

Expanding the Measure of Wealth

Indicators of Environmentally Sustainable Development



Environment Department

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Foreword

The publication by the World Bank in late 1995 of *Monitoring Environmental Progress: A Report on Work in Progress* generated great interest in the use of indicators to measure the pace and direction of change in environmentally sustainable development. In particular, the attempts to redefine what it means to be "wealthy" or "poor" by recognizing that a country's wealth is the combination of various forms of capital—produced, natural, and human resources—led to new thinking on what constitutes wealth and how it could be measured. The emphasis on stocks of wealth supports a new paradigm for sustainable development, as a process of managing a portfolio of assets to preserve and enhance the opportunities people face.

In response to growing worldwide interest, the World Bank established an Indicators and Environmental Valuation Unit in the Environment Department to serve as a focal point for work on indicators and related issues. At present work in this area is proceeding on several fronts: developing environmental indicators that can be monitored for Bank investment projects, expanding the set of environmental indicators in the newly revised *World Development Indicators* produced by the International Economics Department of the Bank, and continuing work on resource accounting and indicators of sustainability.

This report was produced by the Indicators and Environmental Valuation Unit. It is appropriately subtitled *Indicators of Environmentally Sustainable Development* because it highlights "portfolio" indicators for tracking a country's

progress toward sustainable development. These include new estimates of national wealth and genuine savings, a detailed analysis of changes in subsidies with environmental consequences, and progress on the conceptual foundations of social capital. While many of these new estimates are more refined than those presented in 1995, the underlying story remains the same. If anything, the new estimates reinforce the importance of the natural resource base of all economies as well as the fundamental role of human resources (including both human capital and the more difficult to define but important concept of social capital) in determining a nation's wealth and, in turn, the opportunities for welfare gains for a nation's population.

The Bank's work on indicators has attracted a high level of interest from many others around the world—both researchers and policymakers. We would like to recognize the numerous inputs and comments received and specifically acknowledge the generous financial support from the Governments of Norway and Sweden for this expanded work on indicators.

We present our results to provoke discussion and further research. We are convinced that these new approaches to indicators serve the paradigm of sustainable development founded on healthy ecosystems, vigorous economies, and equitable social systems.

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