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NATURAL CAPITAL APPROACHES

STAP SCIENTIFIC AND TECHNICAL ADVISORY PANEL
An independent group of scientists that advises the Global Environment Facility

UN environment programme

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1. INTRODUCTION

1. Over the past few years, the global narrative about the role of nature has changed significantly. Nature is now widely recognized as having an essential function in providing the resources needed for economies to thrive, guaranteeing their resilience to a range of external shocks, such as climate change, and contributing to human health and well-being.[1,2,3]

2. This thinking has given rise to the concept of "natural capital", defined as the world's stocks of natural assets and resources, which provide a wide range of services, often called ecosystem services, that make human life possible.[4]

3. Financial institutions, governments, and civil society are increasingly realizing that incorporating considerations about nature and natural capital into the planning and implementation of investment, from infrastructure to agriculture, can bring substantial economic and societal benefits. In addition, new data technologies, computing power, and algorithms are driving scientific breakthroughs in how to quantify and map natural assets and ecosystem services.

4. This recognition has generated a significant amount of interest, especially among policymakers and planners, in implementing *natural capital approaches*, which blend diverse disciplines and methodologies and involve (i) *natural capital assessments,* which quantify, map, and value stocks of natural capital and flows of ecosystem services to people, using a range of quantitative and qualitative metrics, and (ii) *natural capital accounts*, which track the stock of natural capital and changes over time, using standardized methodologies.[5,6]

5. In March 2020, the United Nations Statistical Division approved the SEEA Ecosystem Accounting Framework, which allows quantification of the following: ecosystems' extent and condition; the supply and use of ecosystem services in both physical and monetary terms; and asset accounts that quantify the net present value of stocks of ecosystem assets.[7,8]

6. National natural capital accounts can, in principle, identify, measure, and value natural capital from the public sector perspective, but these exercises take considerable time, and they have too rarely influenced decision-making and policy instruments.[9] Recent reviews of natural capital accounting indicate encouraging progress in systematically calculating accounts, but implementation of natural capital accounting information in decisions still greatly lags that of natural capital assessments.[10,11]

7. Across Latin America and the Caribbean, natural capital approaches have been adopted to secure coastal communities from climate risks, promote sustainable development, and secure freshwater supplies for cities, hydropower producers, and the agricultural sector. The Inter-American Development Bank is driving the scaling of these advances through its innovative Natural Capital Lab,[12] launched in 2018. The Asian Development Bank has also launched a Natural Capital Lab, as well as an Innovative Natural Capital Financing Facility,[13] and the Global Environment Facility (GEF) is also gearing up to mainstream natural capital assessment and accounting approaches through ambitious new commitments for financing, policy reforms, and targeted engagements with recipient countries.[14]

2. THE EXPERIENCE OF IMPLEMENTING NATURAL CAPITAL APPROACHES: LESSONS LEARNED

8. A review of learning over the last 15 years by the Stanford Natural Capital Project offers some findings from the successful implementation of natural capital approaches to influence policy and investment decisions.

9. Natural capital approaches are often most powerful when they bring together multiple sectors, allowing integration of impacts on biodiversity, ecosystem services, and beneficiaries, as well as identification of trade-offs and synergies in spatial assessments. The win–win outcomes among sectors that can be highlighted in natural capital approaches help to bring efficiencies to planning, policy, and investment strategies and to identify opportunities for greater policy coherence.[15] In the Natural Capital Project's findings, over 60% of cases that had policy or finance impact involved more than four sectors.

10. Although the environment sector was the most commonly engaged sector across the cases the Natural Capital Project examined, its involvement is not necessarily sufficient for success.[16] Of 14 high-impact projects in the Natural Capital Project database, in which new policy and finance mechanisms emerged as a result of natural capital approaches, all involved the environment along with other sectors. Other reviews of nature-based engagements also have found that outcomes are stronger when the environment sector is not the sole participant.[17]

11. The review identified three factors associated with achieving greater levels of impact: a clear policy window, mandate, and/or financing to implement an approach; leadership to support the inclusion of natural capital in policy processes; and consideration of the likely impacts of different climate, management, and budget scenarios on natural capital.

