

INTRODUCTION

# POVERTY OF ENVIRONMENT

State of environment in Africa defines its economic well being



**W**EALTH IS increasing in the world but will not be sustainable in countries that have degraded their natural environment or capital. The world is busy at negotiating carbon budget to mitigate climate change. A similar and equally critical debate is unfolding on another front: Can we control the use of natural resources? It is also related to the consumption that is at the centre of the climate change debate.

Like carbon budget, use of natural resources is also an issue of development and the right to it, even if it means breaching the sustainable level. Like in the climate change debate, in this case as well there is a sharp division between the developed and the developing and poor countries. Taking the similarity further, in case of natural resource consumption as well, the developed countries are obsessive consumers while the developing and poor countries just use them for survival. So, the contentious question is: How to approach this fundamental use of resource debate?

Right to development is the axis that is driving the global strategy on controlling global warming. Developed countries have long crossed over to the world of prosperity while pumping non-comparable levels of greenhouse gases (GHG) into the atmosphere that warm the planet. Developing and poor countries have just started running on a development path and need to emit. Meanwhile, the planet is near its bearable level of warming. Developing countries want to continue to develop — irrespective of GHG emissions — as this is a basic human right. So, developed countries need to take up more discounts on emission levels. Now, apply this principle to the use of natural resources, or natural capital like forest, land and water. The World Bank's "The Changing Wealth of Nations 2021" report — a periodic evaluation of

**Many estimates have pointed out that nearly half of the world population ekes out a living from degraded resources like land and forests. In future, these resources might not be able to sustain productive livelihoods. But, for this population there is no alternative as well**

wealth generation and distribution beyond the traditional GDP (gross domestic product) matrix and includes natural resources as part of a country's wealth - is unequivocally clear on one aspect: Wealth is increasing in the world but will not be sustainable in countries that have degraded their natural environment or capital.

### **WHICH COUNTRIES WILL FACE THIS?**

The expected answer is those who depend more on natural resources for income and sustenance. And these countries dominantly are the poor and developing countries. This is a cause of concern. The report says: "Because low-income countries have so few other assets, proportionately, renewable natural assets such as land and ecosystems are crucial for them, comprising around 23 per cent of their total wealth. This is the highest fraction of total wealth coming from renewable natural capital among all income groups." Like GHG emission, poor and developing countries need to use these natural resources even if it reaches an "unsustainable" level. This is because these are the only resources available for sustenance.

Many estimates have pointed out that nearly half of the world population ekes out a living from degraded resources like land and forests. In future, these resources might not be able to sustain productive livelihoods. But, for this population there is no alternative as well. Wealth per capita has grown in low- and middle-income countries, according to the Bank's latest report, due to an increase in agricultural areas and also in harvesting resources like fishery. This means the gain is an outcome of using more natural resources. This also makes the crucial point that where ecology is the main economy, prosperity can't be assured without using the natural resources. The rise in consumption is a big concern for driving GHG

emission up and also exhausting the planet's capacity to support.

In this debate, the poor and developing countries, or those whose survival and prosperity critically depend on natural resources, will be again put under pressure to bring down consumption. But, like in the case of carbon emission, consumption of natural resources is also very unequal: A citizen of a rich country consumes oil and other resources up to 30 times more than that of a poor country. More to it, rich countries have reported high levels of natural wealth because their basic survival doesn't depend on natural resources as much as in poor countries. It is time for another equity battle, over access and use of natural resources.

## **NATURAL CAPITAL AND THE ECONOMIC IMPERATIVE**

Africa's prosperity and economy is deeply linked to its natural resources endowment, or its natural capital. According to the United Kingdom (UK) Natural Capital Committee, "natural capital is 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." According to a study by the Africa Development Bank, Africa's natural capital was estimated at \$6.2 trillion in 2018. To make sense of this endowment, this is nearly three times of the economy of the entire continent. Over 80 per cent of its population directly depend on natural resources like land and forests.

