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Environmental-Economic Accounting
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IMPLEMENTATION AND PROMOTION OF ENVIRONMENTAL-ECONOMIC ACCOUNTING

Strategy paper

United Nations Statistics Division

Background

1. The United Nations Committee of Experts on Environmental-Economic Accounting (UNCEEA) has been established with the approval of its terms of reference by the Bureau of the United Nations Statistical Commission in November 2005. In the Preliminary Meeting of the UNCEEA organized by UNSD in New York from 29-31 August 2005, participants formulated its long-term objectives; developed its programme of work; and agreed on its governance structure.
2. The objectives of the Committee are (i) to mainstream environmental-economic accounting and related statistics; (ii) to elevate the *System of integrated Environmental and Economic Accounting (SEEA)* to an international statistical standard¹; and (iii) to advance the implementation of the SEEA at the global level.
3. In order to achieve the above objectives, five components for the programme of work of the UN Committee have been identified, namely (a) coordination among international agencies and other groups working in environment and related statistics; (b) promotion and implementation of the accounts through the recommendations on their compilation; (c) harmonization and dissemination of the accounts, linking the accounts to indicators and developing a closer relationship between the users and producers of environmental-economic accounts and related statistics; (d) advancing the research agenda so as to allow for the SEEA become a standard by 2010; and (e) harmonization of data collection activities on environment and related statistics with environmental-economic accounts.
4. At the Preliminary meeting a paper on the implementation of environmental-economic accounting prepared by the Earth Institute at Columbia University and the World Bank Environment Department as well as a paper on the promotion of environmental-economic accounting prepared by UNEP were discussed. The Committee did not have enough time to discuss the topic in detail. However, because of the importance that it attaches to the implementation of environmental-economic accounting, the Committee recommended that a strategy paper on implementation, including a detailed programme of work be prepared for discussion at its next meeting.
5. This paper has been discussed with a small group of experts prior to presenting it at the UN Committee meeting in June 2006. This paper is largely based in the papers presented at the Preliminary Meeting of the UNCEEA and in particular on the paper prepared by the Earth Institute at Columbia University and the World Bank. It presents a brief assessment of the current situation in countries and suggests concrete areas of work for the promotion of the implementation of environmental-economic accounting in countries.

¹ With international statistical standard it is implied an agreement on a framework of definitions, classifications, accounts and tables to be compiled at the global level.

Current situation in countries

6. Implementation of environmental accounts has been most extensive in developed countries, notably EU member countries, Norway, Canada, Australia and New Zealand. Developed countries largely fund their own programs, although Eurostat has funded a considerable amount of environmental accounting activity in the EU.

7. Implementation has lagged in most developing countries although environmental-economic accounts are most important in these countries because of their dependence on natural resources. Relatively few developing countries have compiled environmental-economic accounts, even on a one-off basis, and even fewer have sustained it on a permanent, self-funded basis. However, an increasing number of countries are in the process of institutionalizing selected modules of environmental-economic accounting as part of their regular programme of data production. These include China, Indonesia, Mexico, Moldova, Philippines and South Africa. Most developing countries are funded by international agencies or bilateral donors, and rely heavily on technical cooperation for training and expertise. The pilot experience in implementing the accounts through technical assistance sometimes, but not always, translates into the institutionalization of environmental-economic accounts.

8. Most efforts have been initiated for individual countries rather than as part of a regional program, with a few exceptions:

- Eurostat-funded pilot programs for EU member states
- Natural Resource Accounting Programme for East and Southern Africa (on-going program), established in 1995, donor funded
- Global Initiative for Environmental Accounting proposed to GEF by the Earth Institute and World Bank

9. No country has attempted to compile all components of SEEA for all environmental and natural resources. The most commonly compiled accounts are subsoil assets, energy, forests and air pollution accounts. Physical accounts are more widely implemented than monetary accounts. Of all the monetary accounts described in the SEEA, only subsoil assets and the environmental protection expenditure accounts are widely implemented. Valuation of depletion and degradation, pollution damage, etc. is not widely implemented.

10. As for the valuation of assets, they are often compiled in the context of the compilation of balance sheets in the national accounts. Countries that compile balance sheets for natural resources rely on the physical accounts compiled in the environmental-economic accounts. This is the case for many European countries, Australia and Canada.

11. The implementation of environmental-economic accounting has been characterized by cooperation between national statistical offices, the Ministry of the Environmental and/or relevant line ministries. The lead agency is often the national statistical office and within the NSO it is either the National Accounts Section or Environmental Statistics Section. Each country has a different institutional situation. As a general rule, it is key for the successful and sustainable implementation of the project. Also, it is important that the senior management of the various organisations is involved in steering the activities of the project.

12. Environmental-economic accounts have been historically data driven. Because of the novelty of the tool, lack of expertise in environmental economics and weak traditions of using data and indicators to guide policy decisions, the accounts have not been used for policy making as much as they could be. The situation is now changing and more and more countries are using information based on the accounting system for designing policies. On the basis of country experiences, users should be informed of the benefits of environmental-economic accounting and encouraged to use them as a tool for decision-making.

