

The Changing Wealth of Nations 2018

Building a Sustainable Future

Editors: **Glenn-Marie Lange**
Quentin Wodon
Kevin Carey



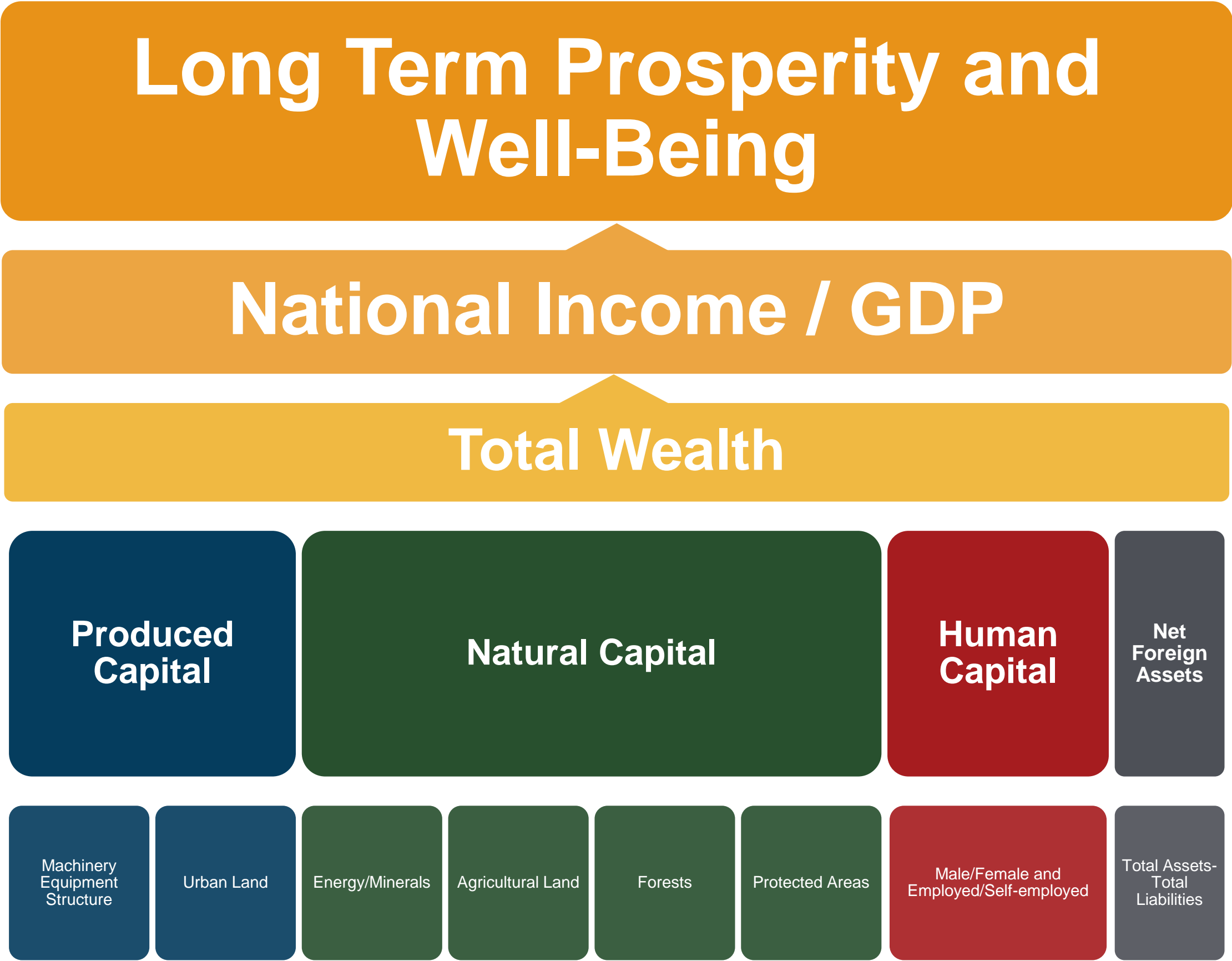
Wealth accounts available
for 141 countries,
1995 to 2014

Market exchange rates

Human capital—explicit
estimates possible now

Still missing:

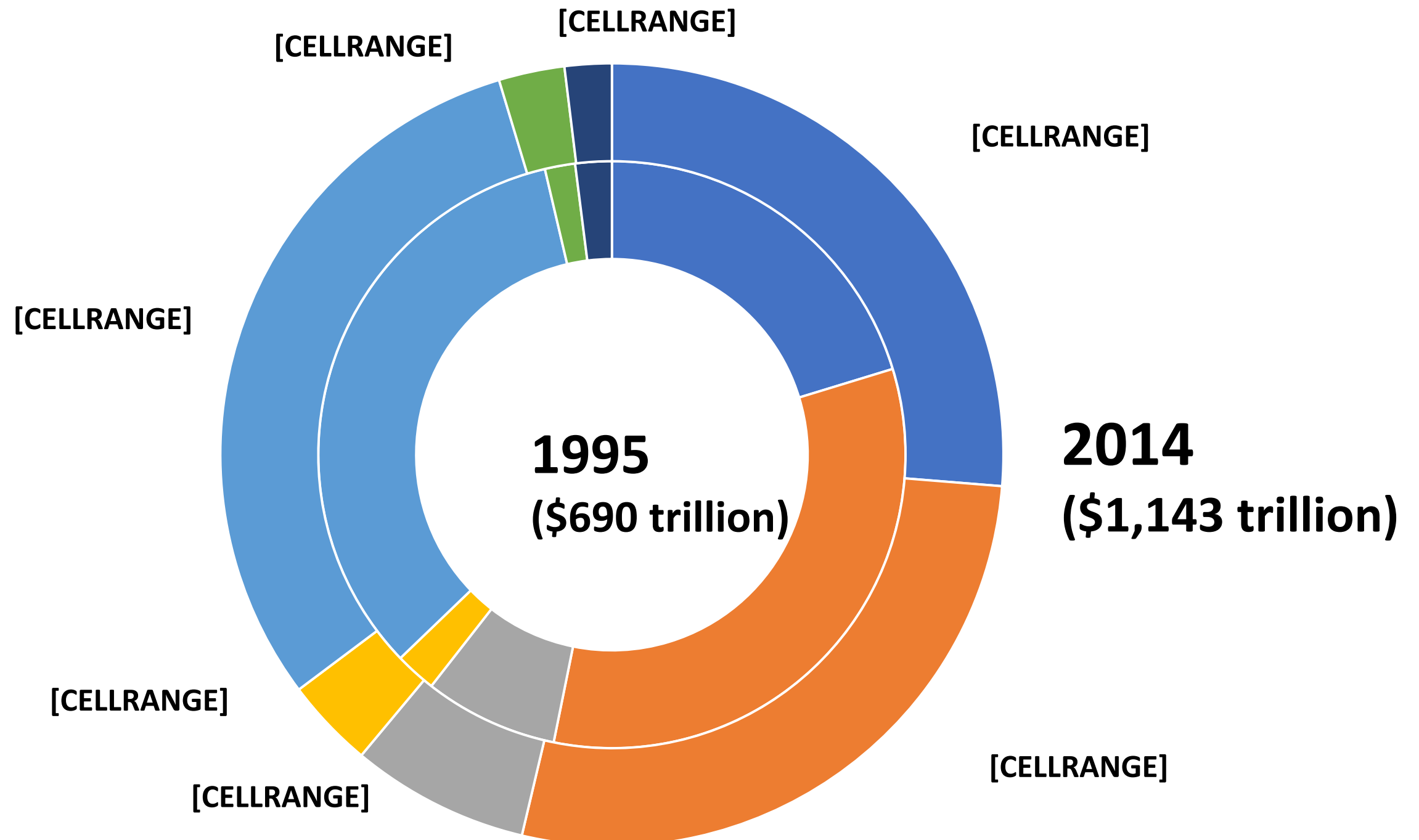
- Fisheries
- Water
- Agr land degradation
(unsustainable farming
practices)
- Natural hazard protection, esp.
flooding