12. Clear policy windows and mandates are an important catalyst for bringing different sectors and stakeholders together and increasing the likelihood that natural capital information will contribute meaningfully to plans, policies, and transformational change on the ground.

13. For example, **Belize's Integrated Coastal Zone Management Plan** is widely considered as the gold-standard for marine and coastal zone planning. The plan was developed by the Coastal Zone Management Authority and Institute in consultation with a wide range of stakeholders, including government agencies, non-governmental organizations, and the private sector. Belize focused on blue and green carbon commitments to set ambitious new targets for mangrove blue carbon sequestration, with ecosystem co-benefits for tourism, coastal protection, and fisheries, in its nationally determined contribution. The plan also informed protection and restoration activities to be financed through a new blue bond.[18] Debt restructuring will provide US$ 180 million for marine conservation to protect 30% of Belize's ocean, strengthen governance frameworks for domestic and high sea fisheries, and establish a regulatory framework for coastal blue carbon projects. These lessons from incorporating the value of natural capital into planning, blue bond, and climate mitigation commitments are transferable to other coastal countries.

14. High-level leadership is important for setting the policy context and for ensuring that adequate resources and capacity are made available. Bottom-up leadership is key to ensuring support and uptake by local communities and decision-makers.

15. And alternative future scenarios are useful in exploring how different plans, policies, or climate change might affect natural capital and ecosystem services and in considering trade-offs. A review of over 100 natural capital projects showed that using a range of plausible scenarios tended to generate greater impact on the ground.[19]

16. In synthesizing the evidence of natural capital approaches influencing policy and investment decisions, Stanford focused primarily on natural capital assessments, because, as noted in the introduction, natural capital accounts take a long time and are much less influential than assessments; natural capital accounts were included where they had been used to inform decisions.

3. REPORT BY THE STANFORD NATURAL CAPITAL PROJECT

17. The GEF-8 Programming Directions for the Biodiversity focal area – responding to recommendations made by the Independent Evaluation Office in its evaluation of the GEF's support for mainstreaming biodiversity[20] – say that the GEF will support natural capital approaches designed to respond to specific target decisions or policy questions.

18. To support this, the Scientific and Technical Advisory Panel commissioned a study[21] by the Stanford Natural Capital Project to examine how to (i) accelerate the integration of natural capital approaches into GEF policy and investment decisions in important development sectors, including energy, water, agriculture, infrastructure, and natural-resource based commodities, and (ii) increase the uptake of natural capital approaches by governments, multilateral development banks, businesses, non-governmental organizations, and local communities in formulating development plans, policies, and strategies, as well as informing investment and other decisions.

19. The study includes a qualitative evaluation of Stanford's experience in conducting a range of demonstrations and training activities over the years to (i) determine the specific elements of natural capital approaches that have worked best and those that have not, as well as where and why; (ii) identify the barriers to uptake and whether these have been overcome, either through enabling factors or opportunities, thus leading to durable outcomes; and (iii) develop principles for natural capital assessment that can be embedded into GEF project proposals.

20. Stanford's report outlines the possible establishment of a GEF technical assistance facility, which would provide access to well-established mechanisms and best practices for using natural capital approaches more broadly in GEF recipient countries. The technical assistance facility would (i) connect policymakers, GEF Agencies, and technical staff with natural capital experts and enable access to new data, methods, tools, and relevant examples of successful natural capital approaches; (ii) demonstrate how natural capital approaches can be used to accelerate progress towards national and international environmental targets and

commitments; and (iii) provide systematic training and software tools to build capacity; and (iv) offer opportunities for technical experts to engage and collaborate directly with policymakers and private sector groups to build longer-term partnerships and alliances.

ENDNOTE

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