The Changing Wealth of Nations 2021

Managing Assets for the Future

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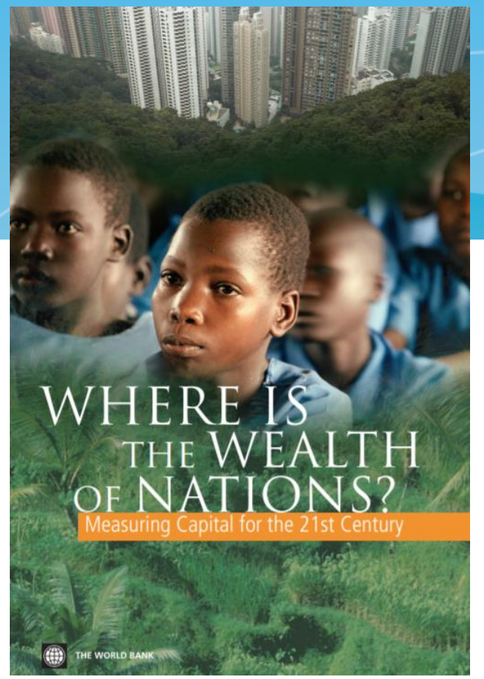
WORLD BANK GROUP

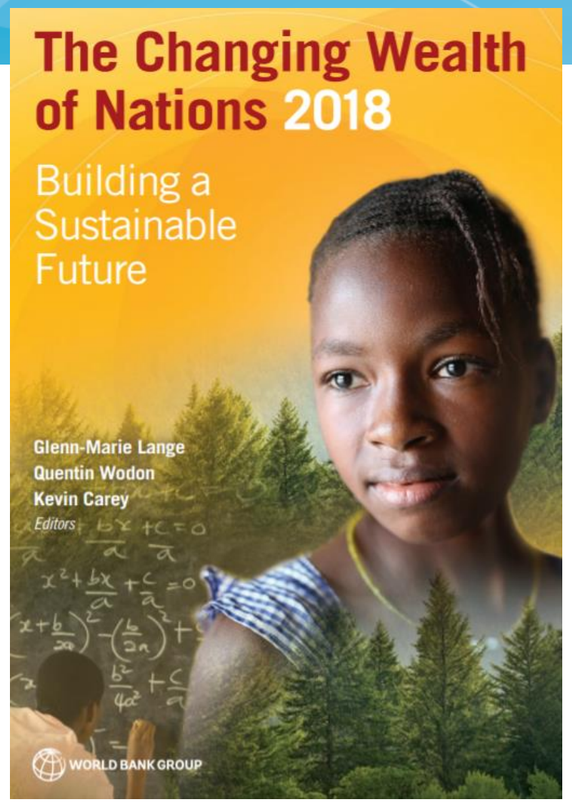
Background

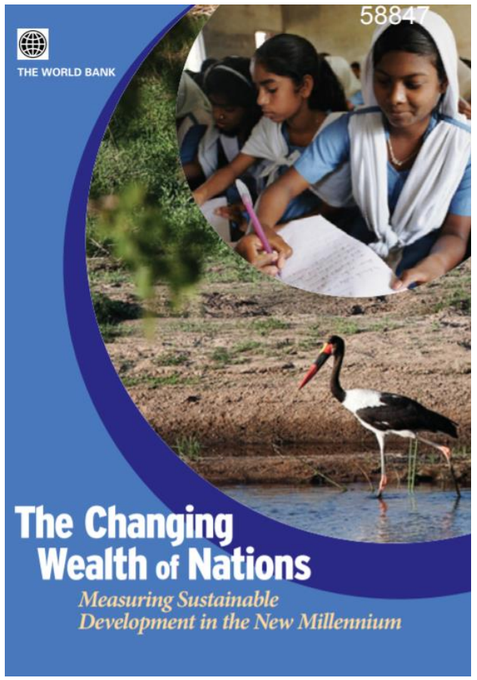
- CWON 2021 is the fourth report in the series

- Theme:
  "Managing Assets for the Future"

- It is the first report to focus on:
  - The future wealth of nations
  - Climate risks and global decarbonization
  - How policy choices shape wealth

