The Changing Wealth of Nations 2018: Building a Sustainable Future

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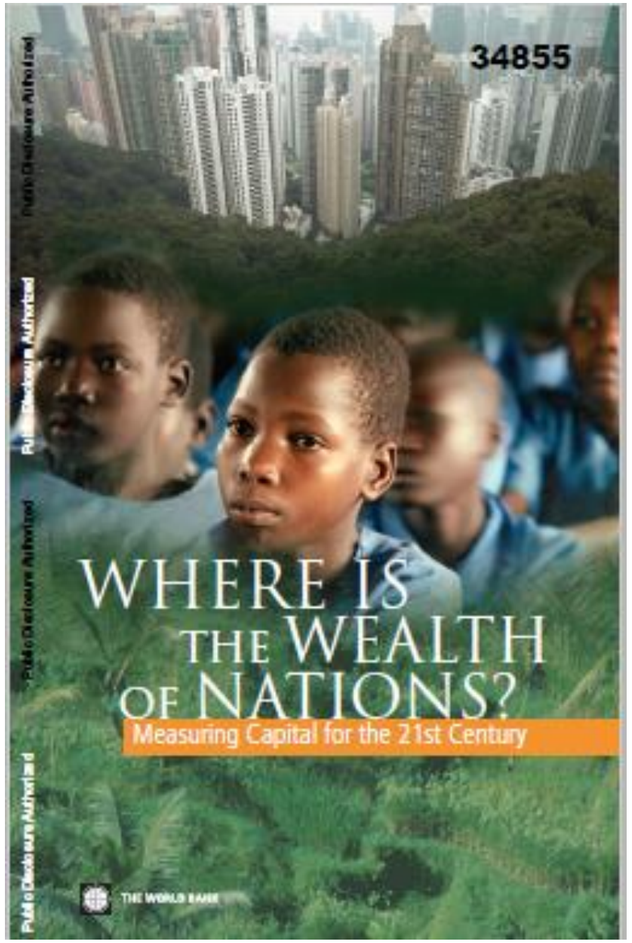
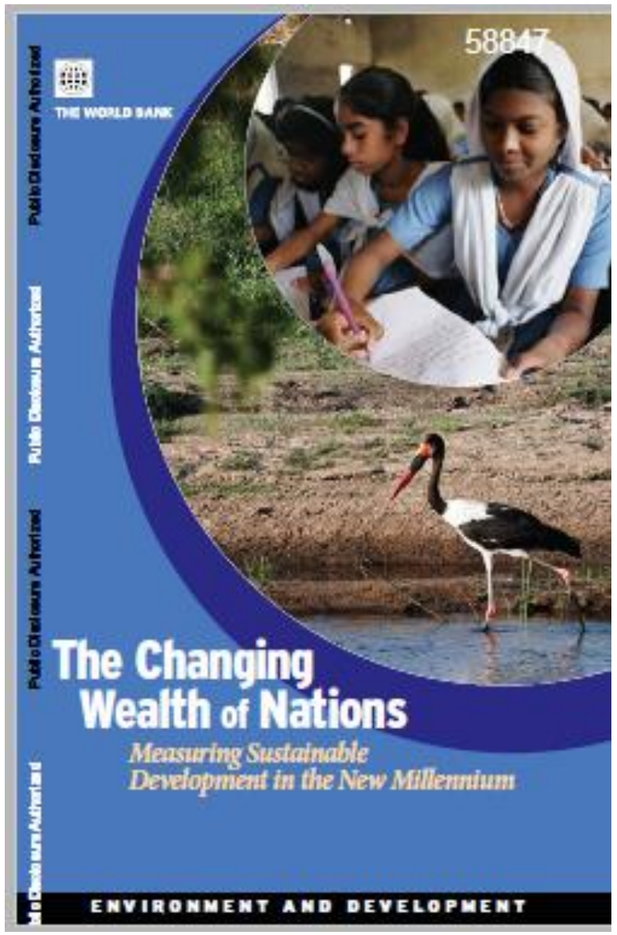
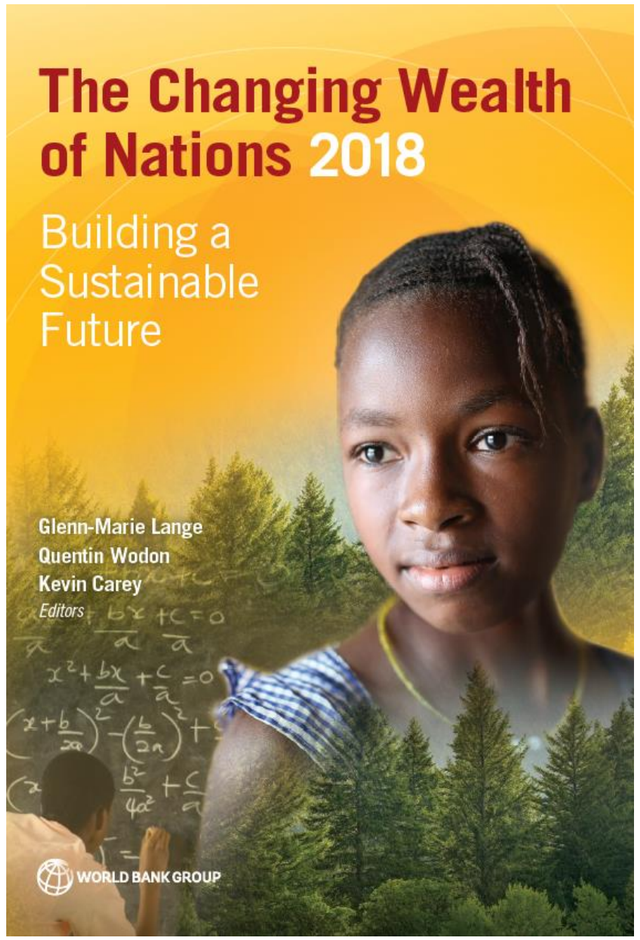
WORLD BANK GROUP

