From Global Values to Local Investments

Lessons from the Changing Wealth of Nations Report 2021 and Natural Capital Investment in Indonesia

WORLD BANK GROUP

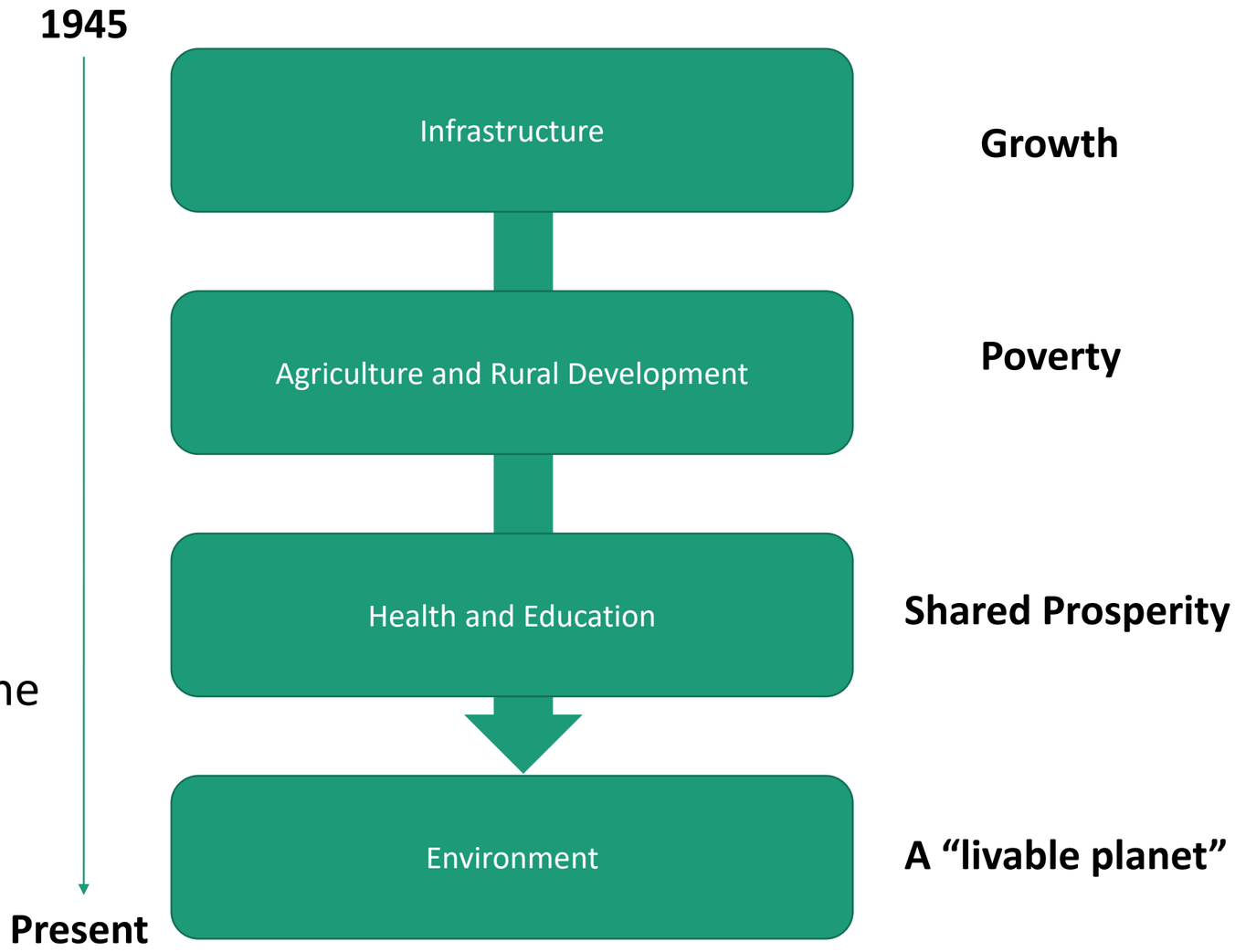
Background

The Changing Wealth of Nations (CWON) is a detailed and consistent wealth dataset covering 146 countries since 1995.

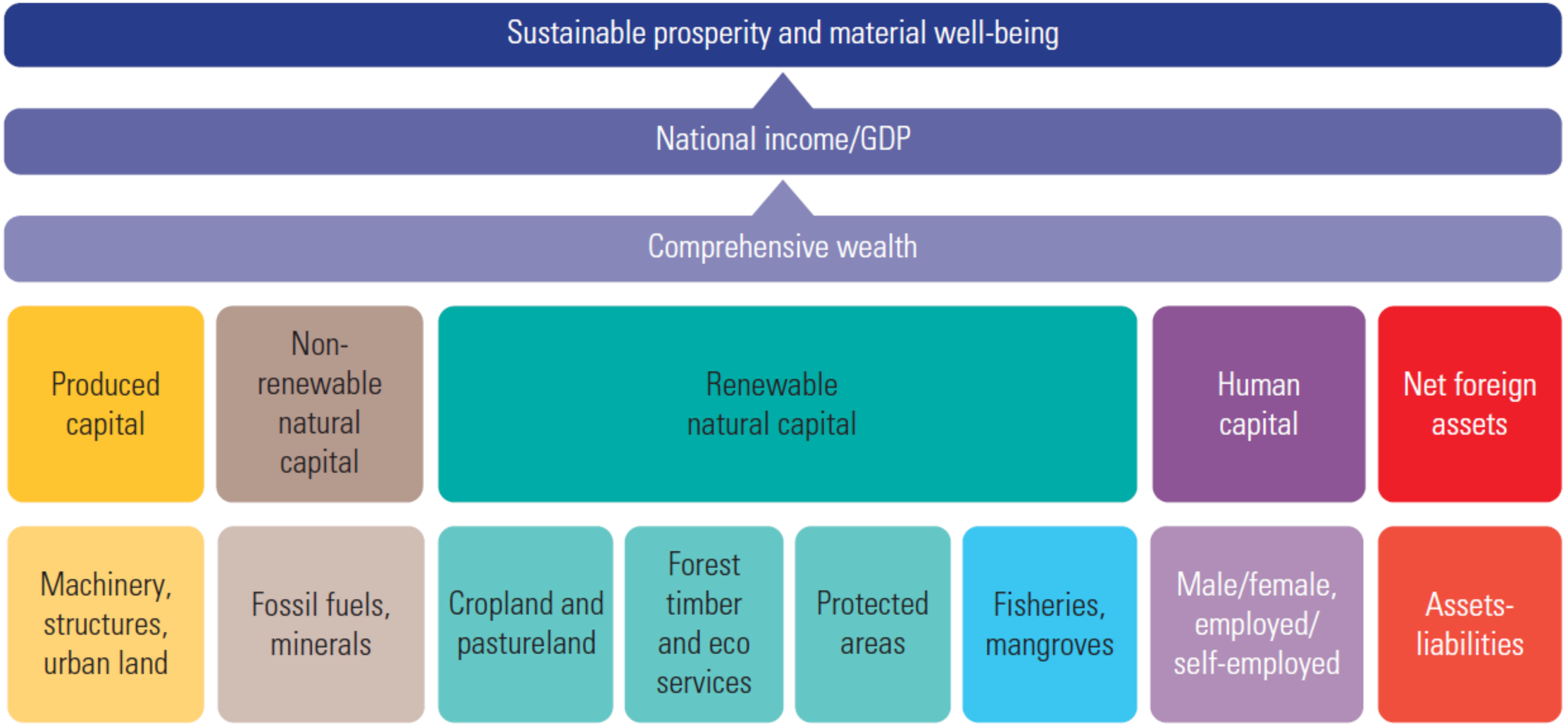
- **2005:** First wealth accounts published, proof of concept. Where is the wealth?
- **2011:** Added changes in wealth over time. Focus on the past wealth of nations.
- **2018:** Added human capital, and more natural capital. How sustainable is today's wealth?
- **2021:** Added policy lens: What about the future wealth of nations? Climate risks? Policy choices?
- **2024 (forthcoming):** Expanded ecosystems services, changes to some accounting methods.

