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## Statistical Commission

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**Natural resource and environment statistics: environmental accounting**

## Environmental-economic accounting

### Report of the Secretary-General

#### *Summary*

The present report is submitted to the Statistical Commission in accordance with a request of the Commission at its thirty-fifth session.<sup>a</sup> It presents a proposal for the creation of the Committee on Environmental-Economic Accounting, which was discussed at a meeting organized by the United Nations Statistics Division and the United Nations Environment Programme in September 2004. This technical body would coordinate the further development of the Accounting Framework, ensure its successful implementation in Member States to meet policy needs and facilitate the systematic compilation of related environment statistics. Points for discussion are included in paragraph 20.

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<sup>a</sup> *Official Records of the Economic and Social Council, 2004, Supplement No. 4 (E/2004/24), chap. I.A.*

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\* E/CN.3/2005/1.

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## **I. Introduction**

1. The United Nations Statistics Division and the United Nations Environment Programme (UNEP) organized a meeting hosted by the European Environment Agency in September 2004 to discuss a proposal for the creation of a Committee on Environmental-Economic Accounting. The meeting brought together representatives from countries at different stages of implementation of environmental accounting from different regions of the world, as well as international organizations. The minutes of the meeting will be before the Commission as a background document.

2. Countries in the meeting reaffirmed that environmental-economic accounting is high on their agenda. They pointed out that the creation of a Committee on Environmental-Economic Accounting was the way forward to mainstream environmental accounting and related statistics and to raise the profile of the accounts as the tool to measure sustainability of growth and development.

3. Countries clearly expressed the need for promoting integrated economic and environmental information systems as opposed to indicators' lists in order to meet the increasing users' demand for conducting integrated economic and environmental policies. They reiterated that environmental-economic accounting would provide the necessary framework for analysing the impact of economic growth on long-term sustainable development.

4. In response to countries' expressed demand, the United Nations Statistics Division would develop a strategic plan to integrate environment accounting and related statistics in a common framework. The vision of the Division was to mainstream environment accounting to make it a policy-relevant framework and better meet user demand.

5. The present report summarizes the discussion at the above-mentioned meeting and outlines the Division's strategic response to countries' request to support the establishment of a technical body to be named the Committee on Environmental-Economic Accounting.

## **II. Committee on Environmental-Economic Accounting**

6. Although the initial proposal of UNEP and the United Nations Statistics Division was restricted to the creation of a task force that would deal with the promotion and implementation of environmental-economic accounts, it became evident that, in order to effectively advance this new area of statistics, a technical body that would encompass all aspects of environmental-economic accounting should be created. The discussion during the meeting, as well as the responses to a questionnaire<sup>1</sup> which was distributed to the participants prior to the meeting, confirmed this idea, and the following five broad areas of work for the proposed Committee were identified: (a) coordination, (b) promotion of the accounts to the user's community, (c) methodology, (d) technical cooperation and (e) harmonization of data. These areas are discussed in more detail below.

## **A. Coordination**

7. Although it was recognized that the London Group on Environmental Accounting was efficiently coordinating activities in the development of methodologies among its members, there remained a void in terms of overall coordination of activities in environmental-economic accounting. In particular, coordination among agencies active in the environmental field — users and producers of environment statistics and accounting — was considered necessary to raise the profile of environmental-economic accounting. The systematic dissemination of country practices, as well as sharing information on technical cooperation activities, was also considered important. As a result, participants in the meeting recommended that the proposed Committee play a major role in coordinating activities in environmental-economic accounting.

8. In response to these demands, the United Nations Statistics Division would undertake a worldwide scope and compliance assessment of the current data-collection methods being used in countries and current practices in the compilation of environmental-economic accounting. Over time, the Division had planned to develop a reference web site which would contain information of ongoing data-collection activities, an electronic archive of past and recent case studies in environmental accounts, training material in environment statistics and accounting, information on ongoing country projects and a roster of experts. The web site would serve as a “knowledge management” platform on environmental accounting and related statistics for the dissemination and sharing of information (good practices, methodologies etc.).

## **B. Promotion of the accounts to the users community**

9. Raising awareness of the uses of the accounts beyond the statistical community was considered an important activity of the proposed Committee. The accounts were mostly supply driven, at least at the initial stage of compilation, and the users’ community was not fully aware of the potential uses of the accounts. The proposed Committee should play a more active role in raising awareness of the potential uses of a well defined internationally endorsed accounting framework that allowed integrating environmental perspectives within economic policies, including income distribution and poverty, international trade, employment, investment, wealth and fiscal policies.