Building on 18+ years of global assessment of wealth and natural capital…





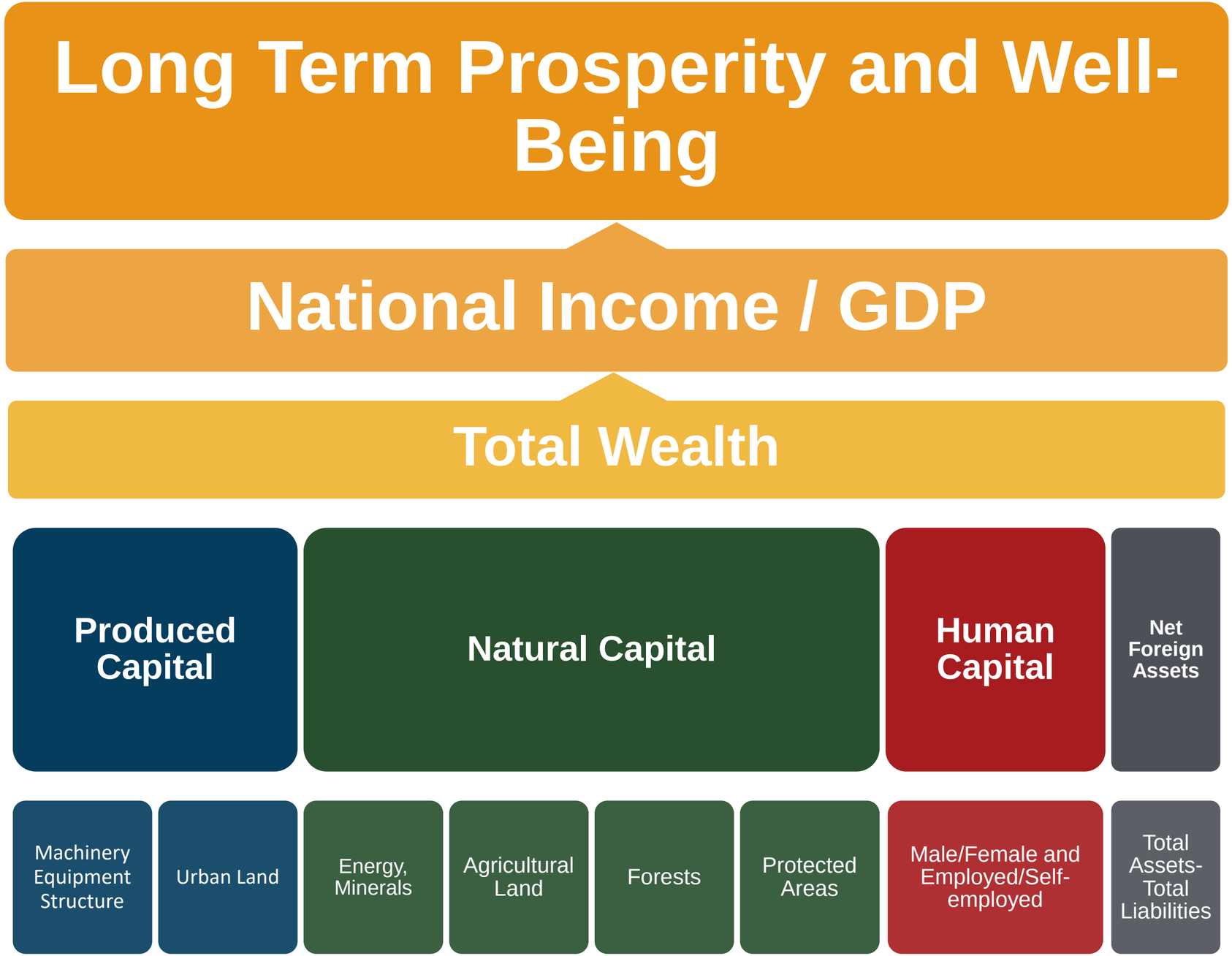


Wealth accounts available for 141 countries, 1995 to 2014

Market exchange rates

Still missing:

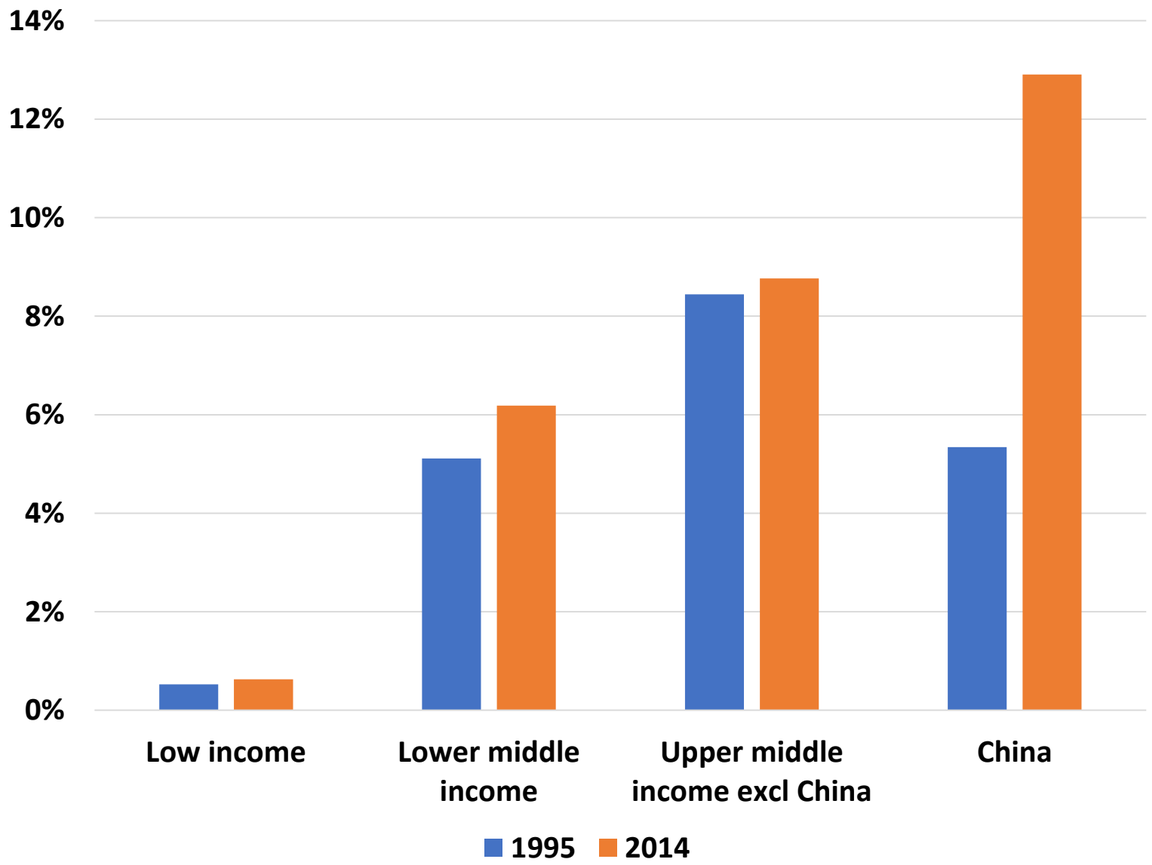
- Fisheries
- Water
- Agr land degradation (unsustainable farming practices)
- Natural hazard protection, esp. flooding



