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## EDITORIAL

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### City groups: new partnerships for developing statistical methods

New paradigms of human and sustainable development and structural change in economic activity have posed challenges to the international statistical community. To address these challenges partnerships among statisticians and data users in governments, non-governmental and inter-governmental organizations were forged - among them the so-called "city groups" as the most prominent one.

As countries became dissatisfied with the pace of development of international statistical standards, groups of country statisticians met informally to address emerging problems. The first of these groups was the Voorburg group on Service Statistics, which derived its name from the city where it was convened for the first time. The Group has focused on the statistical measurement of the service sector and in particular on the data needs of the modern information society. Others dealt with labour and compensation (Paris), price indices (Ottawa), household income (Canberra), social statistics (Sienna), the informal sector (New Delhi), poverty (Rio de Janeiro) and environment (London, Nairobi). Experience to date shows that the international community can benefit greatly from the informal pooling of technical expertise and practical experience, unencumbered by externally set mandates, priorities or terms of reference.

Each of these city groups thus defined its own individual mechanism of work. Nonetheless, certain common characteristics can be observed: the members of the groups are usually individual country experts, who contribute substantive papers to each meeting of the group; participation is voluntary and individually funded; in general, the host country and/or a secretariat prepare a volume of proceedings after each meeting. Experience has shown that these groups function best when working towards a clearly specified goal, such as the publication of a manual.

There are currently two groups working on questions of environmental accounting, the London Group and the Nairobi Group. The *London Group* was created in 1994 to allow practitioners to share their experience of implementing environmental accounts linked to the national accounts. Invited members comprise mostly experts from national statistical agencies of industrialized countries and international organizations. The Group has met four times in different cities, producing papers and proceedings published by Statistics Canada (1994), the US Bureau of Economic Analysis (1995), Statistics Sweden (1996) and Statistics Canada (1998). A fifth meeting will take place in May 1998 at Fontevraud (France). Statistics Canada is presently acting as the secretariat of the London Group.

The four meetings came around full circle, setting out with a discussion of general systems, frameworks and approaches of "green" accounting and ending with a review and evaluation of these approaches in the fourth meeting in 1997. In between, the meetings dealt with questions of valuation, the use and usefulness of a green GDP, balance sheets of natural resources, sectoral accounts of forests, minerals and water, and environmental protection expenditures. The fifth meeting in France this year will continue the discussion of an overall modular framework for use in the eventual revision of the United Nations System of integrated Environmental and Economic Accounting (SEEA). It will also explore the links to systems and frameworks of environmental statistics and indicators.

The *Nairobi Group* was established in 1995 to advance international work in the fields of environmental and natural resource accounting. At its first meeting, the Group agreed to work with UNSD on an "operational" manual for SEEA implementation. It is probably the most balanced group in terms of representation of developing and industrialized countries, and inter- and non-governmental organizations. The group has met three times, discussing the different contributions by group members. At its last meeting in New York in November 1997, the Group concluded its discussion of a draft manual and requested UNSD to distribute the consolidated draft to a wide audience prior to final revision and publication (envisaged for end 1998). As mentioned above, the focus on one particular output clearly helped in achieving the Group's objectives within a limited time frame.





Given the narrow objectives of the Nairobi Group and membership limitations of the London Group, the idea was born recently to create a regional group of developing countries in Asia. The Philippine National Statistical Coordination Board, in cooperation with the Asian Development Bank, UNDP (Philippines), ESCAP and UNSD, is planning to host the first meeting of a *Manila Group* in late 1998 or early 1999. The Group would mainly consist of those countries which already have experiences in environmental accounting, notably Australia, Guam, India, Indonesia, Japan, Islamic Republic of Iran, the Philippines, Republic of Korea and Thailand. The purpose would be to exchange experiences, find solutions to common problems and, based on common experiences and solutions found, to develop regional guidelines of SEEA implementation. In addition, a first international compilation, in a reduced format, of comparable environmental accounts is envisaged.

