



**Environment
Accounts and
Statistics Division**



**Division des comptes
et de la statistique
de l'environnement**

Expanding the System of National Accounts Information for Sustainable Development

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Why a national accounts approach?

- ***They offer a time-tested framework for policy analysis with an established user base***
 - the concepts, sources and methods upon which they are based are widely accepted
- ***The accounts have been developed with the objective of coherence***
 - three types of coherence: vertical, horizontal and temporal
 - data within an integrated information system (e.g., the SNA) are coherent to an extent not possible in a set of independent databases
- ***They offer an automatic linkage to the complete framework of economic statistics***
 - the importance of the linkage between social and environmental variables and the economic activities that affect them cannot be overstated



Why expand the national accounts now?

- ***The public is increasingly concerned about measuring the sustainability of development***
 - people want to be assured that their activities do not harm the prospects for future generations to enjoy a good life
- ***They currently offer little by way of information on social and environmental variables***
 - effective and well-used tool for economic policy analysis
- ***The growing acceptance of the concepts of natural, human and social capital***
 - offers a sound starting point for the creation of an integrated information system that will serve as a basis for sustainable development policy analysis



What is proposed?

- ***Begin immediately building expanded national accounts adding new measures of natural, human and (in principle) social capital***
 - present measures of capital encompass all forms of produced assets only
 - capital is the capacity to generate income and maintain standard of living
 - ***Increase the focus of the SNA on national wealth***
 - to date the System of National Accounts has focused on measuring *income dynamics* (based on a narrow definition of wealth)
 - the time is right to shift the focus toward *wealth* (more broadly defined)
 - ultimate goal is a much expanded and enhanced estimate of national wealth
- ➔ No changes proposed to official SNA aggregates (e.g., GDP)



What is proposed – Natural capital

- ***Natural capital consist of...***
 - the natural resources, the land and the ecosystems upon which our economy, and in some instances life itself, depends
 - ***Vastly expanded information on:***
 - the extent and value of Canada's natural capital
 - the demands we place on the natural capital through resource extraction and pollution emissions
 - the measures we take as a society to protect the natural capital
- ➔ integrated information across all three of these domains is necessary to understand the evolution of Canada's natural capital



What is proposed – Human capital

- ***Human capital is defined traditionally as ...***
 - "the knowledge, skills, competencies and other attributes embodied in individuals that are relevant to economic activity" (OECD, 1998)
- ***Expenditures on knowledge and skill development are treated as current consumption rather than investment***
 - the associated benefits of these expenditures are typically realized over an extended period of time
- ***Two-pronged approach***
 - the present value of the projected lifetime returns to employment (earnings)
 - the cumulative value of education expenditures using perpetual inventory technique



What is proposed – Social capital

- ***Social capital is defined as ...***
 - “networks together with shared norms, values and understandings that facilitate co-operation within or among (OECD, 1998)
- ***Current understanding of social capital is much less advanced than for the other types of capital***
 - it is currently not possible to measure or report on it
- ***Development work is under way for Statistics Canada 2003 General Social Survey***
 - this should provide rich new data that will be useful to begin to explore in more detail the relationship of social capital to other forms of capital and the role of social capital as a component of Canada’s wealth



Expanded national accounts—Information for sustainable development

- ***Support NRTEE's ESDI Initiative - Six indicators will make final list***
 - air quality, water quality, forest cover, wetland cover, greenhouse gases, educational attainment
- ***Compilation of a rich set of SD indicators/information in a coherent framework based***
 - plenty of “drill down” /”roll up” capacity, coherent data across domains and comparable data through time
 - new perspective would be gained on climate change, dematerialization of the economy, the alleged brain drain, etc.