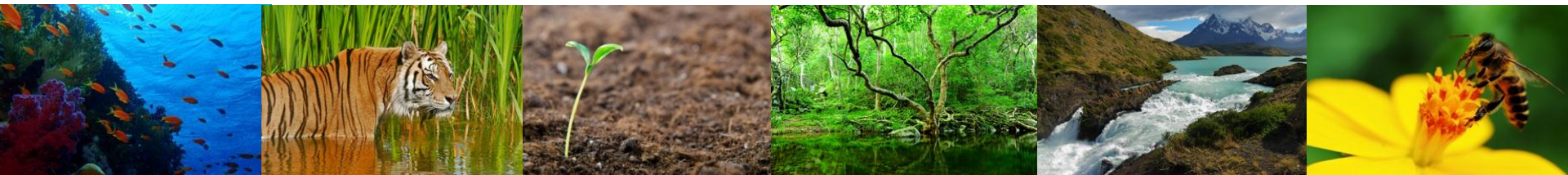


Wealth and Natural Capital Accounting

GGKP Workshop – Indonesia
June 4, 2013

Urvashi Narain, Senior Environmental Economist
World Bank



The problem with GDP...

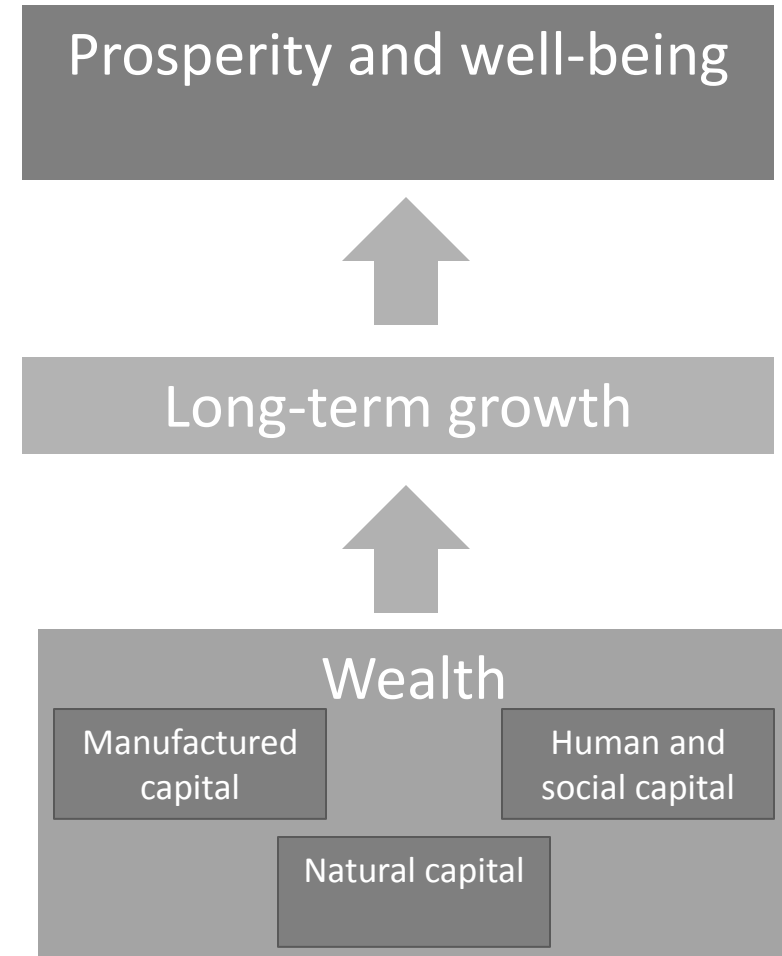
“Gross domestic product, the leading economic measurement, **is outdated and misleading.”**

“It's like grading a corporation based on one day's cash flow and forgetting to depreciate assets and other costs.”

(J. Stiglitz, Nobel prize, economics)

Comprehensive Wealth and Sustainable Development

- Change in GDP tells us if growth is occurring, **changes in wealth tell us if growth is sustainable**—that is, whether this is long-term growth.
- **Economic development** is a process of **building wealth** and managing this portfolio of assets
- Only a small number of countries compile **wealth accounts**, and even **fewer include natural capital**

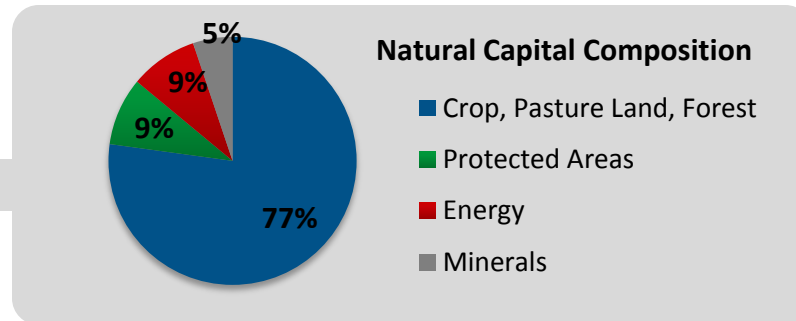


Components of Natural Capital

Natural capital is a critical asset, especially for less developed countries where it makes up a significant share **(36%) of total wealth**.