In order to complete the review of activities of city groups, two additional groups should be mentioned. An expert group on capital stock statistics which is presently working on the preparation of a manual to be published by the year 2000. Also, an electronic discussion group which will be established, on the initiative of the statistical office of the United Kingdom, to start a debate on the statistical measurement of intangible assets. Although not working directly on environmental accounting, part of this debate may be relevant for the assessment of natural assets.

The challenge for all these groups is to create a balance between two apparently conflicting criteria for participation. On the one hand, relatively small groups need to be able to work as effectively as possible. On the other hand, the viewpoints of those who often lack the resources to directly participate should be recognized and considered. The Statistical Commission of the United Nations has therefore invited the city groups to set themselves terms of reference for approval by the Commission and to report regularly on progress. Furthermore, UNSD is assisting in making the findings of these groups widely available: A webpage has been established at <<http://www.un.org/Depts/unsd>>, which provides information on the activities of various groups and offers direct links to existing group webpages. In addition, UNSD is offering a special e-mail address <[citygroup@un.org](mailto:citygroup@un.org)> for queries about the groups.

## WHAT?



### Environmental accounting projects completed

#### *Philippines*

The National Statistical Coordination Board (NSCB), with the technical assistance of UNSD, completed the project on the implementation of the System of integrated Environmental and Economic Accounting (SEEA). The project was carried out jointly with the Department of Environment and Natural Resources (DENR), the National Economic and Development Authority (NEDA) and the United Nations Development Programme (UNDP). Asset accounts for forests, fishery, mineral resources, land/soil, and water were compiled in physical and monetary terms. In addition, emissions from selected industries were costed, and environmentally modified indicators, such as Environmentally-adjusted Value Added (EVA), Environmentally-adjusted net Domestic Product (EDP) and Net Capital Accumulation (NCA) were calculated.

The results indicate that the proportion of depletion and degradation costs over NDP decreased significantly from 1988 to 1994 (12.1% in 1988 to 2.2% in 1994). The depletion of forest is the most significant part of the environmental cost generated during the period 1988-1991. It decreased substantially after the introduction of a logging ban in 1992. During the period under consideration, the depletion of groundwater has nonetheless increased steadily, with the depletion cost exceeding the gross value added of the water works and supply industry. Results also showed that while depletion costs decreased, environmental degradation costs of pollution increased significantly. The project report also contains an analysis of possible policy uses of the accounting results.

In recognition of the successful implementation of the project, the Philippines has now institutionalized, by presidential decree, economic-environmental and natural resources accounting as part of its official statistical system. The NSCB is also implementing regional environmental accounting for a selected region (region VII - Cebú). The project methods and results will be published in two volumes and will be available from the NSCB (Ms. Estrella Domingo, Midland Buendia Building, 403 Sen. Gil J. Puyat, Metro Manila, tel:/fax: (632) 890-9397, E-mail: [nscb@psdn.org.ph](mailto:nscb@psdn.org.ph)).

#### *Republic of Korea*

The first pilot compilation of the SEEA in Korea was carried out by the Korea Environment Institute (KEI) with the technical assistance of UNSD and funded by KEI and UNDP. The project included asset accounts for forest, fish, mineral resources and land, environmental protection expenditures, and emission costs, for 1985-1992.

The results indicate that the main environmental impacts are air emissions from industries, in particular from utilities. Depletion, on the other hand, does not constitute an environmental concern in Korea, with the possible exception of fish. The stock of forest has been increasing steadily, and mineral resources are scarce and of low quality, making them uneconomical to extract. Lack of data on fish stocks prevented the assessment of non-sustainable catch and depletion costs. The total environmental cost did not exceed 3.5% of NDP for the period under consideration.

