

Natural capital for governments

What, why and how



DRAFT

Natural capital for governments: why, what and how

Aim

A narrative to show **what** natural capital is, **why** it matters for wealth and wellbeing and **how** governments can act on it.

Audience

Developed for senior decision makers focused on **global commitments** (including SDGs, Climate and Biodiversity targets); **social and economic policies** and **cross-government strategies**.

Content

- **What** is natural capital
- **Why** is it essential
- **How** governments are responding
- **Next** steps
- **> 50 examples** of government best practices

Driven by:



What: is natural capital?

Natural capital

Natural capital is another term for the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, minerals) that yield a flow of benefits to people.

Accounting & Assessment

Natural Capital Accounting

Compiling consistent, comparable and regularly produced data using an accounting approach on natural capital and the flow of services generated in physical and monetary terms to show the contribution of the environment to the economy and the impact of the economy on the environment.

Natural Capital assessment

The process of assessing natural capital impacts and dependencies. The scope can be broad and it is primarily about providing information to inform decisions. The data used can be both accounting data and other types of data and statistics.

Precaution

The concept of natural capital does not preclude nature's other important values, which include cultural and spiritual values as well as the intrinsic value of nature beyond what humans need.

Natural capital accounting and assessment provide an additional lens for understanding how economic and social outcomes are dependent on natural capital.

Key Message 1:

Wealth & wellbeing depend on natural capital

Our economies are all facing new systemic risks and opportunities

Risks today stretch far beyond our own borders.

Equally, **opportunities** are emerging as our economies respond to resource scarcity.

The **Sustainable Development Goals** embody our global ambitions and are translated to national ambitions

Meeting those ambitions requires us to manage a **range of 'capitals'**:

- Financial/Physical capital
- Social/Human capital
- Natural capital



Natural capital is the foundation.

It is essential for our economies and societies

In low income countries natural capital accounts for up to 50% of national wealth while in high income non-OECD countries it amounts to 30% of their wealth.

Yet, traditional measures of progress such as GDP fail to show the value of natural capital to an economy and society.

Decision makers lack the information they need for resilient policy making.

Key Message 2:

Natural capital generates four returns that contribute to achieving policy ambitions



Natural capital generates **societal returns**

Poverty alleviation

Well designed, natural capital-based mechanisms can provide new and direct income for the poorest:

China	Eco Compensation
Brazil	Bolsa Floresta Programme
India	Rural Guarantee Employment scheme

Public health and wellbeing

By investing in natural capital, governments can reduce their public health bill as well as invest in social wellbeing.

United Kingdom	London parks
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Jobs and livelihoods

Restoring essential ecosystems and natural species creates new jobs in rich and poor countries.

South Africa	Working for Water Schemes
EU	Rewilding Europe
USA	Natural capital restoration initiatives



NATURAL CAPITAL

Investing in and protecting natural capital generates multiple returns that contribute to achieving policy ambitions

Natural capital generates **economic returns**

Sustainable wealth

In low income countries natural capital accounts for up to 50% of national wealth while in high income non-OECD countries it amounts to 30% of their wealth.

At sector level, that dependency tends to be much higher.

United Kingdom Agri-environment schemes
Investing in key natural systems

Benefits and cost savings

By choosing to invest in 'green infrastructure' over manmade 'grey infrastructure' governments can also reduce their expenditure and enhance flows of benefits and resilience.

Philippines Mangroves

Business and industry

Supporting businesses to understand their dependency on natural capital helps them build resilience and circularity into their business models.

United Kingdom Olam International
Living Landscapes Policy

Innovation and investment

New financial instruments such as green bonds and mutual funds offer solutions to natural capital problems and drive new markets for natural capital investment.

Risk of stranded assets prompts investors, asset managers and insurance companies to demand more information on natural capital management

Mexico USA Insurance policy to protect coral reef
Washington DCs Environmental Impact Bond



NATURAL CAPITAL

Investing in and protecting natural capital generates multiple returns that contribute to achieving policy ambitions

Natural capital generates environmental returns

Natural systems

By ensuring that natural systems such as mangroves, salt marshes, peat bogs and tropical forests can continue to adapt and function as human activity increases, those systems continue to deliver goods and services that are essential for our social and economic life and provide essential nature-based solutions for adapting to climate change.

Restoration projects

Indigenous and intrinsic values

Implementing a natural capital approach can help to strengthen knowledge of traditional and intrinsic values of nature.

Brazil Assessing Ecosystem Services to help indigenous groups to identify impacts and influence decisions



NATURAL CAPITAL

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Natural capital generates **policy returns**

Policy return: achieving multiple policy aims

Natural capital accounting and assessments offer a systemic approach for understanding how public investments support each other (e.g. on biodiversity and agriculture at the same time).

EU Pollinators Initiative

Policy return: information and decision making

A reliable physical inventory or stock of a nation's natural capital, including its physical extent and economic value, is essential for making sound decisions to deliver societal and environmental goals, within the regenerative capacity of the earth.