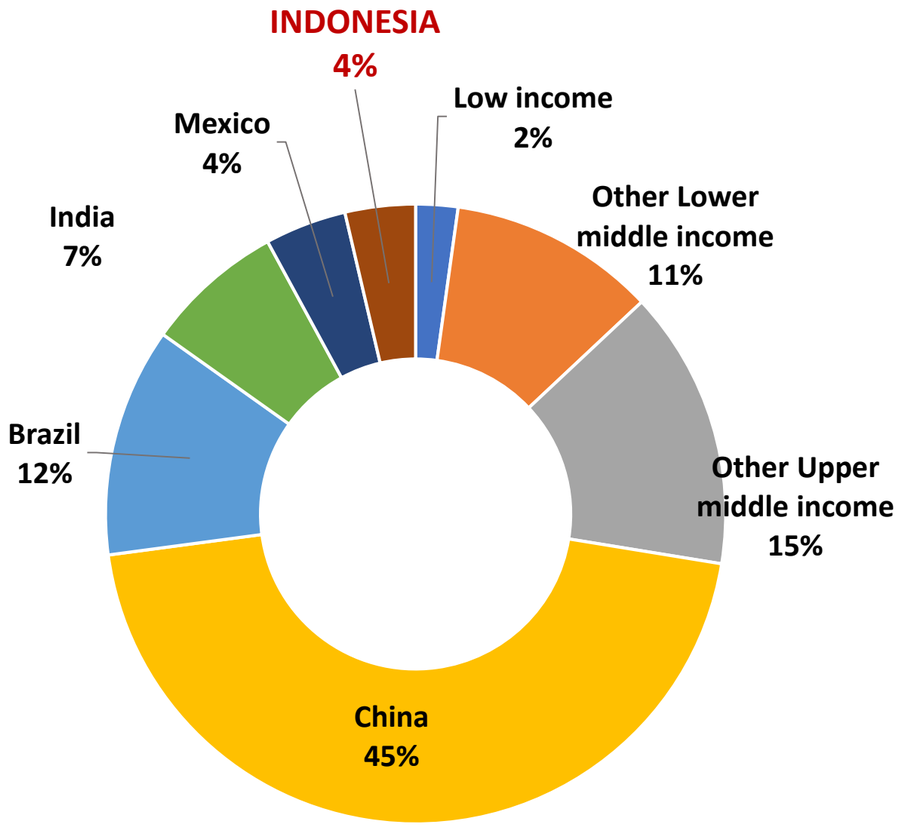
1. Overview of CWON 2018 and brief look at selected countries

Global Wealth Grew 66% from 1995 to 2014:
Gains in Low- and Middle-income Countries