Wealth of Low Income Countries

<i>2008 US\$</i>	<i>Per Capita</i>
Total Wealth	7,670
<i>Produced Capital</i>	1,117
<i>Natural Capital</i>	2,403
<i>Intangible Capital</i>	4,290
<i>Net Foreign Assets</i>	-141



Source: Authors' calculations based on World Bank data.

Accounting for Natural Capital

To compile **better indicators of sustainable growth**, and make **better decisions**, optimizing use of natural capital :

- Construct wealth accounts
- Construct detailed natural capital accounts, e.g. forest, water, minerals
- Expand natural capital to include ecosystem services that are largely hidden or absent in the natural accounts, for example:
 - Carbon storage
 - Flood mitigation, Coastal protection
 - Soil retention, water regulation

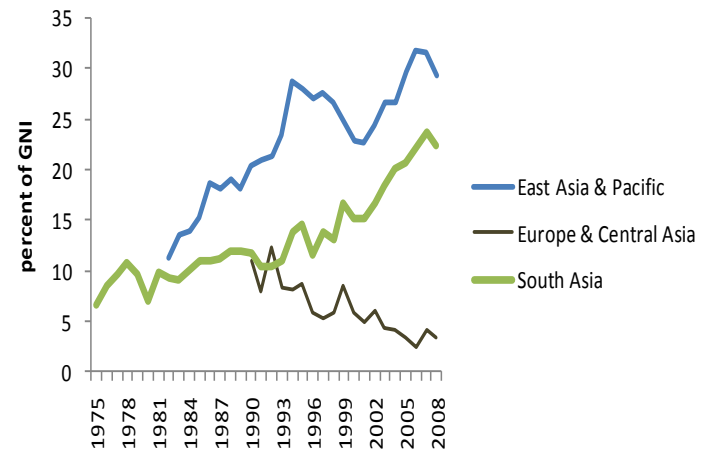


Is wealth growing or declining?

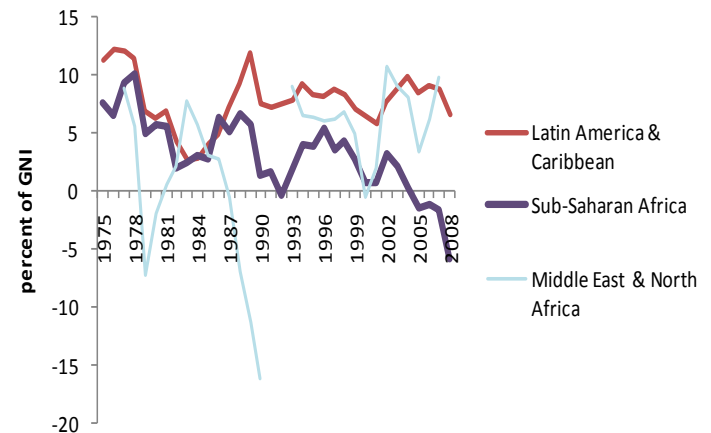
Adjusted Net Savings tells us whether wealth is increasing or declining:

- Building wealth, ensuring sustainable development
- Depleting wealth – what will be left for future generations?