The project provided guidelines on future data development, assessed the reliability of existing data, evaluated the implications of the project results for policy analysis and environmental management and suggested possible coordination mechanisms for the compilation of the accounts on a regular basis. In partial implementation of the project recommendations, the Bank of Korea has now initiated a yearly survey on environmental protection expenditures. The results of the project will be published shortly. The publication will be obtainable from KEI (Mr. Seung-Woo Kim, 1049-1 Sadang-Dong, Dongjak-Ku, Seoul 156-090, Korea, tel: 82-2-3488-7720/7638, fax: 82-2-3488-7755, E-mail: [swkim@keins.kei.re.kr](mailto:swkim@keins.kei.re.kr)) and UNSD (Ms. Alessandra Alfieri, United Nations New York, tel: 1-212-963-4590, fax: 1-212-963-0623).

#### *Ghana*

Ghana Statistical Service (GSS), with the technical assistance of UNSD and the Overseas Development Administration (ODA) and financial support of UNEP, undertook a pilot compilation of the SEEA. Asset accounts for forest, marine fish, subsoil assets, water, forest land and fodder were compiled for 1991-1993. Rough estimation of environmental protection expenditures was carried out mainly for the central government.

The exercise showed that the environmental cost is highest for degradation caused by households and depletion of mineral resources, especially gold. Environmental cost amount to over 14% of NDP.

Data gaps were identified and it was recommended that basic environmental data be collected on a regular basis and integrated into a coherent information system. A report of the project can be obtained from Ghana Statistical Service (Mr. Kwadwo Addomah, P.O. Box 1098 Accra, tel: 233-21-664 383, fax: 233-21-664 652).

### Colombia

The Administrative Department of National Statistics (DANE) with the technical assistance of UNSD, implemented the Colombian System of Integrated Environmental and Economic Accounting (COLSEEA). The project was carried out jointly by the Inter-agency Committee on Environmental Accounts (CICA), involving DANE, the National Department of Planning (DNP), the Ministry of the Environment, The Institute of Hydrology, Meteorology and Environmental Studies, and UNEP. Environmental protection expenditures of industries, households and government were compiled, according to the environmental media they affect. Asset accounts for renewable and non-renewable resources were compiled in physical terms only. A second phase of the project will include environmental quality indicators.

The results indicated that the environmental protection expenditures in 1995 represented 1.0% of GDP, of which 0.3% by industries and households and 0.3% by government institutions directly dealing with the environment and 0.4% by other government institutions. Recycling was the major expenditure for industries and households, followed by waste management. Overall, environmental protection expenditures have decreased from 1993-1995 (0.5% in 1993 to 0.3% in 1995), except for the government for which increased expenditures were recorded in 1995, after a decline until 1994. COLSEEA served as an input in the *Strategy of Financing Environmental Investment 1998-2007*, prepared by the Ministry of Environment. A report of the project can be obtained from DANE, Via Eldorado, Santafé de Bogotá, tel: 57-1-222 1100, fax: 57-1-222 2305).

**New book: *Environmental Accounting in Theory and Practice*** (K. Uno and P. Bartelmus, eds.)

Five years after launching a process of international discussion of environmental - national - accounting, the International Association for Research in Income and Wealth (IARIW) held a second special conference on "Environmental Accounting in Theory and Practice" in Tokyo (5-8 March 1996). Considerable experience with environmental accounting, and in particular with the implementation of the United Nations SEEA, had been gained between the two conferences. Much of the Tokyo meeting focused therefore on practical applications of green accounting methodologies, without losing track of new approaches, especially with regard to "physical" material and energy flows.

The new book attempts to provide a fair overview of experience to date and experimentation with new or alternative methodologies. It is more than a typical proceedings volume, cutting through the conference agenda for a representative presentation of the state of the art in environmental and natural resource accounting. It also points to emerging commonalities as a basis for future standardization of concepts and methods. The book can be obtained from Kluwer Academic Publishers (fax: 31-78-654674, e-mail: services@wkap.nl).

