

## **WAVES, Natural Capital Accounting Highlighted at Trondheim Conference on Biodiversity**

Rachel Kyte, Vice President for the World Bank's Sustainable Development Network, presented the World Bank's view on the need to balance economic and environmental interests, focusing on the Wealth Accounting and Valuation of Ecosystem Services (WAVES) Partnership, at the **Seventh Trondheim Conference on Biodiversity - Ecology and Economy for a Sustainable Society** in Trondheim, Norway, May 27-31, 2013.

Rachel Kyte's presentation on "Economy and Human Well-Being" during the session on "Aligning policies, Incentives and Business with Safe Ecological Limits," May 29, 2013:

*"Distinguished panelists, ladies and gentlemen, thank you for this opportunity to speak to you today.*

*Balancing ecological and economic interests is a topic very close to my heart – and it's one that has defined my time as Vice President of the World Bank's Sustainable Development Network.*

*Governments have a dual mandate to grow their economies while investing in their countries' capital assets – human, manufactured and natural. These are the assets that provide opportunities for future growth yet, rather than a dual mandate, too many governments see a dueling mandate between economy and ecology.*

*I know I am not the first speaker at this conference to focus on the ecological crisis the world is now facing. But let me just highlight a few sobering facts:*

- *The number and size of populations of the world's species have decreased by almost a third over the last 100 years and this is projected to continue decreasing.*
- *Over 60 percent of ecosystems are in worse shape now than 50 years ago.*
- *Close to 60 percent of ocean fisheries are fully exploited and another 30 percent are over-exploited or depleted.*
- *The condition of coral reefs has deteriorated by 38 percent since 1980.*
- *80 percent of people live in areas where the quality of rivers is threatened.*
- *Climate change is worsening everything. Flood disasters increased by 230 percent and drought disasters by 38 percent in the 20 years to the early 2000s.*

*While all of this degradation has been happening, the world has seen an unrivalled period of economic growth. Even since 1993 – as you have observed at this conference – total GDP has increased by 75 percent and world trade has tripled.*

*But make no mistake. This growth did not come because of this degradation, but in spite of it. Liquidating the stock of natural capital – be it in the form of chopping down forests or catching fish – does create wealth; but often for the benefit of a few at the expense of many. If we want a world without poverty where prosperity is shared, we need to help governments*

*invest in their stock of natural capital to reap the long-term returns from its goods and services.*

*There has never been a better time for transforming the way we regard natural capital. The economic crisis of the past few years has put a temporary brake on exponential growth - constraining budgets in the developed world and slowing growth in developing economies. This is the time to review our approach to natural capital so that it becomes a capital asset rather than a free or invisible resource.*

*As we begin to rebound, it's time to get to work on a different kind of growth – a more inclusive green growth that does not come at the expense of the climate or the oceans, the air, the land or the water.*

*Whenever I meet Ministers of Finance and CEOs, I talk about ecosystem services and the importance of natural capital accounting to any future growth strategy. And increasingly, this is a message that is being heard and acted upon. Countries from Australia to Norway and from Botswana to the Philippines are recognizing the value of natural capital to their economies and are now systematically accounting for nature.*

*Natural capital accounting allows us to reduce waste and increase efficiency; it measures who benefits and who bears the cost of ecosystem changes. It can help countries develop policies that improve the benefits flowing to the poorest communities.*

*My message to Ministers of Finance is that natural capital accounting has to be part of the toolkit for moving countries towards a low-carbon, more efficient and sustainable growth path.*

*We have to make natural capital accounting something that is owned across all spheres – from business to legislators to the community at large. We need CEOs to be as worried by their environmental bottom-lines as they are by their financial ones. And we need finance ministers to report about their environmental performance with as much enthusiasm as they do when their GDPs are improving.*

*And as we head into a Post-2015 development framework and think about sustainable development goals, new sorts of measures and indicators will be at the center of the discussion.*

*One of the key indicators in the World Bank's Little Green Data Book, Adjusted Net Savings, allows countries to know whether they are on the path to sustainable development. It monitors whether depletion of natural capital, such as minerals or forests, is compensated for by investment in other assets, such as human capital or infrastructure. A positive Adjusted Net Savings indicates that a country is adding to its overall wealth and that economic growth is on a sustainable path.*

*But natural capital is not just important for driving sustainable growth. It is also a critical defense against the worst excesses of global crises, from food price shocks to climate change.*

*Nature-based solutions already build resilience at the rural and coastal frontiers where the public safety net does not reach. We know that targeted investments in green infrastructure – like mangroves and healthy reefs – can provide protection against climate change while enlarging the carbon sink. Liquidating natural capital only serves to increase our vulnerability to global crises.*