Global Wealth Grew 66% from 1995 to 2014

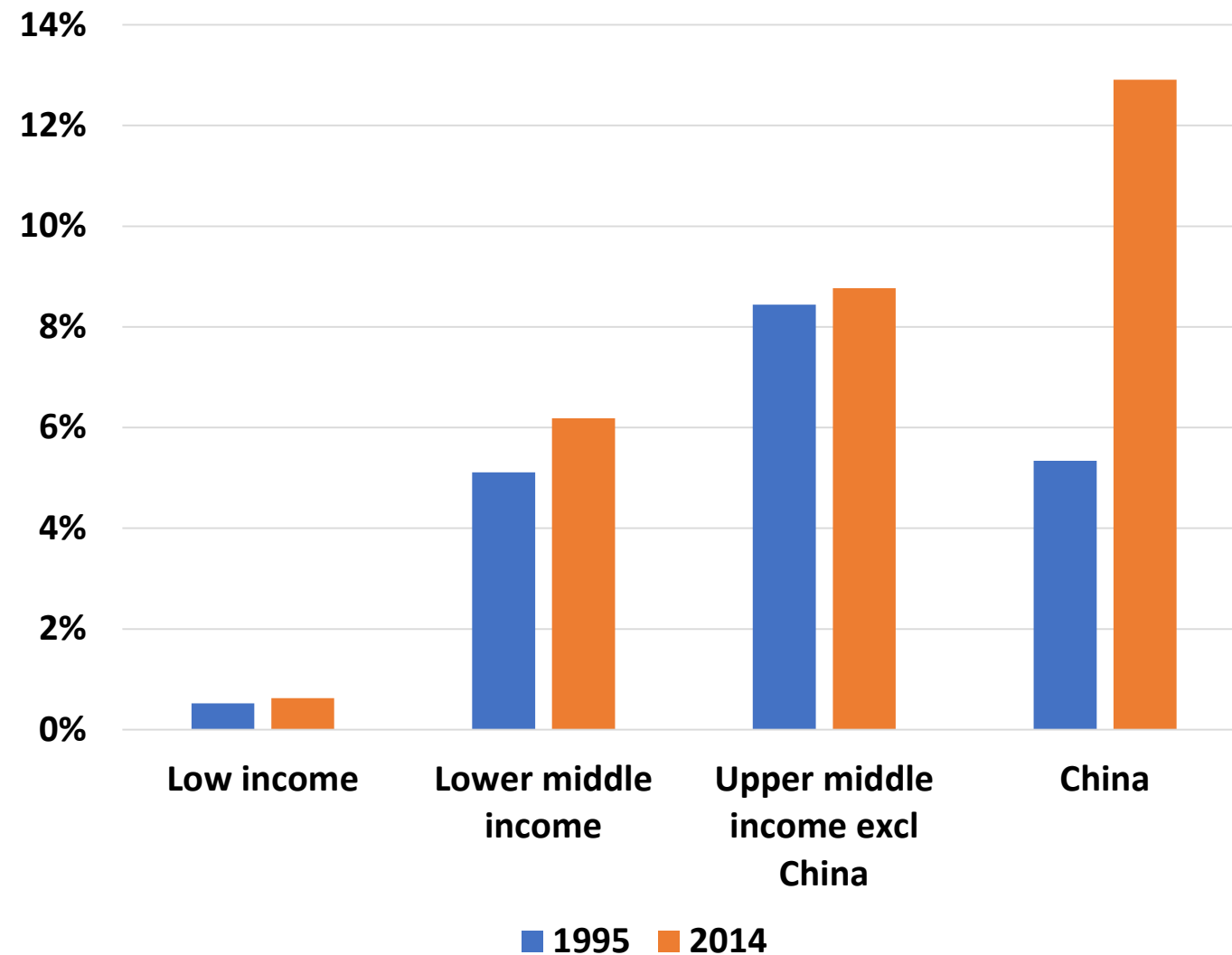
Changing shares:

- East Asia's share grew from 20% to 26%
- Sub-Saharan Africa's share did not change
- Europe & Central Asia and N. America declined from 75% to 65%

