



Valuing Natural Capital

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Natural capital in the G20 and its importance for the African continent

The current global economy is unsustainable. Traditional economic models do not account for the decline in natural capital (such as conversion of land to cropland, pastureland and forest plantations).¹ It is estimated that the value of nature's services is over one and a half times the size of the world's gross domestic product (GDP).²

Acknowledging that economies are embedded in nature, development policies should also be beneficial to nature – hence the growing importance of 'nature-smart' policymaking that creates win-win outcomes for nature and economic growth. Natural capital accounting (NCA), when founded on comprehensive and reliable data, is an essential ingredient for guiding nature-smart policies towards achieving long-term development objectives, not least the Sustainable Development Goals.

Economies rely on natural assets, especially low-income countries, which depend on natural capital for 47% of their wealth (2018 estimates)³ and cannot afford the risk of collapse in the services provided by nature.

Concerted efforts by the UN and partner organisations are underway to integrate natural capital in standard systems of national accounting through new frameworks such as the [System of Environmental Economic Accounting \(SEEA\)](#) and [SEEA Ecosystems Accounting \(SEEA EA\)](#). The System of National Accounts is due for an update in 2025, which is set to include recognition of natural capital as a separate class of assets. Although the phrase 'natural capital'⁴ has not appeared in any G20 leaders' communiqué yet, it was featured for the first time in the [Indian T20 communiqué](#). NCA forms part of broader wealth accounting and is therefore essential to the various '[Beyond GDP](#)' debates that aim to develop a more comprehensive approach to measuring prosperity and well-being beyond the standard economic measures. The recent Global South G20 presidencies have each championed their own concept within the sphere of this debate: the Indian G20 presidency put forward its Lifestyle for Environment concept and the Brazilian presidency has foregrounded its approach through the [Bioeconomy Initiative](#), which aims to promote the sustainable use of biodiversity to generate income and jobs and advance science and technology to foster sustainable development from renewable resources.

The World Bank's [Global Program on Sustainability](#), launched in 2019, has worked in over 20 countries to pilot the use of data and analysis on natural capital and ecosystem services to inform 25 projects worth close to \$3.5 billion.⁵ However, much more needs to be done to leverage the potential of natural capital to boost sustainable economic growth.

¹ World Bank, "The Economic Case for Nature", <https://openknowledge.worldbank.org/server/api/core/bitstreams/9f0d9a3a-83ca-5c96-bd59-9b16f4e936d8/content#page=5.12>.

² Robert Constanza et al., "Changes in the Global Value of Ecosystem Services", *Global Environmental Change* 26 (May 2014): 152-158.

³ Glenn-Marie Lange, Quentin Wodon and Kevin Carey, [The Changing Wealth of Nations 2018](#) (Washington DC: World Bank Group, 2018).

⁴ The stock of renewable and non-renewable natural resources (eg, plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people, Natural Capital Coalition, "[Natural Capital Protocol](#)", 2016.

⁵ Global Program on Sustainability, *Global Program on Sustainability Annual Report FY 22*, <https://thedocs.worldbank.org/en/doc/d3294f3f7a7aefa874c4cd794d098711-0320052023/original/global-program-on-sustainability-FY22-annual-report.pdf#page=65.26>.

The importance of natural capital in Africa's development aspirations has been recognised.⁶ The African Development Bank's [African Economic Outlook Report 2024](#) calls for African countries to 'invest in natural capital accounting, beneficiation and conservation and include these in the system of national accounts, to expand the size of the economy'. Despite the continent's enormous natural resources – including 30% of the world's mineral resources, 65% of the world's uncultivated arable land, the second longest and second largest rivers, second largest tropical forest and an estimated 44.8% of the total global technical potential of renewable energy⁷ – Africa is the only region that has not experienced sustainable growth of its natural capital on a per capita basis. In fact, it fell from \$4,374 to \$2,877 per capita between 1995 and 2018, partly due to rapid population growth but also due to illegal activities, lack of tenure and poor natural capital governance and management, leading to the depletion of resources.⁸ In addition to being vital to the continent's development goals, the incorporation of natural capital into national systems of accounting could be part of the solution to Africa's high cost of borrowing. The African Development Bank has argued that, given Africa's significant resource stocks, largely unmeasured, the standardisation of the stock of natural capital as an asset class in national systems accounting could help the sovereign ratings of countries, thereby reducing borrowing rates.⁹

The South African G20 presidency provides an opportunity to place natural capital on the G20 agenda. South Africa is well positioned for this task as one of seven pilot countries to be involved in the 'advancing Natural Capital Accounting global initiative' of the UN Statistical Division (UNSD). South Africa further launched its own 10-year [strategy](#) for advancing Natural Capital Accounting in 2021. It is also leading the [technical committee aimed at implementing the SEEA EA Ecosystem Accounting](#).

The 2025 South African G20 presidency on the natural capital agenda

The momentum created by the preceding G20 presidencies and other multilateral debates, which are shifting the global economic landscape towards the valuing of nature, should be carried through by the 2025 South African G20 presidency. The following recommendations will position South Africa's G20 presidency as a champion for the advancement of the natural capital agenda. South Africa's G20 presidency should:

Build consensus towards a conceptual definition for natural capital among G20 member states. Although there is general consensus on what natural capital entails, different institutions define natural capital differently. The [UK Natural Capital Committee](#) defines natural capital as 'that part of nature which directly or indirectly underpins value to people, including ecosystems, species, freshwater, soils, minerals, oil and gas, the air, and oceans, as well as natural processes and functions', while [the World Bank](#) definition is much narrower, considering the value of a particular natural capital asset in terms of rents – the discounted sum of the value of the rents generated over its lifetime. The UN takes a similar approach. The World Bank and UN definitions of natural capital accounting do not cover the *implicit* value of natural resources that are essential to wellbeing, such as water, air and sunshine. Their exclusion is largely due to the difficulty in quantifying their potential wealth until they are inputs into producing a good or service. Given the importance of these resources for renewable energy generation (which can grant

⁶ Africa NCA Community of Practice, "Second Africa Natural Capital Accounting Policy Forum 2023", <https://ecastats.uneca.org/ncacop/Portals/0/Africa%20NCA%20CoP%20Policy%20Forum%20Declaration%20Publication%20Final12Sept2023.pdf?ver=-wVfp6U6XfDVfsMm7Cm4w%3d%3d>.