Guatemala Forest accounts
Nigeria Forestry principles
Australia Water accounts

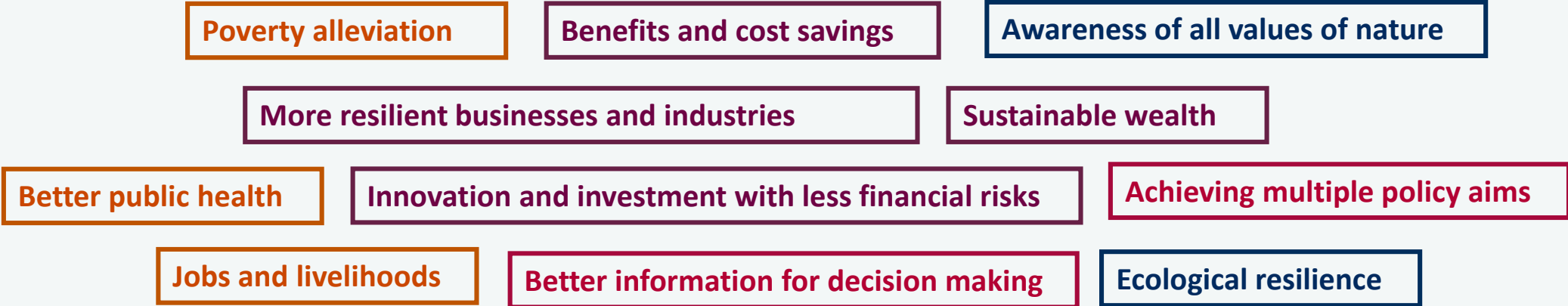


**POLICY
RETURNS**

NATURAL CAPITAL

Investing in and protecting natural capital generates multiple returns that contribute to achieving policy ambitions

Four returns to contribute to achieving policy ambitions



NATURAL CAPITAL

Investing in and protecting natural capital generates multiple returns that contribute to achieving policy ambitions

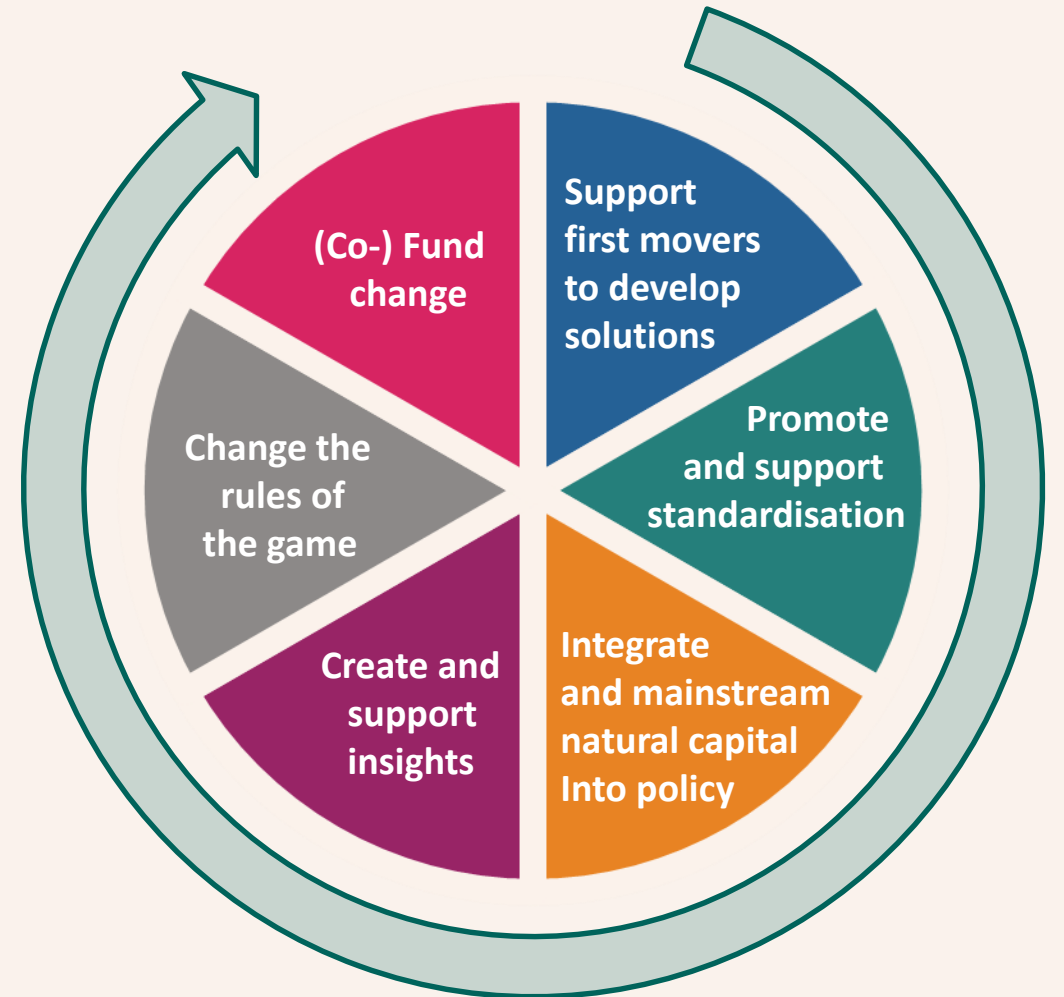
Key Message 3:

Governments have six levers to maximize the returns that natural capital delivers

Important:

There's no one-size-fits-all package!