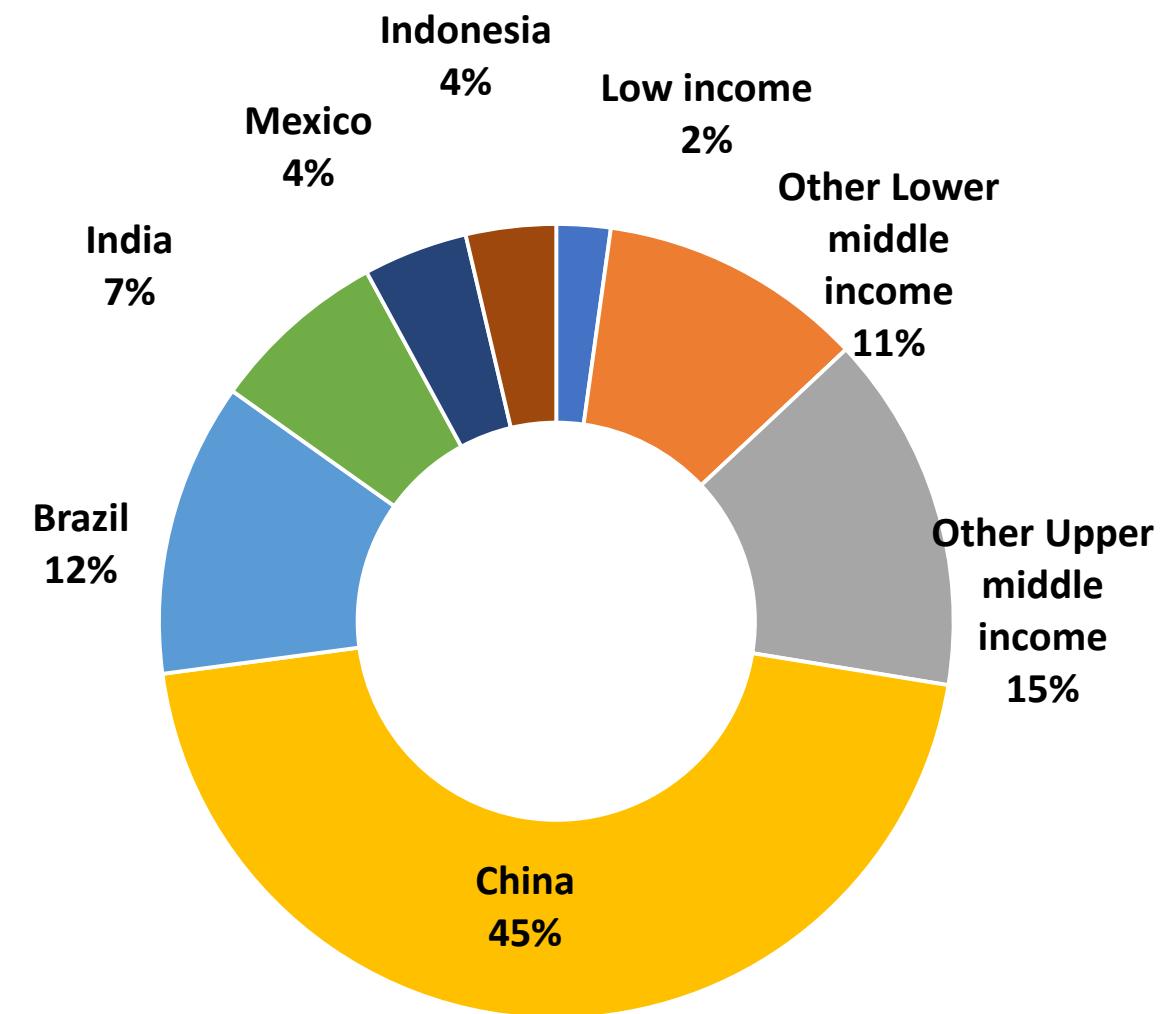


Wealth in Low- and Middle-income Countries

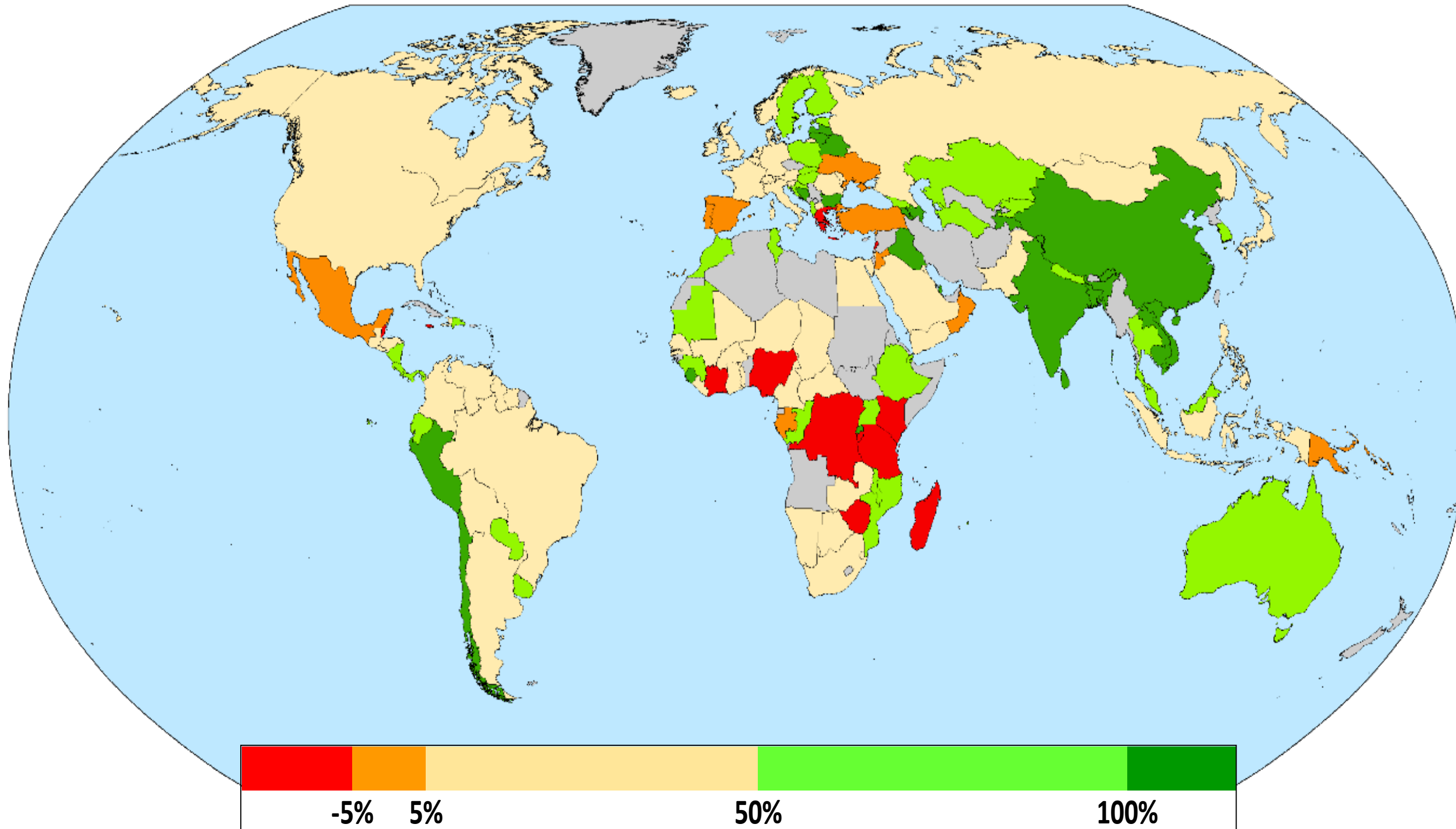
Shares of Global Wealth, 1995 and 2014



Distribution of wealth among low- and Middle-income countries, 2014



Percent Change in Wealth Per Capita



- Asia leads

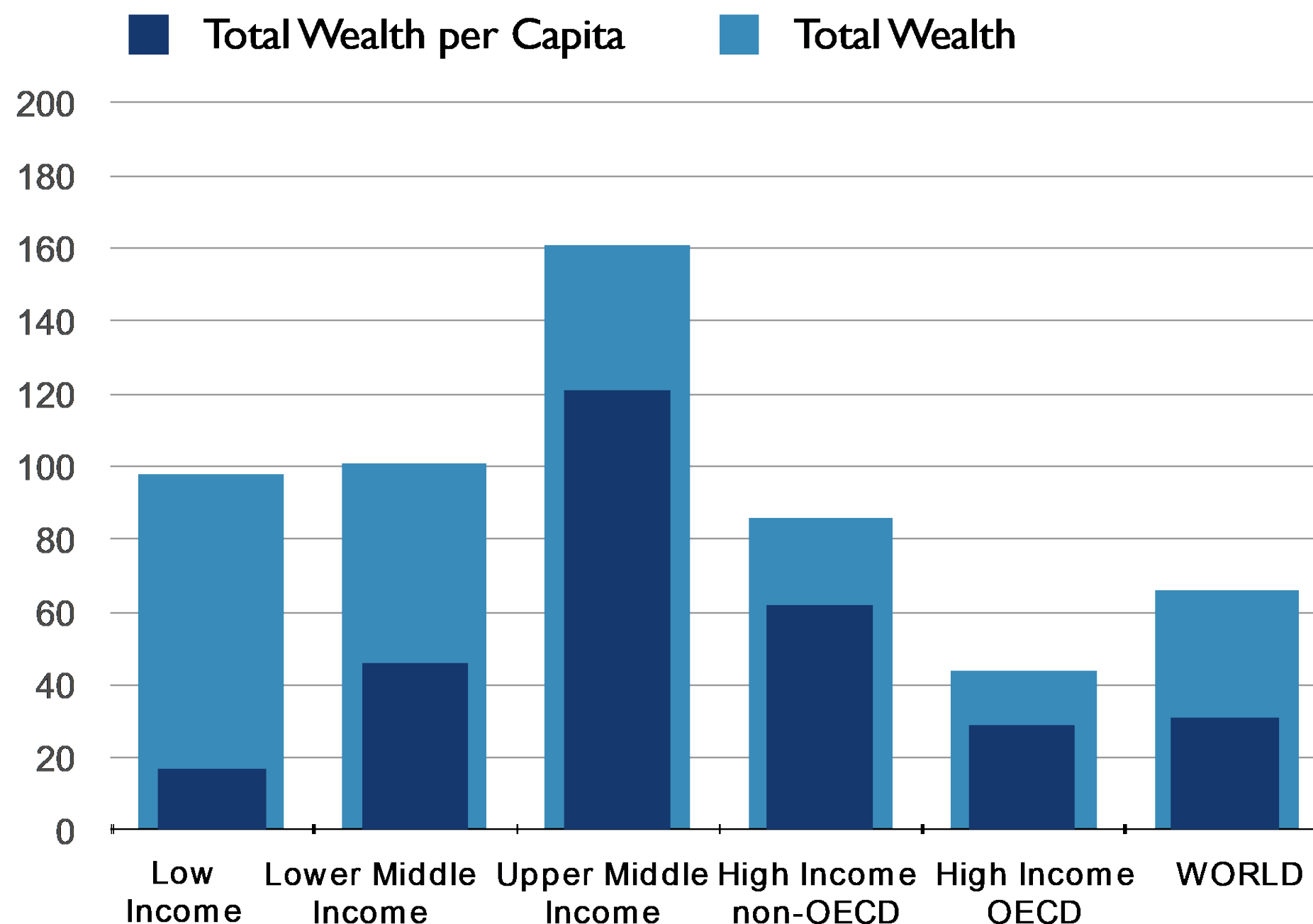
- Africa: mixed performance

At risk:

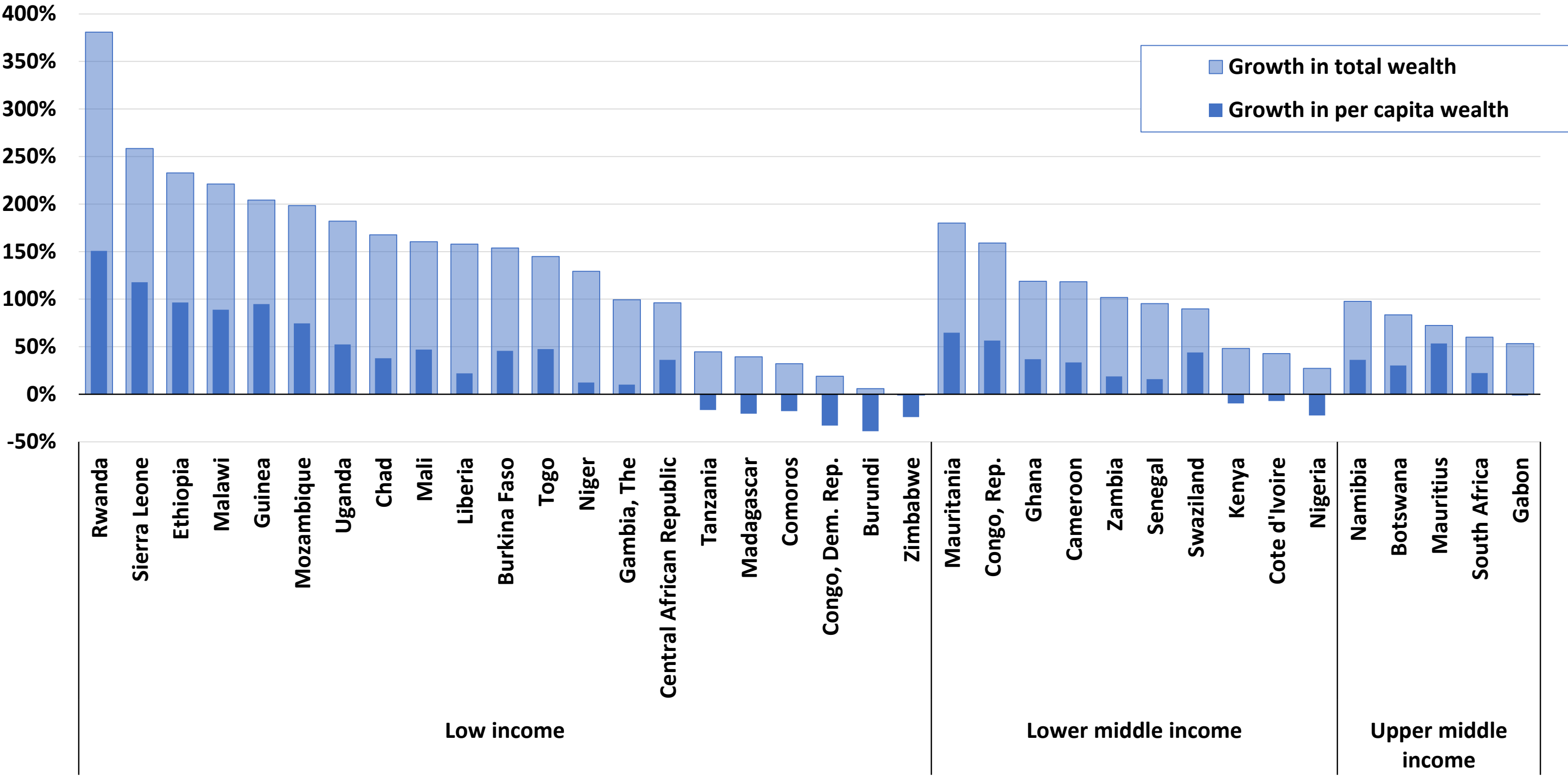
- Fragile-conflict states
- Resource rich states

Growth in Total Wealth and Per Capita Wealth, 1995 to 2014

Population growth impacts per capita wealth, especially in low- and middle-income countries

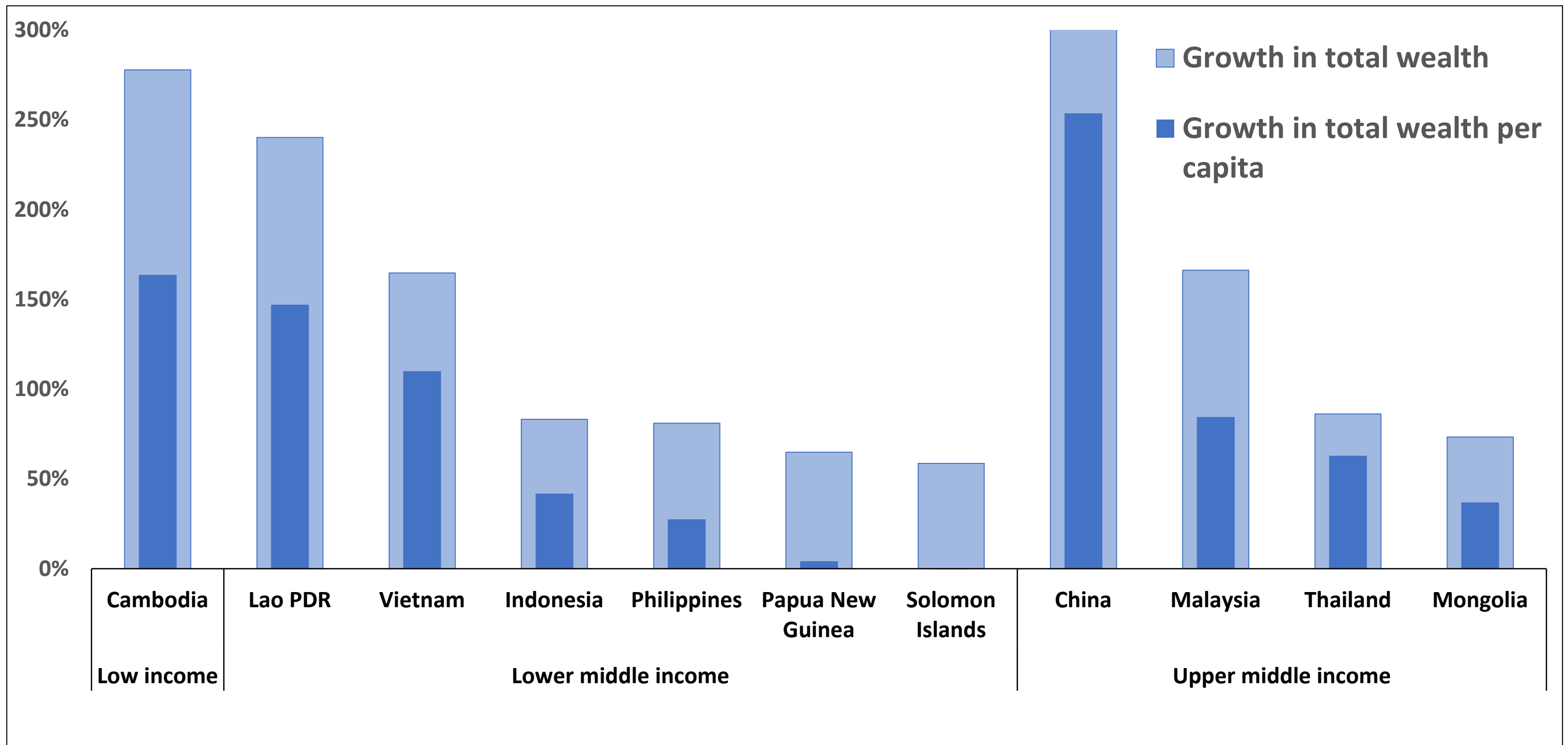


A closer look at growth in Sub-Saharan Africa



Growth of wealth in EAP (low and middle income countries)