⁷ African Development Bank, "[Natural Capital for Climate Finance and Green Growth in Africa](#)", in *African Economic Outlook 2023* (Abidjan: AfDB, 2023), 120.

⁸ AfDB, "Natural Capital for Climate."

⁹ AfDB, "Natural Capital for Climate".

access to electricity to the 600 million Africans currently without it), they should be included. Using the G20 as a platform to build consensus on a definition for natural capital is necessary to drive the integration of natural capital in standard systems of national accounting.

Such a discussion on a definition could be facilitated under the Finance Track among G20 finance ministers within the Sustainable Finance Working Group, but should involve knowledge partners such as the [African Development Bank](#) and statistical officials from the various national statistics offices.

Discussions on this within the G20 need to reflect on progress made and aim to feed into other international processes already underway in progressing the 'Beyond GDP' agenda, especially the upcoming [UN Summit for the Future](#) in September 2024, which is set to deliver progress on the 'Beyond GDP' discussions. The South African G20 presidency should consider the progress and barriers that persist in incorporating natural capital in these various international forums and use the G20 platform as a bridge to build consensus among G20 countries, featuring the voices of nature-rich countries within the G20.

Facilitate capacity building and knowledge sharing between the Africa NCA-CoP and the G20 Data Gaps Initiative. NCA provides the basis for embedding nature and its contributions adequately into policy and decision making, yet this is only possible where reliable NCA data is available. Data collection and management remains a significant challenge globally and acutely so in Africa. Africa's natural capital was estimated at \$6.2 trillion in 2018,¹⁰ yet this figure is largely underestimated (partly due to lack of reliable data). Even if the updated System of National Accounts recognises natural capital as a separate class of assets, persistent data gaps will continue to inhibit the potential impact of valuing natural capital. The [Nairobi Declaration Statement and Call to Action](#) produced during the Africa NCA Community of Practice ([Africa NCA-CoP](#)) forum in 2023 recognised the need for more capacity building and resources to advance the implementation of SEEA accounts and analysis, especially among African countries.

The [G20 Data Gaps Initiative](#) (DGI) was launched by the G20 finance ministers and central bank governors in 2009 and is in its third phase. It aims to close data gaps that inhibit robust, evidence-based policymaking. This [third phase](#) aims to address statistical gaps in climate change to integrate economic and climate data for policy planning. Through the DGI, the South African G20 should advocate for the inclusion of data related to natural capital, as the DGI's identified areas do not include natural capital explicitly.

South Africa's G20 presidency could facilitate capacity-building and knowledge-sharing initiatives between the Africa NCA-CoP Practice and the [Inter-Agency Group on Economic and Financial Statistics](#) members of the G20 DGI.

Build on the momentum of the Brazilian Initiative on the Bioeconomy by championing implementation. The Brazilian G20 presidency launched the [Initiative on the Bioeconomy](#), which aimed to develop a set of high-level principles that will be negotiated and integrated into the Rio Declaration to be adopted by the G20 heads of state.

South Africa is well positioned to carry forward the momentum created by Brazil's presidency. [The National Biodiversity Economy Strategy](#) has undergone a second revision by the Department of Forestry, Fisheries and Environment and highlights local beneficiation as a means to encourage economic growth to address poverty and food insecurity. South Africa further has a [Bio-economy Strategy](#) developed by the Department of Science and Innovation that highlights South Africa's genetic resources for biotechnology development, which can be leveraged to create investments in the country's growing pharmaceutical industry. It would be important for Africa and nature-rich countries elsewhere to be

¹⁰ World Bank, "Changing Wealth of Nations Data", <https://www.worldbank.org/en/publication/changing-wealth-of-nations/data>

included in these discussions through the AU's participation in the G20 – the East African Community, for example, has launched a [Regional Bioeconomy Strategy](#).

Similar to the [Global Infrastructure Hub](#), a G20 initiative created in 2014 to support policymakers, investors and practitioners in scaling up sustainable, inclusive and resilient infrastructure, the South African presidency could facilitate the establishment of a bioeconomy hub as the next step towards practical implementation of the G20 Bioeconomy Initiative.

Such a hub could be a platform for fostering private-public partnerships on the bioeconomy and natural capital. The private sector has been active in the natural capital discussions for years, launching the [Natural Capital Protocol](#) in 2016, which is a private sector-led initiative for decision-making that enables organisations to identify, measure and value their direct and indirect impacts and dependencies on natural capital. In November 2018, a consortium of business leaders and impact investors submitted [an open letter](#) to the G20 leaders recommending the formation of a commission that will support the development of accounting standards that will help businesses measure their environmental impact – demonstrating the business community's willingness to play its part in natural-capital discussions. The South African G20 presidency could create the space for consultation and collaboration among G20 member states and the B20, C20 and other engagement groups.

South Africa's engagement in furthering the agenda of the Bioeconomy Initiative at the G20 level can build a bridge to COP30 hosted by Brazil as South Africa chairs the G20. The opportunity for closer collaboration with Brazil through these processes can develop a more impactful result for bioeconomy investment.

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