It means that any decline in the natural capital will have a direct negative impact on the people's livelihood and economy. On the other hand, if the natural capital degrades, development in future will not be sustainable – more people will have to fight for limited resources. According to World Bank, per capita natural capital is declining in Africa: from

**According to a study by the Africa Development Bank, Africa's natural capital was estimated at \$6.2 trillion in 2018. To make sense of this endowment, this is nearly three times of the economy of the entire continent. Over 80 per cent of its population directly depend on natural resources like land and forests**

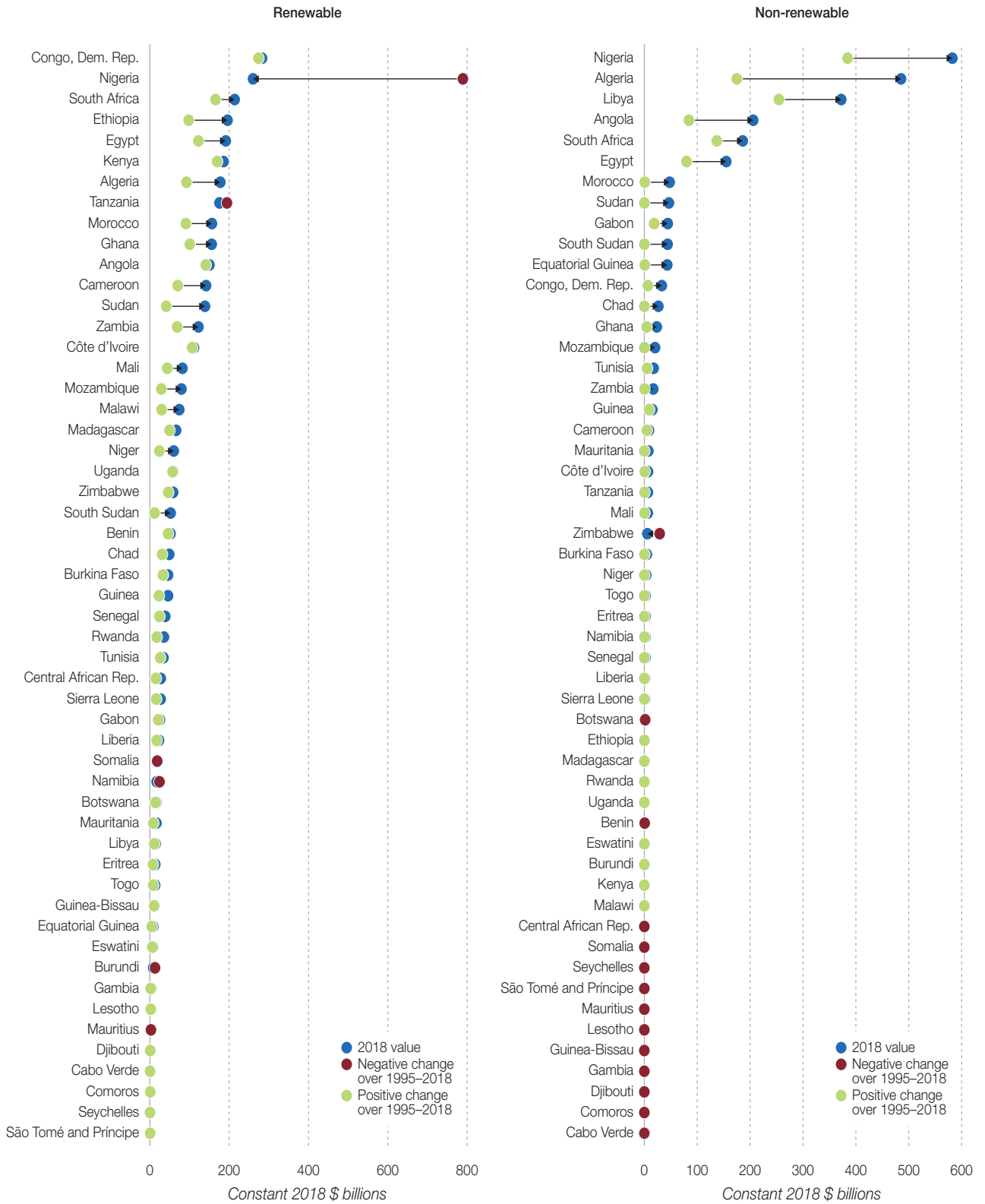
\$4,374 in 1995 to \$2,877 in 2018. This decline is attributed to the rising population in the continent. The Green Value Initiative of the German Federal Ministry for Economic Cooperation and Development says that the natural ecosystem is under risk limiting its ability to provide services to people. "African countries could see a 10 per cent drop in GDP by 2030 and by 2050, some 1.2 billion Africans could face higher water pollution, 1.5 billion people increased food insecurity and millions coastal erosion risks," says one assessment of the Green Value Initiative indicating what degradation in natural capital would mean for people.

## **A POST-PANDEMIC WORLD**

Of the many factors that led to the COVID-19 pandemic, the primary were destruction of biodiversity, clearing of the land, illegal trade in wildlife, and climate change. These constitute the basis of our progress and are sometimes referred to as natural asset/capital. The loss or depletion of natural capital, like biodiversity, caused or facilitated the transfer of unwanted pathogens to humans. We have been receiving warning signs through outbreaks of disease like SARS, but we did not pay attention. Earlier, we were in luck; but not this time. As scientists suggest, this would not be the last pandemic if we do not change our development path and maintain the synergy between nature and human activities.

