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## **Potential for a revision of the SEEA Central Framework**

This material was prepared by:

Sjoerd Schenau (Statistics Netherlands)

Gerard Eding (Statistics Netherlands)

Alessandra Alfieri (UNSD)

Jessica Ying Chan (UNSD)

## Questions to the UNCEEA

1. Does the UNCEEA agree that a revision of the SEEA CF is useful and necessary in the coming 5-6 years, based on the arguments put forward in this document?
2. Which option for a revision of the SEEA CF would the UNCEEA prefer? (option 1 is no revision, option 2 is a limited revision of SEEA CF, option 3 is a revision including an integration with SEEA EEA)
3. If the UNCEEA agrees to start the process of a next SEEA CF revision from 2021 onwards, what would be the next steps?

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## 1. Introduction

International statistical standards are revised on a regular basis to incorporate new global developments, user demands and statistical insights. In this respect, the SEEA Central Framework (SEEA CF) must also be regularly reviewed to assess its ongoing relevance as the environment and the economy change, as the understanding of the linkage between the environment and the economy develops, and as policy and analytical requirements evolve. In addition, as implementation of the SEEA CF advances across the world, the wide range of experiences gained also offers new insights that should be considered and or adapted in the conceptualization of environmental economic accounts. Furthermore, as both the System of National Accounts (SNA) and the SEEA CF evolve, there is a need to jointly harmonize approaches where possible.

Since its adoption as an international statistical standard in 2012, global implementation of the SEEA CF has gained broad momentum. This has resulted in new user demands from different use communities (e.g. BIOFIN<sup>1</sup>, TRACKFIN<sup>2</sup>, climate change, biodiversity, Sustainable Development Goals (SDGs)), new conceptual and implementation issues and new statistical insights. In addition, advancement has been made on several interim classifications that are included in the SEEA CF (although much remains to be done in this domain). Furthermore, several other SEEA or SEEA-related manuals and guidelines have been published or are about to be published, such as the SEEA-Energy, SEEA Agriculture Forestry and Fisheries (SEEA AFF), the Statistical Framework for Measuring the Sustainability of Tourism, etc. These manuals provide some new insights that also need to be considered for the SEEA CF.

In this document we address the question why, if and when it would be opportune to start a revision process for the SEEA CF. First, we set out the reasons for a revision of the SEEA CF. Next, we present three options for a future revision, including the option not to start a revision in the coming 5 years. Finally, we present a possible time line and next steps.

## 2. Why revise the SEEA CF?

Here we describe in more detail the main reasons why a revision of SEEA CF in the coming years would be appropriate.

### 2.1 General user needs

The statistical community needs up-to-date statistical standards and guidelines to produce reliable, high quality, internationally comparable statistics. Adequately meeting user needs is also the primary reason why the SEEA needs regular revisions. Implementation of the SEEA has been ongoing since 2012 and there is a need to integrate these user experiences into an up-to-date SEEA CF that reflects lessons learned from implementation. Improved clarification of the text in the SEEA CF would help increase implementation of the accounts and ensure that country implementation of the accounts is up-to-date and consistent.

In addition, a revision of the SEEA CF would provide the opportunity to bring on board the various communities that have been working on developing methodologies independently and develop bridges with their work. Several communities (e.g. BIOFIN, TRAKFIN, etc) are developing or advancing methodologies that overlap with one or multiple aspects of the SEEA CF. To ensure that national statistical offices and line

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<sup>1</sup> The biodiversity finance initiative

<sup>2</sup> Tracking financing to sanitation, hygiene and drinking-water

ministries are able to streamline production and avoid duplication of effort, there is a need to align or build bridges between related initiatives and frameworks.

In addition, most countries which produce SEEA EEA accounts also produce SEEA CF accounts. Thus, from the user perspective, there is also the need to see how the SEEA CF and SEEA EEA can be integrated in order to harness synergies in the production and use of the accounts. While the SEEA CF and SEEA EEA take two different approaches and are currently in two different handbooks, there is a significant advantage in creating an integrated, unified and coherent body of information for users to access.

