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# Guatemala: Frequently asked questions — the private sector

## What is natural capital?

Natural capital includes the resources that can be easily recognized and measured such as minerals and energy, forest timber, agricultural land, fisheries and water. It also includes services produced by ecosystems that are often 'invisible' to most people such as air and water filtration, flood protection, carbon storage, pollination for crops, and habitat for fisheries and wildlife. These values are not readily captured in markets, so there is no certainty of how much they contribute to the economy and livelihoods. These services are often taken for granted and we don't know what it would cost if we were to lose them.

## What are natural capital accounts (NCA)?

Natural capital accounts are sets of unbiased data for natural resources, such as forests, energy and water, which are not included in traditional accounting. They follow a protocol approved by the United Nations, to ensure trust, consistency and comparison across time and across countries. To show the interaction of economic activity with the environment, the natural capital accounts should become part of the national accounts.

The concept of accounting for natural capital has been around for more than 30 years. However, progress in moving toward implementation has been slow. A major step towards achieving this vision came recently with the adoption by the UN Statistical Commission of the System for Environmental-Economic Accounts (SEEA). These provide an internationally agreed method, on par with the current System of National Accounts (SNA), to account for material natural resources such as minerals, timber, and fisheries.

The challenge now is to build capacity in countries to implement the SEEA and to demonstrate its benefits to policymakers.

## How does natural capital accounting relate to the private sector?

The way businesses use natural resources is not usually reflected in their profits, losses and share prices. This includes both the use of natural resources but also their contribution to cleaner technologies to satisfy international standards.

With better data on natural capital, businesses that depend heavily on natural resources, such as the food and drinks industry, irrigation, and water-intensive agriculture, are more able to plan their long-term strategies. Ensuring long-term cooperation with the private sector to provide and share information is a key challenge.



## Surely that's for governments. Why should the private sector care?

Traditional accounts do not reflect how economic activities affect natural resources. There is no information on ecosystem services that are inputs to production chains, such as pollination services to agriculture; or the rate at which renewable resources (like fisheries or forests) and non-renewable resources (like minerals and fossil fuels) are depleted. There is no information on the potential economic losses from pollution, either directly in the production chain or through affecting the health of workers. This means that companies are constantly making decisions on partial, and sometimes wrong, information thus affecting long-term viability. Activities taken may seem to generate income, but the depletion of the natural resource base can undermine long-term growth and cause short-term conflict — for example in times of drought.

## What's so good about knowing the positive or negative effects of my company on the ecosystems?

That's a very valid question. Experience from many companies around the world, large and small, shows that knowing your own carbon footprint can help you to design process optimization measures — targeting decisions more accurately and reducing waste, for example; improve risk management, for example in terms of liability and also risks in the supply chain; improve reputation based on environmental performance — particularly important when accessing international markets; and explore new business opportunities.

## Is it just 'wishful thinking' or is anyone doing this?

Big and small companies around the world are voluntarily investing in cleaning up their act and talking about it. For example, at the World Forum on Natural Capital (<http://www.naturalcapitalforum.com>) a large number of leading companies meet to exchange experiences.

In Guatemala, the sugar cane industry has been supporting research (<http://www.icc.org.gt/?PAGE=1>) for the environmental sustainability of their activities. The findings show the savings from investing in restoring and maintaining the ecosystems that protect water for their production needs, for example. Healthier ecosystems upstream are also more resilient to droughts and floods, with direct benefits for the sugar plantations downstream.

The Nahualá and Renacimiento Cooperatives of small organic coffee farmers have entered international carbon markets (<https://hivos.org/news/central-american-farmers-join-carbon-trading>) as means to complement income from the coffee value chains. In the Atitlán watershed there are projects generating biogas using solid waste.

## Will these accounts mean I have to do things differently – like pay more taxes?

Natural capital accounting offers better information for long-term sustainable solutions and fosters dialogue among different stakeholders to reach better and more sensible solutions. The information provided will be clearer and more transparent, and will be available to all stakeholders to improve negotiation. With better information on the linkages between economy and environment the

government will be able to design management instruments and incentives, such as forest subsidies like PINFOR or other types of incentives to promote a new Guatemalan green industry.

## **How will the information from my business be collected? I don't want to share sensitive information that may affect my reputation.**

Usually, business information comes from the aggregate industry level (i.e. groups of companies instead of individual companies) using environmental efficiency coefficients and economic information from the Central Bank, which never releases individual businesses information from their economic surveys.

No individual business information will be collected in the near future. Natural capital accounting reveals links between the economy and the environment at an aggregate level. It is not an environmental audit.

One thing is certain: one of the most important challenges of natural capital accounting in Guatemala is that political stakeholders, private sector, and citizens discuss, adopt, build, and use natural accounts as a tool to foster dialogue and help develop sustainable growth for the country.

## **How does natural capital accounting affect common citizens around the country, especially the poor?**

While a lot of communities traditionally value nature, they are also heavily burdened by poverty, which affects their ability to do long-term planning. Freely available, accessible information will help the leaders in these communities understand the value of their resources, and inform dialogue.

## **A collaborative approach: how can international cooperation bodies benefit?**

International bodies like GIZ, FAO, UNDP, and the OAS have designed agendas that match global topics with local realities. For example:

- GIZ's agenda on climate change and mitigation strategies.
- Currently UNDP has 10 strategies for energy and environment that directly benefit from the information from natural accounts. For example, the Biodiversity Finance (BIOFIN) Strategy ([http://www.undp.org/content/undp/en/home/ourwork/environmentandenergy/projects\\_and\\_initiatives/biodiversity-finance-initiative](http://www.undp.org/content/undp/en/home/ourwork/environmentandenergy/projects_and_initiatives/biodiversity-finance-initiative)) will benefit from information on the integration of biodiversity and ecosystem services in sectoral and development policy, planning and budgeting; information on forest resources will feed the Sustainable Forest Management initiative; and forest and water accounts can inform the Resilience in Productive Landscapes initiative.
- The Organization of American States (OAS) can be a key player in the development of the accounts, for example through its support of the creation of strategic planning and design of a system of indicators, monitoring and evaluation. Its strategy on supporting optimization of processes can help redesign how information, including natural capital accounts, flows from one institution to the other.

- The Food and Agriculture Organization (FAO) has a wide range of initiatives that can benefit from better access to national data. By understanding the impact of forests on jobs, it will be possible to obtain an indicator that looks at investment in forests (like subsidies) and how this translates into jobs/income and through this improves food security.

## What is the WAVES project?

The Wealth Accounting and the Valuation of Ecosystem Services (WAVES) is a global partnership that seeks to link natural resources into main national accounts. At its core is the notion that environmental issues are caused by economic and social interactions, and only by understanding their full interactions will it be possible to provide better and more sustainable management of natural resources.

## Who else is involved?

Seventy countries have signed on to the natural capital accounting approach including 30 developed countries that have been using this approach for 15-20 years. There are a number of middle-income countries including Colombia, Costa Rica, China, Brazil and Mexico. Ten countries in Africa signed the Gaborone Declaration and WAVES is working in Madagascar and Rwanda with plans to expand to other countries in the region.

In Guatemala, WAVES works with the Bank of Guatemala (BANGUAT), the Secretariat of Planning and Programming of the President (SEGEPLAN), the National Institute of Statistics (INE), the Ministry of Environment and Natural Resources (MARN), and other public and private entities. For more information contact Adelma Bercián, communication consultant for WAVES Guatemala, at [abercian@gmail.com](mailto:abercian@gmail.com)