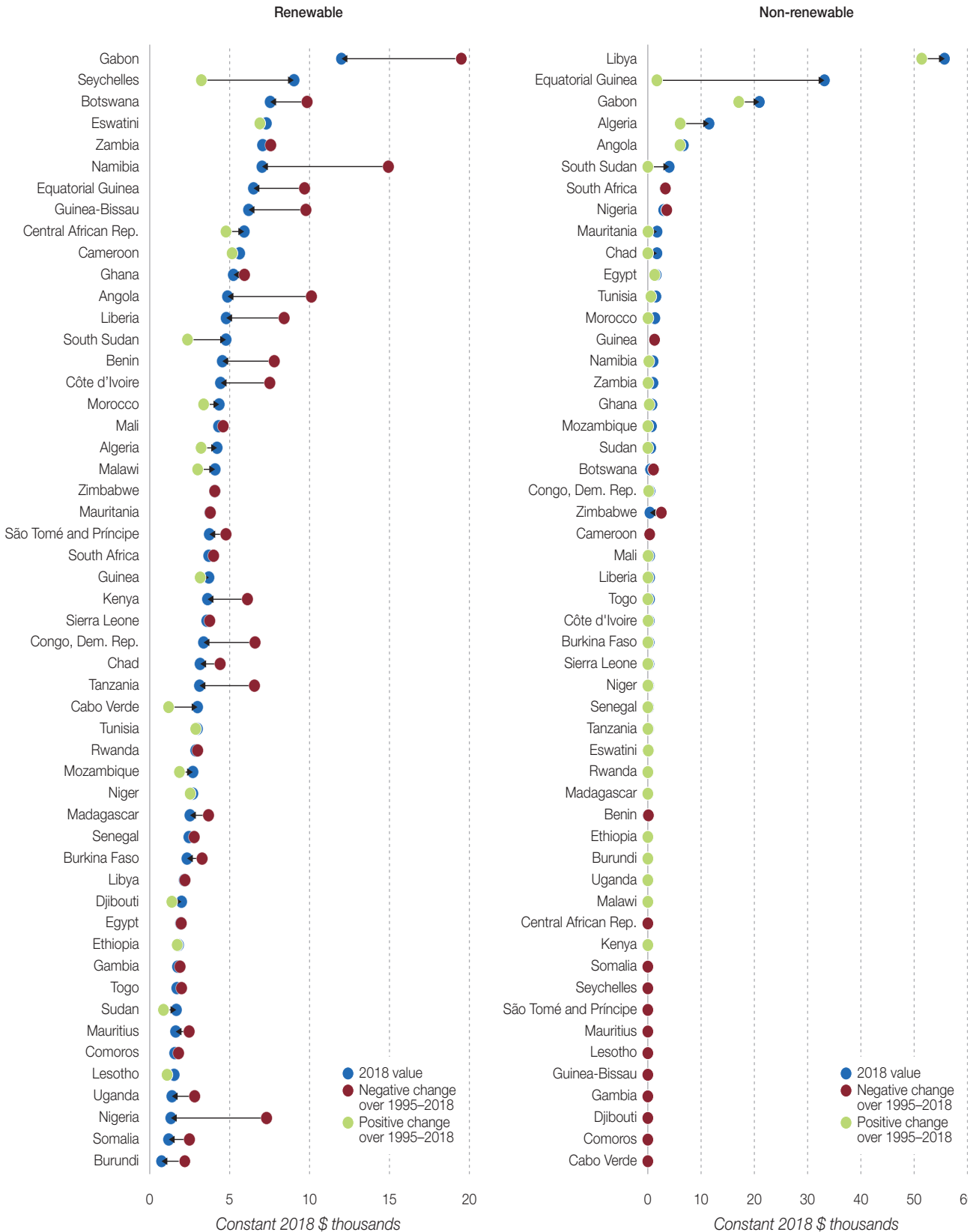
In June 2022, the world met at Stockholm, Sweden, to review what it achieved in the 50 years since the Stockholm conference of 1972, and what should be its priorities for next 50 years. Measuring progress and prosperity as if sustainability (economic, environmental and social) mattered, would command top priority. Economic development since the industrial

# Changes in the value of natural capital for African countries, 1995–2018



Source: AfDB staff calculations using data from World Bank (2021)

# Changes in per capita value of natural capital for African countries, 1995–2018



Source: AfDB Staff calculations using data from World Bank (2021)

revolution has ushered in an era of unprecedented improvements in the human condition. Still, environmental trends require urgent action.