- Every country is unique
- Change requires a different combination of actions in each context



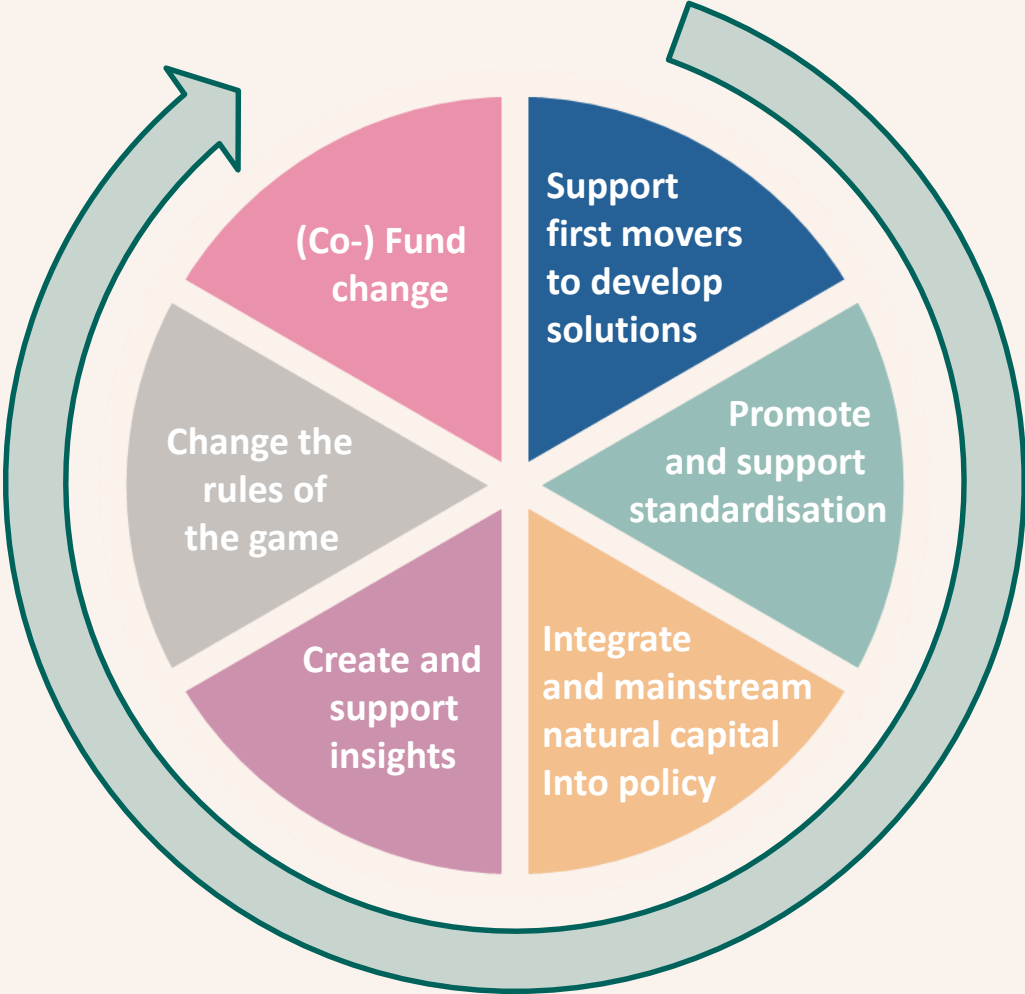
Support first movers to develop solutions

Create business learning circles and public-private partnerships to experiment with natural capital accounting and assessments and promote upscaling

Botswana	Water accounts community of practitioners
Japan	Community of Learning for Natural Capital Valuation
Netherlands	Community of Practice Financial Institutes & Natural Capital
EU	Business@Biodiversity Platform

Support upscaling by bundling tools, knowledge hubs and streamline innovation funds

Israel	Functional toolkit supporting companies to implement environmental guidelines.
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Promote and support standardization

Promote and support standardization of tools and methods to incorporate natural capital considerations into socio-economic decisions