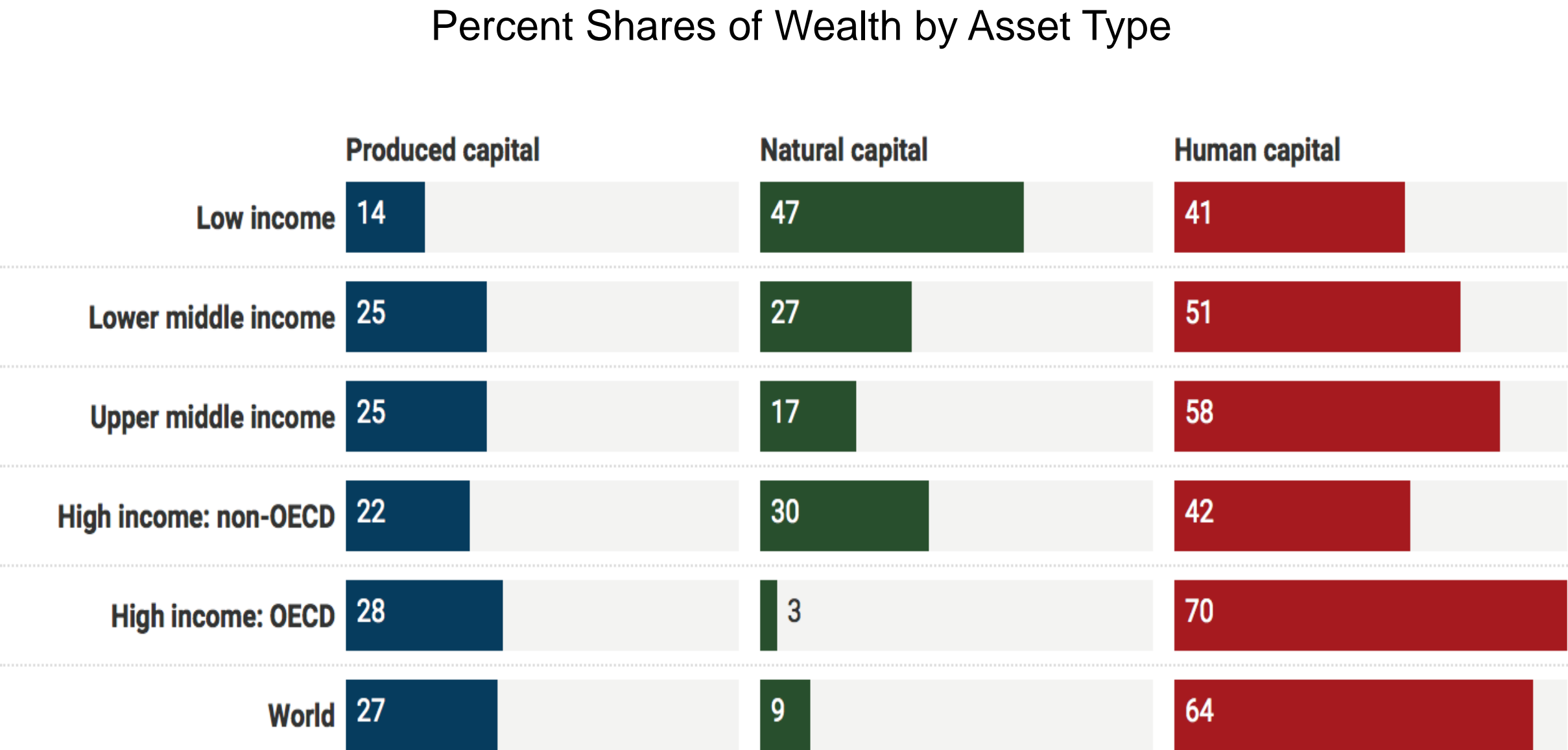
Country average (excluding China): 68% per capita



Wealth Accounting: Development as portfolio management

- Is current GDP sustainable, or are we liquidating capital?
- How much to save vs. consume?
- What assets to invest in?

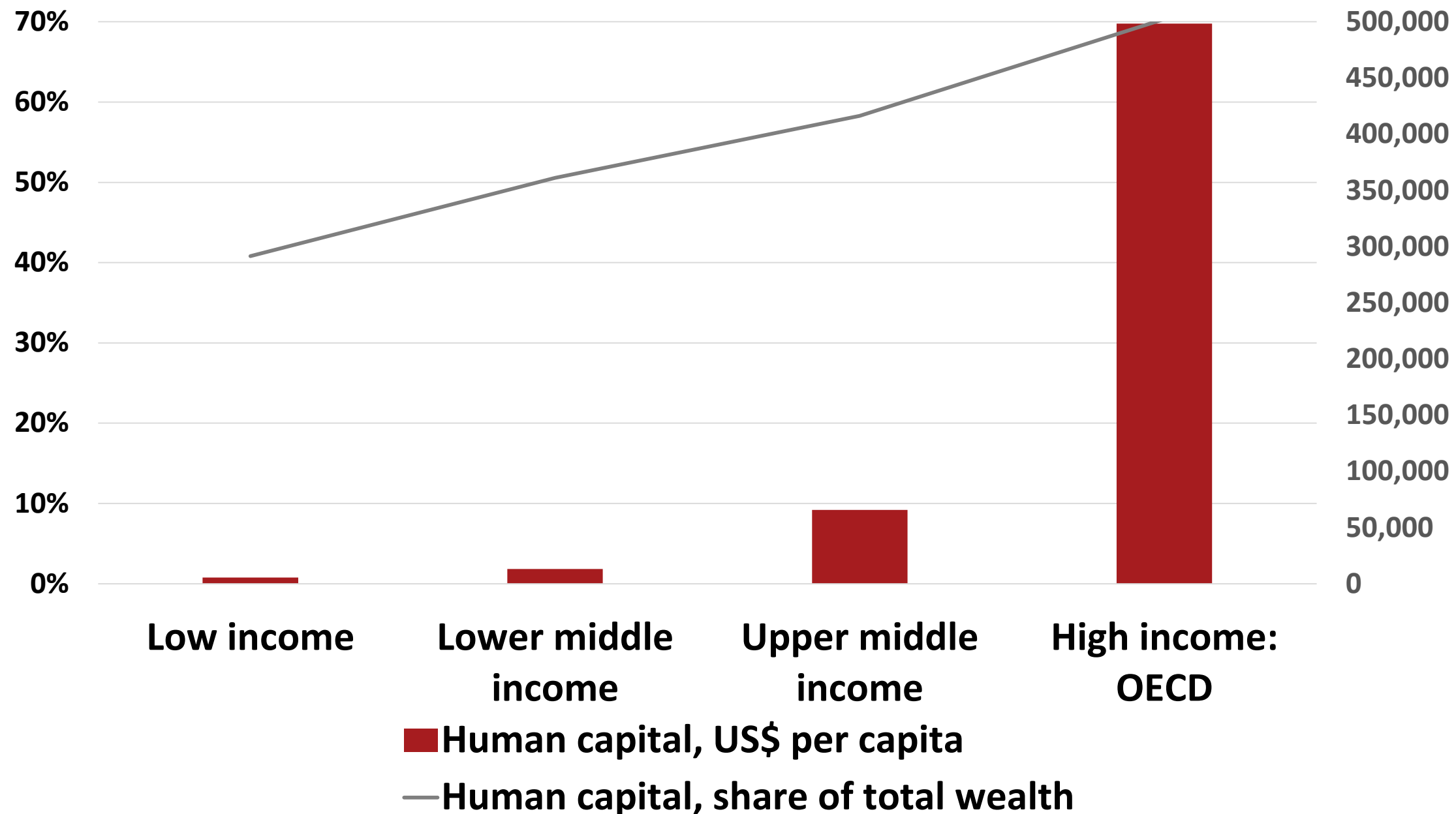
Low- and middle-income countries: leverage natural capital to build infrastructure, human capital, etc.



Note: Net foreign assets are small and negative, except for High-income non-OECD countries

Human Capital as a driver of development

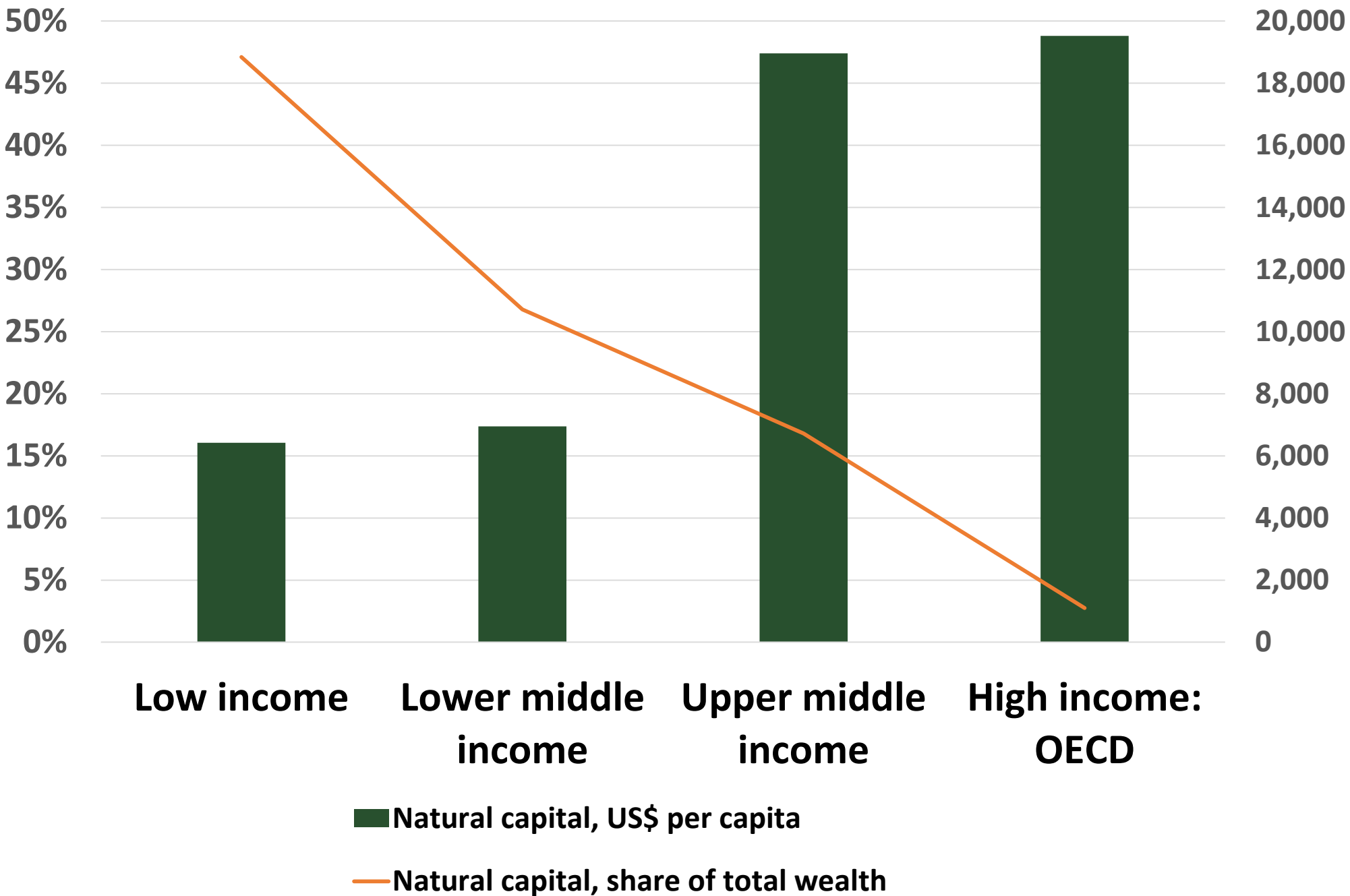
Human Capital: Share of Wealth vs Per Capita Value in 2014