Recent years have seen an unprecedented destruction of planetary health, a resurgence of populism and social unrest, spiralling inequalities in health, skills, and opportunities, and a growing sense of dissatisfaction with democracy. Combined, these pressures threaten to undermine more than a century's worth of progress. Calls to "build back better" are now widespread, but in practice, this requires building back differently: Different objectives and different strategies to achieve the goals.

The first step has been taken. The objectives are defined in the United Nations 2030 Agenda for Sustainable Development by its 17 Sustainable Development Goals (SDGs). Meeting them requires a wealth management strategy that recognises all of society's assets — natural, human, social, and manufactured. Delivering the SDGs will take much more than GDP growth alone. GDP is associated with improvements across many SDG targets and indicators, such as the elimination of poverty (SDG 1). But GDP growth can also come at the expense of progress towards other goals such as climate action (SDG 13). This suggests that delivering the SDGs entails moving "beyond GDP".

The interconnected nature of the goals reflects the interconnected nature of wealth. Investments in any one component of wealth impact (for instance, human capital) the returns to other components of wealth (for instance, physical capital such as computers and IT infrastructure). This is equally true of SDGs, where progress towards Quality Education (SDG 4) impacts progress in other goals such as Decent Work and Economic Growth (SDG 8).

**Recent years have seen an unprecedented destruction of planetary health, a resurgence of populism and social unrest, spiralling inequalities in health, skills, and opportunities, and a growing sense of dissatisfaction with democracy. Combined, these pressures threaten to undermine more than a century's worth of progress. Calls to "build back better" are now widespread**

## **INCLUSIVE WEALTH**

The United Nations Environment Programme's Inclusive Wealth Index — crucial for delivering the SDG — focuses on the change in wealth, not just the level of wealth. It is critical to achieving the 2030 Agenda on Sustainable Development and SDGs, which require a statistical infrastructure capable of measuring both the means (inclusive wealth) and the outcomes (SDG indicators). Inclusive wealth statistics present an opportunity to explicitly define the recovery from COVID-19 in terms of sustainable development, the Paris Climate Agreement, and the "Beyond GDP" movement. The Inclusive Wealth Report (IWR) 2022 records the continuous decline in per capita natural capital, while the per capita human and produced capitals are on rise. The growth of GDP per capita is much higher than the per capita wealth. That means part of wealth is depleted and is treated as income. The findings prove that the ongoing measure of progress and sustainability is inadequate as they show that we are mixing income with wealth. Mainstream economic statistics have focused too heavily on changes in income over time without enough emphasis on changes in the underlying assets that generate those income flows. In the short term, income can be increased by over-consuming capital, but this reduces productive capacity in the long run.

The inclusive wealth paradigm demonstrates that future economic possibilities depend on the current management of all forms of wealth — human health and skills, physical infrastructure, sustainable natural resource and ecosystems management, trust and strength of social relationships, and the quality of democratic institutions. Combined, these assets

determine an economy's inclusive wealth, and are the building blocks for achieving SDGs.

Inclusive wealth statistics can help guide policy efforts towards enhancing the capacity of nations to deliver the United Nations 2030 Agenda for Sustainable Development. Sustainable development encompasses a broader suite of guiding objectives and requires a more inclusive statistical infrastructure to reflect it. There is an urgent need to compile inclusive wealth statistics now so they can shape the recovery.

Inclusive wealth statistics have seen major improvements in the past decade. The UN's "Inclusive Wealth Reports" and World Bank's "Changing Wealth of Nations" books have shown that it is possible to assess changes in natural, human, and physical capital in all countries, regardless of income level. The UN System of Environmental Economic Accounts and its Experimental Ecosystem Account has enhanced our ability to account for environmental stocks and their economic contributions. But substantial investments are needed to improve, expand, and get the most out of inclusive wealth statistics. Priorities include greater funding for national statistical offices and investments to automate and digitise inclusive wealth data collection (for instance, remote sensing, machine learning, and artificial intelligence for environmental statistics).

Existing measures of social and human capital — as underlying assets and outcomes in terms of SDG indicators — suffer from poor coverage and conceptually simplistic. That these fundamental assets are difficult to measure means they deserve more, not less attention in official statistics. Building capacity and resilience after the pandemic requires investments in vital assets that can underpin a sustainable 21<sup>st</sup> century. Inclusive wealth statistics present an opportunity to define the recovery from COVID-19 in terms of sustainable development, the Paris Agreement, and the "Beyond GDP" movement. ■