## **C. Methodology**

10. Although the publication of the *Handbook of National Accounting: Integrated Environmental and Economic Accounting* (SEEA 2003) was a major step forward towards the harmonization of concepts and practices in the implementation of environmental-economic accounting, a lot of work was needed to bring SEEA to the level of an internationally adopted standard. A research agenda should include both the harmonization of current practices in areas in which the methodology was already well advanced and the development of best practices in more experimental and high demand areas (valuation of natural resources, non-market services etc.).

## **D. Technical cooperation**

11. The publication of SEEA-2003 had generated renewed interest in environmental-economic accounts. Countries had already and would be in increasing numbers requesting technical assistance in the implementation of the accounts. The proposed Committee should coordinate the development of training materials as well as foster exchanges of best practices.

## **E. Data harmonization**

12. A major constraint to the implementation of accounts was the availability of data. Data were often produced by different agencies and were not always available and suited to be used as such in an accounting framework. Participants emphasized the importance of bringing environment statistics and environmental accounting closer, and urged the proposed Committee to coordinate its activities with other formal bodies dealing with environment statistics, such as the Intersecretariat Working Group on Environment Statistics.

13. The United Nations Statistics Division was working towards the harmonization of relevant environmental data-collection activities with concepts and definitions of environmental accounts. Such harmonization would result in substantial benefits in the quality of the data because it would introduce consistency checks to the environmental data and would also provide additional analytical value. The dissemination of national accounts, complemented with environment statistics information, was a very powerful analytical tool for the derivation of consistent and coherent indicators, such as resource efficiency indicators and resource use as percentage of value added. It would also allow for more in-depth analysis through scenario-modelling using input-output techniques.

## **F. Organizational structure**

14. During the meeting, the organizational structure of the proposed Committee was discussed. Various options were discussed. As for the composition of the proposed Committee, there was a general consensus that members should be senior managers from international agencies and developed and developing countries.

15. There was a clear feeling that the development of specific areas of environmental-economic accounting required technical expertise often available beyond the statistical community. The importance was therefore stressed of developing and maintaining the link with specialists and policy makers. The creation of specific subgroups composed of environmental accountants and other experts that would be responsible for specific time-bound projects was discussed.

16. There was a general concern among participants whether, by undertaking methodological work, the proposed Committee might duplicate the work of the London Group on Environmental Accounting since the London Group provided a forum for the exchange of experience in the field and played a major role in the advancement of methodology. There was general agreement that the London Group should continue to exist and its role would be that of an expert body on which the proposed Committee could rely for the development of methodologies and the review of documents prepared by other subgroups. It was recognized that not all

expertise lay in the London Group and the proposed Committee might have to form technical expert groups dealing with selected issues. Such subgroups could comprise members of the London Group, as well as academia and other experts (scientists, economists etc.).

17. During the meeting, the United Nations Statistics Division offered to serve as secretariat of the proposed Committee, and the United Nations Statistics Division and UNEP offered to co-chair it. Participants welcomed both proposals. The Committee would report to the Statistical Commission.

### **III. Future work**

18. To ensure that, once created, the proposed Committee would operate efficiently and successfully, it was recognized that it should be endowed with additional resources. To that end, UNEP and the United Nations Statistics Division should actively seek funding in terms of either staff seconded to the Division or fund-raising with donor countries. In the meantime, in response to countries' demand, the Division would support the Committee's work until additional funds became available.

19. Detailed terms of reference for the proposed Committee, including time-bound outputs, would be prepared by the United Nations Statistics Division and UNEP. The draft terms of reference would be widely circulated and discussed at the first meeting of the proposed Committee, which was tentatively scheduled for mid-2005.

### **IV. Points for discussion**

20. The Commission may wish to endorse the creation of a Committee on Environmental-Economic Accounting.

#### *Notes*

<sup>1</sup> The questionnaire included questions on the status of implementation of environmental accounts in countries, constraints in the implementation of the accounts and possible roles of the Committee. All the replies to the questionnaire are available on the United Nations Statistics Division web site at <http://unstats.un.org/unsd/envAccounting/list-of-documents.htm>.