Finally, the SEEA CF needs also to address the needs of the stakeholders/users for which the statistical community produces SEEA CF accounts. Addressing stakeholder needs is necessary to maintain demand for the accounts. This is explored in the section below.

## 2.2 Responding to new policy demands

New policy demands are increasingly revealing critical data gaps with respect to the environment and the economy. Gaps that the SEEA Central Framework has the potential to fill. While the SEEA CF is a methodological handbook, in order to stay relevant and promote the usage of the accounts, the SEEA CF needs to articulate more clearly what key data or indicators can be derived from the system to respond to policy demands. In other cases, the methodology may have to be adjusted to make it more usable for policy demands. Below we describe some key policy areas where this is currently the case.

- **Sustainable Development Goals (SDGs):** The SEEA CF can be used to monitor several SDGs.<sup>3</sup> An elaboration of this in the SEEA CF could promote the use of the SEEA CF as an integrated system for the SDGs. Furthermore, it could be articulated how the SEEA CF can provide supplementary information which highlights the economic dimension of current environmental SDG indicators.
- **Beyond GDP movement:** The Beyond GDP movement has been growing rapidly and is a focus of groups such as the High-Level Group on the Measurement of Economic Performance and Social Progress (hosted by the OECD) and the UN Chief Economists network. The movement has focused on moving beyond headline economic indicators to incorporate information on social and environmental aspects of wellbeing and sustainability. There is a large opportunity for the SEEA to play here, particularly given its links with the SNA. The inclusion of text in a revised SEEA CF on integrated headline indicators could provide strong policy relevancy.
- **Natural capital and biodiversity:** Although biodiversity is primarily the topic for SEEA EEA, there is also a clear link to SEEA CF, namely with regard to accounts for timber, fish, biological resources, but also with regard to related expenditures and transfers. A more clearly articulated link between biodiversity, the SEEA EEA and the SEEA CF could facilitate the use of the accounts for the post-2020 biodiversity agenda.
- **Circular economy (CE):** This is an important policy theme in many countries. Over the last few years it has been shown that the SEEA CF is an appropriate framework to provide the underlying physical and monetary data needed to promote circular economy. This should be more clearly articulated in the SEEA CF, both with regard to the basic framework (PSUTS) and key indicators that can be derived for circular economy.
- **Climate and energy policies:** The SEEA CF can be made more user friendly by indicating which parts are relevant to climate change and energy policy (including highlighting some key indicators) and how the SEEA CF can complement existing indicators and data systems used for established processes (e.g. IPCC guidelines).
- **Environment related expenditures:** While this is by no means a new policy demand in and of itself, experience with the policy making community has shown that policy makers are often more interested in categorizing expenditures in terms of impact, rather than primary purpose.

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<sup>3</sup> [https://seea.un.org/sites/seea.un.org/files/sdg\\_cover\\_note\\_broadbrush.pdf](https://seea.un.org/sites/seea.un.org/files/sdg_cover_note_broadbrush.pdf)

Reconciliation of impact versus primary purpose of expenditures could help make the SEEA CF more relevant and useful to policy makers in finance and planning ministries.

- **Oceans:** There is increasing demand to develop better statistics and indicators for the marine environment (e.g. SDG14). This issue is already being addressed during the revision of SEEA EEA and may also be taken up for SEEA CF.

### 2.3 Integration of the work on the SEEA CF research agenda

Since the adoption of the SEEA CF as a statistical standard in 2012, work has been ongoing in various areas based on the issues identified during the drafting of the SEEA and that have arisen in subsequent years. In order to move the SEEA CF research agenda forward, a revised complete list of issues has been developed, which is updated every year. The SEEA CF research agenda plays a key role in investigating and determining the appropriate changes to the SEEA CF. In 2016, the updated research agenda for the SEEA CF was discussed and approved by the UNCEEA. This resulted in a work plan to address the topics in the SEEA CF research agenda in 2017-2019.

