

Commissioned by



HIGH LEVEL PANEL for
**A SUSTAINABLE
OCEAN ECONOMY**

BLUE PAPER

Summary for Decision-Makers

National Accounting for the Ocean and Ocean Economy

Organised information provides the power to make good decisions and justify them. National accounts contain and organise the information that describes countries' economies (e.g. gross domestic product, or GDP) and helps decision-makers and the public understand near-term policy outcomes and long-term sustainability.

National accounts are a system used by most countries to provide a comprehensive conceptual and accounting framework. This framework is then used to create a macroeconomic database suitable for analysing and evaluating the performance of an economy. The existence of such a database is a prerequisite for the creation of informed, rational policy and decision-making.

However, only a small proportion of the available information on the ocean is being used in existing national accounting systems and an even smaller share is information taken from the national accounting systems because of the current reliance on a single indicator: ocean GDP. Surely, something as complex as the ocean economy cannot be managed by a single indicator. As such, the ocean must be fully accounted for in this system if decision-makers are to possess the necessary information to guide ambitious and broad-based plans to develop ocean economies and capitalise on marine opportunities, while protecting the ocean for future generations.

New research¹ commissioned by the High Level Panel for a Sustainable Ocean Economy provides a pathway to ensure that economic data are linked with physical and biological data and further extend the utility of national account systems, especially for management of ocean natural assets. The paper discusses a system of national accounts with multiple ocean indicators and how they should be used to inform decision-making that delivers a sustainable ocean economy. In doing so, the paper emphasises the need to develop the underlying data structures to anticipate unintended consequences of decisions such as inequity and resource depletion.

The paper suggests that planning for and managing a sustainable ocean economy requires tapping into the rich information that national accounts can provide. As such the paper proposes the creation of a complete set or 'sequence' of national ocean accounts and provides three key high-level indicators: ocean product, changes in the ocean balance sheet and ocean income:



Ocean product measures the 'outputs' of human efforts regarding the ocean to provide 'means' or 'inputs' into achieving other social and economic goals; monetary components of the ocean product account aggregate to ocean GDP or net domestic product (NDP).



Change in the ocean balance sheet provides a sustainability indicator and includes 'natural capital' like live fish populations, coastal wetlands and seabed minerals, which fall under the heading of 'non-produced' assets, in addition to 'produced assets', such as port infrastructure. Changes in the balance sheet integrate physical and monetary changes.



Ocean income measures benefits to nationals from the ocean, the 'ends' or 'outcomes' of policy; income accounts aggregate to net national income (NNI), though in practice national statistics offices usually produce gross national income (GNI). Income measures can be disaggregated to show the importance of the ocean for different segments of the population. Furthermore, income can include non-monetary types of income, though these are often expressed in monetary equivalents.

The most important thing world leaders can do is to request reports on all three indicators and discuss information on national income and changes to national balance sheets along with changes in GDP in public addresses and policy meetings.



The Four Principles of Accounting for a Sustainable Ocean Economy

The paper suggests that application of the following four principles can unlock the information from national accounts needed to pursue and measure progress towards a sustainable ocean economy.

1. FOCUS POLICY QUESTIONS AND DECISION-MAKING ON 3 QUESTIONS:

- How will the decision change the wealth on an ocean balance sheet, including all relevant produced assets (e.g. ports) and non-produced (e.g. coral reefs)?
- How will the decision change net national income or welfare, and how are the changes distributed between different groups of people?
- How will this decision change ocean-based economic production and create new means to achieve social and economic goals?

2. USE AND BUILD ON THE EXISTING INTERNATIONALLY AGREED FRAMEWORK FOR NATIONAL ACCOUNTING:

- Regularly computing net national income focussing on income from the ocean and its distribution.
- Creating and maintaining national balance sheets complete with produced and non-produced assets.
- Maintain these statistics through time. Statistics are most useful when there is a long time series of regularly produced statistics.

3. AVOID OVERRELIANCE ON GDP BY:

- Funding the production of net national income and balance sheets.
- Reducing barriers to collaborative efforts between government statistical offices and other institutions, using data in a format that is compatible with existing national accounting systems.
- Using net national income, and its distribution, balance sheets and GDP to balance present benefits and maintain wealth for future generations.

4. LEAD OR CONTRIBUTE TO COLLABORATIVE EFFORTS TO IMPROVE NATIONAL OCEAN ACCOUNTING SYSTEMS:

- Develop accounting practices that consider market and non-market ocean contributions to net national income.
- Develop crosscutting digital platforms and tools that enable management of algorithms and large volumes of economic, biological and physical data to support accounting summaries and analytics.
- Develop digital reporting tools that enable leaders to quickly familiarise themselves with information about the ocean. For example, see an interactive dashboard for Norway at <https://tinyurl.com/oceandashboard>.
- Commit to global partnerships to share best practices and build capacity for ocean accounting.

Developing national accounts to guide economic development for the ocean is critical, but less daunting than it may seem. Many of the data already exist in national accounts, in government agencies or in scientific databases, and the knowledge to build the connections exists, but is dispersed throughout government, academia, businesses and nongovernmental organisations.

The High Level Panel for a Sustainable Ocean Economy

The High Level Panel for a Sustainable Ocean Economy (Ocean Panel) is a unique initiative by 14 world leaders who are building momentum for a sustainable ocean economy in which effective protection, sustainable production and equitable prosperity go hand in hand.

Co-chaired by Norway and Palau, the Ocean Panel comprises members from Australia, Canada, Chile, Fiji, Ghana, Indonesia, Jamaica, Japan, Kenya, Mexico, Namibia, Norway, Palau and Portugal and is supported by the UN Secretary-General's Special Envoy for the Ocean.

The Ocean Panel gathers input from a wide array of stakeholders, including an Expert Group and an Advisory Network. The Secretariat, based at World Resources Institute, assists with analytical work, communications and stakeholder engagement.

The Blue Paper that this brief summarises is an independent input to the Ocean Panel process and does not necessarily represent the thinking of the Ocean Panel, Sherpas or Secretariat.

For more information, including the full report, visit www.oceanpanel.org

Endnote

- 1 Fenichel, E.P., B. Milligan, I. Porras et al. 2020. National Accounting for the Ocean and Ocean Economy. Washington, DC: World Resources Institute. Available online at <https://www.oceanpanel.org/blue-papers/national-accounting-ocean-ocean-economy>.