

INFORMATION SHEET

THE GEF OPPORTUNITY FOR SUPPORTING NATURAL CAPITAL ACCOUNTING



The natural environment generates value for societies and economies through the provision of goods such as food, water, fuel and medicine and services such as climate regulation, water filtration, carbon storage and pollination. These goods and services are known as natural capital. It is often said that you do not value and cannot manage what you do not measure. This holds true for natural capital, which has been largely invisible in traditional economic measures such as Gross Domestic Product (GDP) and the national accounting systems that inform policy, investment and land-use choices. Working on incomplete information about the true costs and trade-offs of development choices, governments are too often opting for policies that undermine long-term sustainability and societal wellbeing.

Natural capital accounting (NCA) offers an antidote to this information gap. It is a way to make the multiple values of environment to society more visible, accountable and measurable and provides a way of linking environmental data into economic analysis. It complements GDP and other standard measures and renders a more complete, accurate picture of development progress.

Natural capital accounts are often developed by sector, as for water, forests or ecosystems. They allow countries to make more informed decisions, assess the value of competing land use choices, model sustainable development scenarios, select the cost-effective policy options, identify the drivers of environmental degradation, and assess whether trends in production and consumption are sustainable.

Importantly, natural capital accounting is exceptionally well-matched to complex, multi-stakeholder policy processes such as the Sustainable Development Goals (SDGs) that concern dynamic links between the environment the economy, that demand many parts of government, business and civil society, and that are information-intensive.

To achieve the SDGs, national institutional frameworks need to be much more integrated, nimble and better informed by natural capital considerations than in the past. Natural capital accounting will be an essential tool in realizing this vision.

However, while many approaches are being used to identify, measure, and value natural capital, these exercises are still too rarely informing decision-making or influencing policy. It is insufficient to generate data for natural capital accounts, put it “out there” and wait for policy uptake. Integrating natural capital accounting into the machinery of government decision-making is an inherently political undertaking – and one that requires

engagement, facilitated cooperation and planning between those parts of government that produce accounts and those that responsible for applying them in policymaking.

Natural capital accounting is a technical and a political exercise that needs an investment of resources, expertise and political will. Countries need support to improve their capacity to collect, organize, interpret, communicate and apply natural capital accounts as well as coordination mechanisms that link up all of the disciplines, agencies and stakeholders that are needed to take natural capital accounts from data sets to integrated policies. These are processes that cannot succeed without adequate resources.

THE GEF NATURAL CAPITAL ACCOUNTING PROGRAMME

The Global Environment Facility (GEF) was established in 1991 to support countries to fulfill their obligations under multilateral conventions and to help tackle the planet's most pressing environmental problems. To catalyse greater application of natural capital accounting, GEF is prioritizing work with countries where a baseline capacity has been built, including where:

Basic national accounts are already in place and institutional and technical capacity exists

Data for developing natural capital accounts is available or can be generated relatively easily

- Commitment exists to maintain and use the natural capital accounts in policy and decision-making
- Natural resources and ecosystems play an important role in economic development and human welfare

GEF projects will aim to build the capacity of countries to identify, measure and value natural capital, including biodiversity, and integrate this value into decision making and policy instruments.

The objective is to:

- **better manage natural resources and ecosystems;**
- **mitigate or eliminate harmful incentives leading to the degradation of natural capital; and**
- **enhance financing for sustainable management of natural capital.**

In response to the GEF-7 strategy, we would like to encourage SEEA partner countries to consider options for using a portion of the GEF-7 country allocation for biodiversity to develop a national project to promote and accelerate the application of natural capital accounts in consultation with GEF Operational Focal Point and in line with overall national funding priority.