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Natural Capital and Business in the West African Region Webinar

April 23, 2021

Convener



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NATURAL CAPITAL – Important Points

By

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Natural Capital: Definitions

- “The wealth of the nation is its air, water, soil, forest, minerals, rivers, lakes, oceans, scenic beauty, wildlife habitats and biodiversity. That’s all there is. That’s where all the economic activity and jobs come from. These biological systems are the sustaining wealth of the world.” *Gaylord Nelson*
- “The stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people.” *The Natural Capital Protocol*
- “The total of the world’s natural assets that ensures a renewable flow of goods and services for our economy and that offers advantages to businesses and communities.” *The Natural Capital Declaration*

Natural Capital and why is it important today?

- GDP looks at only one part of economic performance – income, doesn't consider the underlying wealth and assets of a country.
- Long-term development is a process of accumulation and sound management of a portfolio of assets (manufactured capital; natural capital and human & social capital).
- Sustainable development is hinged upon harnessing these assets effectively and is critical for developing countries.

Source: Lange, Glenn-Marie, Quentin Wodon and Kevin Carey "The Changing Wealth of Nations 2018: Building a Sustainable Future", Washington DC: World Bank

Natural Capital and why is it important today?

- Natural capital is the largest component of wealth in low-income countries and accounts for more than one-quarter of wealth in lower-middle income countries.
- Economies only move beyond natural capital to manufactured capital when investments in social and human capital are made and harnessed.

Source: Lange, Glenn-Marie, Quentin Wodon and Kevin Carey "The Changing Wealth of Nations 2018: Building a Sustainable Future", Washington DC: World Bank

Natural Capital, Business and Finance

- Survival of business is reliant upon ecosystems and thus natural capital.
- Business and financial institutions have begun to take natural capital serious, examples are
 - The Economics of Ecosystems and Biodiversity;
 - Wealth Accounting and the Valuation of Ecosystems Services;
 - Natural Capital Guide for Financial Institutions;
 - The Equator Principles;
 - The IFC Performance Standard 6.

Source: Finance for One Planet, CoP Financial Institutions and Natural Capital

Natural Capital and the Future

- Nature can act as a buffer between humans and pathogens, it can also help in economic and social recovery efforts.
- Since the advent of COVID-19, there has been rapid deployment of stimulus packages to spur economic recovery. The opportunity now exists to build back better through design and integration of longer term sustainability solutions that boost the economy and deliver positive environmental outcomes simultaneously.
- Examples: Reduction of carbon emissions, biodiversity conservation and protection of ecosystems

Source: Lange, Glenn-Marie, Quentin Wodon and Kevin Carey "The Changing Wealth of Nations 2018: Building a Sustainable Future", Washington DC: World Bank

Natural Capital – YES BANK Case Study

- Committed to mobilizing USD 1 Bn towards climate action and financing 5GW of renewable energy till 2020 at COP21.
- Three green bond issued amounting to approximately USD 265 Mn.
- Applies the Natural Capital Protocol to the green bonds projects.
- All projects are now assessed whether all natural capital impacts and dependencies are accounted for

Source: <https://naturalcapital.finance/yes-bank-case-study/>

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