Shares of Global Wealth, 1995 and 2014

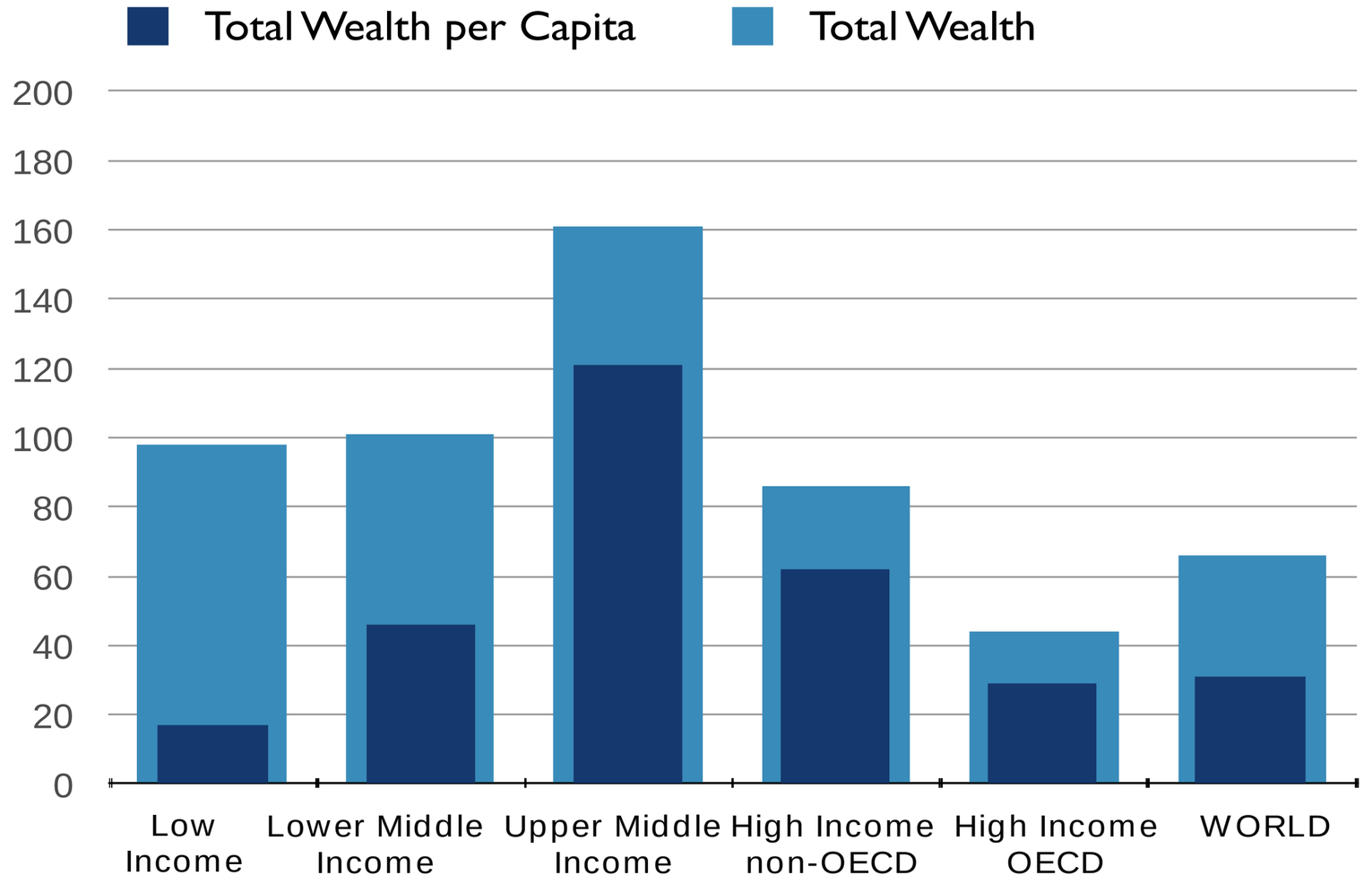


Distribution of wealth among Low- and Middle-income countries, 2014

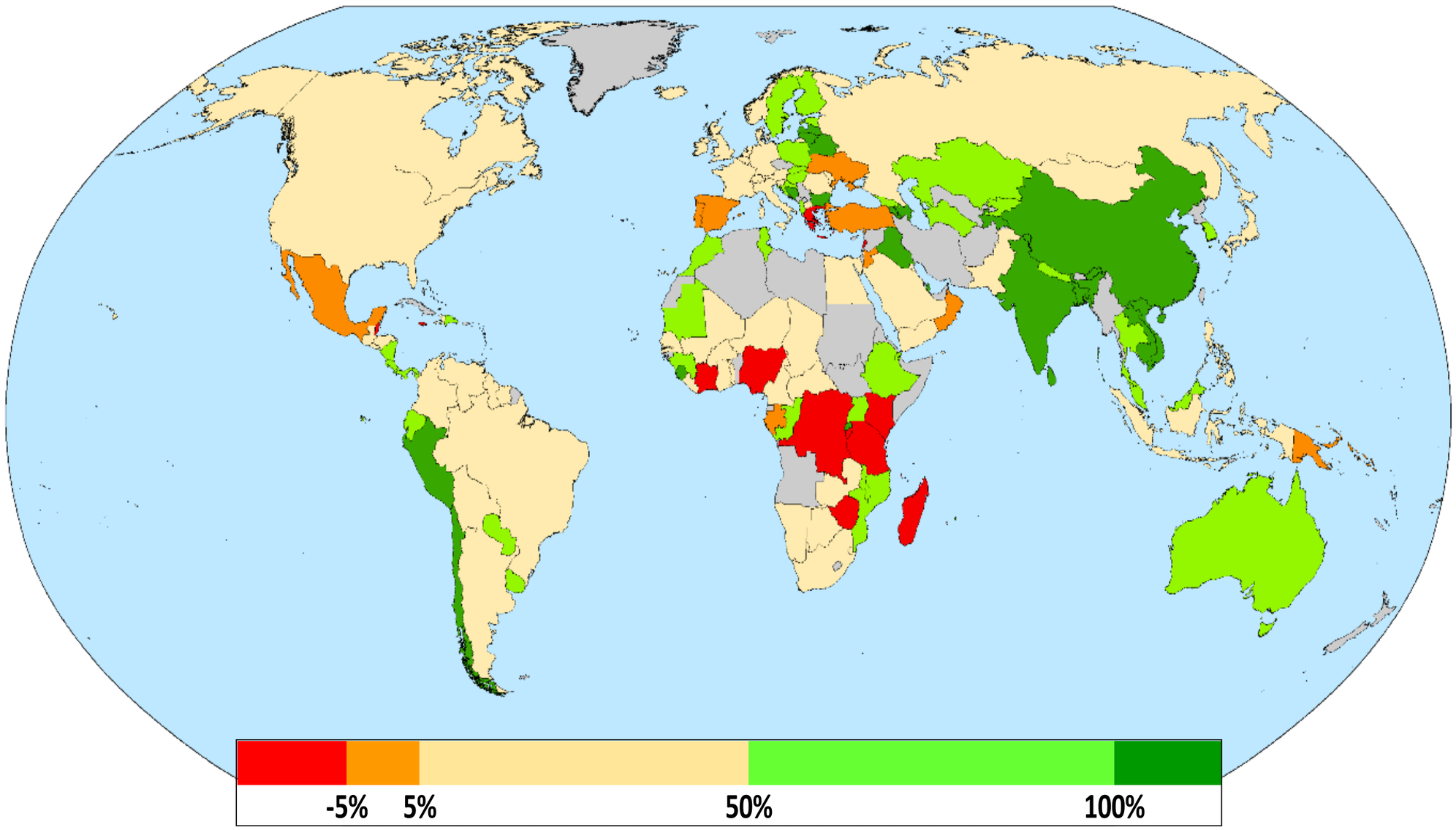


Growth in Total Wealth and Per Capita Wealth, 1995 to 2014 (percent)

Population growth impacts per capita wealth, especially in low- and middle-income countries



Percent Change in Wealth Per Capita



- Asia leads
- Africa: mixed performance

At risk:

- Fragile-conflict states
- Resource rich states

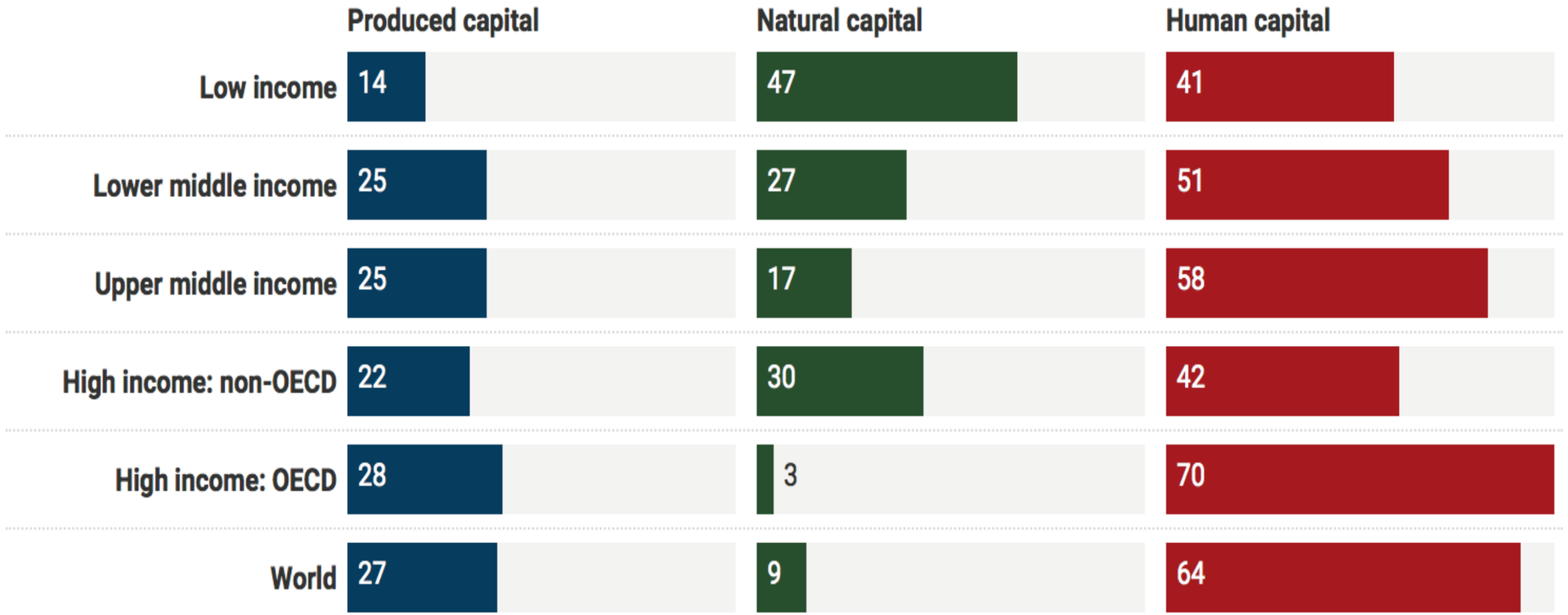
High pop. growth & the demo. dividend

Wealth Accounting: Development as Portfolio Management

- Is current GDP sustainable, or are we liquidating capital?
- How much to save vs. consume?
- What assets to invest in?