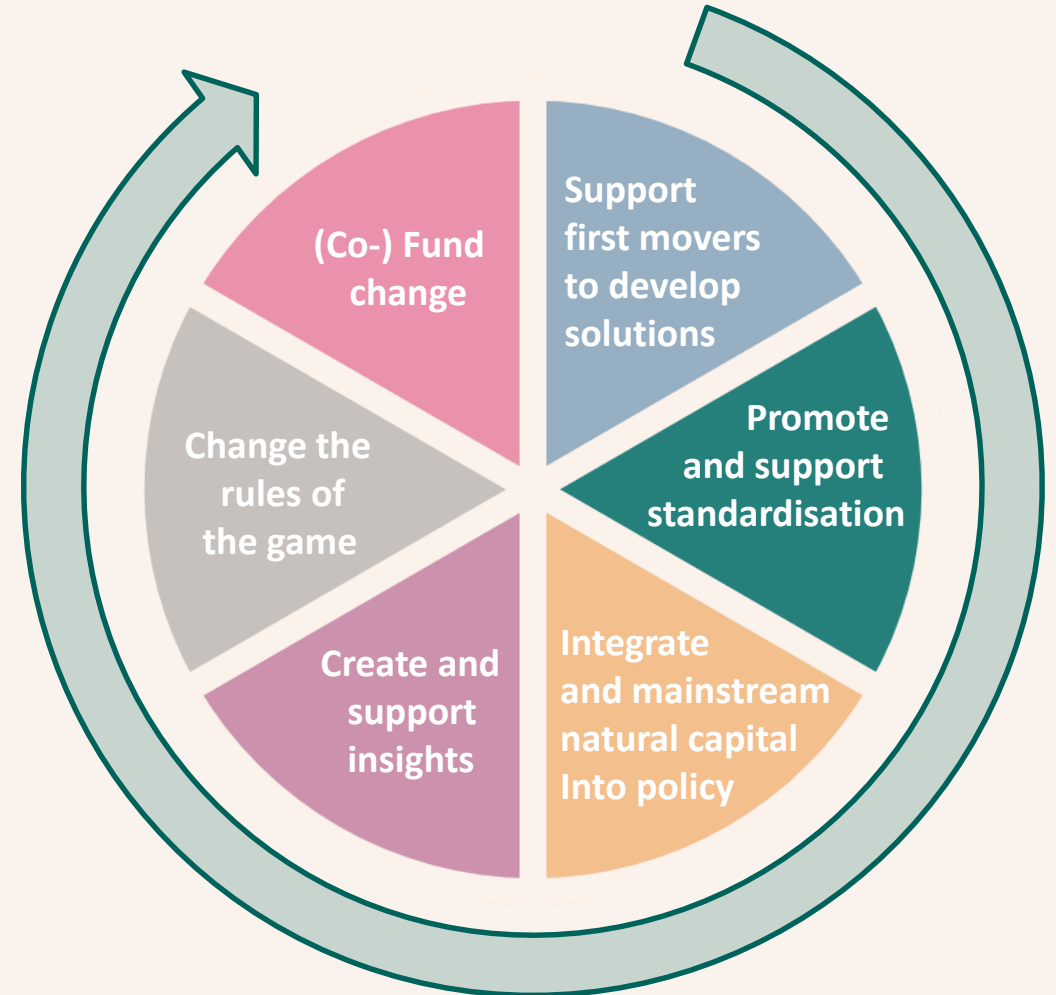
Japan	Guidelines for Private Sector Engagement in Biodiversity.
Netherlands	Environmental Prices Handbook

Encourage research coordination and support to academia and advocate the implementation of Open Data in all sectors

New Zealand	Sustainable Seas
EU	Oppla

Create public-private partnerships to scale and speed-up change

Scotland (UK)	Sectoral Sustainable Growth Agreements
Costa Rica	Water accounting decision making by business
Australia	Applying natural capital accounts to increase farm gate profits



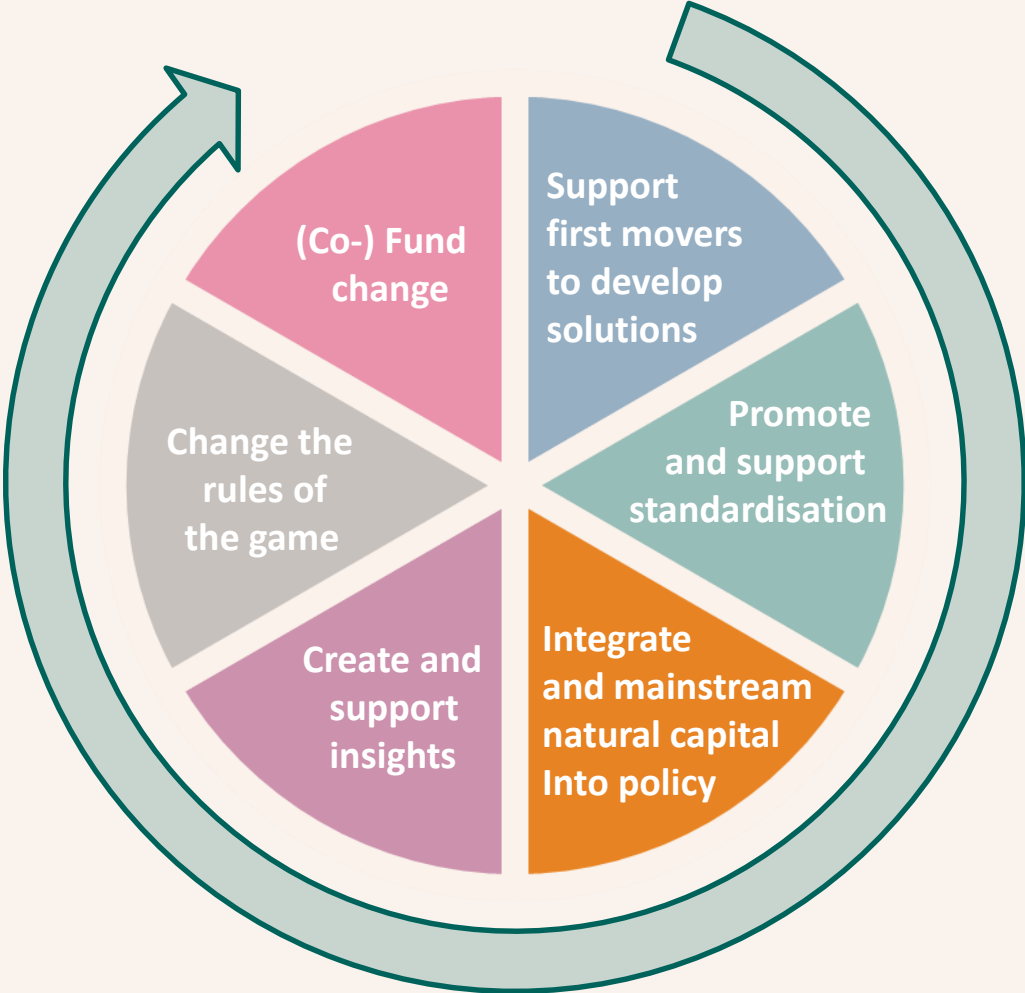
Integrate and mainstream natural capital into policy

Develop macro indicators and/or information systems alongside economic indicators such as GDP and integrate information on the state and change of the country's natural resources to its economic growth

New Zealand	Living Standards Dashboard
Scotland (UK)	National Performance Framework
Netherlands	Broad Monitor of well-being.