Looking ‘Beyond GDP’ as the Bank’s mission has evolved.

- GDP measures economic growth (flow).
- Wealth is a measure of the underlying assets that generate income.
- GDP is *sustainable* only if the asset base is not shrinking (a necessary but insufficient condition).
- Changes in wealth per capita measures how the asset base changes relative to population and thus a country’s long-term prospects.

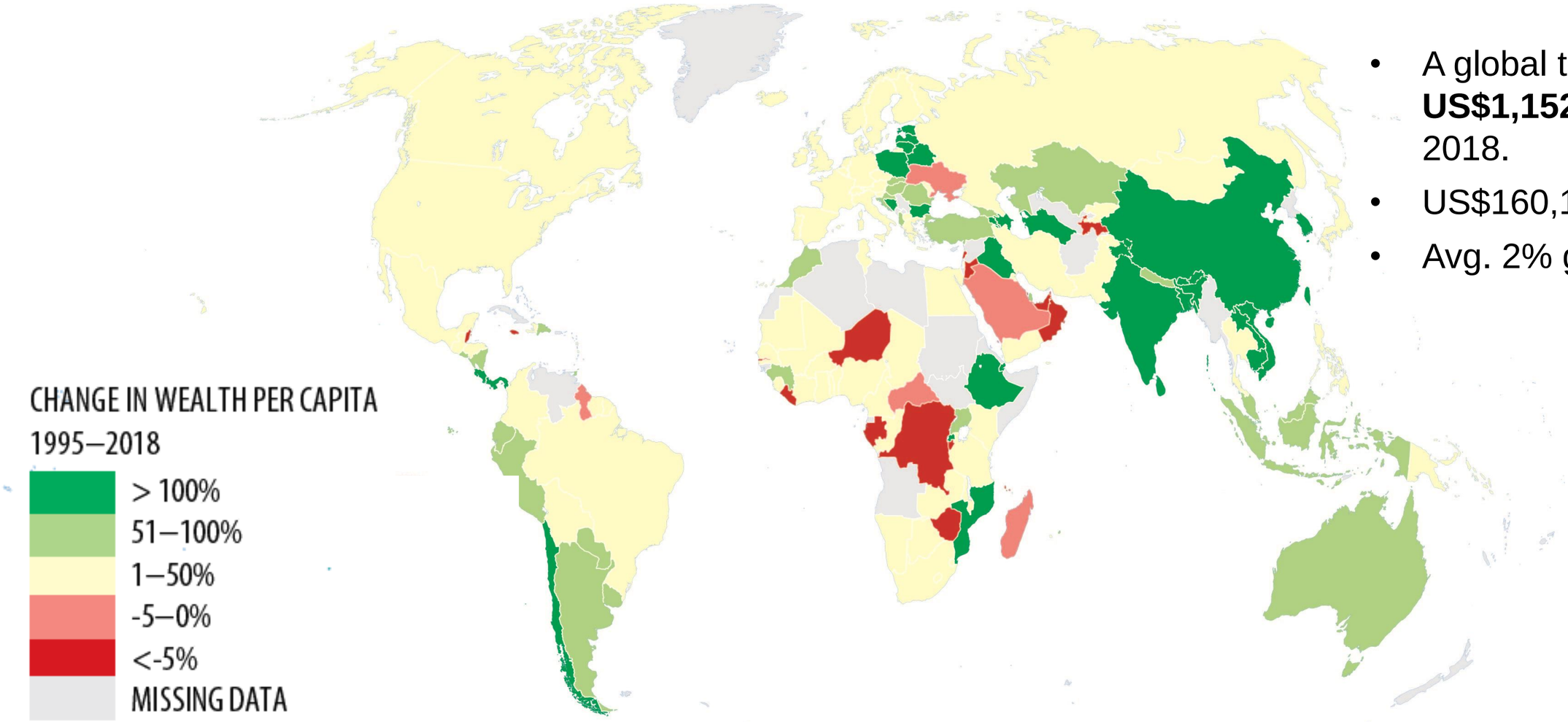


Comprehensive wealth covers a wide range of asset types.



Increases in per capita wealth overall, although downward trends put sustainable prosperity at risk for some countries.

Percent Change in Wealth Per Capita 1995 -2018



- A global total of **US$1,152 trillion** in 2018.
- US$160,167 per capita
- Avg. 2% growth.

Source: authors' calculations

Wealth convergence between many countries but some are being left behind.

- Between 1995 and 2018, low-income countries' share of global wealth increased from only 0.5 to 0.6%.