### International compilation of environmental indicators

UNSD has sent out a pilot questionnaire on environmental indicators to the countries that participated in the fourth meeting of the Intergovernmental Working Group on the Advancement of Environment Statistics (Stockholm, February 1995). Based on the results of this pilot survey, UNSD plans to circulate the questionnaire to all non-OECD countries later this year.

## WHO?



**Stefan Schweinfest** (co-author of the editorial) is UNSD's focal point for city groups. He has worked in the National Accounts Section of UNSD since 1989. Together with his colleagues Peter Bartelmus and Jan van Tongeren he collaborated in the earlier environmental accounting field studies on Mexico and Papua New Guinea. He currently coordinates the activities of a UNSD work unit which supports the implementation of the 1993 System of National Accounts.

**Estrella Domingo** is the Director of the Economic and Social Statistical Office of the National Statistical Coordination Board. She holds a Masters in Business Administration from La Salle University, Manila. She is the Manager of the joint UNDP, DENR and NEDA Project on Environment and Natural Resources Accounting. Her main areas of work are the SNA implementation, environmental accounting, environment statistics, international trade and investment statistics and sub-national accounting.

**Seung-Woo Kim** is a research fellow and the director of Planning and Coordination Division of the Korea Environment Institute (KEI). He holds a Ph.D. in resource economics from the Oregon State University, USA. His main research areas are environmental accounting, economic instruments, contingent valuation, environmental statistics, and water quality management. He has been the leader of several national and international projects, notably "Research on Integrated Environmental and Economic Accounting"(UNDP/KEI), "Systems of Integrated Environmental and Resource Accounting"(ESCAP/KEI) and "Collaborative Research to develop a Korean Acidic Component Emission Model" (KEI and National Institute for Environmental Studies of Japan).

**Joy E. Hecht** is the Global Coordinator of the Green Accounting Initiative (GAI), a program of the IUCN/World Conservation Union. The GAI is designed to further understanding of the need to integrate environmental considerations into the national accounts and into economic policy-making. Prior to joining IUCN in 1996, Dr. Hecht worked for eight years on environmental issues in Third World economic development, including work on environmental accounting in the Philippines and Indonesia.

## WHEN AND WHERE?



**FAO meetings on forest resources accounting** (Rome, 12-14 June 1997 and 4-6 February 1998). The first meeting discussed a report on accounting for benefits of forests. The second meeting reached an agreement on an annotated outline of a status report on environmental-economic accounting in forestry. The

final report will be a joint effort of FAO, UNSD, EUROSTAT and the World Bank.

**Fourth Annual London Group Meeting on National Accounts and the Environment** (Ottawa, 17-20 June 1997). See editorial. The proceedings and papers of the meeting are on the Internet: [www.statcan.ca/secure/english/citygrp/london/london.htm](http://www.statcan.ca/secure/english/citygrp/london/london.htm).

**Special Session of the General Assembly to review and Appraise the Implementation of Agenda 21** (New York, 23-27 June 1997). In the field of indicators of sustainable development, the General Assembly recommended, *inter alia*, that the work programme of the Commission on Sustainable Development (CSD) should result in a practicable and agreed set of indicators, suited to country-specific

conditions and to be used at the national level on a voluntary basis by the year 2000.

**UNSD missions on the implementation of the SEEA in the Philippines** (Philippines, 8-15 August 1997). UNSD staff reviewed progress made in the implementation of the SEEA, advised on regional (sub-national) environmental-economic accounting, provided training to the staff of the regional government agencies in Cebú, and assessed the feasibility of provincial accounts in Palawan. A second mission (12-16 January 1998) assisted in the assessment of the policy use of the accounting result in a national seminar.

**Third Meeting of the US National Academy of Science: Panel on Integrated Environmental and Economic Accounting** (Washington, DC, 18-19 September 1997). The panel met to review the objectivity, methodology and application of integrated environmental and economic accounting in order to allow the US Bureau of Economic Analysis to continue its work in this area. A UNSD representative briefed the panel on the concepts and methods of the SEEA.