Table 1 provides an overview of the topics on the SEEA CF research agenda and to what chapter of the SEEA CF they are related (chapter 3 Physical flows; chapter 4 environmental activity accounts; 5 asset accounts). As can be seen from this table, the issues are related to all main chapters of the SEEA CF (and general concepts). A large number of issues is related to chapter 4. The integrated framework and the revision of the CEA classification will have significant impact on the content and structure of this chapter. In addition, inclusion of fossil fuel subsidies would mean an overall enlargement of the scope of relevant transfers that is included in this chapter. The research agenda focuses less on chapter 3, although several parts need to be adapted and/or redrafted based on advancements, for example with regard to the issues of EW MFA, LULUCF, some SUT issues and losses. Chapter 5 will be least affected (as the topics in the research agenda currently stand), but it is expected that there will be several issues related to the alignment with SEEA EEA that will affect this chapter (valuation issues, land accounting, etc.).

**Table 1: Topics on the SEEA CF research agenda and their link to the relevant chapters in SEEA CF**

<b>A: Conceptual issues</b>	<b>Chapter in SEEA CF</b>	<b>Status (2019)</b>
1. Development of classifications		
1a Residuals	3	not started
1b Land use	5	not started
1c Land cover	5	not started
1d CEA classification	4	ongoing
2. Definition of resource management	4	ongoing
3. Integrated framework for environmental activity accounts	4	adopted
4. Losses	3	not started
5. Linkages and overlaps between SEEA CF and SEEA EEA	2,3,4,5	starts in 2019
6. Fossil fuel subsidies by industry	4	ongoing
7. LULUCF and SEEA	3	not started
8. Valuation of renewable resources	5	not started
<b>B: Implementation issues</b>		
1. Implementation issues related to classifications	3,4,5	ongoing / not started
2. Approaches to the measurement of adapted goods	4	ongoing
3. Economy wide material flow accounts	3	adopted
4. Input output techniques	(x)	not started
5. Global DSDs for data exchange for SDMX	(x)	adopted
<b>C: Issues for long term development</b>		
1 Other classifications	3,4,5	not started
2 minimization of natural hazards and the effects of climate change	3,4,5	not started
3 Link with Tourism satellite accounts	3,4,5	ongoing
4 Link with social domain	3,4,5	not started

In the past three years significant progress has been made for several topics on the research agenda (EW MFA indicators, integrated framework, DSDs, etc.). However, several important issues still need to be resolved. For example, there is work to be done on several key classification schemes (residuals, land use classification etc.), as well as for topics such as losses, the approach to adapted goods, etc. For issues that have been identified 'for long term development,' it has to be decided whether these need to be reprioritized and can be developed in the coming years. Many areas of the research agenda remain unresolved—and are likely to progress slowly, unless a revision process is in place to drive progress. Without accelerated progress, there is a risk that the SEEA CF does not achieve enough policy relevance.

Once a number of these issues are resolved, it becomes more appropriate and necessary to include them in a revised SEEA CF manual. It should be noted, however, that some of the advances in the research agenda have implications throughout the system and cannot be implemented piecemeal (e.g. integrated framework). To comply to user needs, the statistical community needs to provide up to date manuals. This would warrant a revision of the SEEA CF in the coming years.

## 2.4 Work on the SNA research agenda

In 2019 the Intersecretariat Working Group on National Accounts (ISWGNA) started technical research in prioritized and current national accounts issues, taking into consideration current issues under discussion in the Advisory Expert Group on National Accounts. This resulted in a list of research issues. These are grouped in three priority areas for the SNA research agenda: (1) globalization, (2) digitalisation and (3) well-being and sustainability. In particular with the last topic there may be an overlap with the SEEA CF research agenda<sup>4</sup>. Some other key issues where there is overlap between the SNA and SEEA research agendas include the

<sup>4</sup> <https://unstats.un.org/unsd/statcom/50th-session/documents/BG-Item3f-2019-NationalAccounts-Supplement-v3-E.pdf>

valuation of assets, the generation of electricity by households (solar power etc.) and payments for use of the environment including carbon schemes. In 2019/2020 the research issues will be further prioritized, and a way forward will be developed for updating the SNA, to be submitted for consideration by the Commission at its fifty-first session, in 2020.