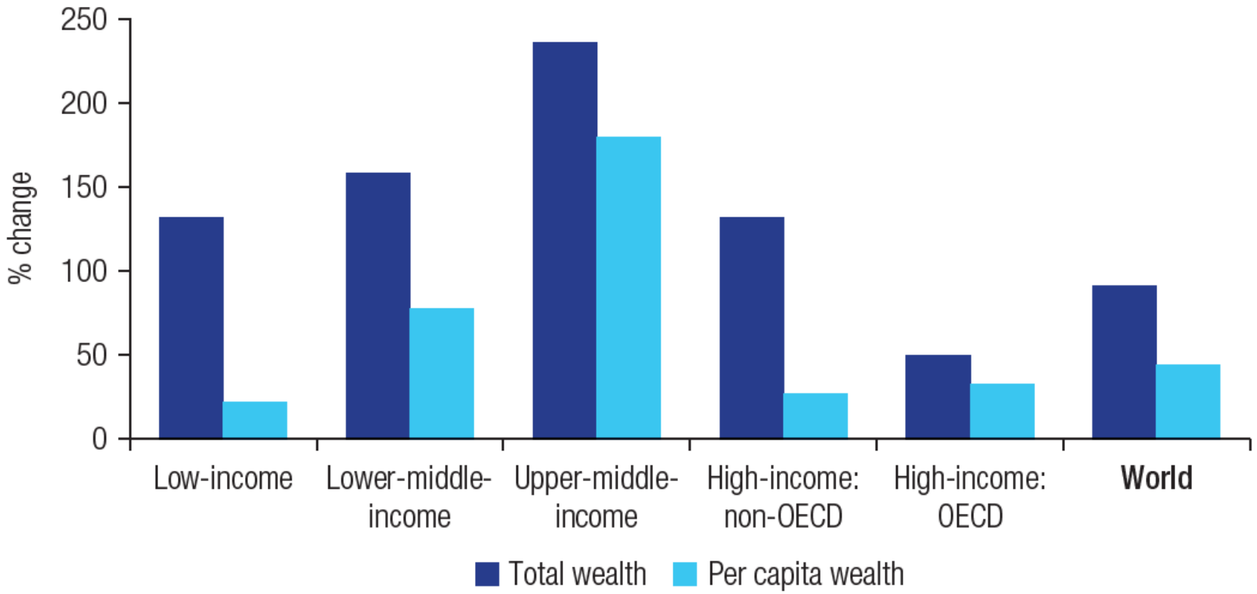
- The performance of lower middle-
- income countries was not much better, (from 5 to 7%), but upper MIC countries stronger (18 to 32%).

- China's share increased from 7 to 21%.

- High income countries' wealth share reduced from 74 to 58%

- Twenty-six countries (all low income, mainly sub-Sahara Africa) saw a decline or stagnation in per capita wealth.

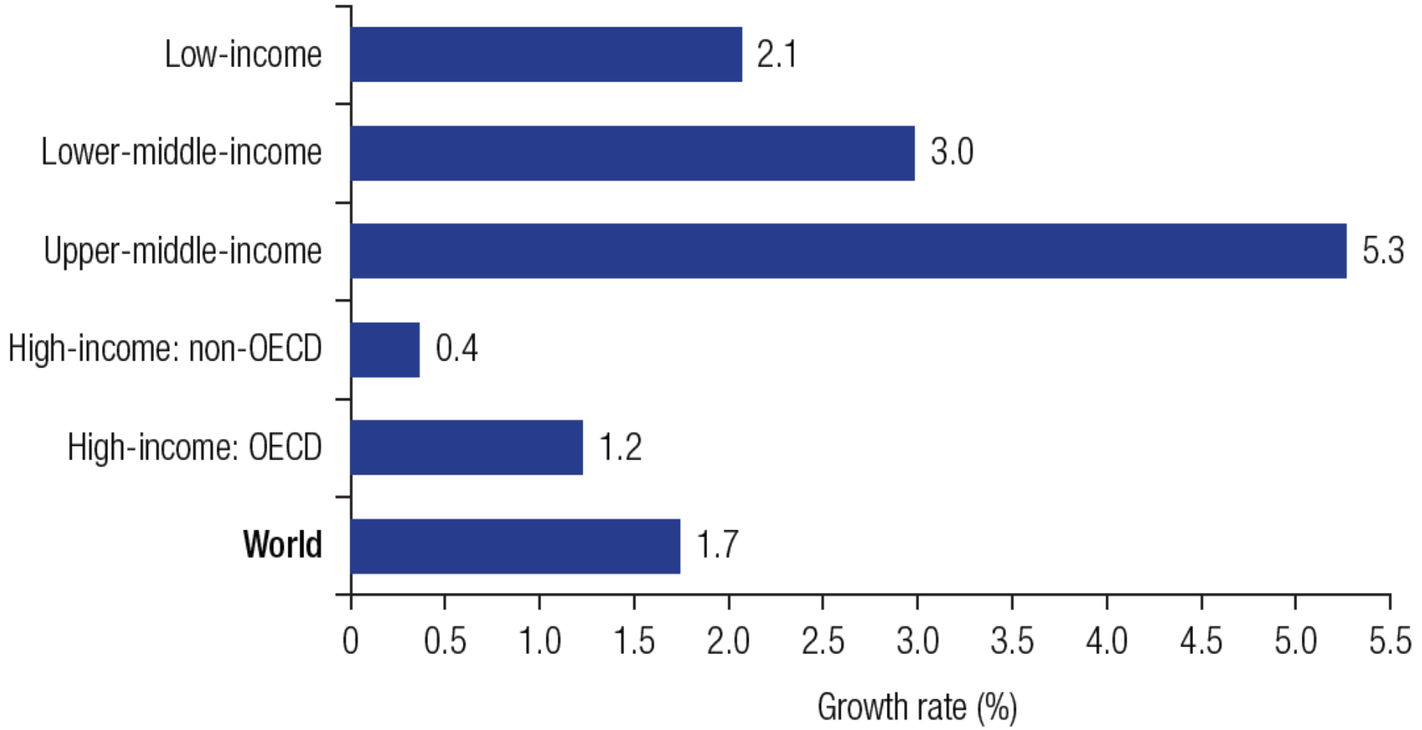
Changes in Total Wealth and Per Capita Wealth, by Income Group, 1995–2018



Human capital is the largest asset across all income groups, but some countries are lagging in growth.