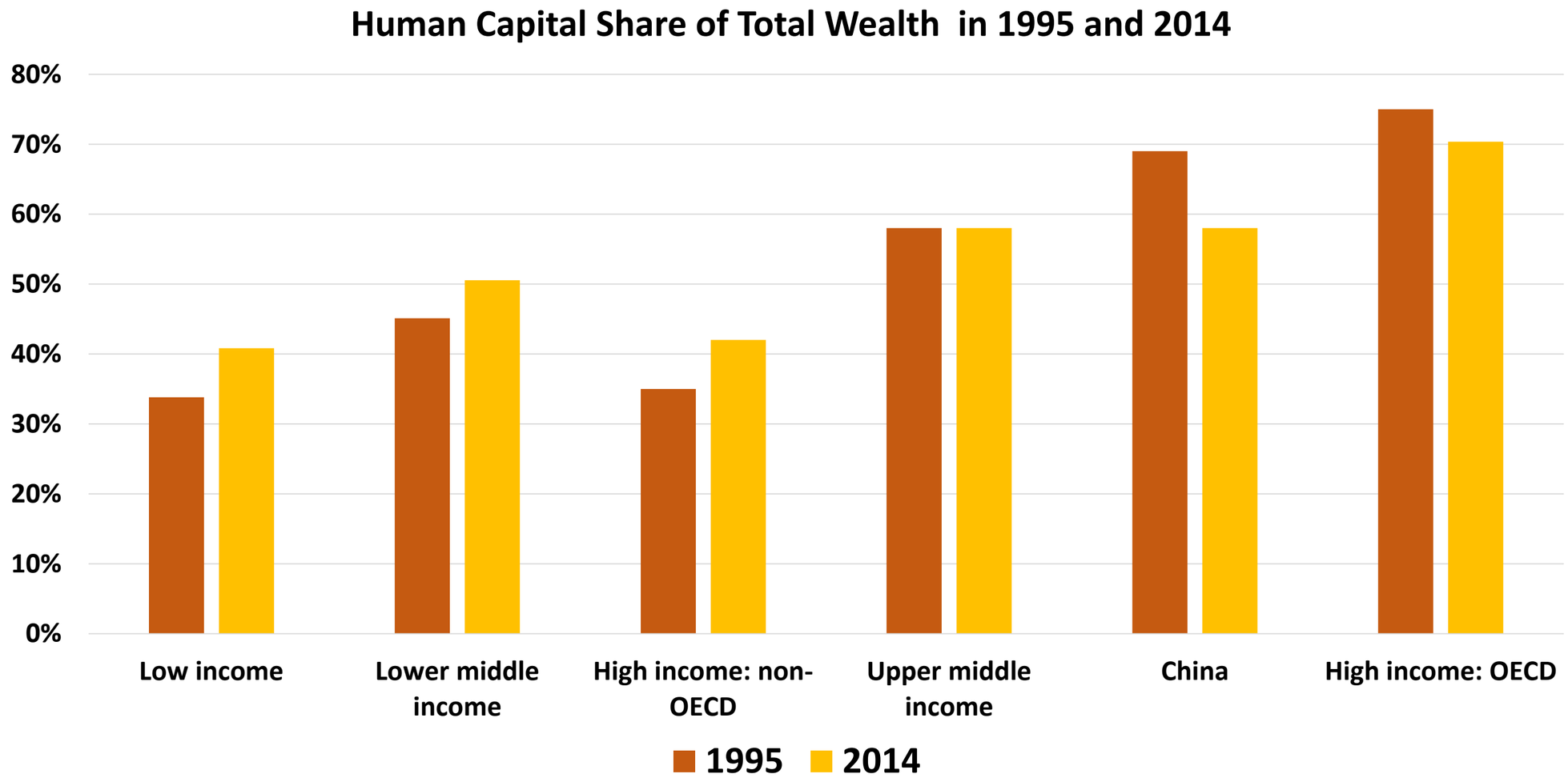
Low- and middle-income countries: leverage natural capital to build infrastructure, human capital, etc.

Percent Shares of Wealth by Asset Type



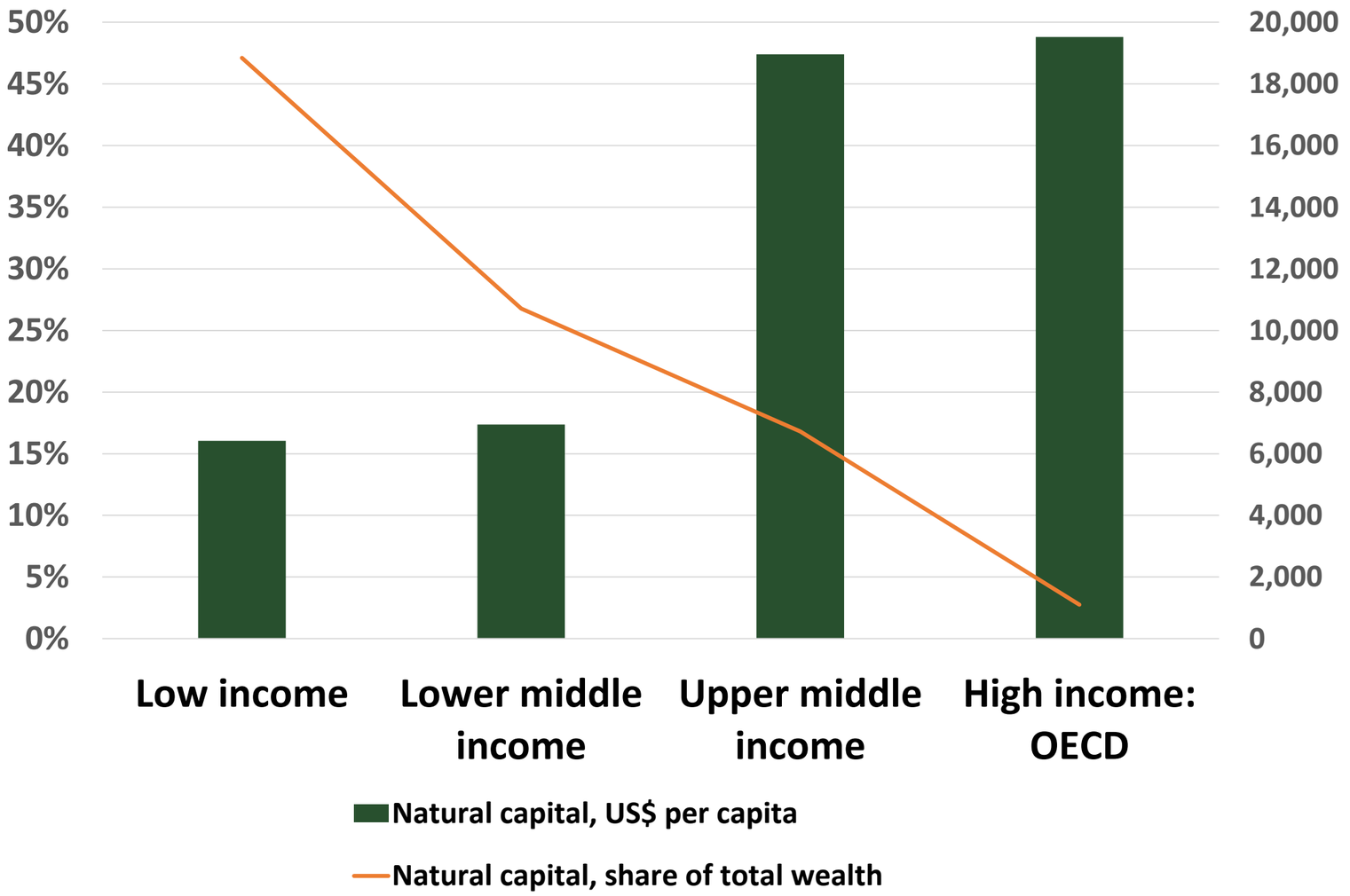
Note: Net foreign assets are small and negative, except for High-income non-OECD countries

Ageing of population, slow wage growth, & other factors affect human capital in some countries



Natural capital remains important!