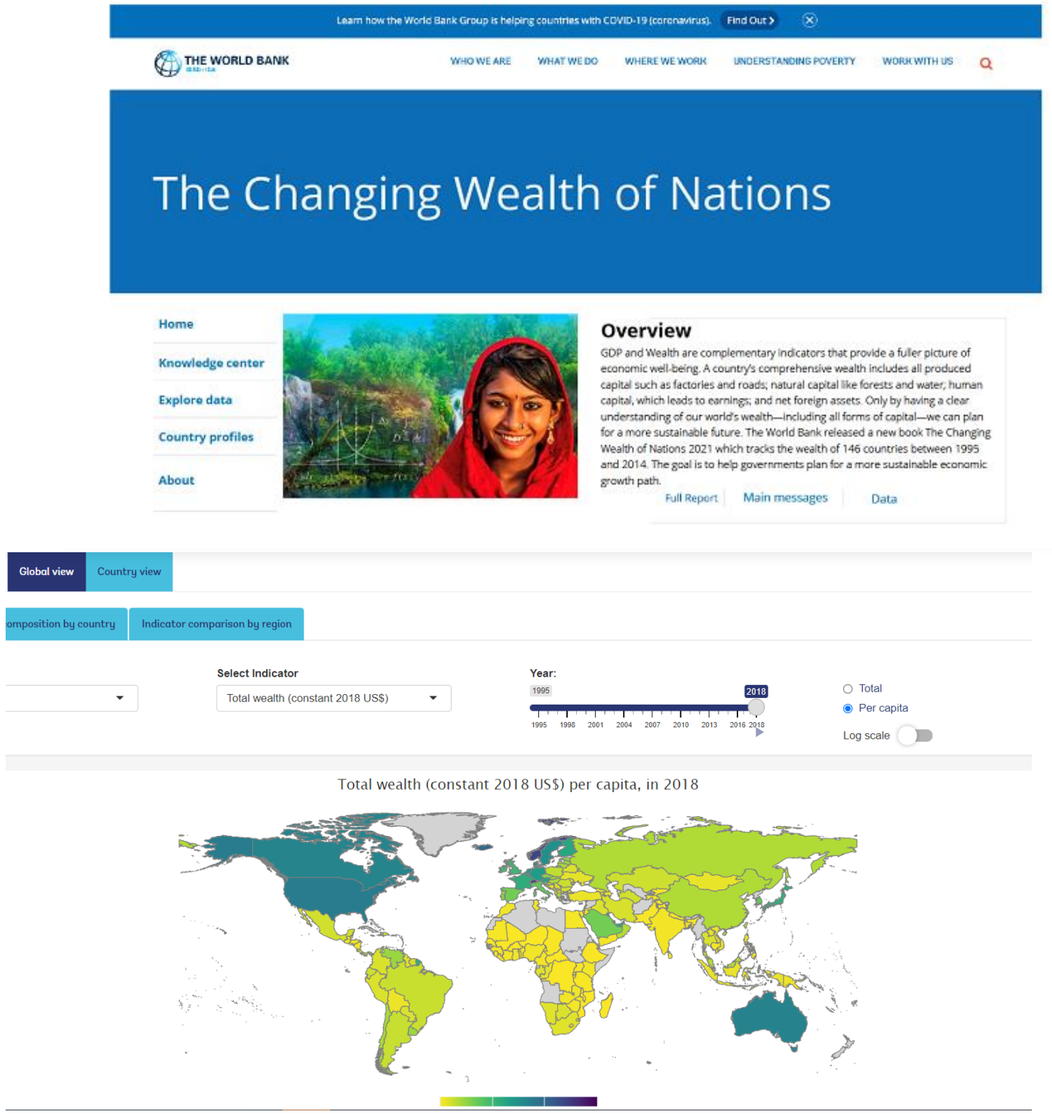




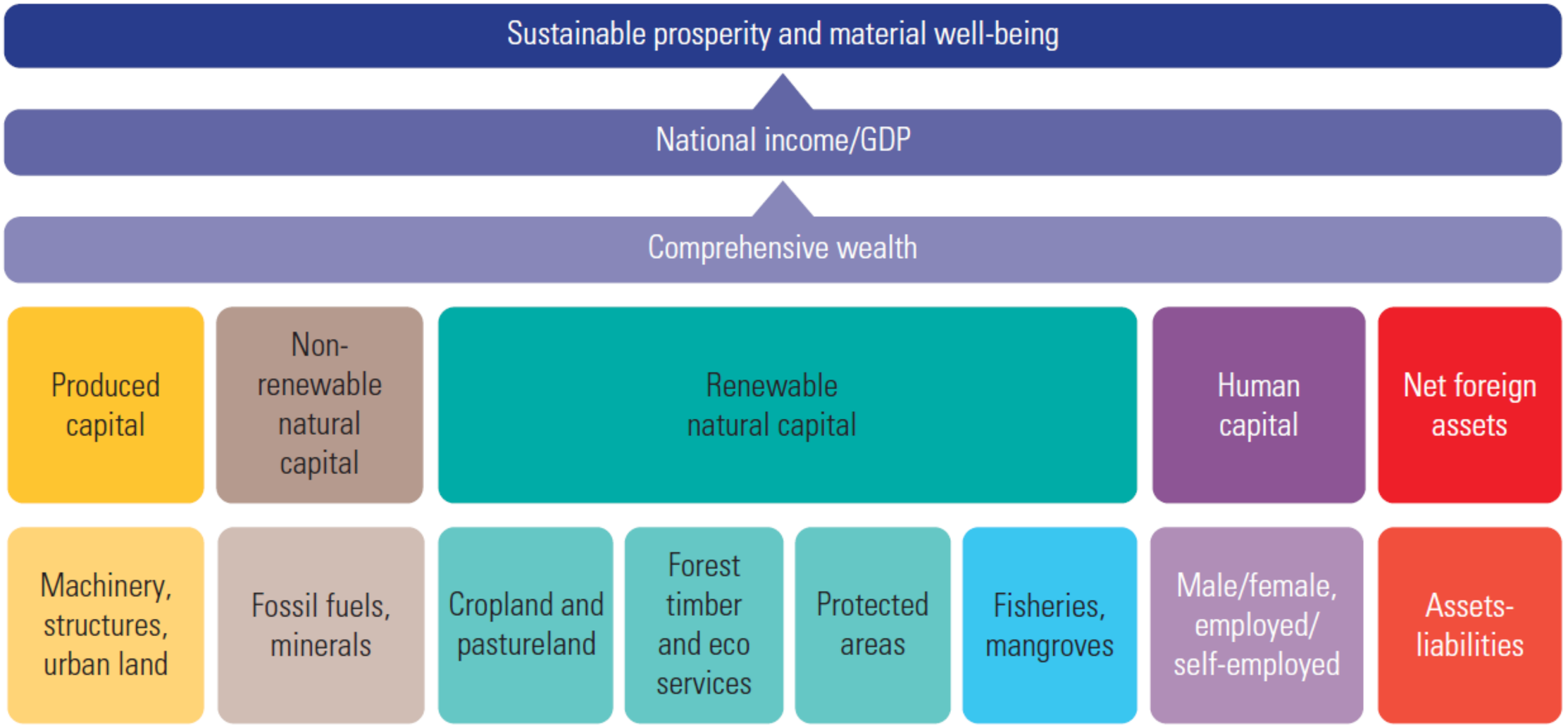


Looking ‘Beyond GDP’

- Updated and extended global database: 146 countries, 1995-2018
- SNA and SEEA based comprehensive wealth accounting methodology
- Track stock of wealth and assets over time
- GDP is *sustainable* only if asset base is not shrinking
- Changes in wealth per capita measures how the asset base changes