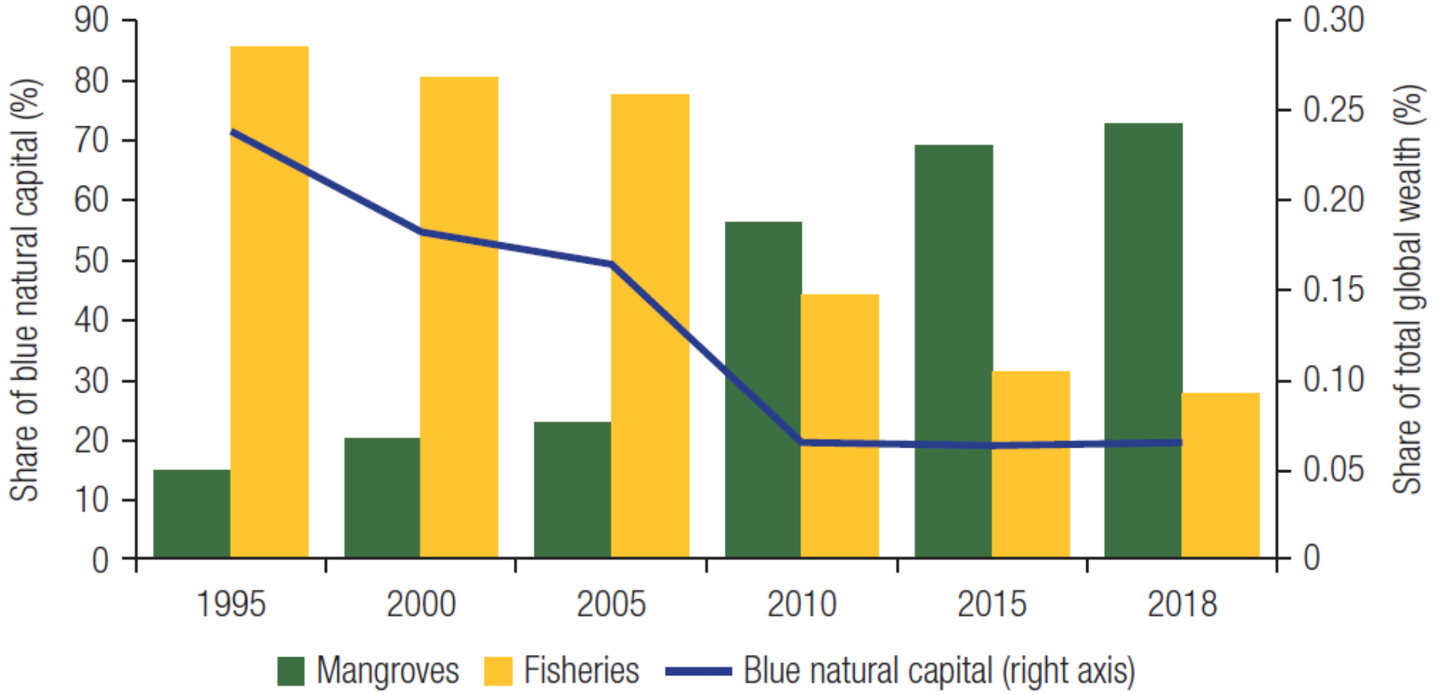
- Human capital represents 64% of global wealth in 2018 (relatively stable proportions).
- Fastest growth is among the upper-middle income countries.
- Lowest growth was among high-income non-OECD countries heavily dependent on non-renewables.
- Significant disparity between male and female shares of human capital persists (35 to 37%).
- Reduced human capital in resource-rich economies (resource curse effects).

Annual Growth Rate of Human Capital per Capita, by Income Group, 1995–2018 (%)



There has been an increase in mangroves wealth globally.

Shares of Marine Fisheries and Mangroves in Blue Natural Capital, 1995–2018



Shares of Blue Natural Capital in Global Total Wealth

Source: authors' calculations

Photo: Mangrove barriers in Odisha, National Geographic

Photo: Demak Building with Nature Project

Drawing on the dataset: Parts of wealth account data underpins more specific spatial analysis.

Scenarios for mangrove restoration and conservation

Identification of costs and benefits

COST VALUATION

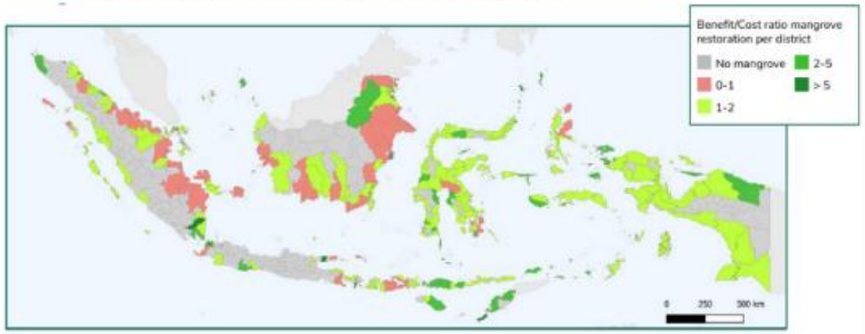
- Restoration
- Maintenance
- Opportunity

