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**The revision of the SEEA-2003:
Role of the London Group and Proposed Principles**

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THE REVISION OF THE SESA-2003:

ROLE OF THE LONDON GROUP AND PROPOSED PRINCIPLES

FOR DISCUSSION BY THE LONDON GROUP IN PRETORIA

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BACKGROUND

1. The UN Statistical Commission established in 2005 the UN Committee of Experts on Environmental-Accounting (UNCEEA) with the objectives of (a) mainstreaming environmental-economic accounting and related statistics; (b) elevating the *System of Environmental and Economic Accounting 2003* (SEEA-2003) to an international statistical standard¹; and (c) advancing the implementation of the SEEA at the global level (Secretary General Report to the Statistical Commission E/CN.3/2006/9).

2. The UNCEEA requested the London Group in its preliminary meeting in August 2005 to dedicate a significant part of its work programme over the coming years to the revision of the SEEA-2003. In response to this request, the London Group discussed at its June 2006 meeting a paper describing a proposed governance structure. The Group agreed with the proposed governance structure but also requested a further elaboration of the governance paper as well as a note on the role of the London Group in the revision of the SEEA-2003 and its perspective on the guiding principles for the revision.

3. This paper attempts to clarify the London Group's contributions to the revision process of the SEEA-2003 and to develop a proposal for the guiding principles of the revision. It is largely based on the discussions that took place at the London Group and the UNCEEA meetings in June 2006.

4. The London Group's expected contributions are part of a larger programme of work for the revision of the SEEA-2003 under the responsibility of the UNCEEA. For management and coordination purposes, a Project Management Framework for the revision of the SEEA-2003 outlining the governance structure and the roles and responsibilities of expert groups, including the London Group, is being drafted for consideration by the UNCEEA. London Group members are invited to provide their comments on the proposals made in this paper. The Group's agreed suggestions will be submitted to the Chair of the UNCEEA and will serve as an input in the formulation of the UNCEEA Project Management Framework for the revision of SEEA-2003.

¹ The term "international statistical standard" implies an agreement on a framework of definitions, classifications, accounts and tables to be compiled at the global level.

A. THE ROLE OF THE LG IN THE REVISION OF THE SEEA-2003

5. The first envisaged task of the London Group in the revision of the SEEA-2003 consists of advising the UNCEEA on the completeness of the list of issues in the research agenda which is expected to be approved by the UNCEEA in early 2007. The list of issues should be developed on the basis of agreed principles for the revision (see Section C).

6. The second proposed task of the LG is the preparation of recommendations on an accepted sub-set of issues of the final list adopted by the UNCEEA. Each of these issues will be discussed by the Group on the basis of detailed issue papers. The recommendations resulting from the Group's deliberations will subsequently be submitted to the UNCEEA in the form of outcome papers. It is expected that it will take the LG at least three meetings between early 2007 and the first half of 2008 to prepare issue and outcome papers addressing the expected substantial set of issues included in the final list.

7. The third foreseen task of the London Group is to render the services of its members in reviewing the draft chapters of the revised SEEA-2003. The drafting is expected to be undertaken mainly by an editor to be appointed for the SEEA-2003 revision. This task is expected to commence in the second half of 2008 and to continue up to the end of 2009.

8. Given the foreseen substantial role of the LG throughout the revision process, the acceptance of the above tasks not only requires a strong commitment of its members to the SEEA revision process but also a prioritization of the Group's work programme until the end of 2009.

B. PROPOSED GUIDING PRINCIPLES OF THE SEEA-2003 REVISION

9. One of the objectives of the UNCEEA is to elevate the SEEA-2003 to the level of an international statistical standard. The UNCEEA recognized that the SEEA-2003 represents a major step forward in the development of (a) relevant and comparable concepts and methods in environmental-economic accounting; and (b) a consistent framework for environmental-economic accounts, related statistics and indicators. As a result of this achievement, the UNCEEA and, upon its recommendation, the Statistical Commission endorsed the revision of the SEEA-2003 with the objective to elevate it to an international statistical standard by 2010. Because of the above considerations, the fundamental principles of the SEEA-2003 should be maintained throughout the revision of the SEEA.

10. The goal of an international statistical standard is reaching agreement on a well defined statistical framework of definitions, classifications, accounts and tables. These should be developed for those part of the SEEA for which practical experiences and methodology is well advanced to

warrant international comparability. A standard will not take any position in terms of school of thoughts. Endorsement of the statistical standard by the Statistical Commission will imply that its worldwide compilation is recommended.

11. The process leading to the SEEA as a statistical standard is not univocal. The ultimate scope of the standard depends on our ambitions, available resources and consensus reached. Obviously the SEEA revision must be in line with what can be achieved, given the resources available, in a period of 3 to 4 years time. The initiation of the revision project requires among other things a careful priority setting. It is important to adopt our ambitions to what is feasible.

12. The quality characteristics of relevance, consistency and measurability, which are common to international statistical standards, will be the main drivers of the revision of the SEEA-2003.