Adjusted Net Savings in EAP, ECA and SAR

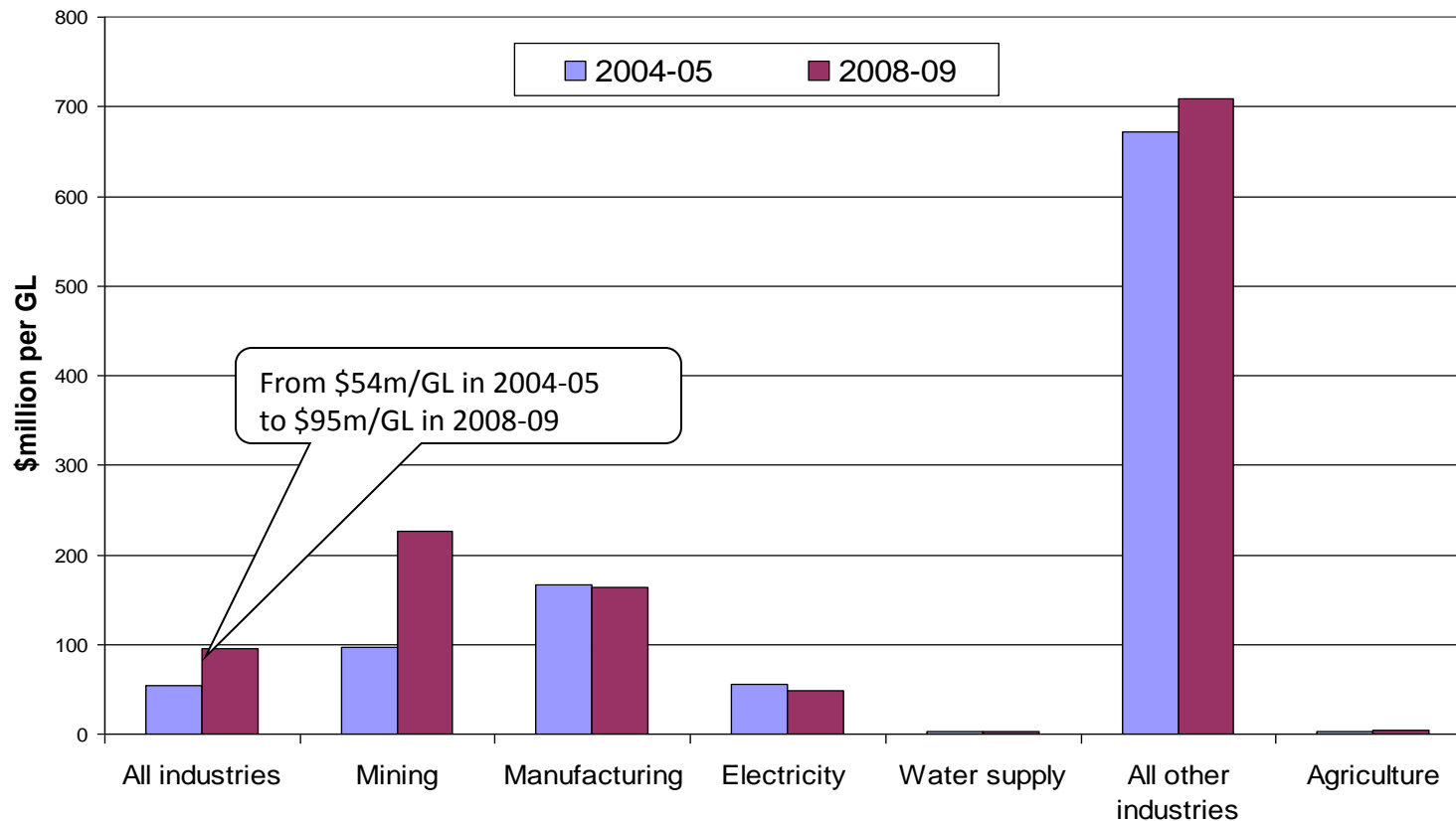


Adjusted Net Savings in LCR, MNA and SSA



Natural Capital Accounting is not just for developing countries

Are scarce water resources in Australia allocated efficiently?
Water Productivity by sector, 2004 and 2008 (\$GDP/GL)



How to do Natural Capital Accounting?

First Earth Summit in Rio 1992—Agenda 21:

- **System of Environmental and Economic Accounting (SEEA)**, developed over past 20+yrs by UN Statistical Commission

SEEA—satellite accounts to the System of National Accounts

Part 1. – Central Framework—adopted by UN Statistics Commission as **international statistical standard** in February 2012, like SNA

- Physical supply and use: energy, water, materials, air & water pollution
- Monetary transactions: environmental taxes, subsidies, protection expenditures
- Asset accounts for minerals & energy, forests (timber), land, fisheries, water
- Macroeconomic aggregates and indicators

Part 2. – Experimental Accounts for Ecosystem, 1st draft 2013

Part 3. – Applications and Policy Uses, 2013

WAVES Global Partnership supporting NCA

WAVES (initial phase):

- Botswana, Colombia, Costa Rica, Madagascar, the Philippines
- Vietnam
- Indian state of Himachal Pradesh under GG DPL

WAVES (expanded phase) countries

- 24 additional developing countries endorsed NCA at Rio+20
- Global Action Plan drafted for supporting them



What countries can expect from WAVES

- **Regional workshops** to explain Natural Capital Accounting, how it can be used to support decision-making, and the SEEA
- **Diagnostic tool** to assess readiness and priorities, and short term technical support to assist countries implement the diagnostic
- **Training materials** for SEEA
- Assistance in identifying resources for **additional technical support** through WAVES Partnership, or programs of partners
- Join a **global ‘community of practice’** to share experiences, report results, learn from each other, and receive training on specialized topics



Thank you!

www.wavespartnership.org

