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System of
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SEEA Central Framework update

Scoping note for issue C4: “Primary and secondary purpose”

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Note: This Scoping Note has been prepared in the context of the SEEA Central Framework update, mandated by the United Nations Statistical Commission in 2024. A set of [29 issues](#) was identified for the update process and endorsed by the United Nations Statistical Commission in 2025. As an initial step, Scoping Notes were developed for each issue to elaborate on its description and provide a common understanding of the work required to fully investigate and formulate recommendations for the updated SEEA Central Framework. Each Scoping Note was prepared by a lead author and discussed in the relevant Task Team. They were subsequently reviewed by the SEEA CF Technical Committee and the UNCEEA, and approved by the SEEA CF Technical Committee.

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1 Background to the issue

1. Governments' record a range of information related to public and private activities, policies, and budgetary processes. Accounting systems can be based on classifications that can be structural or functional. Structural classifications refer to the intrinsic nature of the description of an agent, activity, product, or operation, while functional classifications depend on why a transaction, activity or expenditure has taken place.
2. Functional classifications use the primary purpose as the classification criteria. However, increasingly policymakers and other actors are interested in identifying transactions that include multiple motivations or impacts. This not only relates to environmental activities, but a range of other concerns such as gender, digital economy or climate change. A key issue in resolving this question involves identifying both the primary and secondary purpose behind economic transfers or activities.
3. The primary environmental purpose criterion is discussed in chapter 4 of the SEEA CF. Paragraph 4.11 states that: "[t]he scope of environmental activities encompasses those economic activities *whose primary purpose* is to reduce or eliminate pressures on the environment or to make more efficient use of natural resources." The primary purpose criterion is thus a key concept in the SEEA CF for determining the scope for environmental activities, but also for environmental products and environmental transactions.
4. Paragraphs 4.12 and 4.13 define environmental protection and resource management in more detail and paragraphs 4.15 to 4.17 are focussed on determining primary purpose. With the exceptions discussed below, all the material in SEEA sections 4.2 and 4.3 are devoted to recording transactions with a primary environmental purpose.
5. The SEEA also acknowledges the importance of transactions other than those with a primary environmental purpose. Paragraph 4.9 states: "[a] distinction is drawn between those economic activities that should be considered environmental, and other economic activities that are closely associated with the environment or that use the environment directly in their production processes".
6. The SEEA CF does not coin nor use the concept of secondary environmental purposes, however, there are passing references, and some concepts related to it. For example, paragraph 4.14 states that "resource management activities may result in associated *secondary* environmental benefits, such as protection and restoration of wildlife and natural habitats". Similarly, paragraph 4.33 states that "also separately identified are non-specialist producers (who produce environmental goods and services for sale, although this is *not their primary activity*)" which can be viewed as an associated concept.
7. References to other concepts that that are related to secondary purposes albeit not explicit, can be found on connected products (paragraph 4.65), adapted products (4.67) and adapted goods (4.99).

2 Motivation for considering a change to the SEEA Central Framework

8. Setting the boundaries for environmental activities in terms of primary environmental purpose is consistent with the current SEEA approach; moreover, estimates for primary purpose activities are easier to produce and will be more accurate and reliable. However, it generates at least two problems. First estimates based only on the primary environmental purpose underestimate the size and the general understanding of what constitutes environmental activities and the related environmental products and transfers. Second, a framework built exclusively around primary

purpose fails to record many increasingly interconnected economic, social and environmental challenges, as well as providing information for new whole-of-the government policy approaches for a range of issues such as environment, gender, and the digital sector.