A revision of SEEA CF would contribute to addressing the issue of well-being and sustainability in the SNA research agenda. To maintain and clarify the link between SNA and SEEA, work on the research agendas should be further aligned, with a parallel process with some joint research items.

## 2.5 Alignment with SEEA EEA

By the end of 2020 the revision of SEEA Experimental Ecosystem Accounting (SEEA EEA) will be expected to be completed. The new SEEA EEA will provide many new insights which may also have an impact on the SEEA CF. To ensure that the SEEA CF and SEEA EEA are fully aligned, the text of the SEEA CF needs to be subsequently revised and updated.

First, the relation between SEEA CF and SEEA EEA needs to be made clear upfront. The current text in the SEEA CF, which was written while the first SEEA EEA was still being developed, is inadequate and outdated. Second, there are several areas and topics where the SEEA CF and SEEA EEA overlap or are closely related. Examples include land accounting, valuation of renewables, natural inputs versus provisioning services etc. All these topics should be well described and explained in relation to the two frameworks. Third, the SEEA CF and SEEA EEA should describe how they link or could be integrated into the accounts of the SNA. This is not (yet) completely clear for SEEA CF and SEEA EEA. For example, how the physical PSUTs could relate to the physical supply and use tables for ecosystem services, or how the monetary activity accounts from SEEA CF could be linked to the extent and condition account of SEEA EEA.

## 3. Options for a SEEA CF revision

We envisage three options for a future SEEA CF revision:

### 1. No revision (for the coming 5-6 years)

The first option is to decide not to start a revision of the SEEA CF in the coming 5-6 years. This would mean that research activities may continue at a very slow pace, but that no deadline is set for them to feed into a revised SEEA CF manual. There will be little integration between the SEEA EEA and SEEA CF.

#### *Advantages*

- Less effort is needed from the statistical community in the coming years.

#### *Disadvantages*

- The current SEEA CF manual will not be up to date and aligned with other manuals / standards
- No alignment with new work on the SNA research agenda
- Less progress is made on research issues, as there is no clear deadline for this work and it is much more difficult to secure adequate resources
- There is no/unclear alignment between SEEA CF and SEEA EEA
- The SEEA CF will become less suitable for many policy applications and policy needs

### 2. A limited revision of SEEA CF

A limited revision of SEEA CF would include a) incorporation of the current and new work on SEEA CF research agenda, b) incorporation of the work on the (overlapping) issues with the SNA research agenda, c) an up-to-



date description of relationship with SEEA EEA which addresses links and overlaps, d) making SEEA CF more up to date to meet some important policy needs. We call this option a *limited* revision because a) no fundamental changes of key concepts of the SEEA CF are foreseen and complete restructuring of the SEEA CF is not required, and b) no complete integration with SEEA EEA is foreseen (which is option 3).

#### *Advantages*

- The SEEA CF will be up to date with other manuals / standards
- The SEEA CF will become more suitable for many policy applications and policy needs
- Alignment with the new work on the SNA research agenda

#### *Disadvantages*

- This option will require a significant investment of time and effort by the statistical community
- No full consistency and integration between SEEA CF and SEEA EEA
- Funds need to be raised

### **3. Revision of SEEA CF and integration with SEEA EEA**

The SEEA has developed into two complementary manuals, the SEEA CF and the SEEA EEA. On the one hand there were good reasons for this. First, they reflect two different perspectives on environment assets (individual assets versus ecosystem assets), which helps to serve different user needs and policy questions. Second, the SEEA EEA was very new and experimental when SEEA CF was developed. At that stage, the two could not be put into one SEEA. However, as SEEA EEA has become much more advanced and mature, the reasons why there should be two SEEA's are less obvious. The third option therefore seeks to fully integrate them into one SEEA, which is now matured to be a standard in its own right to measure the environment and its relationship with the economy.

