

NATURAL CAPITAL: AN APPEALING PERSPECTIVE

Summary of a dialogue between three government departments and five sectors of society

When it comes to 'natural capital', better investment strategies and innovative revenue models are essential for leveraging the business case for sustainable business practices. What is needed is a combination of shared goals, more and clearer information, and the resulting societal awareness.

These are the conclusions, in a nutshell, of the [dialogue](#) that was held in late 2015 between the Dutch central government and a number of different societal sectors. The participants in this dialogue were the Ministry of Economic Affairs, the Ministry of Foreign Affairs and the Ministry of Infrastructure and the Environment on the one hand, and representatives from five societal sectors on the other (SMEs and agriculture-based businesses, large businesses and supply chains, accountants, financial institutions, and local government and public agencies such as municipalities, provinces and water boards). The aim of the dialogue was to gain insights into the next steps for the government and these societal sectors as they work together in the area of [natural capital](#). All parties approached this topic from the shared belief that innovative partnerships are essential for ensuring the resilience of natural capital.

Priorities resulting from the dialogue

The results of the dialogue, which took the form of five meetings and three sessions at the [Working Conference on Natural Capital](#) (only in Dutch), include the identification of six areas for action. These areas are known as clusters. In order to be able to take coordinated action, the participants found it essential to set a **mutual goal**. The urgency of the situation, and the appealing perspective issuing from it, form the basis for generating greater **societal awareness**. This will provide a basis for joint action on creating more sustainable **areas** and more sustainable **product chains**. **Better information**

and improved transparency will aid decision-making, bringing us ever closer to the goal of sustainable areas and product chains. **Better investment** and innovative revenue models will accelerate progress toward sustainable business practices. The flow chart below shows how these six clusters relate to one another:

