Making Sustainability Count:
From the WAVES Partnership to a Global Program on Sustainability

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Natural Capital and sustainability: context

Opportunities

• SDGs, NDCs: global momentum for sustainability
• Expanding NCA efforts at country level
  • Some 30 high-income countries,
  • At least seven middle-income countries (Brazil, Chile, Mexico, Namibia, Turkey, South Africa, Mauritius).
  • Many initiatives by international organizations (UNDP and UNEP).
• Private sector engagement
  • Natural capital protocol
  • Green financing (Green/ Blue bonds, etc)

Challenges

• Can we assess overall country progress toward sustainability across the very large number of SDG indicators?
• Can NCA really affect policy making?
• Is there enough financing to support sustainability?
World Bank goals

- Ending Extreme Poverty
  - From 18% to 3% of world population by 2030

- Boosting Shared Prosperity
  - Increased incomes for bottom 40% of every developing country

..in a sustainable manner
Sustainability is central to the WBG SD Operating Framework

(\textit{SD = all environment + infrastructure World Bank departments})

Changes in GDP tell us if growth is \textbf{happening}

\begin{itemize}
  \item \textbf{Prosperity and well-being}
  \item \textbf{Long-term growth}
  \item \textbf{Wealth}
    \begin{itemize}
      \item Manufactured capital
      \item Human and social capital
      \item Natural capital
    \end{itemize}
\end{itemize}

Changes in wealth tell us if growth is \textbf{sustainable}
Working with partners to address sustainability
Importance of natural capital for low-income countries

- Most countries have increased per capita wealth over the past 20 years.
- Per capita wealth has tended to stagnate or decline in about two dozen low income countries, primarily due to depletion of renewable natural capital.

From WAVES…

Incentives?

WAVES:
Support to country and regional NCA

Implementation?
From WAVES to a Global Program on Sustainability

Pillar I. Information: Benchmarking sustainability

Pillar II. Implementation: Support to country and regional NCA (WAVES+)

Pillar III: Rewards – Integrating natural capital into financing mechanisms

Global Scope

Country level focus

Funded

Unfunded
Pillar I: Information and Benchmarking
Pillar I: Information and Benchmarking

1. Global measurements of natural capital
   - WB to aggregate/ organize global/ country data
   - Continue wealth accounts and adjusted net savings, adding missing natural capital (e.g. land degradation)
   - Specialized research on selected NCA topics (e.g. TFP, CB analysis of NC restoration, etc)

2. Sectoral benchmarking of environmental sustainability
   - Tracking/ reporting/ benchmarking of sector-level sustainability indicators for all countries
   - Subnational indicators of sustainability

3. High-level sustainability reporting
   - “Doing Business”-like publication on Sustainability (every 2 years)
   - Integrate sustainability into WB Macro/Poverty Outlooks (every year)

4. Integrate benchmarking data in WB country dialogue and operations
   - Platform with sustainability data for both internal and external audiences
   - Apply benchmarking to core WB documents, e.g. (i) Systematic Country Diagnostics (SCDs); (ii) Country Partnership Frameworks (CPFs);
Value added
• New incentives for countries to improve the sustainability of their economies
• Improved global data on wider dimensions of natural capital

Potential partners
• UN agencies, multilaterals bilateral donors
• NGOs
• Private Sector

Quick(er) wins
• “Doing business” like sustainability report

Longer term outputs
• Macro/Poverty/Sustainability Outlook briefing notes for all countries
## Pillar 1: provisional theory of change

<table>
<thead>
<tr>
<th>Inputs/ activities</th>
<th>Outputs</th>
<th>Outcomes</th>
<th>Higher level impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved, more frequent measurement of natural capital</td>
<td>Open access database</td>
<td>Improved country awareness of natural capital and ecosystem service values.</td>
<td>Increased motivation to act on sustainability</td>
</tr>
<tr>
<td>Research on policy drivers of natural capital degradation and restoration</td>
<td>Improved measurements and projections of natural capital published at regular intervals</td>
<td>Countries can better understand the impact of proposed policies and investments on their stock of natural capital</td>
<td>Country awareness of natural capital policy and investment options may motivate actions to improve sustainability.</td>
</tr>
<tr>
<td>Sectoral bench-marking of environmental sustainability</td>
<td>Reports on policy drivers for changes in natural capital</td>
<td>Countries can measure the decoupling of inputs, outputs and waste streams at the sector level</td>
<td>Country awareness of sector-specific policy and investment options may motivate actions to improve sustainability.</td>
</tr>
<tr>
<td>World Bank stand-alone reporting series on sustainability and inclusion of NCA measures in standard Macro/Poverty Outlooks</td>
<td>High-profile reporting on sustainability. Also; sessions at Annual Meetings and in-country</td>
<td>Improved country-level awareness of their standing and costs of inaction</td>
<td>Country awareness of cross-country benchmarking may motivate actions to improve sustainability.</td>
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</tbody>
</table>
Developing Sustainably 2019