9. With respect to the first issue, estimates of the share of the environmental sector -based on the primary purpose- are relatively low (eg. 1-2% of the GDP for European EGSS). This low estimate does not seem to be consistent the importance policymakers place on the environment and sustainability, suggesting that identifying and estimating activities that have secondary environmental purposes may be critical to understand the role and impact of the environment in the economy and vice-versa, as well as informing policymakers on an issues that are considered to be of social and political relevance.
 10. With respect to the second issue, decisionmakers and citizens are confronted with a range of new interconnected economic, social and environmental challenges. A guide to understand current development concerns can be drawn from the Sustainable Development Goals (SDGs). What these suggest is that current development challenges and policy approaches are difficult to define within the framework of traditional sectoral policies, which underpin the current functional classification systems. This is certainly the case of climate change, but also the digital economy, gender or other policies to reduce discrimination. Often the only way to recognise government action in these arenas is precisely to identify secondary purposes.
 11. A possible approach to overcome the limitations of the primary purpose criterion, while keeping compatibility with the 2012 SEEA CF historic estimates, is to extend the scope of environmental activities to those with a secondary environmental purpose. Indeed, steps in this direction were already identified when the 2012 SEEA CF research topic 'integrated framework for activity accounts' was established, and UNCEEA endorsed a note with 'state of the art' in 2018 (see section references). In 2024, the section introduction of the classification of environmental purposes also develops definitions of environmental products, activities and expenditures, with a secondary environmental purpose.
 12. The advantage of using established frameworks and classifications, such as the SEEA CF or COFOG, is that they effectively identify economic transfers within existing classification systems, facilitating a connection with broader statistical and accounting frameworks. However, they are not responding to policymakers' specific needs. The evidence of this is the increasing proliferation of *ad hoc* classification systems such as, for example, budget tagging approaches that, while responding directly to policymakers needs, are producing results that are not comparable across countries and may even vary over time.
 13. Clearly a new approach is necessary, and it must be consistent with international classification standards and the practices of compilers of official statistics, while also responding to the increasing demands for accurate expenditure information. For this, identifying and classifying transactions based on the primary purpose is critical but simultaneously identifying, tracking or tagging the main secondary expenditures has become indispensable.
- 3 Nature of the proposed change and research questions**
14. Although the definition of secondary environmental purpose seems to be a straightforward extension of the definition of environmental primary purposes (SEEA para 4.11), there are a range

of issues that need to be tackled, these are at least: (a) How to define secondary purpose; (b) How to classify secondary purpose; (c) How to ensure coherence with other classification systems.

(a) How to define secondary purpose

15. Expanding environmental activities to go beyond primary purpose requires defining precisely secondary purpose. This is critical to increase the scope of environmental activities, however, there are several possible interpretations.

i. **Secondary purpose as additional or multiple objectives/motivations of economic agents.**

Although this approach is more consistent with the concept of primary purpose at the centre of the SEEA classification of environmental activities, identifying possible additional motivations is difficult and may generate inconsistencies across countries or over time.

ii. **Secondary purpose as measurable impact.**

Another way to interpret secondary purpose is impact. Although SEEA is based on primary purpose, regardless of impact, there are some activities that will generate potential measurable impacts independent of their stated objectives. This is consistent with the idea of the “technical nature of produced goods and services” where purpose can be deduced from the expected impact of an economic transaction. A list of activities with expected measurable impacts could be identified, this is the approach taken by the EU taxonomy, examples are renewable energy and forestry which have an economic purpose but potential measurable impacts on climate changes and biodiversity.

iii. **Secondary purpose as causation.**

Economic actors often carry out actions to deal with impacts from unforeseen events. The SEEA criterion is based on primary purpose. However, policymakers are increasingly interested in identifying the reason behind some economic decisions, such as expenditures associated with proven climate-related hazards which are a major source of increasing costs for public and private economic agents affected by climate change or other environmental impacts.

(b) How to classify secondary purpose

16. To ensure consistency and avoid double counting, in the SEEA economic transactions are classified according to their primary purpose and following the principle of mutually exclusive and exhaustive classification. That is, each transaction can only be classified under a single category or class. Accounting for economic transaction that have more than one purpose poses a major classification and measurement issue. To avoid double counting a criteria or measurement approach must be developed to classify economic transactions with more than one purpose, a possible solution is to develop satellite or thematic accounts, that extract and aggregate economic transactions according to specific purposes, clearly identifying the transactions that have primary and secondary purpose.