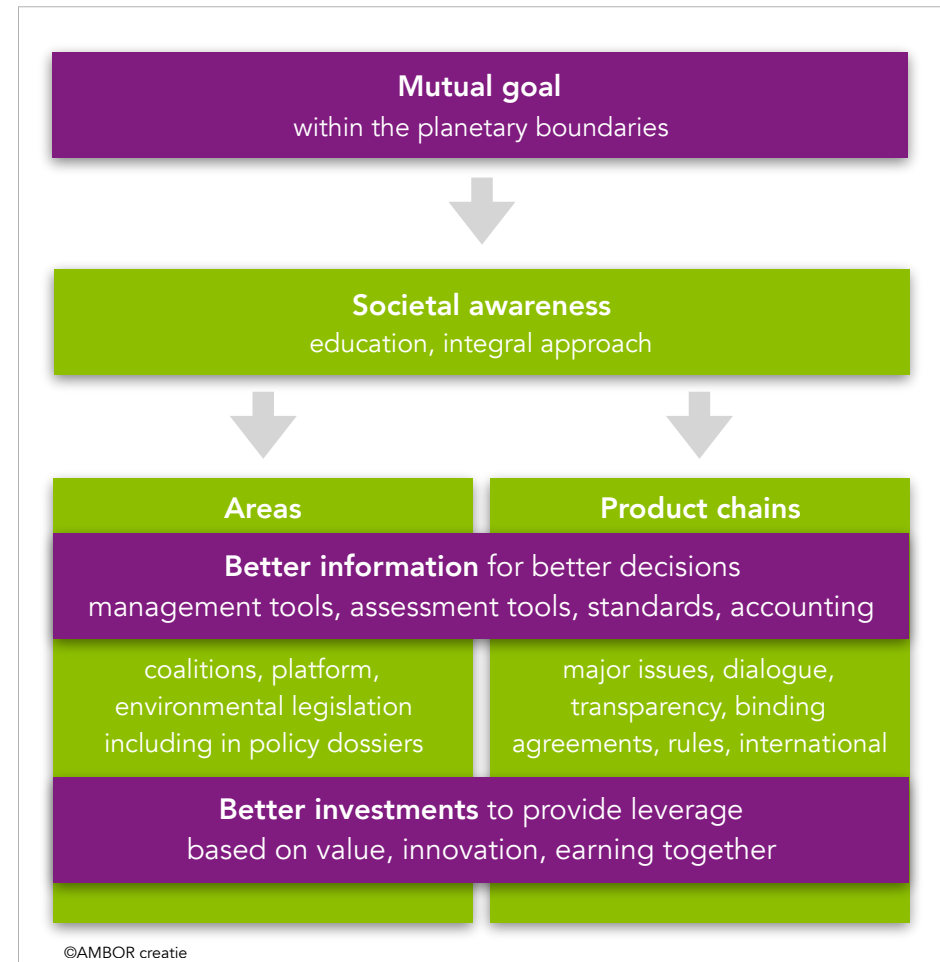


Figure: connections between the six clusters for action in the area of natural capital. The purple clusters are knowledge-intensive and will require further development and substantiation. The green clusters focus more on joint action and involve targeted and tangible results.

Each cluster and the relevant actions are briefly described below.

- Actions for a specific actor are indicated in curly brackets { }; actors that have been underlined have indicated in the dialogue meetings that they wish to play an initiating role in the relevant cluster.
- 'Local governments' refers to municipalities, provinces and water boards; central government is seen as a separate actor.
- In this memorandum, 'we' refers to the partnership and the joint action required in the area of natural capital. If we are to live within the limits of what our planet can sustain, all sectors of society will have to act – each with its own role to play. Science, NGOs, businesses, governments, accountants, financial institutions and central government must all act together.

Mutual goal

Businesses, financial institutions and local governments all need a clear and shared goal – a common destination to work towards. The urgency of the situation and the need to ensure that we remain within the limits of what our planet can sustain is another key factor. The central government (representing the public interest) will work on the specifics of this mutual goal, along with scientists, NGOs and business leaders.

The shared goal will be based on the existing 'No Net Loss' goals of the [Task Force on Biodiversity](#) (NL, only in Dutch). It will also take account of the [EU's biodiversity strategy](#) and the global [Sustainable Development Goals](#) (SDGs) set by the UN, particularly SDGs 13 ('climate action'), 14 ('life below water') and 15 ('life on land').

"If we do nothing, we will soon be out of business."

Once the goals have been identified, we will develop a roadmap for tackling product chains and areas. This roadmap will include specific opportunities for businesses, local governments, NGOs, accountants, financial institutions and the national government. All these opportunities will be based on an integrated approach and will demonstrate the role played by the circular economy. This will be developed in further detail while using specific themes such as CO2 and water and land use {central government, science and pioneers}.

Societal awareness

Because the need for action is so urgent, it is important to generate broad societal awareness of the issues at stake. Central government needs to set a clear example for others (sustainable procurement, accounting for its own actions, integrated policy). Furthermore, all levels of education should ideally incorporate the concept of natural capital. Information campaigns run by the central government and civil society organisations (including the Dutch Consumers Association) can be used to reach 'the ordinary' citizen. We will employ scientific arguments and new knowledge about the ecological footprint of products {central government}. Companies can also inform consumers about their products' ecological footprint.

"Focus on the really big themes and communicate in plain language."

Accountants and financial institutions can raise this issue when they communicate with businesses, in order to reach the CEOs {accountants, financial institutions, businesses}. Benchmarking and integrating natural capital into other policy areas can be used to get local authorities on board {central government}. To build societal awareness, we will need to make use of the concept of the circular economy. This will make the concept of 'natural capital' more tangible. To this end, we will take inspiration from the 'celebrate diversity' principle of the Cradle to Cradle concept. Pioneers can provide specific examples and help to inspire the rest ('the pack') to take action too.

"Take care of a wider story, and let others join in."

Better information

Parties will be able to make better decisions, each in their own role and from their own perspective, if they have better information on the impact that processes, products, policies and projects have on natural capital, and if they develop a more profound understanding of their dependence on natural capital. Transparency is very important because it provides the parties with a better understanding of the opportunities and threats. This will help us to understand where we currently stand in relation to the limits of what the earth can sustain. Good information will also enable investors to make more

responsible decisions. This is another way in which business stands to gain {accountants, businesses, financials, NGOs}.

"Make the organisational goal specific and make sure the procurement team sticks to it. Do you understand the product chains? What is the main impact? And what are the risks?"