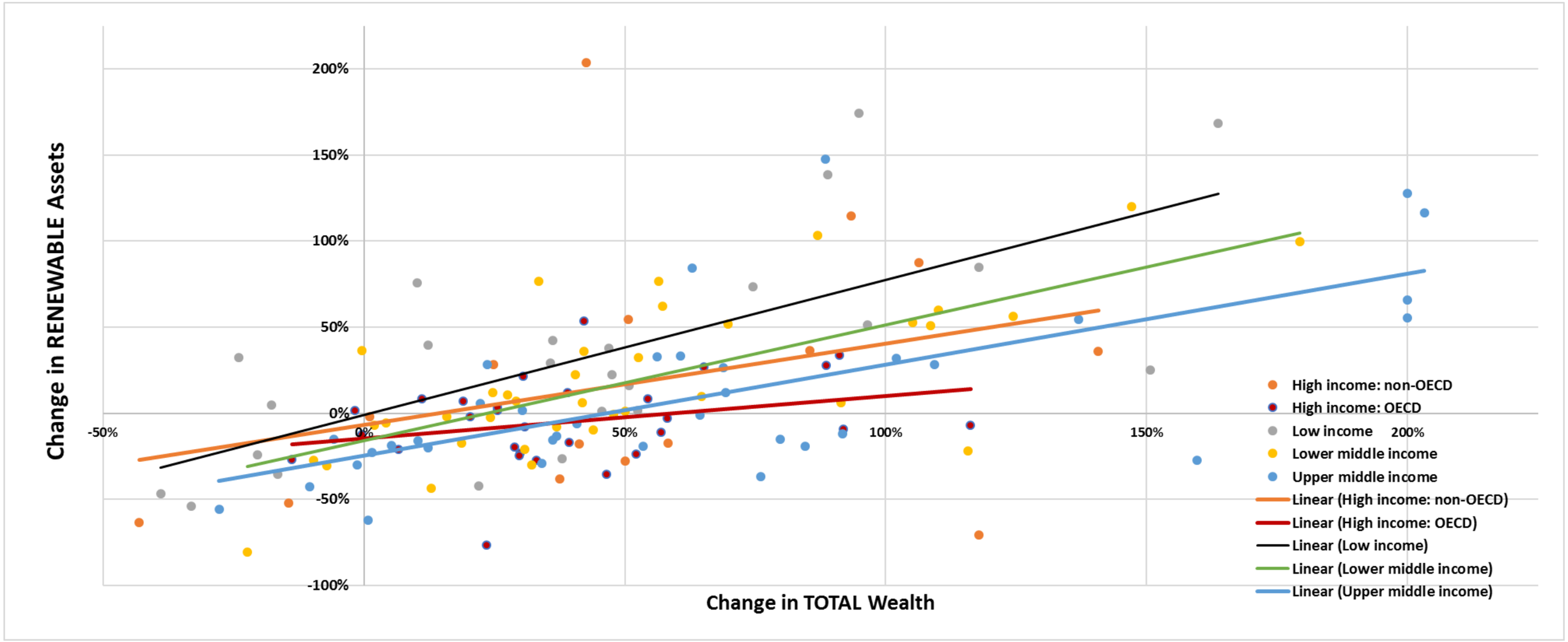
Natural Capital: Share vs Per Capita Value (US$) in 2014



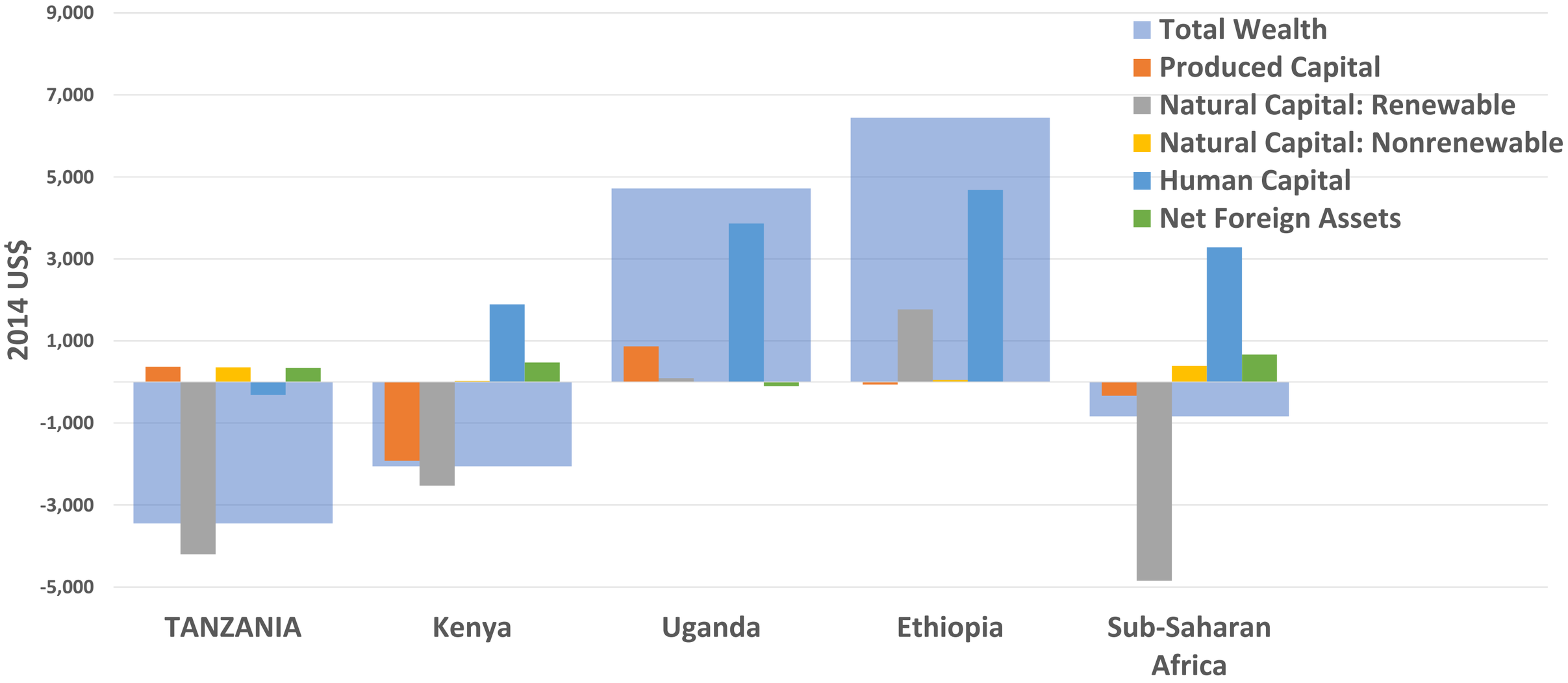
- Growing an economy is not about liquidating natural capital to build other assets
- Natural capital remains important even as countries grow and develop
- Natural capital per capita is highest in upper middle and high income OECD countries