- largest component of global wealth, 64%
- increases rapidly as economies grow

Natural capital remains important as its share of wealth declines

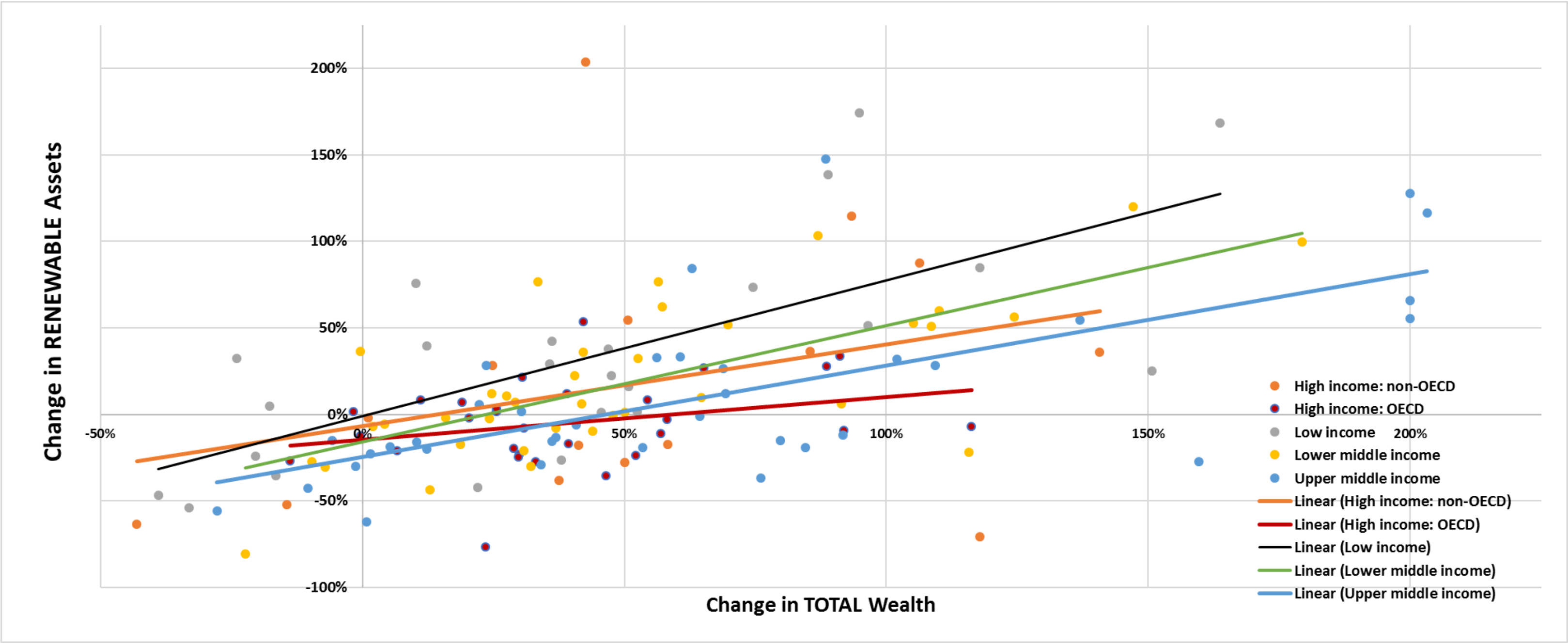
Natural Capital: Share vs Per Capita Value (US\$) in 2014



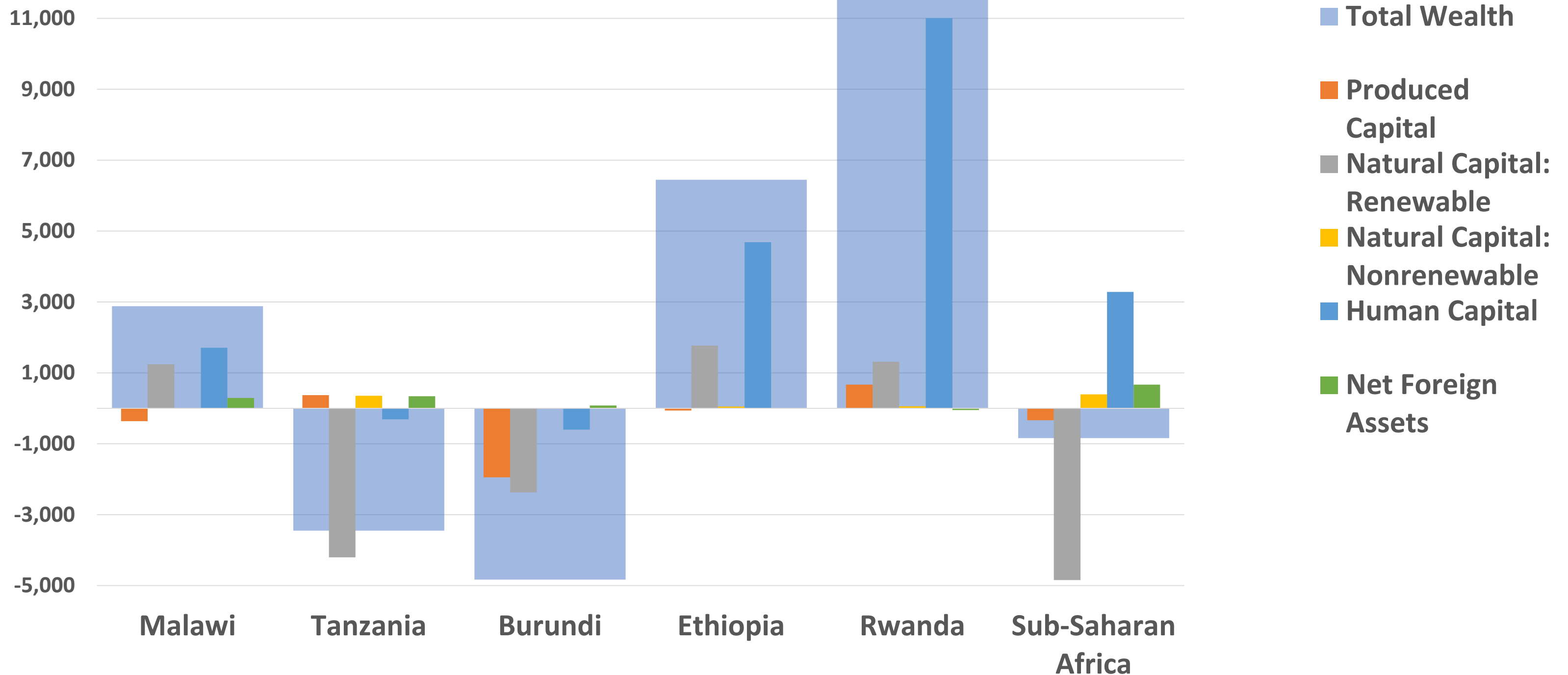
- Natural capital remains important even as countries grow and develop
- Growing an economy is not about liquidating natural capital to build other assets
- Natural capital per capita is highest in upper middle and high income OECD countries

Growth achieved by investing in renewable Natural Capital for resilient growth, not by depleting it

Growth of Renewable assets and Total wealth, per capita, all countries



How per capita wealth changed, selected African countries 1995 to 2014 (2014 US\$)



Where is CWON used in the World Bank?