To realize this, we require:

- Fewer but better tools to help us understand ecosystems and to demonstrate the impact of improvements more clearly (accounting local government and companies, integration with quality certification and labels). Help improve international standards {businesses, local governments, central government};
- Develop and test accounting methods for governments in the area of natural capital {local governments};
- Develop simple tools for SMEs, preferably ones that businesspeople will be able to use themselves. These can be designed to enhance innovation and create sustainable business {businesses};
- Accountants may also be called upon to elucidate 'impact' {accountants, business}.

"A baker who purchases chocolate can ask where the cocoa comes from, whether it has been produced responsibly and whether the seller can provide evidence"

Better investments

When it comes to investing in the resilience of natural capital, we will again need to put in the effort before we can reap the benefits. We need more innovation in the financial system so that parties can invest together in resilience, for example through 'blended finance' tools {financials, central government}.

Additionally, the beneficiaries from ecosystems are often not involved as investors themselves. More knowledge and practical experience is needed to pave the way for working with coalitions consisting of multiple stakeholders. The same applies to the development of innovative revenue models {science, central government, local governments, businesses, accountants, NGOs}.

"Turn it around. What does the ecosystem need? Start with the ecosystem and then think about the bank. Then you'll see some very different opportunities and business cases emerging."

To realize this, we require:

- Innovative combinations of financing such as 'blended finance' or a 'multi-layer structured fund' (short-term investment for long-term returns) {financials and central government};
- Research and innovation in the area of business models and incorporating natural value and the shared 'win-win-win' perspective, or 'people-planet-profit' {science, businesses, local governments, accountants};
- Review of the regulatory framework for financial institutions {central government, working with financial institutions}.

Areas

We can create sustainable areas through cooperation between the local stakeholders involved. Governments and companies form new coalitions on the basis of a shared goal such as adapting to climate change or the productive capacity of the soil. Natural capital can play a role here, helping to solve shared issues like these {local governments}.

The concept of 'sustainable areas' must be understood in its broadest sense, including factors such as urban wildlife and interconnected cities.

We need a platform for our current initiatives and for learning from one another. There is no generic method {central government, local government, NGOs}.

"Unusual coalitions lead to knowledge exchange and new ideas. This is a great way to generate involvement and commitment both inside and outside the company"

To realize this, we require:

- More showcases by broad coalitions featuring roles for pioneers and catalysts {local governments, businesses, NGOs};
- Inclusive decision-making (i.e. taking account of the value of natural capital) in various policy areas (agriculture, energy, infrastructure, planning) based on

‘natural capital accounting’ in local government {central government, local governments, accountants};

- Evaluating the utility of information from the Natural Capital Atlas and the National Flora and Fauna Database and putting this information to use;
- Incorporating natural capital into environmental legislation, including both planning and evaluation (SCBA, environmental impact report, e.g. a natural capital test alongside a water test) {central government, local governments}.

Product chains

Creating sustainable product chains begins by understanding the ecological footprint of a product, both in the Netherlands and at the global level.

Binding agreements with stakeholders from product chains that have a large footprint and the sectors involved can provide a way of dramatically reducing risks. The added value and potential of a chain license (co-licensing of several companies who produce and deliver a product together in the product chain) should be examined {businesses, central government, accountants, local government}.

"The Sustainable Trade Initiative is one of central government's best initiatives. It facilitates a dialogue at the product chain level on the basis of a problem analysis. Selecting specific product chains is an effective approach"

To realize this, we need:

- To focus on the really major issues, mainly in non-Western economies. We need to gain a more thorough understanding of these issues in order to develop actions that are tailored to the parties involved in the product chain {businesses, central government, NGOs};
- To develop and apply criteria for sustainable procurement, including natural capital, and integrate these criteria into the procurement process to ensure actual implementation {central government, local governments};
- To exchange knowledge and best practices, and disseminate to ‘procrastinators’ {businesses, central government, NGOs};
- To develop independent, accessible and – preferably – internationally

standardised tools to enable the integration of natural capital into management systems {businesses, central government, NGOs};

- To make use of the contact opportunities between companies and the government (licensing, procurement) and ask them about the systemic risks for the long term {central government, local governments, accountants, financials};
- International: a clear focus on diplomacy. Non-Western economies also need to play their part. Additionally, we need to pave the way for sustainable business deals with companies in countries that produce certain raw materials {businesses, central government};
- To develop bottom line rules for companies ('natural capital' assessment on location, reporting guidelines for non-financial information, 'comply or explain') and products (EU eco-design directive) in order to prevent further degradation of ecosystems and foster innovation {central government, NGOs, possibly accountants and companies}.