BENEFIT VALUATION

- Flood protection
- Carbon
- Fish
- Raw materials
- Tourism

Maps of mangrove extent

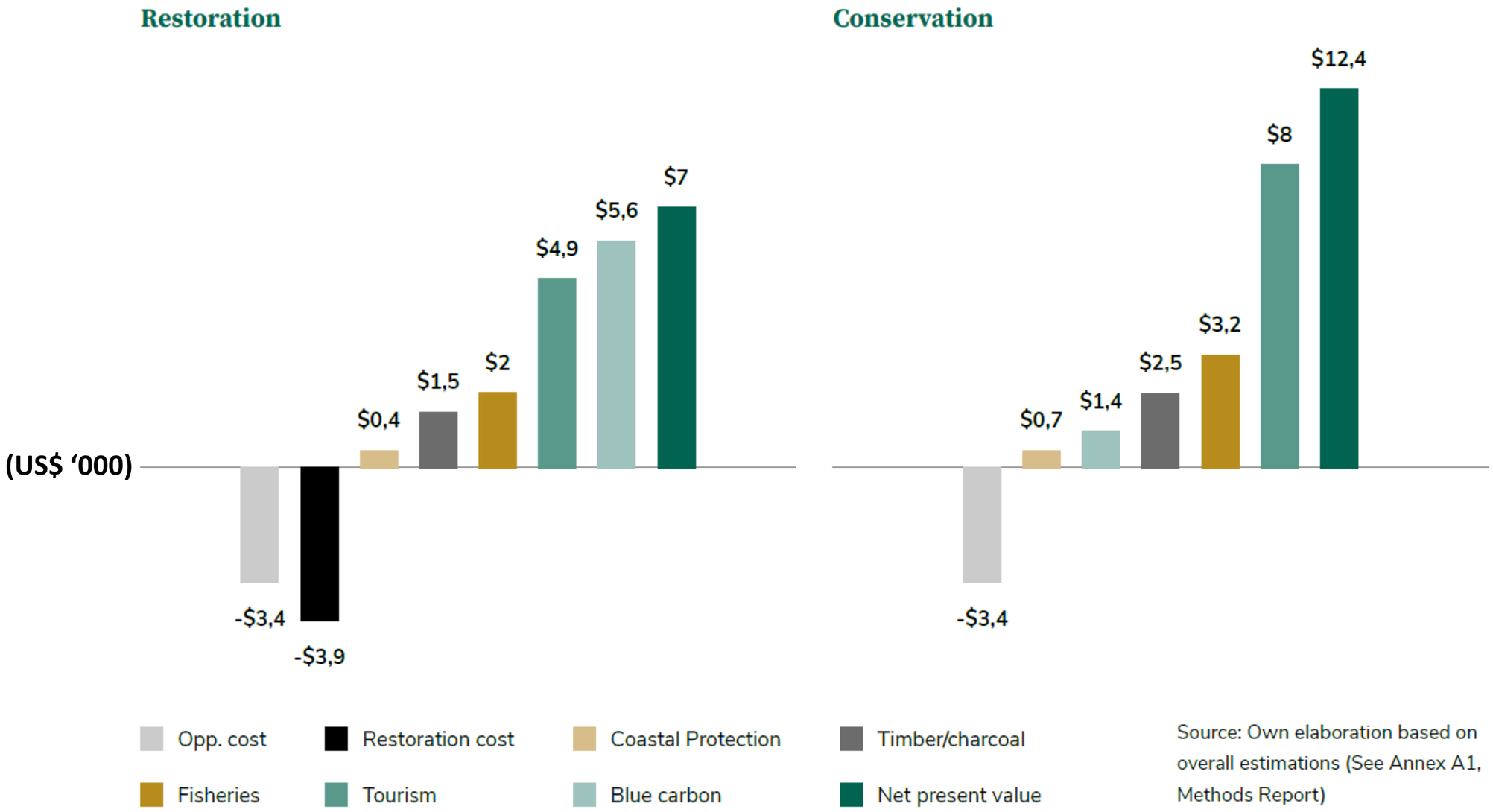
Spatial cost-benefit analysis



Operationalizing the dataset: Parts of wealth account data underpins more specific spatial analysis

Mangrove benefit	Valuation method	Source
Coastal protection	Avoided damage costs.	Menéndez et al. (2020).
Climate regulation	Voluntary market price estimate for avoided emissions and carbon sequestration.	Estimations based on; Cameron, Hutley, and Friess (2019); Cameron et al. (2019); Jakovac et al. (2020); on Mudiyarso et al. (2015).
Support to fisheries	Value transfer using meta-analytic value function. Primary studies applied production function approach.	Estimations based on methodology presented in Brander et al. (2012).
Raw materials provision	Value transfer using meta-analytic value function. Primary studies applied production function approach.	Estimations based on methodology presented in Brander et al. (2012).
Cultural services	Value transfer in areas where mangroves are used for tourism activities.	Estimations using the median of meta-data set of mangrove tourism estimates in SE Asia (data from ESVD 2021). Mangrove tourism use areas are depicted by Spalding and Parret (2019).

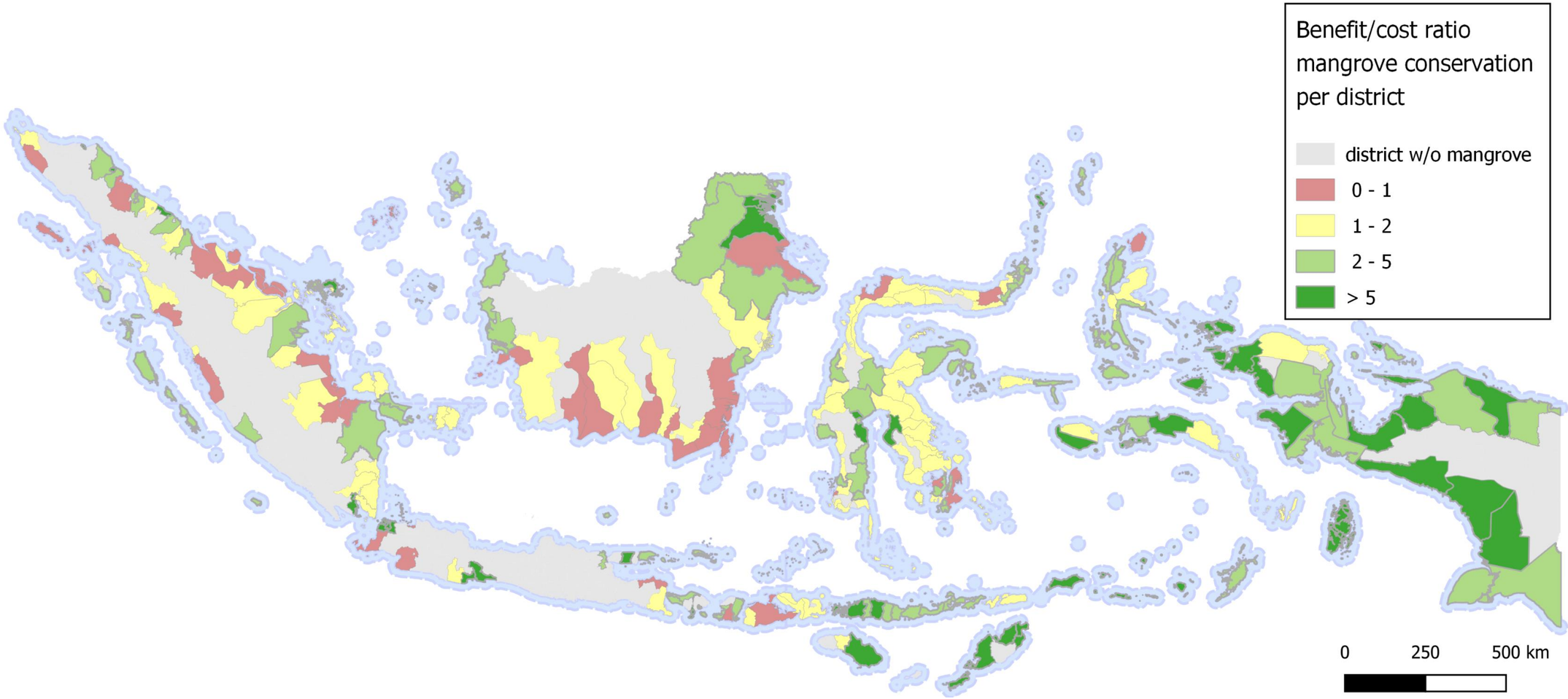
Operationalizing the dataset: Parts of wealth account data underpins more specific spatial analysis.



