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Natural Capital and Macroeconomic Policies : What Can Be Done Better?

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1 Poverty	2 ZERO	3 GOOD HEALTH	4 QUALITY	5 GENDER
	HUNGER	AND WELL-BEING	EDUCATION	EQUALITY
6 CLEAN WATER	7 AFFORDABLE AND	8 DECENT WORK AND	9 INDUSTRY, INNOVATION	10 REDUCED
AND SANITATION	CLEAN ENERGY	ECONOMIC GROWTH	AND INFRASTRUCTURE	INEQUALITIES
11 SUSTAINABLE CITIES	THE GLOBAL GOALS For Sustainable Development			12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE	14 LIFE BELOW	15 LIFE	16 PEACE AND JUSTICE	17 PARTNERSHIPS
ACTION	WATER	ON LAND	STRONG INSTITUTIONS	FOR THE GOALS

Salient Messages of SDGs

- 1. People, Planet and Prosperity (3 Ps)
- 2. Integrated and indivisible
- 3. Decoupling of growth and resilience of natural capital



Natural Capital: Operational Approach

- 1. Measure Progress, move beyond GDP
- 2. Link natural capital with structure of macro-economy
- 3. Encourage green innovation and diffusion of know how
- 4. Internalise cost, making damage unbearable



Natural Capital: Value, Time and Scale



Britain's forests, soil and rivers worth £1.6tn



Natural Capital... Contd.

- 1. The Value of global ecosystem change as between 125-145 Trillion USD at 2007 USD price.
- 2. The loss of eco-services from 1997 to 2011 due to land use change at \$4.3–20.2 trillion/yr,
- 3. The 100 environmental externalities are costing the economy world-wide around \$4.7 trillion a year in terms (TEEB for Business,2013)



VANTAGE

(Valuation and Accounting of Natural Capital for Green Economy)

ProEcoServ policy-oriented value first achieving evidence-base MDG decision poverty goals overall capital experimental assessment making Division Policy issues conference attended deve developing initiatives Unit wealth roadmap Declaration Rio+20 international Accounting day UN WAVES parts there experts Accounting day UN WAVES parts there experts Accounting day UN WAVES parts there experts Accounting projects Nations Services environmental development essential adoption makers being adoption makers towards adoption towards adoption towards adoption towards adoption towards adoption to the service of the s Accounting day UN WAVES parts future experts among rationale Ecosystem integrating discussions including sions including ongoing sustainability capacity high-level Land Union policies dialogues Governments selected designing generating countries accounting collaborating transformations adopting Economics services Various focus choices valuation Natural Capital followed need > provided officials

government



To contribute to a better integration of the value of ecosystem services into sustainable macroeconomic policies and development planning UNEP

Inclusive Wealth Index: Moving Beyond GDP





Growth in GDP and Wealth (in %)

Key

2 to 3

0 to 1

< 0</p>
no data

124 of 140 countries experienced a positive growth in GDP

86 of 140 countries experienced a positive growth in wealth

Consuming Beyond Means

When TFP, climate change and increases in oil prices are factored in Only 58 of 140 countries experienced a positive growth in Wealth



Key drivers: Natural capital depletion; Population growth, and negative growth rates in TFP.



Natural Capital Macro-economy Linkages: Shaking Up the Old

- 1. The Environmental Kuznets Curve (EKC)
- 2. 'Speeding moments', not 'turning points', think dynamically and relate changes in environment to changes in structure of GDP
- 3. Structural change at different times involves different technologies and occurs in a dynamic world.
- Green Economy and Growth, require more attention to 'transitional dynamics'.



Evidences from Kazakhstan

1.

2.

3.

- The status quo policy could cause a slow restoration of the North Aral Sea
- Investing in canal infrastructure repair leads to faster rates of N. Aral Sea restoration,
- Significant welfare/income gains if the water authorities along the Syr Darya basin could implement an water trading mechanism.



Evidences from Morocco

- 1. Substitute capital for water
- 2. Reallocate surface water
- 3. Adopt water saving technologies
- 4. Use aquifers as buffer stock



Natural Capital and Macro-economy: Key Lessons

1. Narrow the gap between traditional economics and notions of transition management

2. Focus less on first-best policies and more on the question of where our current Green Growth policies come from

3. Keep an eye on political economy setting including institutions.



Thanks!

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