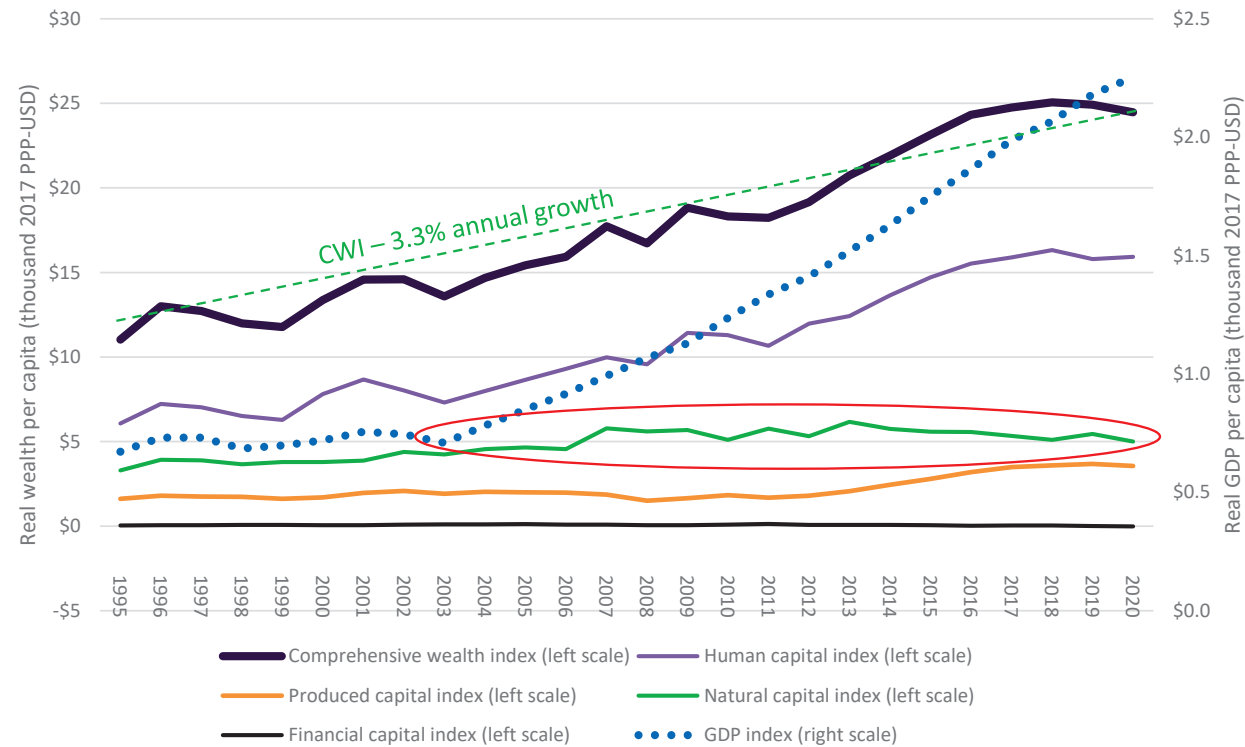
Good progress in expanding CW despite social, economic, and environmental challenges