*At the World Bank, we have developed a global partnership called WAVES – which stands for Wealth Accounting and the Valuation of Ecosystem Services. Through WAVES, we now have a global community of practice to support countries to put natural capital accounting into action. It's already working for Botswana, which is now compiling water accounts to help it improve decisions about water management. It's also helping in Kenya where forest accounts are showing how much the country's economy and ecology benefit from maintaining healthy forests.*

*By now, many of you will have seen or heard our President, Jim Yong Kim, speak forcefully about the need to address climate change if we are to have any chance of meeting our poverty and development goals.*

*Our recent report – “Turn Down the Heat” – shows that in an increasingly likely 4C warmer world, it will be the poor and vulnerable who will be impacted most. Hotter weather means lower crop yields; more acidic oceans could mean even greater loss of reefs and therefore fewer fish; more extreme weather means less reliable sources of clean water and far greater vulnerability to disasters. With climate threats only growing, the need to maintain the natural capital we have left becomes all the more urgent.*

*While these are daunting challenges, I do believe there is a lot to be optimistic about.*

*Firstly, governments are increasingly stepping up – whether by increasing the number and extent of natural areas under protection or by better recognizing the value of nature and ecosystem services.*

*Governments increasingly recognize that maintaining and, eventually, accounting for their natural capital comes down to a question of social and economic development. There may not be simple win-wins all the time; but there may be approaches that can come close enough.*

*We are seeing more and more good examples. In the State of Acre in the south-west corner of Brazil, the State Government has been making a concerted effort to bring services to its dispersed rural population and to move away from a growth model based on extraction of forest products and expansive agriculture. Where previously 90 percent of Acre's timber extraction was illegal, now the majority comes from approved forest management plans. Real GDP has increased by over 44 percent and deforestation rates have declined by 70 percent. Acre is showing that safeguarding a state's natural wealth will also help lift its people out of poverty.*

*In Liberia, the government has installed a chain of custody system for exporting logs that is helping reduce illegal logging and bringing in much-needed funding for nature conservation.*

*The Government is also enforcing fishing regulations and arresting vessels found to be fishing illegally.*

*A second reason for optimism is the leadership coming from parts of the private sector, be they small businesses and local entrepreneurs or Fortune 500 companies.*

*I see real traction emerging from the advent of rigorous performance standards and principles for corporate behavior. For example, we are beginning to see evidence that the Performance Standard on Biodiversity put in place by the World Bank's private sector arm – the International Finance Corporation – and adopted by the Equator Banks, is driving major change at corporate headquarters and on the ground.*

*Some companies working in developing countries have been investing in biodiversity expertise, in community development, environmental restoration and long-term conservation capacity building. Mainstreaming nature conservation across their operations makes good business sense. This is because many companies depend on the goods and services provided by natural capital – from freshwater to genetic resources, climate regulation, and natural hazard protection. These are all services that enable their businesses to function successfully and to see their profits grow.*

*Of course, these good practices tend to fluctuate with the fortunes of the market. Too often we've seen environmental protection dropped as a priority from the large extractives when the profit margin dips. That's why regulation and enforcement are key. We need to move away from voluntary commitments towards a full accounting for the free goods and services that companies get from nature. We also need laws that ensure businesses operating in different countries apply the same protections to nature they would have to at home.*

*Another reason for my optimism is that action on the ground is helping to overcome global political sclerosis.*

*While every climate convention meeting highlights a serious the lack of political will to reach consensus, I see this global inaction being overwhelmed by the ideas, the innovation and the real commitment to action from smart policymakers, city mayors, community leaders and CEOs.*

*Over the past few years, like-minded coalitions have been emerging on everything from ocean health, to natural capital accounting, to access to sustainable energy, to reducing short-term climate pollutants.*

*There is growing recognition that while we still need global governance for ultimate speed and scale, we cannot afford to wait for international agreements to do what everyone knows needs to be done.*

*The Global Partnership for Oceans – which the World Bank helped facilitate – is a good example of this sort of thinking. It recognizes that no one organization can ever do enough to address ocean health at the scale and speed that's needed. Through this partnership, we are*

*seeing the potential for mobilizing resources at a global scale around a common solution to a single ocean-scape.*

*Ultimately, this sort of approach honors a country's dual mandate to both grow and manage the natural capital it holds in trust to ensure that future generations can also grow.*

*So, as we strive to grow economies – something that will always be necessary to alleviate poverty and fulfill people's aspirations – we must remember that growth cannot be sacrificed on the altar of natural capital. The World Bank has linked this approach to our core mission – ending poverty and boosting shared prosperity.*

*It recognizes that we must remain committed to intergenerational equity so that we are not using our resources today in a way that compromises the quality of life and aspirations of our children tomorrow.*

*I am very pleased to be part of this important dialogue here in Trondheim. Thank you."*