Create institutional links to mainstream natural capital in other policies and use the insights from natural capital accounts that are developed to prioritize the national agenda

Mexico	Inter-Ministerial Commitment to reduce deforestation
Scotland (UK)	One Planet Prosperity Regulatory Strategy to integrate nature in its regulatory framework.



Create and support insights

Compile a consistent, comparable and regularly produced national natural capital account based on the UN-SEEA framework

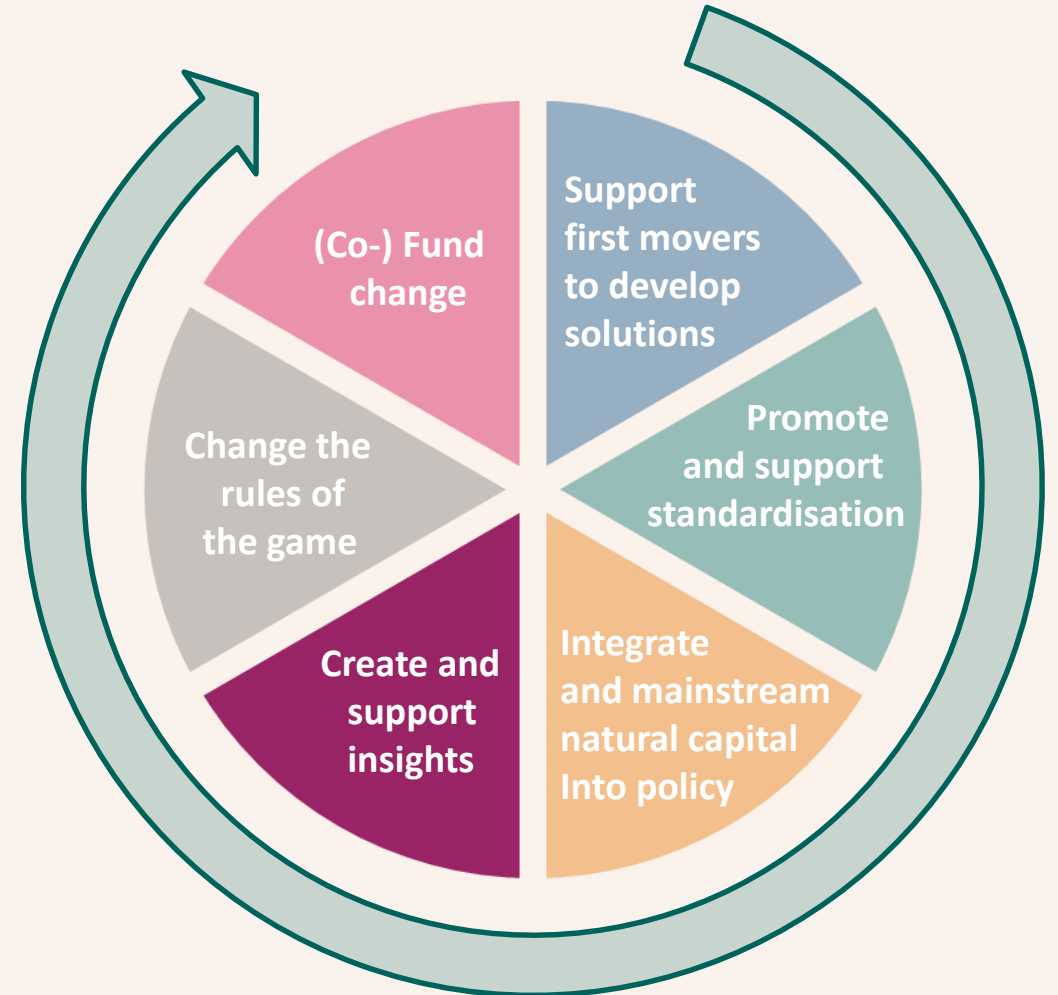
Australia	Natural capital accounts, including for Marine and Coastal Ecosystems accounting, and Victoria's Parks
Brazil	Environmental-economic accounting for water and EEB-services
Netherlands	SEEA-EEA based Carbon-account.

