



Department for Environment
Food and Rural Affairs

Richard Price
Chief Economist

Area 1B Nobel House 17 Smith Square London SW1P 3JR
Telephone 020 7238 6900 e-mail richard.price@defra.gsi.gov.uk
www.defra.gov.uk

26 July 2010

REVIEW OF THE ECONOMICS OF SUSTAINABLE DEVELOPMENT: FINAL REPORT

On behalf of the UK Government Economic Service, I have led a review of the economics of sustainable development. We have now published our Final Report, which concludes the GES Review of the Economics of Sustainable Development. The report is available at:

<http://defraweb/evidence/economics/susdev/index.htm>¹

The purpose of the Review was to improve the analytical basis for advising Ministers across government on the consequences of individual policy decisions for 'sustainability'. We have focused on how to take better account of policy impacts on the environment and on society which

- have significant impacts on individuals' wellbeing but are hard to measure;
- have long-term, sometimes irreversible consequences; and
- have significant consequences for future generations.

This Report sets out ways to improve the analysis which supports advice to Ministers: it is not a statement of UK Government policy, nor does it represent the views of Ministers.

At the outset we found that while existing guidance helped to set out the wide range of factors which influence sustainability, it had little practical advice for those analysing alternative different policy options or for helping to choose between competing alternatives. In the Interim Report we identified a number of ways in which existing approaches to SCBA could be improved to give better assessments of the impact of policy on the environment. This Report sets out the progress that has been made.

¹ Hard copies are also available. To obtain a paper copy, please email ly.chan@defra.gsi.gov.uk with your postal address.



INVESTOR IN PEOPLE

More fundamentally, we proposed to move to a ‘capitals approach’ for assessing sustainability, which shows more explicitly whether the stock of wealth-creating assets we pass on to future generations is better or worse than what is available to us today. Using this approach, it is easier to see which aspects of sustainability are well reflected in SCBA and which are not. Research for this Review suggests that much of what is needed to assess sustainability is, in principle, already taken into account by SCBA when it is done well. This means that government is already doing much to ensure that decisions taken are compatible with sustainability. However there are some circumstances in which standard SCBA does not reflect the full consequences of policy choices – particularly where there are large, non-marginal impacts or where the consequences are hard to reverse. We have identified steps which can be taken to adapt SCBA to reflect these when presenting options to Ministers.

While this Review has made progress on environmental valuation, there is still work to do on social impacts and social capital so that these can be integrated consistently into mainstream appraisal. We have set out what needs to be done, and this work will now be developed by the Social Impacts Task Force, a group which will draw on analytical expertise from across UK government departments and leading researchers from outside government.

Finally, this Review has helped move beyond thinking of economic growth and environmental performance as mutually exclusive alternatives. There is no fundamental incompatibility between long-term economic growth and the environment: indeed there are many reasons why they go hand in hand. In this context we have also examined, in a paper published with the Final Report, the relationship between GDP growth and the broader wellbeing of society.

I hope that the approaches developed by this Review, and which are being incorporated into mainstream policy analysis, mean that we are well placed to see that, as the economy grows and prospers, our environment and society also become stronger, and that we leave them in a good state for future generations. I welcome any comments and suggestions that you may have on this report.

With best wishes,

Richard Price
Chief Economist
Department for Environment, Food and Rural Affairs