

ENVIRONMENTAL ACCOUNTING AND IUCN

INTRODUCTION

Environmental accounting is a key component of IUCN's new and growing focus on the economic dimensions of biodiversity conservation. It is one of six priority themes of the Union's global work on economics:

- environmental accounting;
- incentive measures to encourage biodiversity conservation;
- financial resources to support biodiversity conservation;
- links between international trade and the environment;
- integrating biodiversity considerations into environmental impact assessment; and
- economic valuation of biodiversity and environmental services.

WHY ENVIRONMENTAL ACCOUNTING?

Environmental accounts provide a rich information base for understanding the crucial economy-environment linkages which underlie all of IUCN's priority themes. They provide data to highlight the role of the natural environment in economic well-being and thus to strengthen arguments for the need to protect and manage resources sustainably. The underlying detailed data used to produce the accounts highlight policy choices which further both environmental protection and economic growth; these are the "win-win" solutions which are essential to accomplish both environment and development objectives.

DEFINITION AND EXAMPLES

The term "environmental accounting" (sometimes referred to as green accounting, resource accounting, or integrated economic and environmental accounting) refers to efforts to modify the national income accounts, from which GDP and GNP are calculated, to incorporate the use and depletion of natural resources. Some twenty five countries have experimented with this over the past twenty years, using a variety of approaches, and with a variety of results. For example:

- **Norway** is one of the few countries to have institutionalized environmental accounting as a routine government activity. In the 1970s the Norwegians began accounting for use and reserves of their minerals, fisheries, and forests, driven by concern about resource scarcity. The minerals component has proven most crucial to their economic planning. Since the 1970s they have maintained consistent annual data on reserves and consumption of petroleum and key minerals. Including these data in econometric planning models helps the country make such policy decisions as how to increase economic activity efficiently while complying with international conventions on air pollution reduction.
- **Namibia** began working on environmental accounting in 1994, in order both to introduce new ways of thinking about management of the resources on which the economy is based and to facilitate inter-ministerial policy dialogue about sustainable development. The work was one component of a much broader program to strengthen the economics capacity of the Ministry of Environment and Tourism; this linkage has increased governmental support for implementation of the accounts. The accounts focus on key resource sectors, in order to answer such questions as whether the government has been able to capture resource rents from the minerals and fisheries sectors, whether current allocation of water is

optimal, and how rangeland degradation affects the value of livestock. While the project is still new, it is receiving substantial support from public officials, who are interested in institutionalizing the accounts to ensure that such data will regularly be available.

- In **Costa Rica**, several different environmental accounting experiments have been conducted. In the early 1990s a local research group, the Centro Científico Tropical, teamed up with the Washington-based World Resources Institute to build a set of accounts which estimated depletion of forests, fisheries, and soils. The Central Bank has taken a cautious attitude towards institutionalizing this resource depletion work routinely to calculate a "green GDP" It has, however, initiated activities focused on private sector expenditures to prevent environmental harm; questions on this subject are likely to be included in industrial surveys which contribute data to the national accounts. At a workshop on environmental account in 1996, a consensus was reached that future work will focus on data to support sectoral policy., making, with reducer emphasis on sometimes-sensitive "green GDP" figures.

Many other countries have also experimented with environmental accounts. While their methods and sectoral focus vary, what is common to all of them is an interest in finding answers to key policy questions about the role of the environment in the economy.

IUCN's GREEN ACCOUNTING INITIATIVE

IUCN launched the Green Accounting Initiative in 1996 to increase international acceptance and implementation of environmental accounting. Because of its unique membership, IUCN is well placed to contribute to the increasing acceptance of environmental accounting. Moreover, its neutrality in the debates over approaches to accounting may help move the international community towards greater agreement on methodology, which in the long run is essential for environmental accounts to achieve their full potential as a source of information for decision-making.

More immediately, a number of IUCN's regional and country offices and members are interested in experimenting with environmental accounting and related valuation techniques as tools for their own environmental and economic policy development. The Green Accounting Initiative thus responds directly to expressed needs of the Union's constituents.

PAST ACCOMPLISHMENTS

IUCN/US has been interested in environmental accounting for several years. In October 1995, the Union, together with the World Wildlife Fund, the National Wildlife Federation, the Bank Information Center, and the World Bank, organized a conference "Accounting for the Future." Held in Washington, D.C., the conference developed a five point action plan to be implemented by the participating institutions:

- ten additional case studies implementing and using environmental accounts;
- establishment of a training program to build government capacity to construct and apply environmental accounts;
- development of a strategy by which major international financial institutions will adopt new measures of environmental progress and apply them to their policy analysis and lending programs;
- review of past experiences with environmental accounts leading to development and adoption of a standard methodology;
- creating of an international working group to follow up on the previous four points.

IUCN is now a member of that group and is working actively to implement its agenda.

The initiative is undertaking activities in several different areas:

- **Supporting IUCN Regional and Country Offices.** The initiative is providing technical support to RCOs and member organizations interested in learning more about environmental accounting and perhaps launching their own activities. Pakistan and Bangladesh are working with the initiative to organize workshops on the topic and to raise the awareness of both governmental officials and environmental groups. Similar national activities are under discussion in Nepal, Vietnam, and France. In Latin America, the initiative is working with IUCN's office in Ecuador to build a regional network among those who have already worked on environmental accounting and those hoping to learn more. We would like to hear from others interested in joining the initiative to learn more about how environmental accounting can help improve resource management in their countries!
- **Building partnerships.** The initiative is building partnerships with international funding organizations such as the World Bank, UNDP, and the Inter-American Development Bank. These partnerships will build both institutional and finance support for environmental accounting activities in the future.
- **Keeping environmental accounting on the international agenda.** The initiative is working to keep environmental accounting on the agendas of international for a such as the meetings of the Commission on Sustainable Development, the G7, the 1997 Special Session of the UN Generally Assembly, and the Conference of Parties of the Biodiversity Convention. It is also working with such international organizations as the World Bank, the IMF, and the United Nations on integration of environmental concerns into economic policy-making. The support and interest of these bodies will strengthen acceptance of environmental accounting both by national governments and by international funding organizations.
- **Working towards standardization.** Environmental account will be much more useful both nationally and globally when everyone uses the same methodology to build them. For this reason, the initiative is participating in UN-led efforts to standardize methodologies. For example, IUCN is a member of the Nairobi Group, which is preparing a practical manual for implementation of the methods already proposed by the UN Statistical Division in its 1993 revision of the System of National Accounts. Widespread dissemination of this manual will facilitate testing and implementation of the UN's proposed standard methodology.
- **Activities under consideration.** The initiative is considering several other activities for the next year. One is an analysis of the experience of the past decade in implementing environmental accounts, to learn about which methodologies offer the most useful policy results, and about the institutional contexts which contribute most to successful accounting project. Another is to work specifically on how to integrate the economic value of biodiversity into the accounting framework. A third is to examine the international dimensions of environmental accounting, looking at how countries account for such issues as transborder pollution, pollution caused by goods produced for trade, and the "export" of carbon fixation service from domestic forests or greenhouses gases from domestic energy, use to the rest of the world.

ARE YOU INTERESTED IN GETTING INVOLVED?

We can help you learn more and raise awareness of environmental accounts in your country. Please contact us so we can work together to determine how you might want to participate in the initiative.

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