Develop and adopt a framework that links natural ecosystems and socio-economic systems through the flow of ecosystem services

United Kingdom	Assess alternative options for changing landscapes
EU	Mapping and Assessment of Ecosystems and their Services

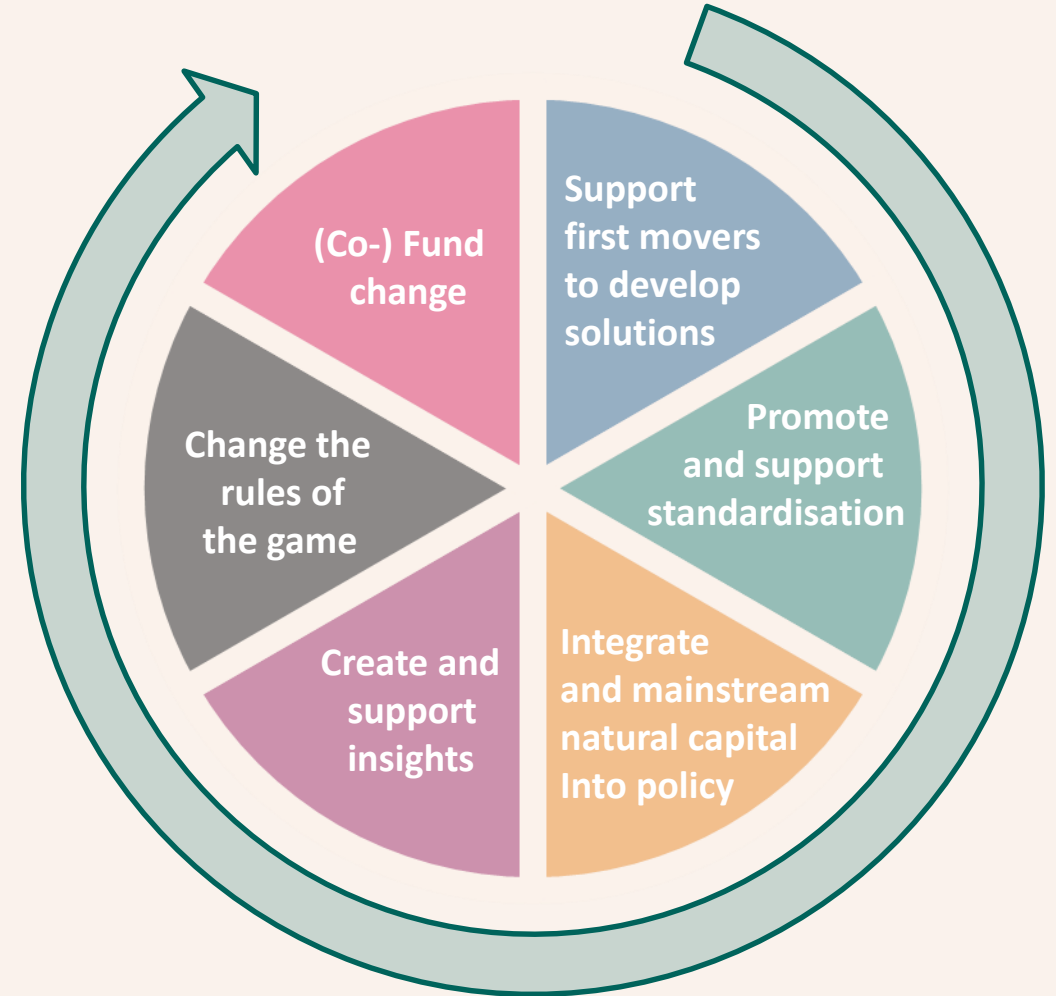
Organize a dialogue on natural capital values to raise awareness and develop a common understanding of do's and don't's

Brazil	PainelBio Initiative
Netherlands	Natural Capital Dialogue



Change the rules of the game

Promote inclusion of natural capital related non-financial information in decision making and reporting of companies	
France	Mandatory disclosure on climate change and biodiversity National strategy to eliminate deforestation from supply chains
Develop price and market incentives (including tax incentives and sustainable procurement) to promote sustainable use of natural capital	
Sweden / South Africa	Greening tax policies using insights of natural capital accounting
Brazil	System of Incentives for Environmental Services Minimum Guaranteed Price Policy for Socio-Economic Products.
Develop regulation to ensure proper natural capital management and enshrine the protection of natural capital into legal frameworks	
Australia/Netherlands	Standards for Biodiversity Offsets
Brazil	Review process of the forest compensation law