"Provide encouragement to those who are capable of devising solutions, and make it clear what you expect from an organisation."

The role of the various actors

Science: Develops and substantiates the appealing perspective in order to ensure that the opportunities involved are immediately useable in areas and product chains. Explores innovative business models.

NGOs: Act as an advocate for natural capital for and within societies, providing knowledge relating to ecosystem partners, or are themselves a partner in a coalition. Help the government with networking and developing measurement tools based on ecosystem expertise. Identify knowledge gaps in science.

Businesses: Closing the (local) loops and reduce the environmental footprint of products and services (in relation to capacity) and make this visible to the public and to stakeholders. Identify obstacles at the level of central and local government, and work on innovations that will result in a positive footprint.

Accountants: Support businesses and local government by evaluating impact on natural capital and by ensuring the credibility of data ('attestation role'). This information forms the basis for our understanding, and promotes awareness in the boardroom. Help to devise new revenue models by assessing the costs and benefits of natural capital on behalf of local government and businesses. Support SMEs in reporting, raising awareness and developing accelerating business models. Accountants can provide strategic advice regarding businesses issues in relation to natural capital (unless they also play an attestation role for that particular business).

Financial institutions: identify opportunities and risks in relation to investment issues and provide leverage for investment in areas and product chains. Financial institutions can provide support when developing sustainable business cases.

Local governments: Plays an initiating and facilitating role in creating sustainable areas and building coalitions. This is essential with regard to integrating natural capital into policy areas (infrastructure, food, energy, etc.) and reporting on this integration using natural capital 'accounting'. Sets an example in the area of procurement and contracting (the 'carrot'), and applies and enforces rules and permits fairly, consistently and effectively (the 'stick'). Identifies obstacles and rectifies or eliminates these where appropriate.

Central government: identifies the shared goal that all parties will move towards on the basis of its role as guardian of the public interest. Looks at the effective use of positive and negative incentives such as price incentives and regulations (the 'carrot' and 'stick'). Sets an example for sustainable procurement and accounting / reporting in relation to natural capital in policy areas (infrastructure, food, energy, etc.). Concludes binding agreements with product chains and areas. Helps to build networks and facilitates the emergence of 'communities'. Adapts regulations and removes obstacles, including adjustments to the regulatory framework used for financial institutions.

Partners involved in the dialogue

SMEs and agriculture-based organisations: Foreco, Huiberts Bloembollen, KAVB, Oogenlust, Metta standaard, Natuurmonumenten, VHG hoveniers in het groen, Vlinderstichting.

Large businesses and supply chains: ASML, BAM, CREM, Desso, DSM, Eneco, Groningen Seaports, Heijmans, Heineken, Interface, IUCN NL, MVO Nederland, NS, Philips, Platform BEE, Schiphol, True Price, VNO-NCW.

Accountants: BDO, Deloitte, EY, KPMG, NBA, PwC, Raad voor de Jaarverslaggeving.

Finance: ABN AMRO, Achmea, ASN Bank, Commonland, De Friesland Zorgverzekeraar, Groenfonds, IUCN NL, J. Safra Sarasin Bank, NLI, Rabobank, RVO.nl, SNS Bank, Triodos Bank, Triodos Foundation, VBDO.

Local governments: CBS, De 12 Landschappen, City of Haarlem, NEVI, PBL, PIANOo, Province of Noord-Holland, Province of Zuid-Holland, RIVM, VNG, Water board Noorderzijlvest, RWS, WUR.

On behalf of central government: Ministry of Foreign Affairs, Ministry of Economic Affairs, Ministry of Finance, Ministry of Infrastructure and the Environment.

Dialogue organiser and text of memorandum: [AMBOR creatie](#)

Final editing by: [Bosma Communicatie & PR](#)

Lay-out: [Werknaam van Stiphout](#)

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