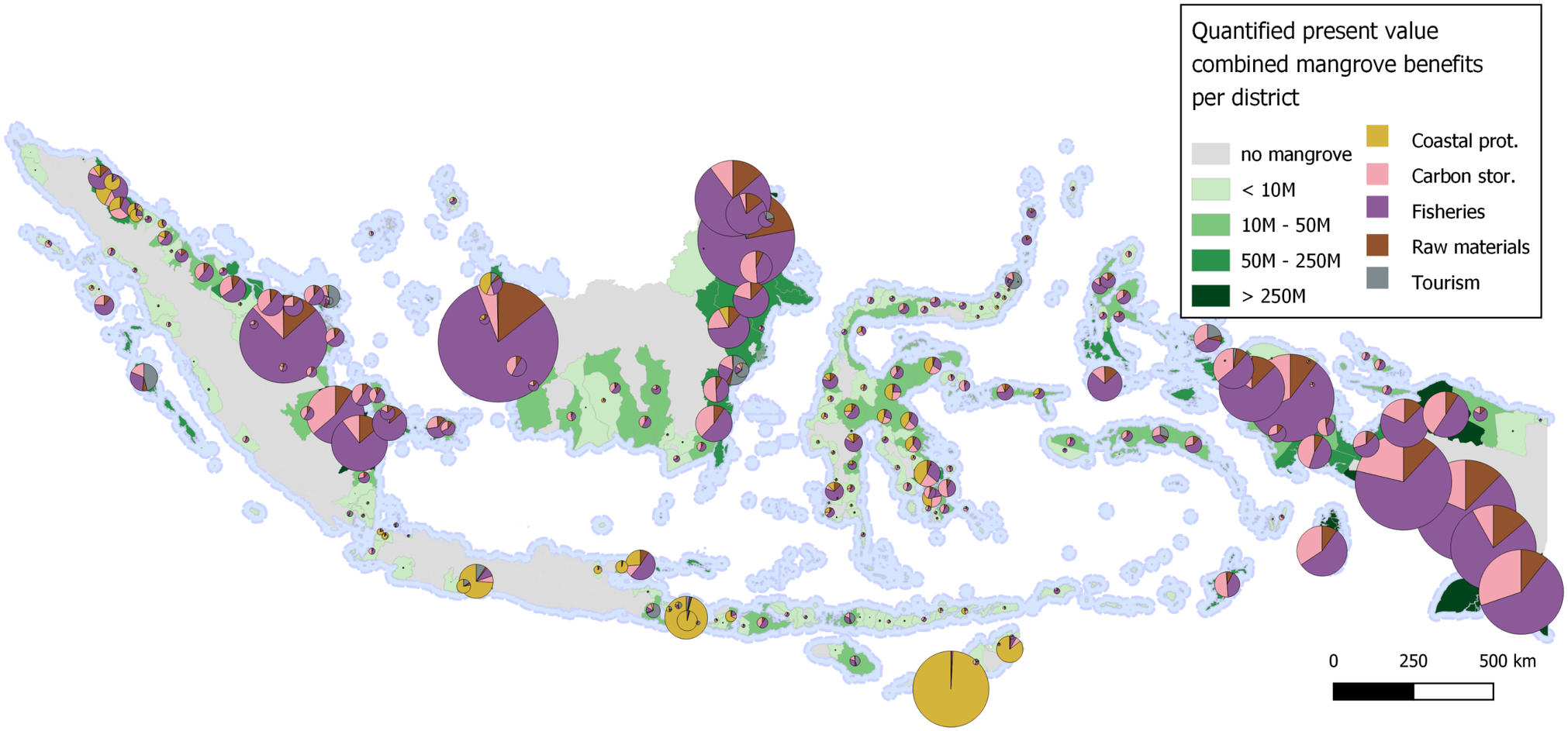
Source: Own elaboration based on overall estimations (See Annex A1, Methods Report)

Figures illustrate the differences on average (nationwide) between restoration and conservation. Costs and benefits vary per location. Uses a 30-year lifetime and a 5.5% discount rate.