This option includes the revision activities described under option 2 plus the following activities:

- a) Full integration of the two manuals. The exact nature of this integration could take several forms. The simple option would simply put them together in one manual (part 1 – part 2 etc.), with text in each part highlighting the linkages to the other part. Another option to restructure would be 'mixing' the chapters/ text of the different SEEA CF and SEEA EEA accounts (for example according to flows, assets, monetary, integrated with SNA etc.).
- b) Revise the SEEA CF with the goal of establishing closer links between the accounts of SEEA CF and SEEA EEA. For example, environmental pressure (linking emissions by economic activities (PSUTs in SEEA CF) to ecosystem types (extent and condition account in SEEA EEA).

#### *Advantages*

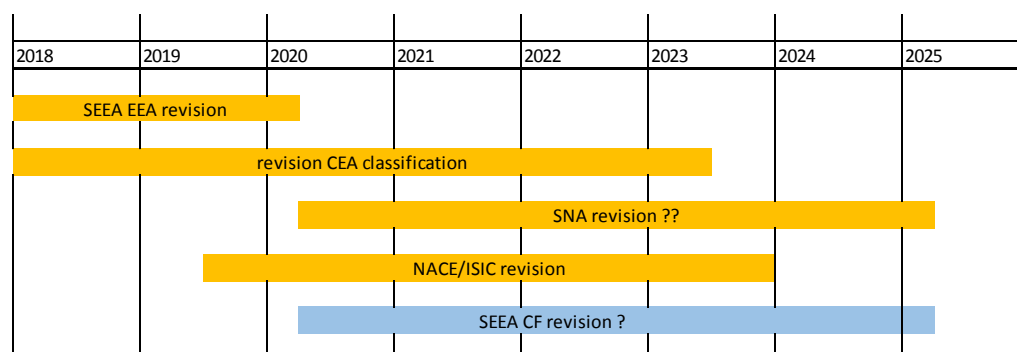
- One SEEA manual as the basis for all environmental economic accounting
- Full integration of all relevant topics / accounts
- Allows incorporation of new insights that will come from the testing and implementation of SEEA EEA by counties and international organizations that will happen in the coming 5 years

#### *Disadvantages*

- This option will require a significant investment of time and effort by the statistical community
- SEEA CF and EEA serve different audiences and two books hence may be better compared to a single book
- The revised integrated SEEA would follow relatively soon after the publication of the revised SEEA EEA
- Funds need to be raised

## 4. Timing of a possible SEEA CF revision and next steps

The revision process of the SEEA EEA will end at the end of 2020, and the revised text will be submitted to the 52<sup>nd</sup> Session of the UN Statistical Commission in early 2021. Thus, it will not be feasible to start a SEEA CF revision before that time, although some process preparation may be done in 2020 (see below). How long the revision process will take depends on the scope of the revision and is open for discussion. The timeline below shows some other key processes that may affect the timing of a SEEA CF revision. A reasonable year to finish this next revision could be at the end of 2024, being presented to the UNSC in 2025.



If the UNCEEA decides to start the process of a next SEEA CF revision, next steps may include the following:

- Update and prioritise the SEEA CF research agenda. A broad consultation is needed to identify all relevant issues that need to be taken into consideration.
- Provide a broad overview of key policy areas and their needs in order to identify where SEEA CF may need additional clarification, elaboration of adjustment. Important issues may feed into the research agenda.
- Describe in more detail where the overlaps and issues are with regard to SEEA EEA and how this would impact SEEA CF. This will to some degree already be done in 2019/2020 with the current revision of the SEEA EEA.
- Develop ideas on how the revision could to be organized.
- Develop a work plan, timeline, find funding etc.

## 5. Conclusion

Since its adoption as a statistical standard in 2012, global implementation of the SEEA CF has gained broad momentum. This has resulted in new user demands from different use communities, new conceptual and implementation issues and new statistical insights. It is also recognized that alignment with the SEEA EEA, which has developed significantly since 2012, would bring about significant advantages in terms of the statistical community's ability to provide strengthened integrated information on the environment and economy. Accordingly, a revision of the SEEA CF is required to provide up to date guidelines the statistical community needed for the implementation of SEEA. The key question is how and when. As described in this document, there are several options with regard to a possible SEEA CF revision which differ with regard to scope and timing. The UNCEEA is asked to reflect on these options and provide guidance on the way forward and formulate the next steps to be taken in the coming 6 months.