(c) Coherence across classification systems

17. Dealing with the primary and secondary purpose issue in the environment field must be consistent with current accepted classifications. The new Classification of Environmental Purposes (CEP) is a classification of activities, transfers and expenditures that converges the old Classification of Environmental Protection Activities (CEPA) with the associated Classification of Resource

Management (CREMA) proposing a new classification. In practice, the CEP adds additional classes and sub-categories to CEPA from CREMA, which in effect broadens environmental protection as a conceptual category to economic activities from the resource management space (CREMA). This should be the anchor of any new classification to deal with primary and secondary issues to ensure consistency and coherence across classification systems.

18. However, the CEP has several challenges, first it only partially maps into the COFOG Division 5, and; second, it does not deal comprehensively with the issue of secondary purpose, although it does propose a way forward with the concept of “policy areas”.
19. The research questions for this update item are:
 - Formalisation of the definition of environmental secondary purposes, considering the aspects listed above.
 - Guidance on the application of this purpose-based definition to identify environmental activities, products and transactions. Definitions and guidance may belong into this C4 or in C2.
 - Guidance on classifying activities and transaction that have secondary purposes.
 - Guidance on accounting consistently for both primary and secondary purpose activities, through possibly satellite or thematic accounts.
 - Possibly, further develop the 2012 SEEA CF guidance to distinguish the environmental purpose from intent, impact or presumed/real effect.
 - Examine what would be consequences for the SEEA monetary accounts: both the proposed integrated framework and the different modules (EGSS, EPEA, ESST etc.).

4 Links to other SEEA CF update issues

20. As noted above, there are connections to a number of other SEEA CF update issues. In particular:
 - Issue C1: relations with classifications, how to classify activities, products and expenditures with a secondary environmental purpose. The issue of primary and secondary purpose in the environmental field has already been partially dealt with the review of the Classification of Environmental Purposes. This relates to SEEA issue C1, but it also raises a straight relation with the ongoing update of COFOG, as COFOG practitioners are also looking at the question of classifying secondary purposes.
 - Issue C2: reporting of categories with secondary environmental purpose in SEEA tables.
 - Issue C3: relations with extensions of the SEEA scope which include many activities and products with secondary environmental purpose, such as climate adaptation or circular economy.
 - Issue C5: the treatment of the secondary environmental purpose in the expenditure related to climate change, e.g. in electric or low emissions vehicles. Those vehicles obviously have a primary transport purpose and a secondary climate/environmental purpose.

5 Existing materials

- Classification of environmental purposes (CEP), in particular introduction (pgs 11-15)
https://unstats.un.org/UNSDWebsite/statcom/session_55/documents/BG-4e-CEP-E.pdf

- 2018 UNCEEA document 'integrated framework' https://seea.un.org/sites/seea.un.org/files/seea_paper_integrated_framework_estat_v5.pdf, in particular as regards non-characteristic environmental activities, secondary environmental producers and secondary environmental products (cleaner and more resource-efficient products)
- OECD (2021), *Green Budget Tagging: Introductory Guidance & Principles*, OECD Publishing, Paris, <https://doi.org/10.1787/fe7bfcc4-en>.
- Pizarro, R. (2022), *Climate Change Public Budget Tagging: Connections*, Washington, D.C.: IDB, <https://publications.iadb.org/en/climate-change-public->.
- Pizarro, R. et al. (2021), *A conceptual framework for the classification of government spending on climate change*, Inter-American Development Bank, DB-MG-1034.
- European Union (2021), *Green Budgeting: Towards Common Principles*, European Union, OECD and International Monetary Fund, https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en.