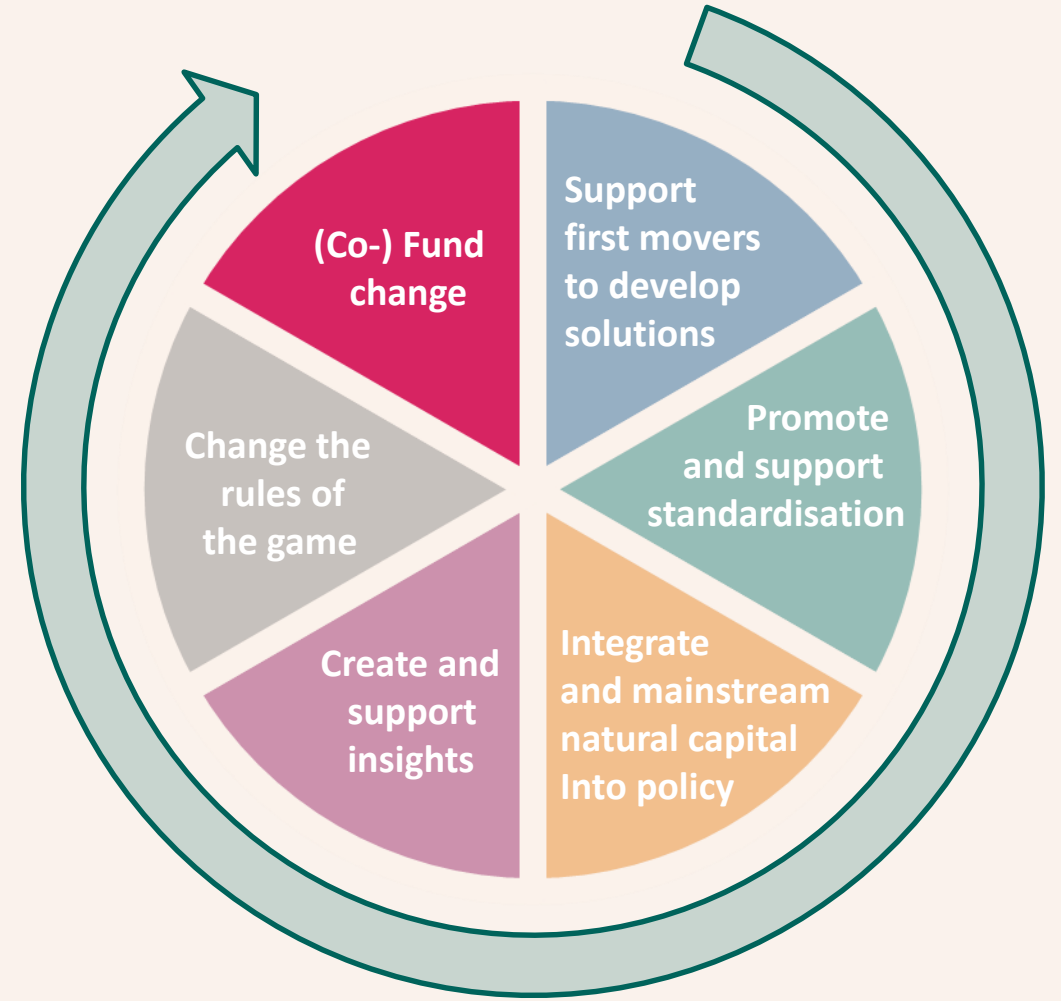


(Co-) Fund change

Develop new investments in specific ecosystems or ecosystem services, and public-private partnerships for blended finance proposals.

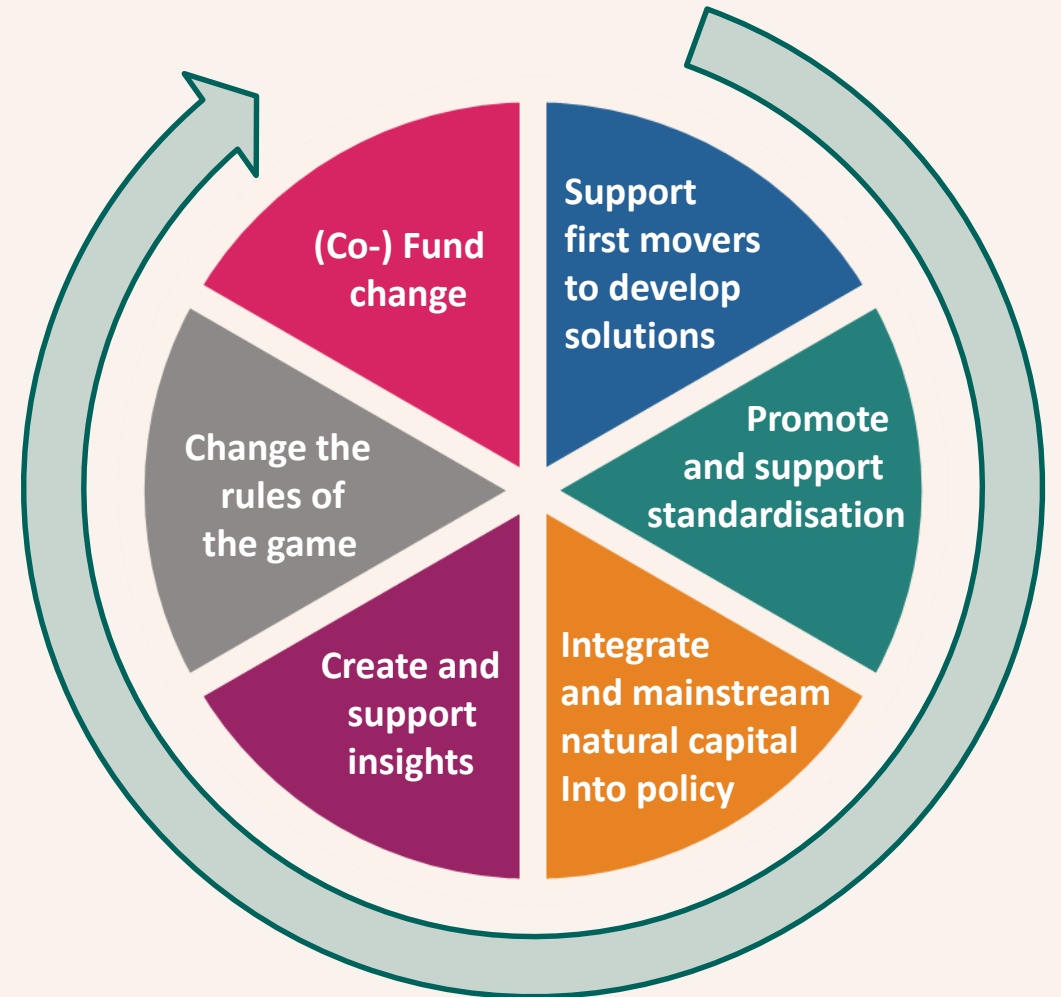
New Zealand
Israel

Freshwater Improvement Fund
Open Spaces Conservation Fund to restore open spaces



Six levers for change, six questions to ask

1. How are we supporting first movers to develop solutions?
2. How are we supporting standardization?
3. What steps are being taken to integrate and mainstream natural capital into policy?
4. How are we supporting new insights and research?
5. What progress is there towards shifting the rules of the game?
6. To what extent are we (co-) funding change?



