



Natural capital and strategies for a Green Economy

Getting a stake in the transition

New transition strategies are needed

The movement towards greener economies is ramping up around the world, with governments propelled by science, their citizens, and international agreements to adopt new policies and strategies. Pressure to meet international commitments and targets grows from all corners of society, but there is no one approach or strategy that will work - we need many innovative strategies to reshape the economy in ways that give people a stake and recognise the value of nature.

Recognition that preserving the health of the natural world and its ecosystems provides us with an invaluable tool for achieving the Sustainable Development Goals (SDGs) and the limiting of global temperature rises to below 1.5 degrees is also growing. Key to this shift in thinking is the need to view nature, society and the economy as interconnected parts within a single indivisible system. Similarly, in order to achieve success, different initiatives and movements must also understand how they connect and can support and amplify one other's efforts.

In this context we are seeing the linking up of the Green Economy and Natural Capital movements, and understanding that a natural capital approach can be a vital strategy for delivering greener economies. At the heart of a natural capital approach is the understanding that nature underpins human health, wealth, culture, identity and happiness, and that the ways in which it does so can be complex and little understood. A natural capital approach works to illuminate this value, and enables decision makers to understand the complex ways in which societies and economies depend on the nature.

More recently, there has been an international push, lead most notably by the UN and the World Bank, to move 'beyond GDP' - a country's income - to account for the true wealth of a country. A country's wealth is broadly categorised as the collective value of its economic wealth and income (financial capital), its natural resources and the services that flow from them (natural capital and ecosystem services), its material goods and infrastructure (produced capital), and its educated, skilled and knowledgeable workforce, coupled with its societal networks and relationships (human and social capital), alongside net foreign assets.

A 'capitals approach' builds on these insights can enable decision makers to take action with an understanding of the complex and dynamic ways in which these different capitals and natural, social and economic systems interact, impact, and depend upon one another. The understanding that comes with a 'capitals approach' should be guiding and informing the public and private sectors in their strategies to develop effective green economy policies that will catalyse new industries, reduce waste, create green jobs, reduce inequality and protect the natural world.

What is already being done?

Governments recognise that new approaches to greening the economy are needed, but natural capital is not yet fully mainstreamed into finance ministries or national accounts. Certain countries around the world - such as Australia, Costa Rica, Netherlands, New Zealand, Uganda and the UK - are leading the way, with aims to have 100 countries around the world compiling natural capital accounts by 2020. The use of a natural capital approaches within business is growing fast since the Natural Capital Coalition, an international collaboration of the world's leading organizations, launched harmonized internationally accepted guidance in 2016 - the [Natural Capital Protocol](#). The Protocol provides a framework for businesses to identify, measure and value their direct and indirect impacts and dependencies on natural capital in order to inform decision making.

At the 2019 PAGE Ministerial, the framing of green economy strategies at the macro-level places natural capital as one cross-cutting framework that can support the green economy, helping to improve governance and add clarity to specific sectoral policies. The parallel panel ‘Mainstreaming natural capital in policies and strategies’ will emphasise these aspects, but the GEC sees more scope for identifying specific policies and strategies that are deserving of attention.

What’s missing? – Voices from the ground

Which green economy strategies and natural capital approaches still need to be considered? Here we explore perspectives from experts, businesses, and civil society groups around the world.

1. Create co-ordinated Green Economy action plans (GEC)
National governments are faced with implementing a range of international commitments and domestic policy to deliver a green economy – including Paris Agreement National Determined Contributions (NDCs), the Sustainable Development Goals, and various pieces of national and sub-national legislation. Creation of policy coordination instrument, such as green economy action plans, and an empowered monitoring body, to coordinate and align different strategies can be an effective approach to improve implementation.
2. Explore stronger green industrial policy (DIE/PAGE)ⁱⁱ
There is an increasing need for governments to make more specific interventions to sectoral priorities so that new green industries can be incubated, and sustainable innovators supported. Green industrial policy can be an effective tool to drive investment without picking winners in ways that undermine competitiveness.
3. Mainstream natural capital approaches & wealth accounts into policy (INET/GEC)ⁱⁱⁱ
Tools, such as the UN System of Environmental-Economic Accounting (SEEA) and wealth accounting offer governments the opportunity to better understand their financial, social and environmental balance sheets – allowing smarter long term decision-making. Governments need to understand how the relationship between the economy and nature affects their citizens welfare and then identify which material aspects they should assess to inform their decisions. Statistical agencies can then develop accounts to mainstreaming capitals throughout the economy – including adopting natural and social capital accounting approaches at business levels.
4. Establish Natural Capital Committees (INET/GEC)^{iv}
Poor performance at measuring and conserving natural capital means that new institutions to supervise and report on natural systems – and their economic implications – are needed. Natural Capital Committees which report directly to Finance Ministries could complement and support a public, private and civil dialogue to better incorporate natural capital into economic decision making.
5. Create an enabling environment for private sector natural capital approaches (NCC)^v
Corporate actors and their supply chains have huge impact on natural capital preservation. The framework provided by the Natural Capital Protocol is essential for helping businesses assess their impacts and dependencies on nature and recognise the value of robust natural capital accounts. Promoting the use of the Protocol directly to business will help them make better decisions, and also allow unified public-private action to better conserve natural capital.
6. New strategies that integrate management & valuation of freshwater resources (ACODE)
Communities around the world are facing ever increasing water stresses, and the potential of looming ‘day zeros’. New valuation approaches are needed to help public authorities recognise the value in maintaining aquifers and freshwater sources. Better enforcement of laws that manage extraction can help, but policy solutions which work with communities to reduce dependency on critical water resources and provide alternative livelihoods are essential.

Policy Headlines

Preparing the ground for the PAGE Ministerial:

- ✓ *Which natural capital approaches and strategies are most important for delivering greener economies?*
- ✓ *How do these strategies ensure people get a stake in the transition?*
- ✓ *What does this mean for PAGE – what strategies should ministers be prioritising?*

Links and Further Reading

ⁱ <https://naturalcapitalcoalition.org/natural-capital-protocol/>

ⁱⁱ http://www.un-page.org/files/public/green_industrial_policy_book_aw_web.pdf

ⁱⁱⁱ <https://www.greeneconomycoalition.org/assets/reports/webWealthofNature.pdf>

^{iv} <https://www.greeneconomycoalition.org/assets/reports/webWealthofNature.pdf>

^v <https://naturalcapitalcoalition.org/natural-capital-protocol/>