- CW more than doubled since 1995, growing annually at an average rate of 3.3%

CW remained very low relative to other countries in our study

- In 2020, just 11% and 10% of the two countries' wealth, respectively

Natural capital increased moderately until 2013 before beginning to stagnate



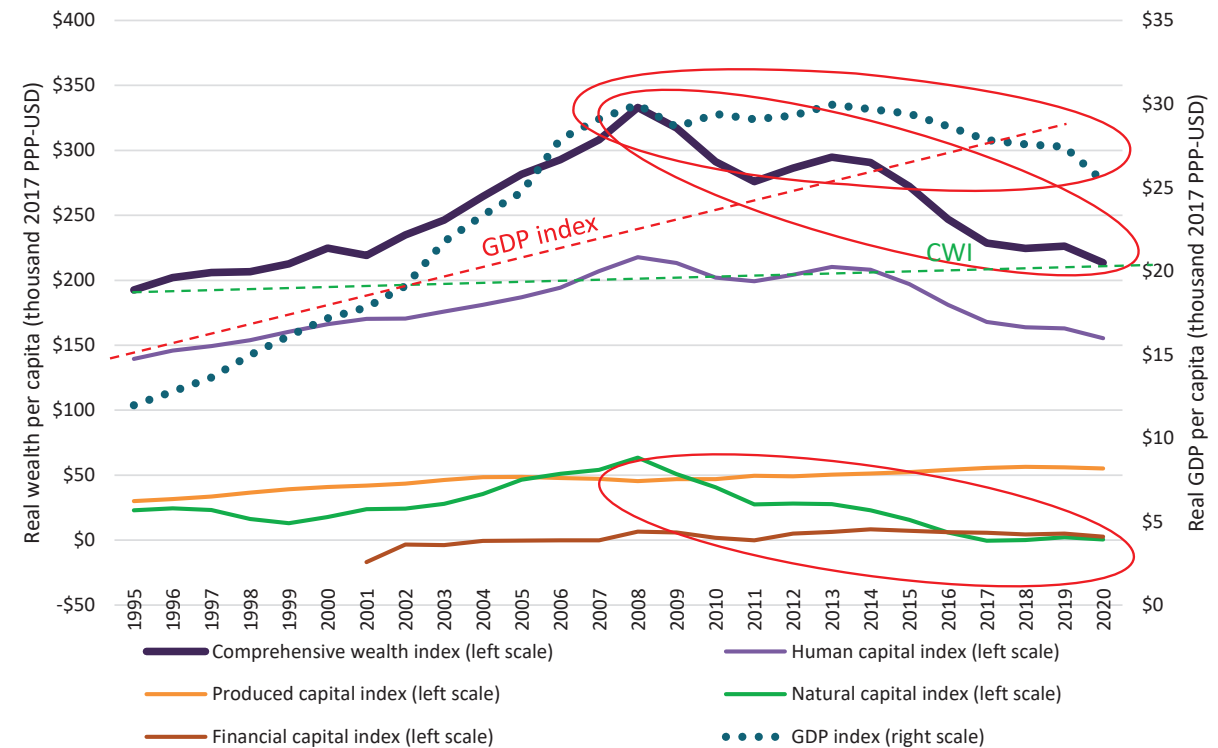
Trinidad and Tobago

While GDP growth suggests sound economic development, wealth paints a picture of moderate progress, at best

The low growth in wealth was related to the country's overreliance on fossil fuels

Following the 2008 global financial crisis, CWI began a steady decline to 2020, falling 3.6% annually

GDP index fell much less than CWI, sending a less obvious signal of unsustainability



Policy Implications

Investments into infrastructure

In all three countries, investments into infrastructure (produced capital) are growing... however these investments are concentrated in fossil-fuel related sectors while lacking in other sectors.

In **Trinidad and Tobago**, half of produced capital is in the fossil fuel industry.

In **Ethiopia**, produced capital is concentrated in the manufacturing sector, which accounts for a small share of GDP (4% in 2022). Agriculture contributes around 40% of GDP, but only 8% of produced capital was devoted to that industry.



Policy Implications

Investments into human capital

Human capital is globally the most important asset of the CWI, including in the three countries

Human capital has been growing in all three countries with some stagnation in the recent years, but it lags other countries both in level and growth

Expanding human capital will require investments in improving workers' health and education as well as new technologies to boost productivity