**Fourth Expert Group Meeting on Indicators of Sustainable Development** (New York, 23-24 October 1997). The meeting took stock of progress in the implementation of the CSD work programme, specifically in the testing of the indicators, the development of related indicator programmes, and work on aggregation and linkages. It also discussed the implementation of the next phase of the programme.

**Third meeting of the Nairobi Group** (New York, 10-12 November 1997). The Group met in New York to review the draft of the operational manual on integrated environmental and economic accounting. A final draft of the manual is being prepared and will be circulated to a wider audience. The manual will be published as a United Nations sales publication.

**UNSD/ECA Workshop on Environmental Statistics, Indicators and Accounting** (Addis Ababa, 17-21 November 1997). The workshop was organized by UNSD and ECA to familiarize data users and producers in the region with the international concepts and methods of environmental statistics, indicators and accounting and to provide a forum for exchange of information on the status of national environment statistics.

**UNSD/ECLAC Workshop on Integrated Environmental and Economic Accounting** (Santiago, 20-24 April 1998). The workshop provided the participants with training on the implementation of integrated environmental and economic accounting. It also provided a forum for exchanging country experiences.

**Fifth Annual London Group Meeting on Natural Resources and Environmental Accounting** (Fontevraud, France, 25-29 May 1998). The group agreed on a SEEA revision process, focusing on the overall accounting framework, policy uses, asset accounts, physical flows, environmental expenditures, valuation and application of the accounting results. In order to facilitate the discussion by a broader constituency, all drafts produced will be put on the Internet. UNSD will be the overall coordinator and editor of the final report to be issued as a United Nations sales publications.

#### **Planned meetings**

Asian Development Bank (ADB) Concluding Workshop on the Strengthening and Collection of Environment Statistics in Selected Developing Member Countries (Manila, 25-27 May 1998).

UNSD/ESCWA Workshop on Environmental Statistics, Indicators and Accounting (Cairo, November 1998).

## **POINT OF VIEW**



### **Research behind closed doors: the London Group on Natural Resource and Environmental Accounting**

*By Joy Hecht, IUCN*

The London Group plays a pivotal role in developing methodologies for integrating environmental considerations into the SNA. Given the endorsement by the United Nations Statistical Commission of participation of the London Group in the revision of the SEEA, it is likely for the Group to be very influential in that arena. For this reason, the London Group should bring in the ideas and analysis of a broad range of groups working in this field.

The Group's members come from the statistical offices of the OECD, and embody much of the world's expertise on the development of environmental accounts. This restricted membership may create problems for eventual implementation of new SEEA methodologies, for several reasons.

First, OECD statisticians and income accountants are oriented towards the environmental problems of their own countries. While many environmental concerns are common worldwide, some are not. Problems of sustainable agriculture and forestry, of ecotourism, or of biodiversity conservation are likely to be much more important to the biodiversity-rich, resource-dependent economies of the developing world than to the OECD. While pollution is important everywhere, it dominates environmental concerns in the North far more than in the South.

Second, much of the experimentation with different approaches to environmental accounting has occurred in the developing world, a fact which reflects those countries' greater economic dependence on natural resources. The national accounting offices, environment agencies and economic research groups which have undertaken that work do not contribute to the London Group. The lack of input from these key practitioners is a serious loss to the revision of the SEEA.

Third, the reliance on a small technical group as a major source of ideas for SEEA revision creates an appearance of elitism which, while neither intended nor perceived by participants in the process, may nevertheless influence those outside of it. The proposed Manila Group will open the discussion somewhat, but will create only parallel discussion processes with participation based on country of origin, rather than a single process open to all substantive contributions.

Thus, in the interest of developing the most effective methodologies possible and giving all expected users a stake in their implementation, we recommend that the UNSD develop a mechanism to open up the London Group to participation by everyone working on the issues.

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