13. When no consensus was reached, the SEEA-2003 provides a number of options on how to deal with specific issues (e.g. depletion of natural assets, treatment of discoveries of mineral deposits, etc.). To elevate the SEEA-2003 to the level of a statistical standard, multiple options should be replaced by one single recommended method based on prevailing consensus, in particular for issues discussed in Chapters 3 to 8.

14. To further enhance the policy relevance of the SEEA, accounting identities and aggregates, both in physical and monetary terms, linking flows and stocks, should be clearly presented in the revised SEEA. Moreover, the presentation of environmental pressures should be directly related to expected environmental impacts (e.g. greenhouse gas emissions, waste, acidification, eutrophication, etc.) by introducing specific classifications and aggregation methods based on scientific knowledge. The criteria of choice of recommended accounting aggregates will be further explored in the revision process. In addition, Chapter 11, which presents selected applications of the SEEA-2003, should be reviewed to provide further perspectives on the analytical interpretation of the SEEA.

15. Because of their policy relevance, Chapters 9 and 10 of the SEEA-2003, which discuss valuation techniques and the derivation of macro aggregates, should be revised taking into consideration best practices and convergence of opinions. Although an agreement on a standard methodology is desirable, it is unlikely to be reached within this SEEA revision. However, the possible options of choice should be restricted and limited to only a few cases.

16. In order to enhance the measurability of the SEEA, a set of standard accounts and tables based on agreed international classifications should be presented in the revised SEEA-2003. These accounts and tables are to be populated with a fictitious but realistic dataset (SEEAland data set) which should be used for illustrative purposes. Country examples which are included in the SEEA-2003 should not be included in the revised SEEA.

17. The revision of the SEEA-2003 should maintain and where possibly improve the consistency with the *1993 System of National Accounts* (1993 SNA) and its update 1993 SNA Rev.1. Moreover, consistency with other macroeconomic statistical standards like the *Balance of Payments Manual*, the *Government Finance Statistics Manual* and the *Monetary and Financial Statistics Manual*, should be maintained and where possible improved. Similar considerations should also apply to the latest developments in the international (business) accounting standard.

18. Throughout the revision process, it is important that a broad consensus is reached. Broadening the consensus necessitates a global consultation of experts. In addition, seeking resolutions of the issues and agreement on the final text of the statistical standard should be undertaken in a spirit of compromise, as it may not be possible to satisfy the definitions and treatments preferred by all countries on all subjects.

19. The revision process should be time-bound with well-defined deliverables formulated in a project management framework. A short- and long-term research agenda should be adopted. In the context of the revision of the SEEA-2003, the short-term research agenda comprises (i) those issues for which a significant number of country experiences exists and consensus on its resolution prevails; and (ii) those issues that are highly-policy relevant, for which no consensus has emerged but a significant amount of country experiences exists to warrant treatment as best practices in the revised SEEA (e.g. valuation of degradation). The long-term research agenda comprises those issues that will not be included in the revision of the SEEA-2003 because conceptual consensus is not widespread and/or country experiences are limited.

20. Given the tight time schedule and the considerable number of issues to be addressed by the London Group, it is expected that the long-term research agenda will be given low priority in the coming years until the revision of the SEEA-2003 is completed.

21. The aforementioned considerations on the SEEA-2003 revision could be summarised in following guiding principles:

(a) The SEEA 2003 has proven to be a useful and policy-relevant framework for measuring the inter-relationships between the economy and the environment. It is a major step forward in harmonizing concepts and methods in environmental-economic accounting and related statistics. Therefore, the fundamental principles of the SEEA-2003 should be maintained in its revision. Although the chapter structure is subject to revision, the overall structure of the current SEEA will be maintained. Moreover, the scope of the revision should not compromise comparability and ensure continuity of existing time series of environmental accounts and statistics;

(b) Quality characteristics of relevance, consistency and measurability should be the main drivers to elevate the SEEA-2003 to the level of an international statistical standard. Changes to the SEEA-2003 should not impede the process of its implementation and should

take into account the feasibility of implementation by a large number of countries with different levels of statistical development. Tables and related classifications should clearly present how to compile time series;

(c) The consistency with the *1993 System of National Accounts* and its update 1993 SNA Rev.1 should be maintained. Moreover, the consistency with other macroeconomic statistical standards such as the *Balance of Payments Manual*, the *Government Finance Statistics Manual* and the *Monetary and Financial Statistics Manual* should be maintained and where possible improved. Similar considerations on consistency should also apply to the international (business) accounting standard;

(d) Broadening the consensus on the SEEA-2003 requires that consultation of all UN Member Countries be sought and be based on a spirit of consensus in seeking resolutions for the issues on the research agenda;

(e) The revision process should be time-bound with well-defined deliverables formulated in a project management framework.

C. QUESTIONS TO THE LONDON GROUP

1. Do you agree with the role of the London Group in the SEEA revision with three specific tasks as formulated in see Section B?
2. Do you agree with the proposed specific guiding principles of the SEEA revision as formulated in Section C?
3. Do you agree with focusing the work programme of the London Group on the short-term research agenda until the revision of the SEEA-2003 is completed?