Doing Business 2016
Measuring Regulatory Quality and Efficiency

responsabilité juridique
bureau de crédit　единое окно
прозрачность　一站式服务
تحديد مهل زمنية　oficina de crédito
balcão　unico
collateral registry　single window　liability
transparency　 сроки　征信中心
реестр залогового　обеспечения　مكتب الائتمان　one stop shop　servicios
Pillar II: Technical Assistance to Countries and Projects
Pillar II: Technical Assistance to Countries and Projects

1. Technical assistance
   - Fast track window: 6-12 months to apply NCA principle to urgent policy project needs
   - Deep dive window: longer support (2-4 years) to build capacities to implement and use natural capital valuation and accounting

2. Global knowledge sharing
   - Report and disseminate results and lessons learned on NCA tools implementation by convening regional and global policy forums to exchange experiences and knowledge
Value added
• Flexible funding program to be integrated with World Bank operations
• Valuation and accounting of ecosystem services linked to policy
• Country capacity for NCA built

Potential partners
• Country clients
• UN agencies
• Other dev. partners

Quick wins
• Rapid results by flexible integration with World Bank projects and analytics produces timely inputs to decision-making

Longer term outputs
• NR mgmt. by countries improved
• NCA methodology and implementation advanced through global knowledge sharing and peer-to-peer exchanges

Pillar 2 in a nutshell
### Pillar 2: provisional theory of change

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<th>Outcomes →</th>
<th>Higher level impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide technical assistance on NCA and Valuation of Ecosystem Services (VES) at national, local and project level</td>
<td>Countries build NCA and CES for national, local, and project specific NCA and VES</td>
<td>Demonstrated capacity of NCA and VES to support sustainable development at the country, local and project level</td>
<td>Countries develop policies/ programs/ projects to improve management of natural capital</td>
</tr>
<tr>
<td>Provide regional and global support on methods and practices for NCA and VES</td>
<td>Series of regional and global training workshops and south-south learning exchanges on NCA and VES</td>
<td>Broader uptake of NCA approaches in policy making/ project design</td>
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Pillar III: Channeling Finance towards Sustainable Investments
Pillar III: Mobilizing Finance towards Sustainable Investments

1. **Address information gaps in green financial markets**
   - Analyze sustainability outcomes of private sector green financing instruments
   - Develop a broadly accepted framework for graduated sustainability rating of “green investments”

2. **Support activities/ instruments to “de-risk” green investment in developing countries**
   - Work with the green finance/ investment community to understand the challenges in moving successful sustainability finance mechanisms from OECD countries to the developing countries
   - Assess the feasibility of bundling a portfolio of small, high sustainability return investments into larger investment products
   - Design and pilot WB interventions that can help de-risk private sustainability financing
   - Develop Performance Based Financial allocations linked to country reforms supporting green private investment
Value added

Promote sustainability in private sector investment decisions

Mobilizing and de-risking sustainability investments in developing countries

Potential partners

• DFIs and standard setters (NCC, IFC, WB Treasury, UNEP, OECD)
• Institutional investors
• Impact investment funds
• NGOs (TNC, WWF, IUCN)

Quick wins

• Understand the major obstacles to private investment in sustainability in developing countries
• Test-ready ideas to link sustainability to financial performance and risk

Longer term outputs

• Framework for defining market premium for sustainable investments
• Ratings agencies rate sustainability
• De-risking of private finance for sustainability in developing countries

Pillar 3 in a nutshell
## Pillar 3: provisional theory of change

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</tr>
</thead>
<tbody>
<tr>
<td>Analytical work on sustainability effect on economic and financial performance</td>
<td>Framework for incorporating sustainability in risk/return profile of PS investments or WBG financing</td>
<td>Asset valuation incorporates sustainability indicators</td>
<td>Additional resources for green investment</td>
</tr>
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<td></td>
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<td>Deployment of green financial instruments &amp; increased capital flows to sustainability</td>
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How pillar III will add value

World Bank’s role

Initiator
- Piloting innovative approaches
- Technical Assistance

Catalyst
- risk-sharing financial instruments
- policy and regulatory reform
- strengthening institutional capacity

Facilitator
- multi-stakeholder alliances
Interactions between the 3 Pillars: direct..