Suggested areas of work

13. The analysis of the situation of implementation in countries, clearly identifies the need for developing mechanisms that facilitate the implementation, compilation, the dissemination and use of environmental-economic accounts. The Committee could effectively take on the following areas of work:

(a) *Link the production and release of environmental-economic accounting with the national accounts*

Linking the environment statistics to the accounting framework would introduce checks and balances in the data and produce a consistent data system from individual sets of environment statistics. In addition, the implementation of such an integrated system achieves consistency across time. This is of utmost importance in developing comparable time series estimates which are necessary for the policy process. The consistency of environmental information with the economic information of the SNA adds considerable value to both the environmental and economic information as it improves the quality of both environment and economic statistics. Lastly, it significantly improves the likelihood that environmental information is considered more fully in economic decision-making process.

Under the aegis of the UN Committee activities should be undertaken to:

- Develop a scope and compliance survey to assess the status of implementation of environmental-economic accounting in countries and the compliances with the SEEA methodologies;
- Develop guidelines for a comprehensive data collection programme of environment and economic statistics for countries at different stages of implementation;
- Develop a data quality framework for environmental accounting following the DQAF framework developed by IMF on national accounts and other macro-economic statistics. The framework provides a structure and common language for best practices as well as internationally accepted concepts and definitions. It follows a cascading structure that begins with a set of pre-requisites;
- Develop a set of tables/accounts that should be developed by every country (e.g. energy and air emission and water accounts). This could be done taking into consideration global vs. local issues.

(b) *Facilitate the support of the SEEA framework by international agencies*

Different international agencies promote their own policy framework often linked to underlying set of indicators. Countries are often faced with requests of data and indicators from different agencies with slightly different definitions. In order to meet these requests (often short lived), countries develop ad-hoc data collection systems which are often independent. This makes it difficult to (a) develop long-term time series; (b) develop a coherent information system which allows, in addition to derive specific indicators, to measure interactions between various domains (e.g. water, land and the economy) as well as to develop more in depth analysis.

The most notable frameworks used in defining countries' development plans include PRSP, MDGs as well as indicators of sustainable development. There is a clear need to link environmental-economic accounting to these frameworks and having the accounts become the information system used for decision-making. This would assist in mainstreaming environmental-economic accounting in countries.

The UNCEEA should liaise with other international agencies to promote the usefulness of the accounts, using as example best practices in countries. The user producer dialogue on water accounting that UNSD is organizing with the UNCEEA in May 2006 could be seen as an example of activities to encourage the use of environmental-economic accounting framework for organizing water-related information.

(c) Increase support and technical cooperation in developing countries

The publication of the SEEA-2003, the establishment of the UNCEEA, the future prospect of the SEEA becoming a standard and actions of encouraging the use of the SEEA as a tool for decision making are likely to have an impact on the number of countries wanting to embark on the implementation of selected modules of the SEEA. Implementation of environmental-economic accounting requires a great deal of resources – financial and human. There is a need for coordinating activities among different agencies/donor countries involved in providing technical assistance to countries so as to ensure that resources are used efficiently (e.g. the case of Philippines and Indonesia in the 1990s are textbook examples of lack of coordination with different donors pushing for its approach). While each agency/donor country maintains its technical cooperation activities, the aim would be to inform one another of on-going activities and possibly use a common approach to technical cooperation.

Under the aegis of the UNCEEA, the following activities could be undertaken:

- Develop training material that can be shared among the various agencies/donor countries;
- Based on countries experiences, identify success and impeding factors in the implementation of environmental-economic accounting as well as possible actions to overcome obstacles;
- Develop a website containing a searchable archive/library of environmental-economic accounting projects/publications in countries as a tool for coordinating activities. A prototype of such an archive for water accounting has been developed by UNSD.

(d) Develop a promotion and dissemination strategy

Reaching out to the users' community is very important. The UNCEEA website should play a major role in disseminating results. It would also be useful to compile best practices on how environmental-economic accounts have been disseminated in countries.

The following activities could be undertaken:

- Develop information and promotion material including a paper describing the features of environmental-economic accounting, a brochure, etc. ;
- Develop a dissemination strategy, including application of technical tools (e.g. interactive presentations) for presenting the results of the accounts;
- Write articles in magazines and newspapers to raise awareness about environmental-economic accounting;
- Organize events bringing together users and producers of environmental-economic accounting (e.g. user-producer dialogue on water accounting, etc.)

Other areas of work that were identified in the paper by the Earth Institute of Columbia University and the World Bank, namely advancement of methodologies and improvement of cooperation between environment statisticians and accountants, are being addressed by other subgroups under the auspices of the UN Committee. Ideas and inputs on issues related to the above should be addressed to the relevant groups.

Questions to the group

- (a) What is the best mechanism to promote the implementation of environmental-economic accounting in countries? Should a sub-group of the UNCEEA be created to advise the Committee on strategies to encourage the SEEA implementation in countries and carry out the activities outlined above? Who should be part?
- (b) What would be possible activities to be undertaken to encourage the SEEA implementation in countries?
- (c) What would be the best way to coordinate technical cooperation activities in countries?