Growth achieved by investing in renewable Natural Capital for *resilient* growth, not by depleting it

Growth of Renewable assets and Total wealth, per capita, all countries



Change in wealth per capita, 1995 to 2014: Tanzania and other African countries (2014 US$)



Managing the macroeconomy better by accounting for Natural Capital

1. Change in wealth per capital, Adjusted Net National Income Adjusted Net Savings

2. Fiscal balance/Gross operating balance, adjusted for natural resource revenues (GFS, IMF)

- Transactions that affect net worth—revenues obtained from depletion of natural resources should be made explicit in budget documents

3. Public sector balance sheet including natural resources

- IMF: Experimental study to construct balance sheets for selected countries

4. Total factor productivity including natural resources (Multi-factor productivity)

- Achieving economic growth without using more inputs
- OECD, World Bank, others

..and leading to more informed country level policy dialogue

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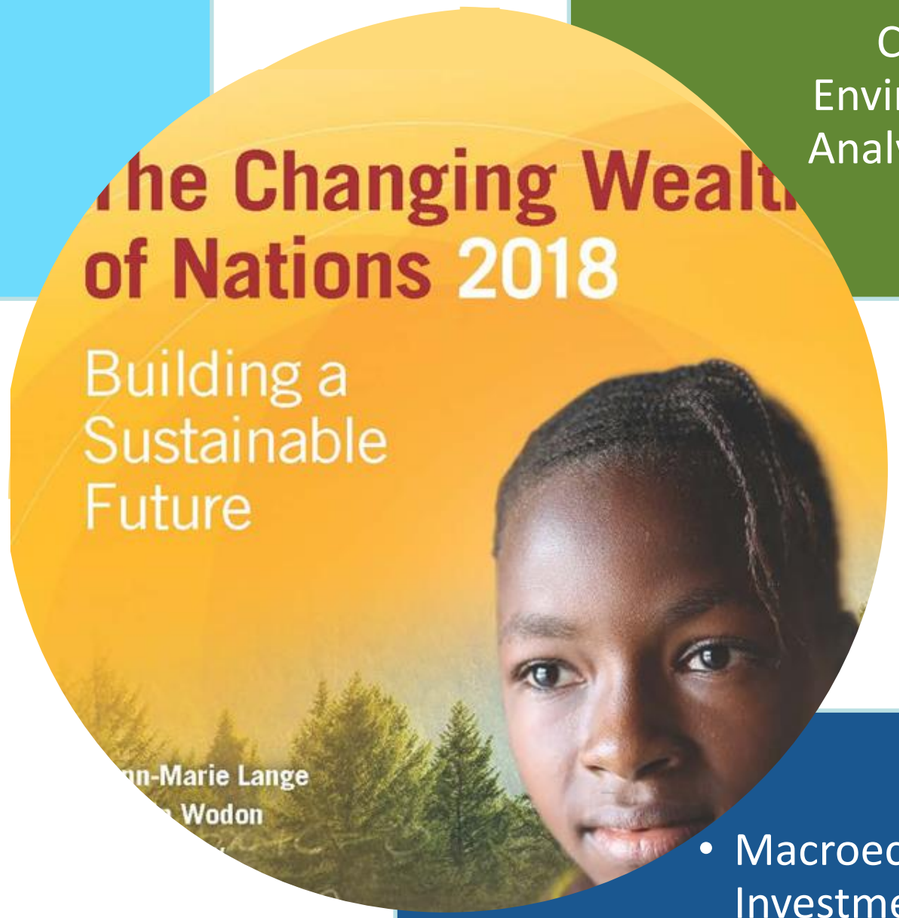
Systematic Country Diagnostics (SCD)

1. Argentina
2. Mongolia
3. Paraguay
4. Angola
5. Somalia
6. Comoros
7. Croatia
8. Dominican Republic
9. Ecuador
10. Ghana
11. Mexico
12. Rep. of Congo
13. Romania
14. South Africa

6
Country Environmental Analysis (CEAs)

1. Tanzania
2. Myanmar
3. Malawi
4. Kenya
5. Nepal
6. Ghana



- Macroeconomics, Trade, and Investment Global Practice
- Development economics (DEC)

Increasing global awareness on natural capital and sustainability..