Comparing costs and benefits of mangroves across districts

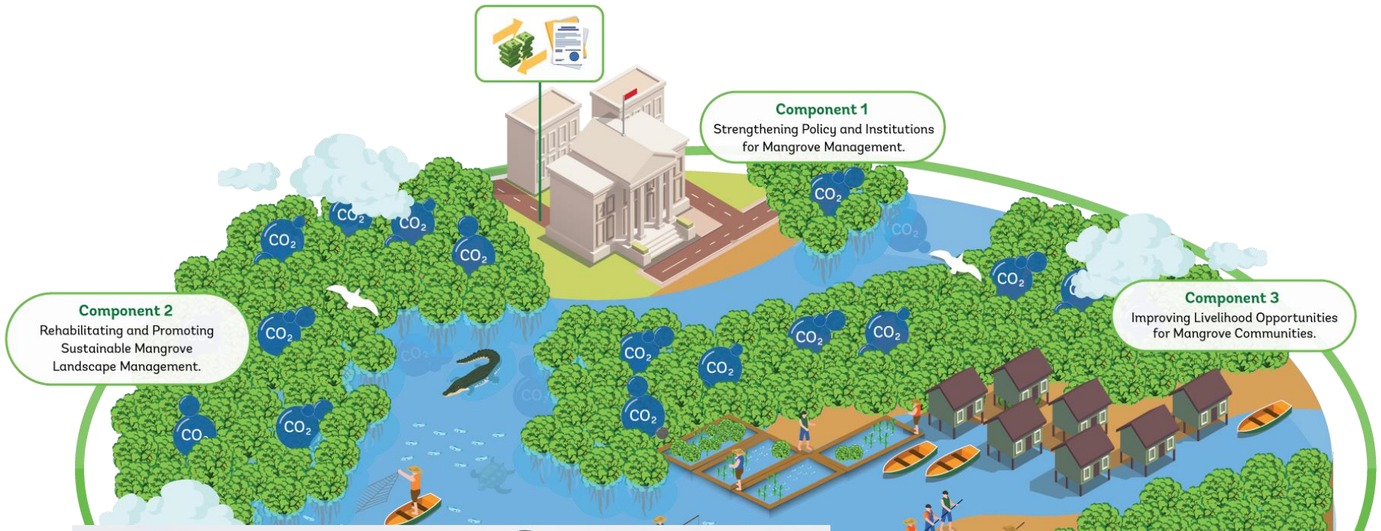


Combined mangrove benefits and distribution by district.



Mangroves for Coastal Resilience: A US$ 419 million investment in natural capital by Indonesia, supported by the World Bank.

Mangroves for Coastal Resilience



Component 1: Strengthening Policy and Institutions for Mangrove Management (US$ 19 mil.)

- Sub 1.1 Strengthening Policy, Governance, and Coordination
- Sub 1.2 Record and Reshape the National Mangrove Map (PMN)
- Sub 1.3 Registration and Monitoring of Mangrove Rehabilitation
- Sub 1.4 Facilitating Payments for Blue Carbon

Component 2: Rehabilitation and Sustainable Management of Mangrove Landscapes (US$ 300 mil.)

- Sub 2.1 Rehabilitation of 75,000 ha mangrove ecosystem
- Sub 2.2 Sustainable Management of 4 Large Landscapes

Component 3: Improving Livelihood Opportunities for Mangrove Communities (US$ 80 mil.)

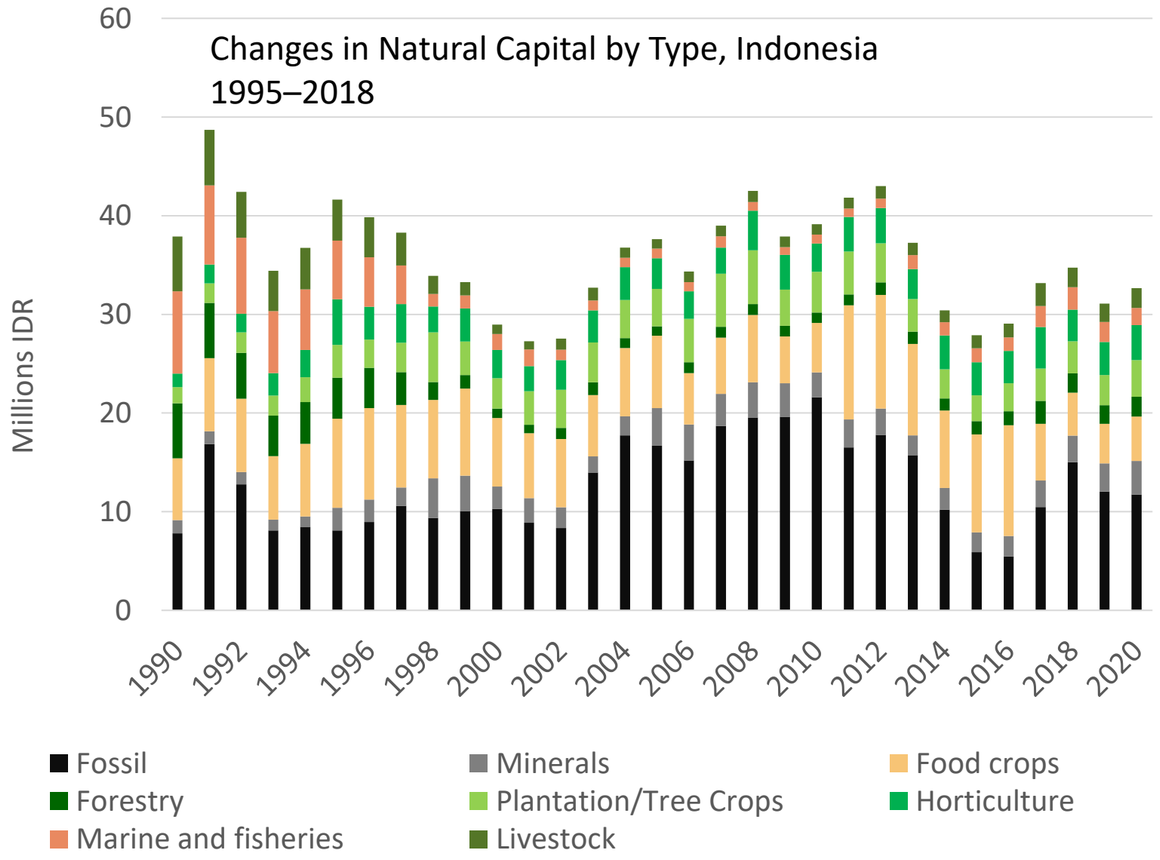
- Sub 3.1 Community-Based Livelihoods
- Sub 3.2 Enterprise Development

Component 4: Project Management (US$ 20 mil.)

