

Integrated economic and environmental accounting

Generally we use the concept of national output to measure the total new wealth produced during a year. National accounts parameters have been used as the most popular indicators for the assessment of economic performance, trends of economic growth and of the economic counterpart of social welfare. The existing systems of national economic accounts—including national income and product accounts, input-output accounts, and balance sheets—are over 50 years old. These have been used to reflect changes in the economy and to respond to changing analytical and policy concerns. However, there are two major drawbacks in this national accounting method. People have raised doubts over time about the usefulness of national accounts data for the measurement of long-term sustainable economic growth and socio-economic development. It is because these parameters do not integrate economic wealth and environmental wealth. The quantum of natural wealth remain outside the purview of national accounts parameters.

These drawbacks are the neglect of (a) scarcities of natural resources which threaten the sustained productivity of the economy and (b) the degradation of environmental quality from pollution and its effects on human health and welfare. There is need for an Integrated Environmental and Economic Accounting framework. Environmental costs of economic activities, natural asset accounts and expenditures for environmental protection and enhancement, are presented in flow accounts and balance sheets in a consistent manner. Such accounting permits the definition and compilation of modified indicators of income and expenditure, product, capital and value added, allowing for the depletion of natural resources, the degradation of environmental quality and social response to these effects. This integration is called System of Environmental-Economic Accounting (SEEA).

The SEEA is a framework that integrates economic and environmental data to provide a more comprehensive and multipurpose view of the interrelationships between the economy and the environment and the stocks and changes in stocks of environmental assets, as they bring benefits to humanity. It contains the internationally agreed standard concepts, definitions, classifications, accounting rules and tables for producing internationally comparable statistics and accounts. The SEEA framework follows a similar accounting structure as the System of National Accounts (SNA). The framework uses concepts, definitions and classifications consistent with the SNA in order to facilitate the integration of environmental and economic statistics. The SEEA is a multi-purpose system that generates a wide range of statistics, accounts and indicators with many different potential analytical applications. It is a flexible system that can be adapted to countries' priorities and policy needs while at the same time providing a common framework, concepts, terms and definitions.

European Framework for Integrated Environmental and Economic Accounting for Forests (IEEAF) is one of the pioneering work in this area. It contributed to various international activities in the context of integrated economic and environmental accounts.

Bibliography :

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P.S. This note is prepared from articles mentioned above and there is nothing original in it.