More than half of Systematic Country Diagnostics use wealth accounts—provides the macroeconomic perspective on Nat Cap and the economy:

1. Measuring macro-economic performance:
Not only, 'Is GDP growing?', but, 'Is GDP growth sustainable?'
2. Sectoral applications and fiscal policy implications:
How will economy benefit from better mgmt. of Nat Cap (forest, water, fisheries, land, minerals & energy)?
 - Resource rents finance development, poverty reduction
 - Fiscal benefits from less damaging natural hazards – utilizing nature-based infrastructure
 - From current market value to potential economic value—the benefits of optimizing natural capital
3. Work on human capital supporting gender analysis and the Human Capital Project

Macroeconomic indicators using wealth, especially natural capital accounts

1. Change in wealth per capita at national level
2. Adjusted net national income (ANNI) and Adjusted net savings (ANS) (published in World Development Indicators annually)
3. Fiscal balance/Gross operating balance, adjusted for natural resource depletion
4. Public sector balance sheet including natural resources (IMF's Fiscal Monitor, *Managing Public Wealth*)
5. Total Factor Productivity including natural resources

What we've learned for CWON 2020

Extensive engagement with country teams and regional teams within the World Bank, country clients and external partners

1. Expand CWON 2020 for missing natural capital:

- water & fisheries
- ecosystem services: wetlands, mangroves, coral reefs
- degradation: air pollution, agriculture & forest degradation --link degradation to human capital

2. Policy focus

- Benefits from natural resource policy reform
- Macro/fiscal policy and indicators using wealth accounts
- Climate change: impact on assets + 'stranded assets'

3. Link to other factors for assessing sustainability risk

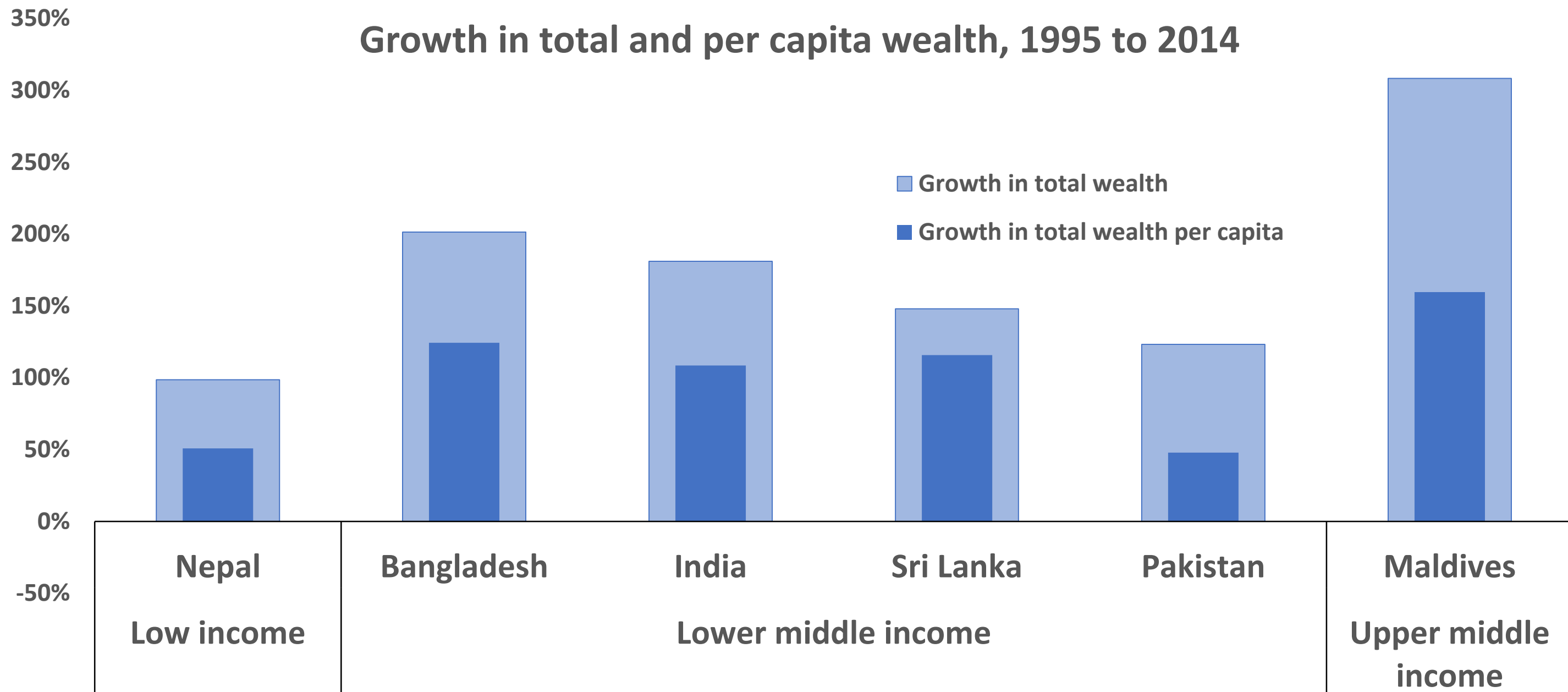
- Institutions, governance, policies
- Critical natural capital, monitored in biophysical terms

4. Dissemination and user-friendly tools

Thank you!

