Linking policy and natural capital accounting

After the “Accounting push and policy pull” by Michael Vardon, Peter Burnett and Steve Dovers
Outline

Accounting is for management

Uses of accounts

• Summaries of uses and users
• From accounts to decisions
• How and when information is used
• Policy Roundtable (Opportunities – how to find them and develop accounts to match)
Accounting for management (not just policy)

Corporate sector
• Management of business

Public sector
Management of overall government spending
• E.g. by Department of Finance
Management of the economy
• E.g. by Treasury or of particular industries
Management of the environment and natural resources
• E.g. by Department of Environment for particular programs, protected areas, threatened species etc.
International uses and users of accounts

Summarised by UN et al 2014 and World Bank 2014

Indicators
• Resource use and efficiency
• Wealth
• Adjusted income measures (e.g. Green GDP)

Analytical techniques
• CGE, I-O modelling

Spatial analysis
Sector or industry analyses (e.g. households or tourism)

Summarised by country:
• Australia, Canada, Denmark, Finland, France, Germany, Italy, Mexico, Netherlands, Norway, Sweden, UK
• Coverage uneven
• No overall analysis of uses or users

From accounts to decisions

Basic data (e.g. rainfall, agricultural survey)

Account compilation (e.g. water account)

Analysis and interpretation (e.g. water use by industry)

Policy and decision making (e.g. Basin Plan)
Decision-centered design.
Understanding the place of accounts in the information system and policy cycle

Source: Vardon et al in review
Draft principles for decision-centered design

**Decision-analysis.** A process of identifying the quantitative components of decisions that need to be made, the data most relevant to quantitative components, and the appropriate measures of data quality (‘Fit-for-purpose’)

**Scalability.** The capacity to derive reports from the accounts at various levels of detail and for different economic or environmental groupings, to suit the needs of the widest possible range decision-makers (e.g. national and state/provincial).

**Role separation.** Ensuring that data gatherers and account producers are independent of decision-makers, to maximize the objectivity and credibility of the basic data and accounts

**Phased and existing system-based implementation.** Building on existing data, processes and institutions, together with phasing-in and testing. Should build acceptance by putting the quality of decision-making before quantity of accounts. ‘Fit-for-purpose’ and continuous improvement.

**Tailored outputs and indicators.** Accounts and indicators in the form that are more readily understood, with high level indicators and outputs for specific purposes (e.g. modelling tools or government process like annual budget cycles)

Source: Vardon et al in review
### Types of information uses and policy lens

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<th>Uses of information (Herzi and Dovers 2006)</th>
<th>Policy lens (Head 2008)</th>
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Source: Vardon et al in review

How to advance? Policy roundtables

Agenda
• Where are we with accounting
• Where are we with linking accounting to policy
• How can account producers and user better engage
• Next steps and potential activities/research

Materials
• Draft ‘push and pull’ paper

5 so far
• 3 in Australia, shortened versions at WAVES Annual Partners Meeting and UK

Dutch reviewing uses
Things noted at the roundtables

• It is the countries and government agencies within countries that are the managers of the economy and environment

• The goal of policy is to influence behavior in society

• There is already lots of data and new technologies mean more are coming

• The nature of environmental policy and decision-making is changing.
  • It used to be highly thematic (land, water, pollution) but it is now more diverse (e.g. considering conservation on public and private land) and needing to identify multiple impacts and benefits (within and outside the environment).

• Information is needed quickly for advice/decisions
What did we learn from the roundtables?

• There is interest in the accounts but they are poorly understood

• There is interest in government for both:
  • Learning more about accounting
  • Assisting with targeting applications of the accounts to decision-making research

• Useful to focus on:
  • Decisions points in the policy cycle
  • The place of accounts in an information system

• Need to build broader support and understanding
What international issues could be linked to accounts?

• Sustainable development
  • E.g. Post 2015 sustainable development goals

• Climate change
  • E.g. Kyoto Protocol and UNFCCC

• Biodiversity conservation
  • E.g. Aichi targets and IPBES
What policy tools or management actions could be linked with accounts?

- Payments for ecosystem services
- User pays (pricing natural resources)
- Polluter pays (pricing externalities)
- Budget process (shadow budget)
- Offsets
- Land use planning
- Protected area management
- Threatened species management
- Regulatory process (development approvals)
- Others?
Lots possible but what first?

Australia

Great Forest National Park

• What is the extent and condition of the forests of the Central Highlands of Victoria and what service do we get from them?

Biodiversity Offsets

• What can accounting do for the established system of biodiversity offsetting?

State of the Environment Reporting

• Using accounts to structure information

Getting accounts into the public

• E.g. Better budgeting with environmental accounting

UK linking accounts and policy

Natural Capital Committee

3rd State of Natural Capital Report

• Recommendations
  
  E.g. “develop a strategy to protect and improve natural capital and the benefits it provides”

NCC Advice to government on research priorities

• Decision-making for sustainability

Office of National Statistics

• Environmental accounts

• Roadmap for natural capital accounting

• Experimental ecosystem accounts

https://www.naturalcapitalcommittee.org/

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Thank you