



MAINSTREAMING NATURAL CAPITAL ACCOUNTING (NCA) INTO GROSS DOMESTIC PRODUCT (GDP) COMPILATION IN NIGERIA

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Importance of Natural Capital Accounting

Overview of Natural Capital Accounting

- Systematic approach to measuring and valuing a country's Natural Resources and the Ecosystem Services they provide, integrating these values into National Accounts compilation to inform policies and programs for low-carbon, climate-resilient, and sustainable development for Nigeria
- Unlike traditional economic measures like GDP, which focus solely on economic transactions, Natural Capital Account captures the economic contributions of natural assets—such as forests, minerals, water, and biodiversity—while also accounting for their depletion or degradation

Main features of NCA

- **Sustainable Growth:** NCA shows the cost of environmental depletion and helps identify opportunities for sustainable resource management
- **Balanced Economic Metrics:** NCA offers a counterbalance to GDP by reflecting environmental sustainability, which GDP alone cannot capture
- **Focus on Market Activity vs. Ecosystem Health:** GDP focuses on market-based economic activities, while NCA assesses the sustainability of economic growth by considering natural resource depletion and ecosystem contributions
- **Supports Long-Term Planning:** NCA can reveal “hidden” economic costs from environmental degradation that might otherwise be ignored in GDP figures

Shared Frameworks:

System of Environmental-Economic Accounting (SEEA):

- SEEA is as an internationally accepted framework aligning environmental and economic data, aiding in integrating NCA with GDP

System of National Accounts (SNA):

- SNA is the standard for GDP calculation – the SEEA works as an extension to SNA, adding environmental dimensions

Complementary Role of SEEA

- **Holistic Wealth Measurement:** GDP and NCA together give a comprehensive picture of wealth, including manufactured, human, and natural capital
- **Better Policy and Investment Decisions:** NCA helps identify areas where environmental degradation might undermine economic prosperity, leading to more sustainable investment choices.

NCA experience in Nigeria

Developing NCA in Nigeria (2023-2024)

1. National Land Accounts:

- **Natural Resource Stocks:** environmental assets, like land, forests, and water. These assets reflect physical stocks that change over time.

2. Piloting of Ecosystem Services Accounts in two states:

- **Valued Environmental Functions:** Ecosystem services, such as pollination, carbon sequestration, and water purification using SEEA

3. Preliminary GHG accounts

- **SEEA Air Emissions Accounts:** record the generation of GHG emissions by resident economic units according to GHG type, based on Nigerian National Inventory Report (NIR, FGN 2021) which covers the period 2000-2017 and the initial work on the Physical Energy Flow Account (PEFA) account for 2017.

Process of developing the NCA

- **National NCA Steering Committee chaired by** Statistician-General of the Federation and Chief Executive Officer of the National Bureau of Statistics (NBS)
- **Technical Working Groups on: GHG accounts** (NBS, Energy Commission, MOE, NCCC, NASRDA); **Land and Ecosystem Accounts** (NBS, MOE, Department of Forestry, Ministry of Agriculture, NASRDA, State governments of Nasarawa and Kaduna).
- **Three in country technical missions and virtual training sessions with WB and UNSD experts**

Natural Capital Data

Data availability and quality

- There is lack of data series in most of the institutions especially on state level
- There is no quality assurance process for natural capital data and unified classification system
- Data quality varies from one agency to the other and they are fragmented.
- New techniques are needed for generating new data.
- Data is not produced per standards required by NBS and is not provided regularly by states

NCA needs Technical Capacities to be developed

- On the job training of members of the technical working groups was key and it should be continuous
- Technical agencies are under-resourced and have limited implementation capacity, especially in remote sensing and GIS
- There is lack of IT infrastructure and reliable internet services

Maintaining of the Accounts

- Additional training and capacity building is needed for the technical working groups
- Awareness raising in state governments on NC data collection and processing
- Dedicated budget to train staff and maintain NC data
- Technical support is needed by partner organizations like UNSD and WB to strengthen capacities and data
- The new draft National Strategy for the Development of Statistics (NSDS) aims at improving the quality, relevance and accessibility of statistical data

Integrated Data Collection and Production1/2

- **Leveraging Existing Data Sources: Cross-departmental Data Use:**
Agricultural, forestry, and environmental data collected for GDP estimates can also serve NCA purposes, creating efficiency and coherence
- **Cross-Functional Surveys: Combining Economic and Environmental Data:**
Surveys can be redesigned to capture both economic and environmental metrics, like gathering data on agricultural yields alongside soil health metrics, to streamline the data-collection process.
- **Utilizing Remote Sensing and GIS: Advanced Data Collection:** Satellite data and GIS tools can measure changes in land use, forest cover, and water bodies, providing high-resolution data valuable for both GDP and NCA.

Towards NCA institutionalization into national accounts systems

Mainstreaming NCA into national accounts requires:

- **Skills Development:** Will need training in environmental data collection, valuation techniques, and economic-environmental integration.
- **Institutional Support:** Should establish dedicated units or teams within the NBS focused on environmental data and integrating it with economic accounts.
- **Investments:** Should invest in data collection, maintenance and processing, infrastructure and staff training

More Awareness on NCA Policy Applications

- **Informed Decision-Making:**
 - **Strategic Insights for Policymakers:** NCA provides data on environmental degradation and sustainability, helping inform decisions about resource management, conservation, and land use
- **Sustainable Development Goals:**
 - **Alignment with SDGs:** NCA supports several SDGs like goals 6, 7, 13, 14 & 15) particularly those focused on life on land, life below water, and climate action
- **Economic Resilience:**
 - **Preparation for Environmental Risks:** NCA can strengthen economic resilience by identifying potential environmental risks to economic stability, like water scarcity or resource depletion

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THANK YOU