Summarizing the key messages

1

Wealth & wellbeing **depend on natural capital**



2

Natural capital generates four returns that contribute to achieving policy ambitions



3

Governments have **six levers to maximize the returns** that natural capital delivers



Natural capital approaches support ambitions

SDG	SDG Target	Approach	1	2	3	4	5	8	9	11	12	13	14	15		
16	PEACE, JUSTICE AND STRONG INSTITUTIONS	1. Eco-Compensation (Chia) 2. Bolsa Floresta Programme (Brazil) 3. Rural Guarantee employment schemes (India) 4. Working for water schemes (South Africa) 5. Rewilding Europe (EU) 6. London Parks (United Kingdom) 7. Living Landscapes Policy (QAM) (United Kingdom) 8. Agri-environment scheme (United Kingdom) 9. Investing in key natural systems (United Kingdom) 10. Philippine mangroves (Philippines) 11. Insurance policy to protect coral reefs (Mexico) 12. Washington DC Environmental Impact Bond (USA) 13. Ecological restoration projects 14. Assessing ecosystem services (Brazil) 15. Forest accounts (Guatemala) 16. Forestry principles (Nigeria) 17. Water accounts (Australia) 18. Wetlands Initiative (EU) 19. Community of Learning for Natural Capital Valuation (Japan) 20. Community of Practice Finance & Biodiversity (Netherlands) 21. Water accounts community of practitioners (Botswana) 22. EU Business@Biodiversity Platform (EU) 23. Functional tools (Israel) 24. Natural Capital accounts for Marine and Coastal ecosystems (Australia) 25. Natural Capital accounts for Victoria Parks (Australia) 26. Environmental economic accounting for water (Brazil) 27. SEA-based Carbon accounts (Netherlands) 28. Assess alternative options for changing the landscape (United Kingdom) 29. Mapping and Assessment of Ecosystems and their Services (EU) 30. Parivello Initiative (Brazil) 31. Natural Capital Damage (Netherlands) 32. Guidelines for Private Sector Engagement in Biodiversity (Spain) 33. Environmental Prices Handbook (Netherlands) 34. Sustainable seas program (New Zealand) 35. Oppla (EU) 36. Sectoral Sustainable Growth Agreements (United Kingdom) 37. Water accounting for decision making by business (Costa Rica) 38. Applying natural capital accounting to increase firm gate profits (Australia) 39. Using standards dashboard (New Zealand) 40. National Performance Framework (Scotland, United Kingdom) 41. Monitor of well-being (Netherlands) 42. Inter-Ministerial Commitment to reduce deforestation (Mexico) 43. One Planet Prosperity Regulatory Strategy (United Kingdom) 44. Mandatory disclosure on climate change and biodiversity (France) 45. National strategy to eliminate deforestation from supply chains (France) 46. Greening tax policies using insights of NCA (Sweden) 47. Greening tax policies using insights of NCA (South Africa) 48. System of incentives for Environmental Services (Brazil) 49. Minimum Guaranteed Price Policy for Sustainable Products (Brazil) 50. Review process of the forest compensation law (Brazil) 51. National Ecosystem Assessment (France) 52. International Standard of Biodiversity Effects (Australia/Netherlands) 53. Freshwater improvement fund (New Zealand) 54. Open Spaces Conservation Fund (Spain)														
17	PARTNERSHIPS FOR THE GOALS															
1	NO POVERTY															
3	GOOD HEALTH AND WELL-BEING															
4	QUALITY EDUCATION															
5	GENDER EQUALITY															
10	REDUCED INEQUALITIES															
2	ZERO HUNGER															
6	CLEAN WATER AND SANITATION															
7	AFFORDABLE AND CLEAN ENERGY															
8	DECENT WORK AND ECONOMIC GROWTH															
9	INDUSTRY, INNOVATION AND INFRASTRUCTURE															
11	SUSTAINABLE CITIES AND COMMUNITIES															
12	RESPONSIBLE PRODUCTION AND CONSUMPTION															
13	CLIMATE ACTION															
14	LIFE BELOW WATER															
15	LIFE ON LAND															

Next steps – Today’s discussion

1. Which of the four returns of natural capital are most relevant and/or under pressure in your context?

Is it clear to you what the 4 returns of natural capital represent and how they are linked to natural capital? What is missing; what needs to be strengthened or dropped?

2. Which of the six key levers for change provide the best opportunities in your context?

Are the six levers helpful for identifying steps you could take or support?

3. How can you use the narrative to mainstream natural capital into your national economic and social policy agendas? What can we do internationally?