- **P1: Benchmarking**
  - Peer pressure, emulation

- **P2: Country support**
  - Sustainable policies, projects

- **P3: Green financing**
  - Mobilize financing for

Implementation
..and indirect

**P1: Benchmarking**
- Peer pressure, emulation
- Improved country data

**P2: Country support**
- Sustainable policies, projects
- Private sector feedback on ranking

**P3: Green financing**
- Mobilize financing for

**Implementation**

Ranking data for green financing
Make Sustainability Count

THANK YOU!
Annex slides
What we learnt from WAVES

Findings and recommendations from WAVES review:

1. Demonstrate how NCA can support SDGs.

2. Respond to increasing country demand with more targeted country engagement

3. Integrate NCA into World Bank processes, such as Systematic Country Diagnostic, and Country Partnership Framework; as well as mainstream natural capital lens in World Bank country lending operations

4. Build on collaboration with strategic partners (similar to the arrangements with ABS, and Statistics Netherlands)
Make Sustainability Count

Creates Incentives & Rewards for Sustainable Management of Natural Capital in Countries

I. Information – Benchmarking sustainability
II. Implementation – Support to Country and regional natural capital accounting
III. Rewards – Integrating natural capital into financing mechanisms
Pillar I: Thought Leadership, Information and Benchmarking

1. Global measurements of natural capital
   a. Continue compiling comprehensive wealth and adjusted net savings accounts
   b. Develop a strategy for measuring ‘missing’ natural capital (especially land degradation)
   c. Estimate the total factor productivity (TFP) of natural capital and apply decomposition analysis
   d. Undertake specialized research on policy drivers, costs and benefits of natural capital degradation and natural capital restoration.

2. Sectoral benchmarking of environmental sustainability
   a. Identification and tracking of sector-level sustainability indicators for all countries
   b. Reporting on sectoral trends and policies, including benchmarking across countries
   c. Develop a work plan for developing subnational-level sustainability indicators, and sector-specific indicators of decoupling (i.e., decoupling production from inputs and from waste generated).
Pillar I: Thought Leadership, Information and Benchmarking

3. Two high-level sustainability reporting series
   a. Bi-annual WB publication on Sustainability Data and Benchmarking
   b. Annual sustainability additions to the Macro/Poverty Outlooks

4. Promote use of sustainability data and benchmarking by World Bank operations and external stakeholders
   a. Develop tools and a platform to facilitate easy use of all types of sustainability data for both internal and external audiences
   b. Conduct training and disseminate guidance notes and case studies for internal WB clients
   c. Internal applications would include: (i) Systematic Country Diagnostics (SCDs); (ii) Country Partnership Frameworks (CPFs); (iii) environmental impact analysis under the new Environment and Social Framework (ESF); (iv) use in project cost-benefit analysis to achieve greater sustainability impacts; (v) use in rigorous monitoring & evaluation of project interventions; (vi) technical support to countries shaping their Nationally Determined Contributions (NDCs).
Pillar II: Technical Assistance to Countries and Projects

Structure of Pillar 2 engagement

Macro level

- **Technical assistance**: Provide structured support to a selected group of countries for 3-4 years
- **Global knowledge sharing**: Report and disseminate lessons learned of NCA implementation at country level

Micro level

- **Funding Window**: Provide a flexible funding mechanism to country project interventions on valuation of ecosystem services
- **Disseminate results**: Report and disseminate project level applications.
Pillar III: Mobilizing Finance towards Sustainable Investments

1. Convene the key actors in the field
   a. Organize a working group with internal and external stakeholders to discuss and understand the current challenges in investment product rating and private finance mobilization structures
   b. Work with the investor community to assess the feasibility of bundling a portfolio of small, high sustainability return investments into larger investment products

2. Address information gaps in green financial markets
   a. Conduct analysis on connecting financial and economic performance of private sector financing instruments to sustainability outcomes
   b. Assess the robustness and requirements of NCA measures. Pilot a set of measures and disseminate to the financial community
Pillar III: Channeling Finance towards Sustainable Investments

3. Develop options for expanding the use of NCA based measures in WBG lending
   a. Conduct a review and analysis of use of sustainability and NCA measures
   b. Prepare a training module for integrating NCA into WBG operations design
   c. Design and pilot WB results-based interventions that target environmental sustainability

4. Work with the investment community to understand the range of de-risking activities the World Bank could support in developing countries
   a. Work with the conservation finance, timberland investment community to understand the challenges in moving successful sustainability finance mechanisms from OECD countries to the developing countries
   b. Design and pilot WB interventions and/or introduce instruments that target policies reforms or provide cover that can help de-risk private sustainability financing