- PMO, PIUs, and Provincial PIUs

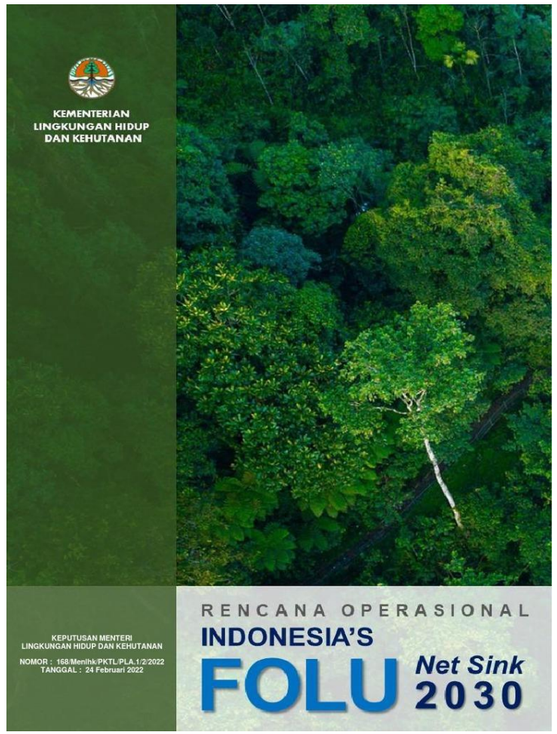
Wealth accounting at policy level could help inform strategic investments.

Flatlining of natural capital, and decrease in forest values, 1995-2020.



Source: University of Indonesia and IISD (forthcoming) A Comprehensive Wealth Account for Indonesia Report.

There are large-scale restoration and strengthened conservation plans in place, representing significant natural capital investment.

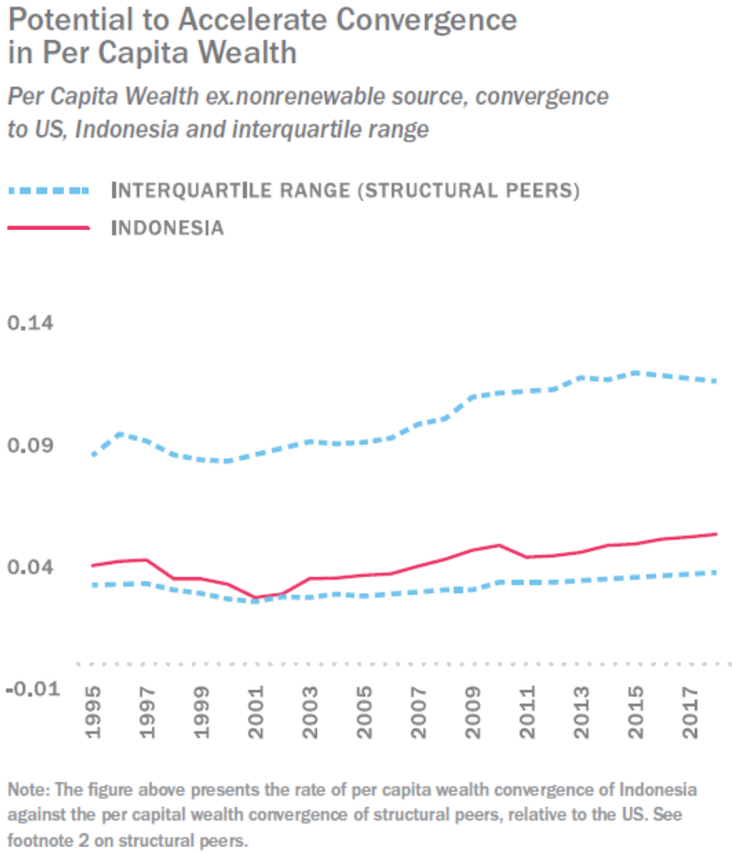


Wealth accounting supports country-level diagnostics.

Country development diagnostics can be informed by wealth accounts.

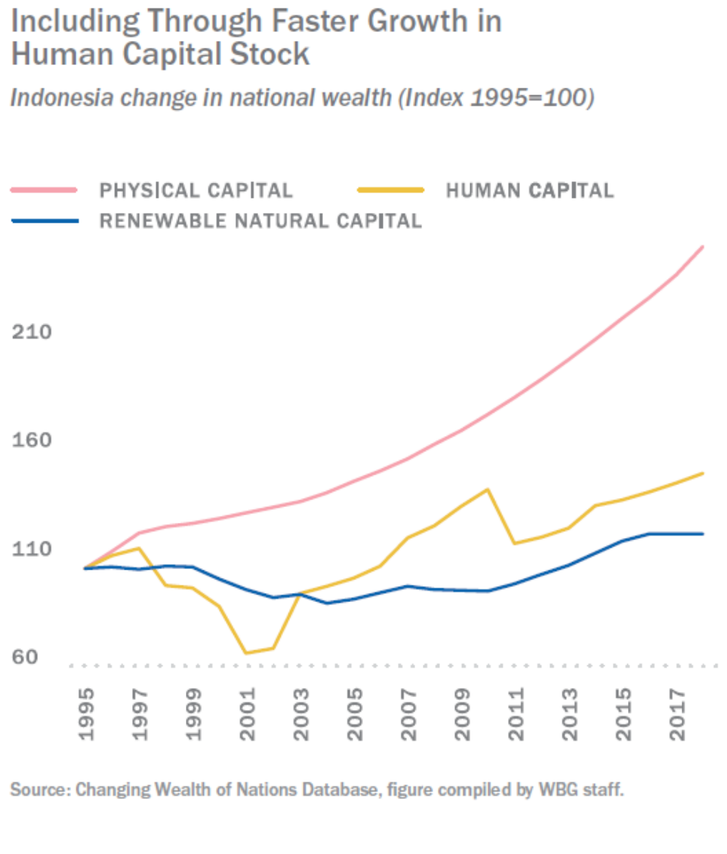
Source: World Bank (2023)

Benchmarking for rapid assessments.



Note: The figure above presents the rate of per capita wealth convergence of Indonesia against the per capital wealth convergence of structural peers, relative to the US. See footnote 2 on structural peers.

Wealth provides a longer-term outlook.



Source: Changing Wealth of Nations Database, figure compiled by WBG staff.

Key messages and other concluding thoughts.

1. **The CWON dataset underpins significant benchmarking, analysis and prioritization,** through country- or regional-level diagnostics.
2. **Is informing a better understanding of wealth complementarities**, imbalances, connections, and in some cases, informing project level analysis.
3. **There remains a long way to go in terms of quality and comprehensiveness of data and approaches**. Ecosystems services, climate, enabling factors (biodiversity and social capital).
4. **Global data is a poor cousin for national data.** National data is trusted.
5. **Standardized policy modelling could help**(how does wealth change) at the level of individual policies. This is a short extension of cost-benefit analysis.

Thank you

- Changing Wealth of Nations Report
- Mangroves for Coastal Resilience Project
- Country Climate and Development Report

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