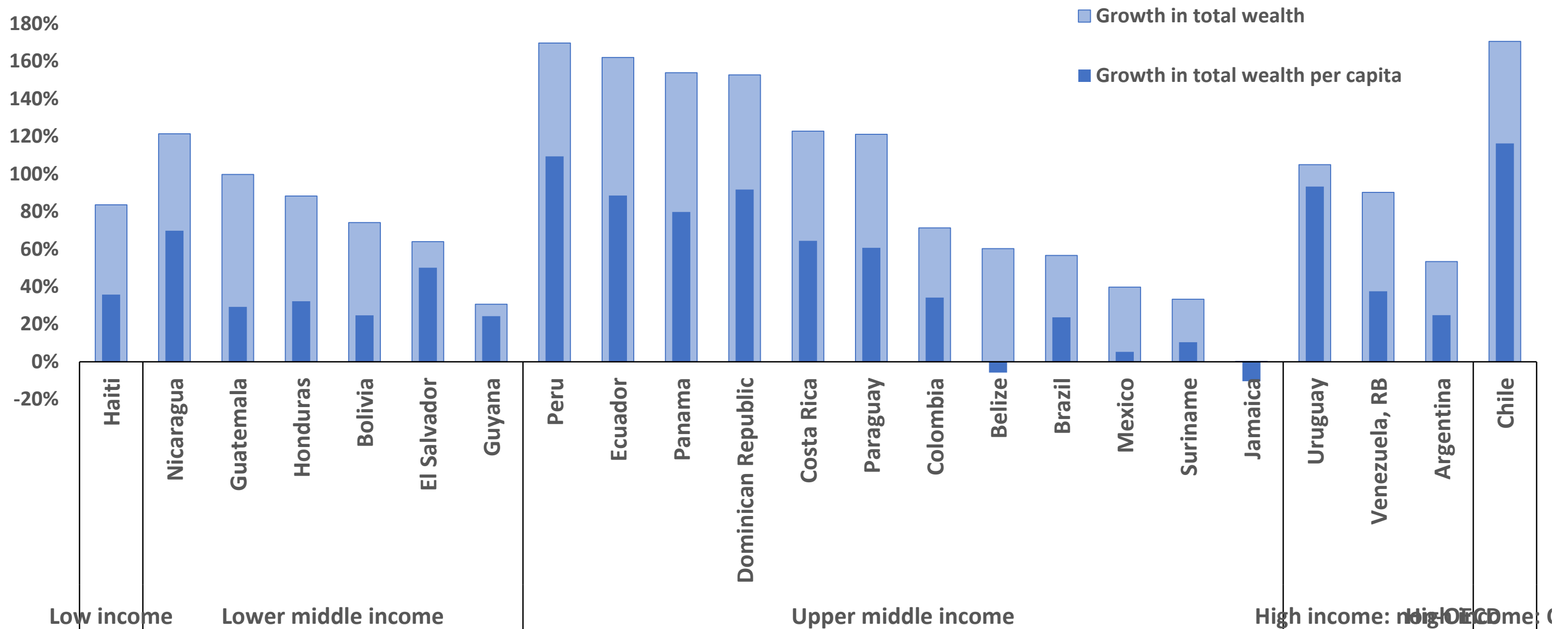


A closer look at growth in South Asia



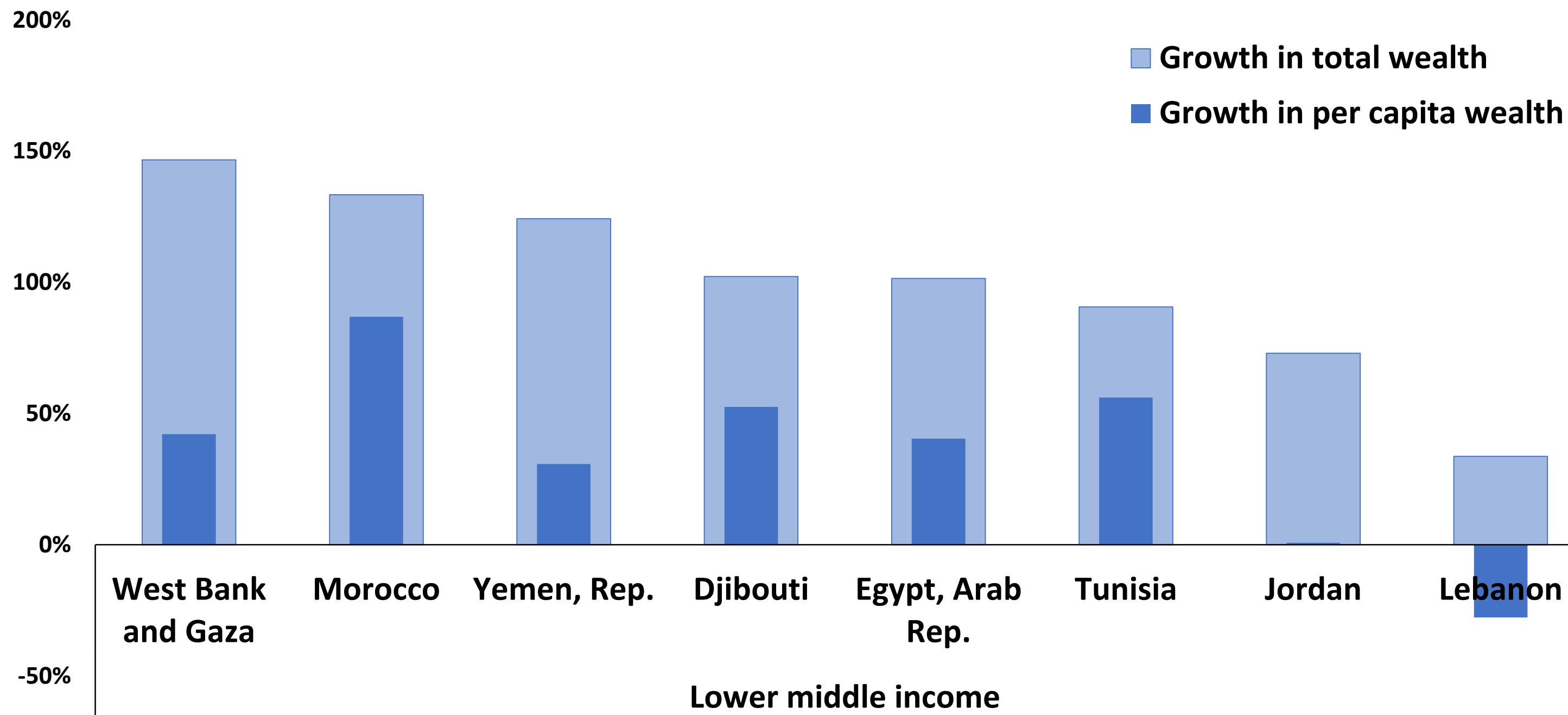
A closer look at growth in Latin America

Growth in total and per capital wealth, 1995 to 2014

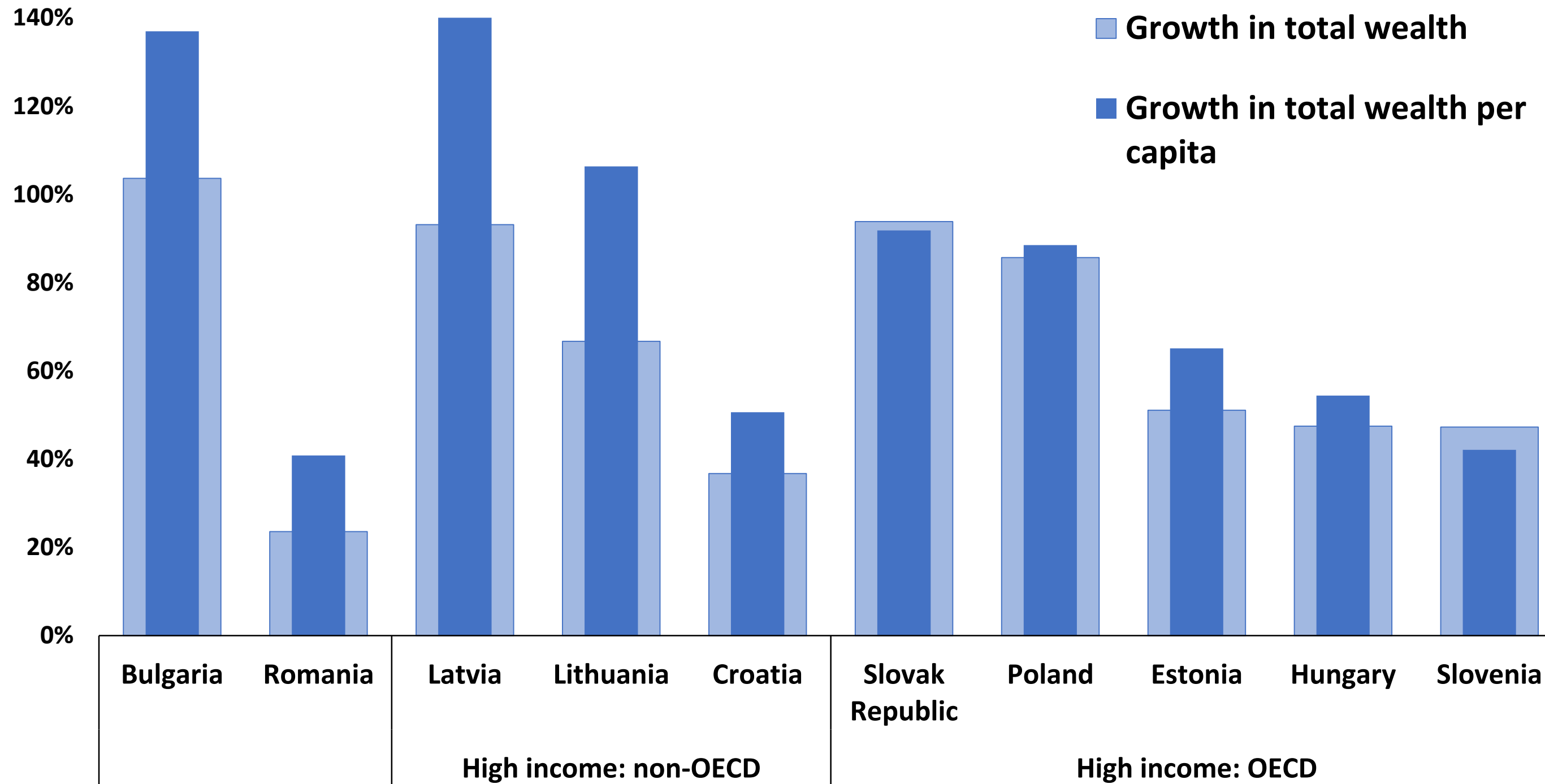


A closer look at growth in **Middle-east and North Africa**

(excluding high-income countries)



A closer look at growth in new EU-member states



Ageing of population, slow wage growth, & other factors affect human capital in some countries

