

World Forum on **Natural Capital**
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Natural Capital and Macroeconomic Policies : What Can Be Done Better?

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1 NO
POVERTY



2 ZERO
HUNGER



3 GOOD HEALTH
AND WELL-BEING



4 QUALITY
EDUCATION



5 GENDER
EQUALITY



6 CLEAN WATER
AND SANITATION



7 AFFORDABLE AND
CLEAN ENERGY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



11 SUSTAINABLE CITIES
AND COMMUNITIES



THE GLOBAL GOALS

For Sustainable Development

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



14 LIFE BELOW
WATER



15 LIFE
ON LAND



16 PEACE AND JUSTICE
STRONG INSTITUTIONS



17 PARTNERSHIPS
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



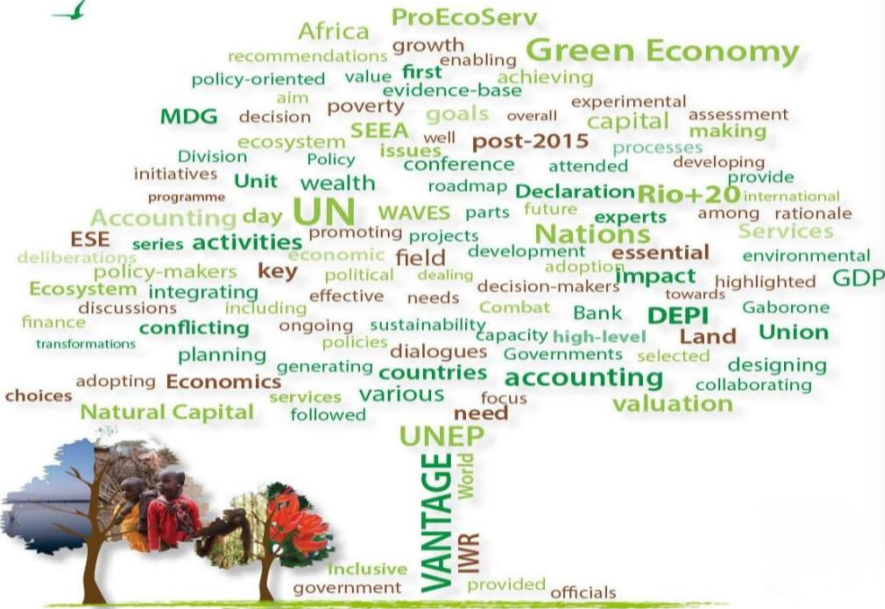
Britain's forests, soil and rivers worth £1.6tn

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)