Diversifying human capital away from overly concentrated sectors



Policy Implications

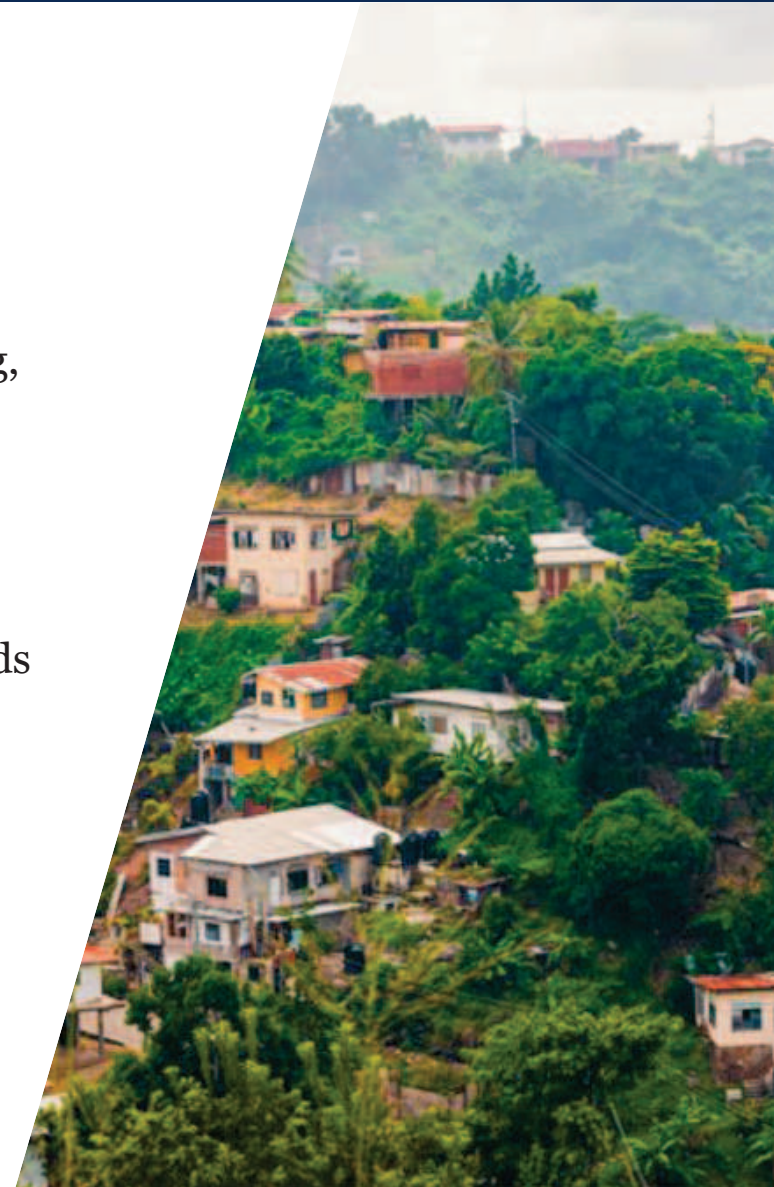
Natural capital is declining

Both market and non-market natural capitals are stagnating or declining, which is a strong argument to move beyond GDP.

Natural capital preservation must be articulated as an integral part of development, as natural capital underpins a country's wealth.

Efforts needed to improve natural resource management to move towards sustainable consumption and production levels.

More green development policies are needed coupled with financial resource mobilization.



Policy Implications

Agriculture as a pathway for policy coherence

Agriculture cuts through the wealth portfolio and would be a great tool for integrated planning and consider multiple SDGs.

Investments into produced capital may not prioritize agriculture (**Ethiopia**).

Enhancing the productivity in the agriculture sector and growing it in other sectors where it will yield greater well-being gains (**Ethiopia**).

Human capital investments into training and skills development (Health and nutrition)

Targeting investments in sustainable land management





Our Learnings

Achieving global goals (SDGs and MEAs) may not be possible without addressing the underlying measure of progress

Different indices are preferred by different countries

National data are available to compile CW
(while recognizing data gaps and capacity needs)

Capacity gaps at statistical offices, universities and during identifying policy and investments needs

Panel Discussion

- Anu Peltola, United Nations Trade and Development (UNCTAD)
- Richard Heys, Deputy Chief Economist – Productivity, Investment, and Research Division, Macroeconomics and Environmental Statistics and Analysis Directorate, Office for National Statistics, UK
- ‘Dapo Oyewole, Senior Special Assistant to the President on International Cooperation, Ministry of Foreign Affairs, Nigeria
- Nadine Gasman Zylbermann, President of the National Women's Institute of Mexico
- Ana B. Moreno, Technical Secretary, Global Alliance for Care

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