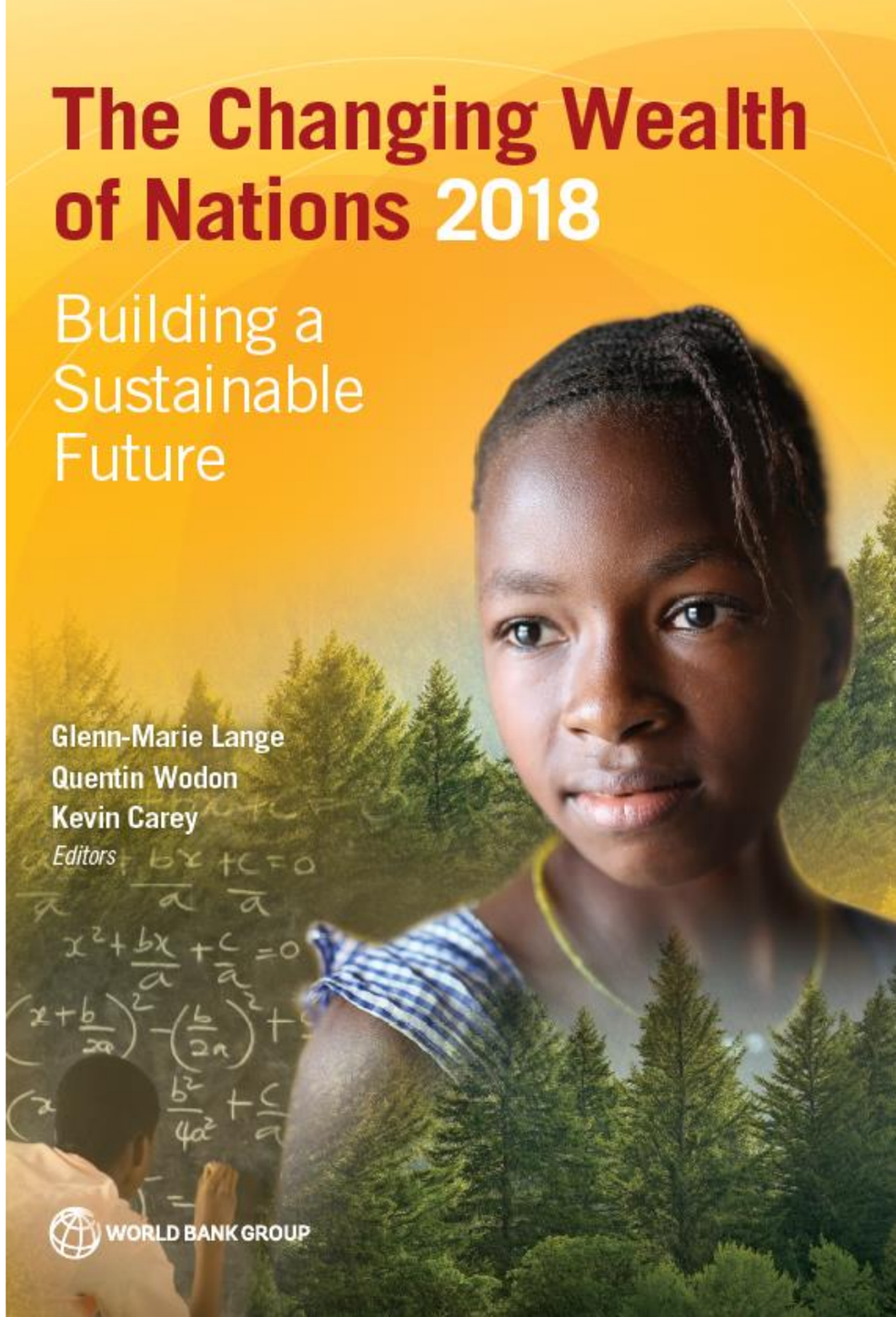
80,000 downloads of the CWON

7,000 user visits to the data page

45 media outlets covered the launch

2300 tweets and retweets from the launch

Published on January 30, 2018



2. CWON 2020: What’s next?

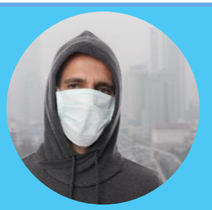
Launch at CBD in China

CWON 2020

What's brand new

Ocean natural capital accounts

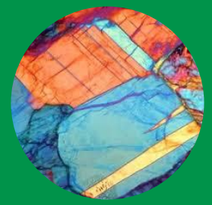
Renewable energy



Air pollution`s impact on human capital

Improved/ Expanded

Ecosystem Services



Mineral and fossil fuel accounts

Using wealth accounts for policy

- Gains from policy reforms for renewable resources
- Climate Change impacts on all assets
- Integrating wealth accounts with macro indicators
- Identifying drivers of change through decomposition analysis
- Purchasing power parity for cross-country comparisons of well-being

Minerals, fossil fuels and climate change policies

Applies SEEA methodology:
Discounted rents of proven reserves over lifetime of asset

Uses mine-level data from commercial databases for a accurate estimates of resource rent by country based

Policy analysis:
Stranded assets—potential impact on the national wealth of fossil-fuel dependent countries under scenarios about low carbon transition

Forest ecosystem services, degradation of forest and agricultural land..

Forest ecosystems

- New meta data analysis to greatly improve valuation estimates for forest ecosystem services
- Include forest degradation

- Extended to pollination services and forest values;

Agricultural land

- Changing yields & land value under impact of climate change, land degradation

Policy analysis:

- Tradeoffs between agr land expansion and deforestation
- Identify policies (e.g., subsidies, tenure insecurity,) that facilitate or discourage land use changes

Toward ocean asset accounts:

Fisheries

- Build on exploratory work in CWON 2018, partner with Univ of British Columbia plus data from FAO, OECD to develop fisheries accounts

Policy analysis: Benefits from fisheries sector reform: removing harmful subsidies and restoring fisheries to sustainable management

Mangroves and coral reefs

- Develop asset accounts - account for potential impacts of climate change, building on previous work done with our partners (TNC, others)

Policy analysis: Identify priority sites to conserve existing mangroves and opportunities for restoration

Renewable energy, and air quality..

Air quality and human capital

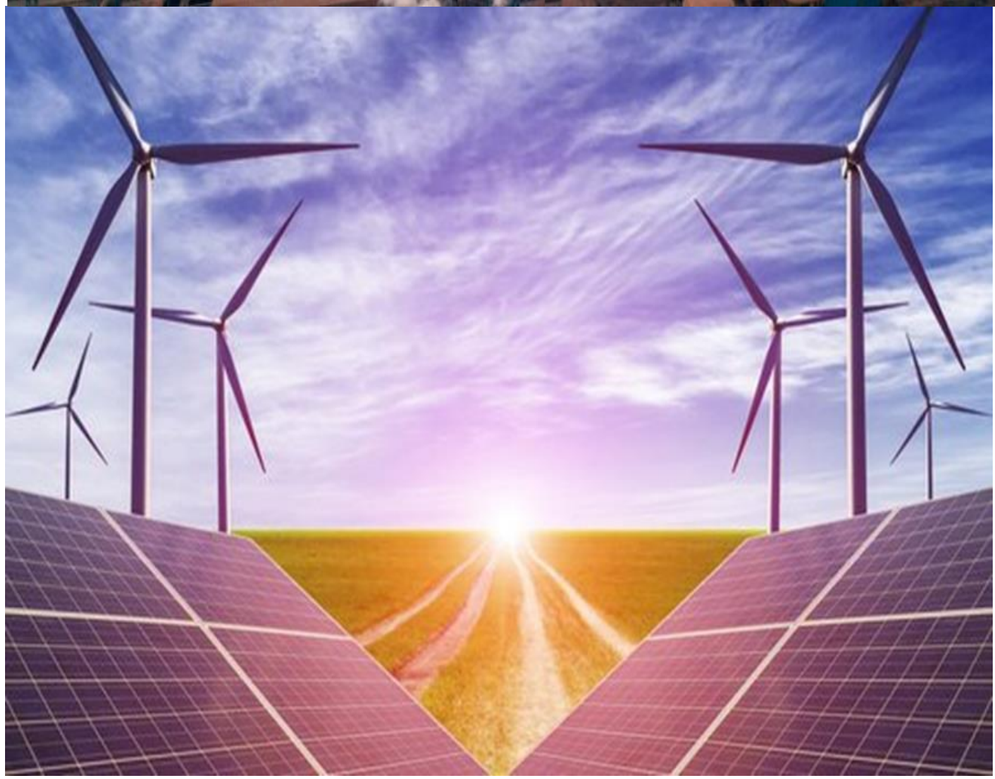
- Impact of air pollution on premature mortality and the value of human capital

Renewable energy

- Value of potential of renewable energy resources (hydro, solar, wind)
- Assessment of potential for expansion and benefits in terms of lower GHG emissions

Policy analysis: Identify policies, and benefits, that

- Would reduce the human capital costs from air pollution
- Stand in the way of developing renewable energy



Thank you!