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

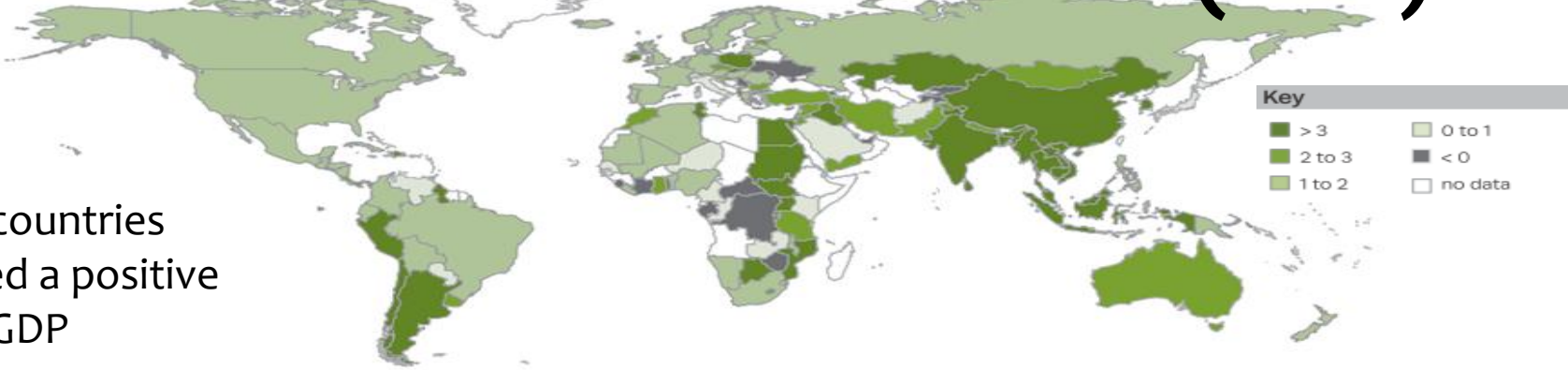


Inclusive Wealth Index: Moving Beyond GDP

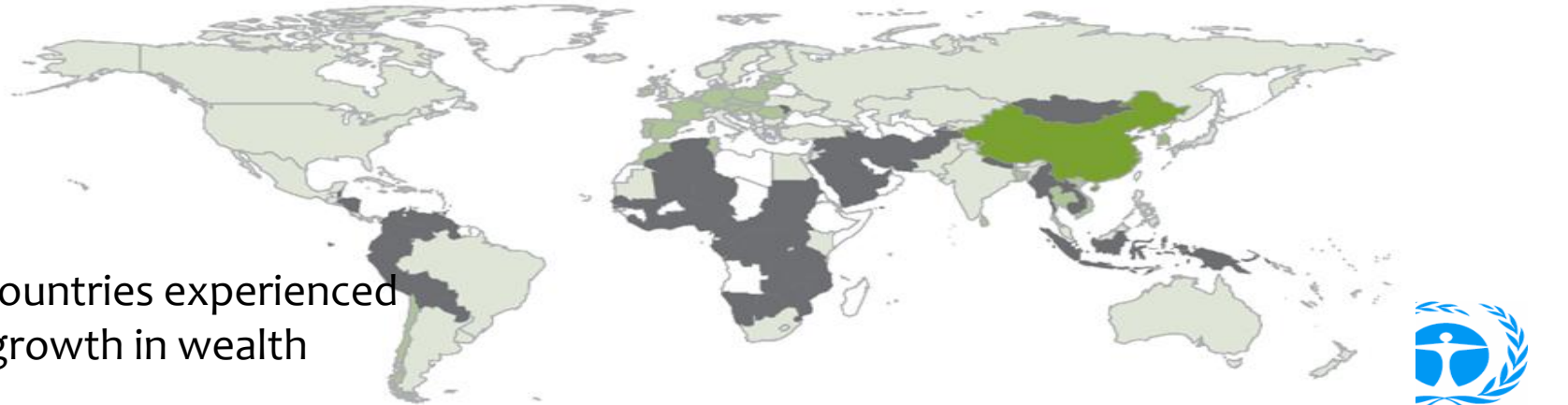


Growth in GDP and Wealth (in %)

124 of 140 countries
experienced a positive
growth in GDP

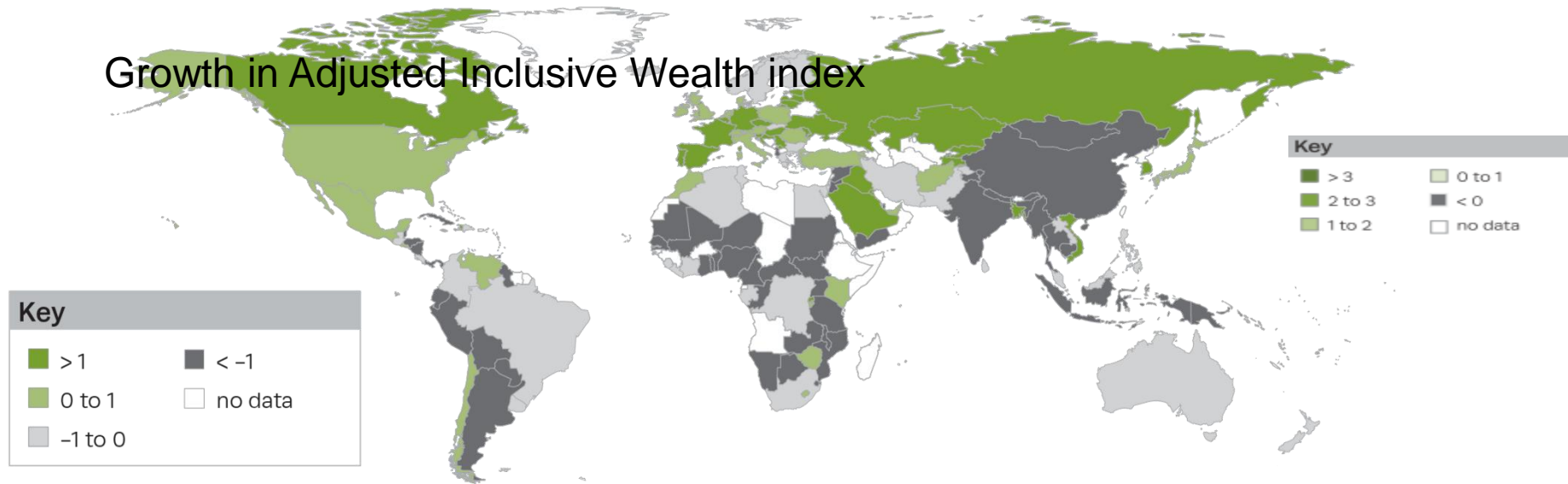


86 of 140 countries experienced
a positive growth in wealth



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.
4. Green Economy and Growth, require more attention to ‘transitional dynamics’.

Evidences from Kazakhstan

1. The status quo policy could cause a slow restoration of the North Aral Sea
2. Investing in canal infrastructure repair leads to faster rates of N. Aral Sea restoration,
3. 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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