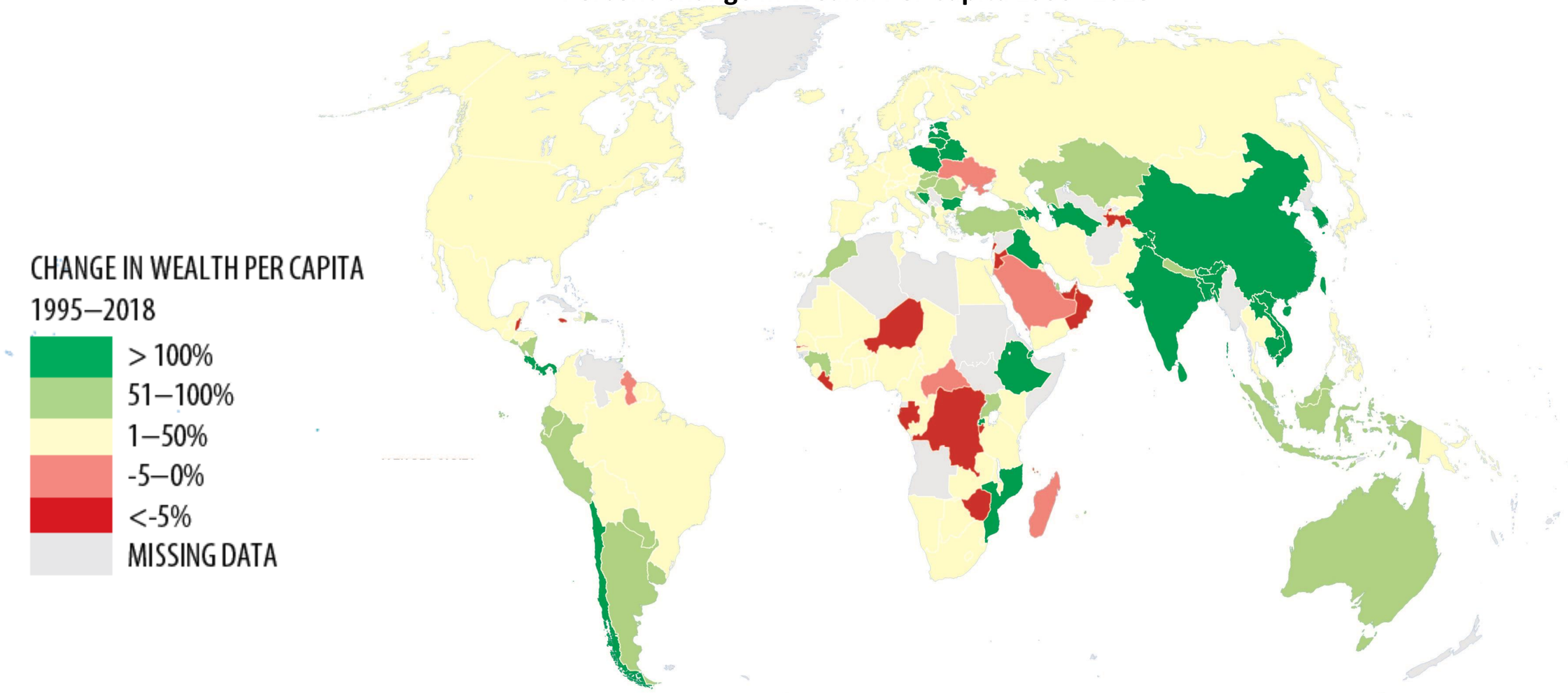


Comprehensive wealth covers a wide range of asset types



Downward trends in per capita wealth put sustainable prosperity at risk for some

Percent Change in Wealth Per Capita 1995 -2018



Source: authors' calculations

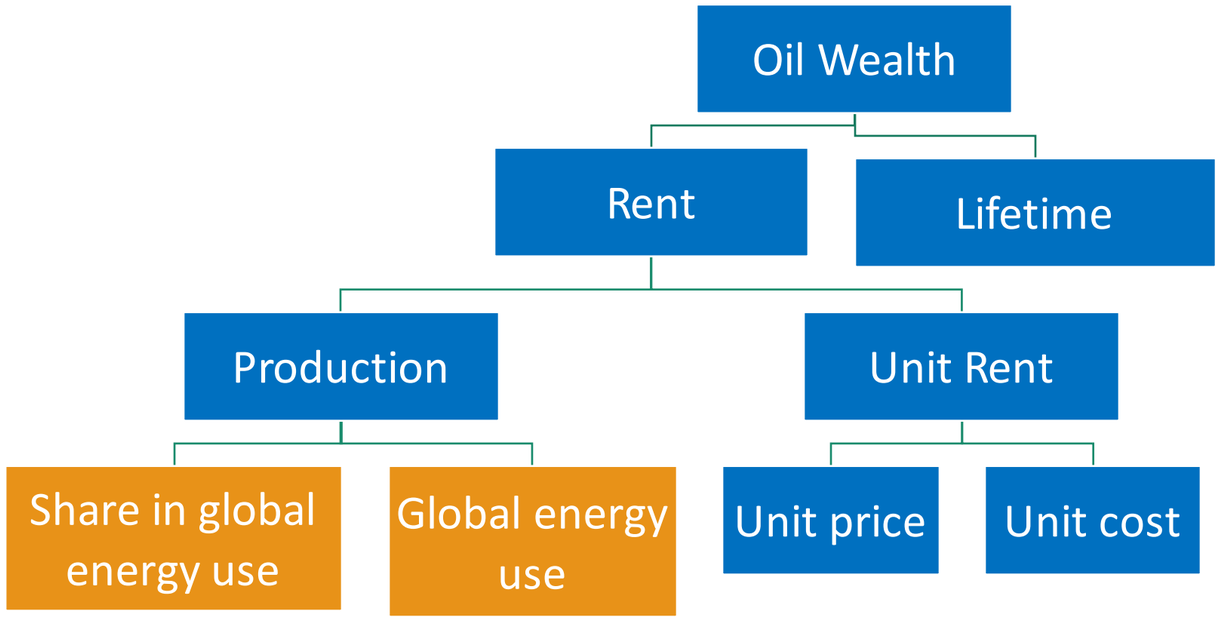
Methodology, Future Plans and Opportunities for beyond GDP

Methodological choices for CWON accounts

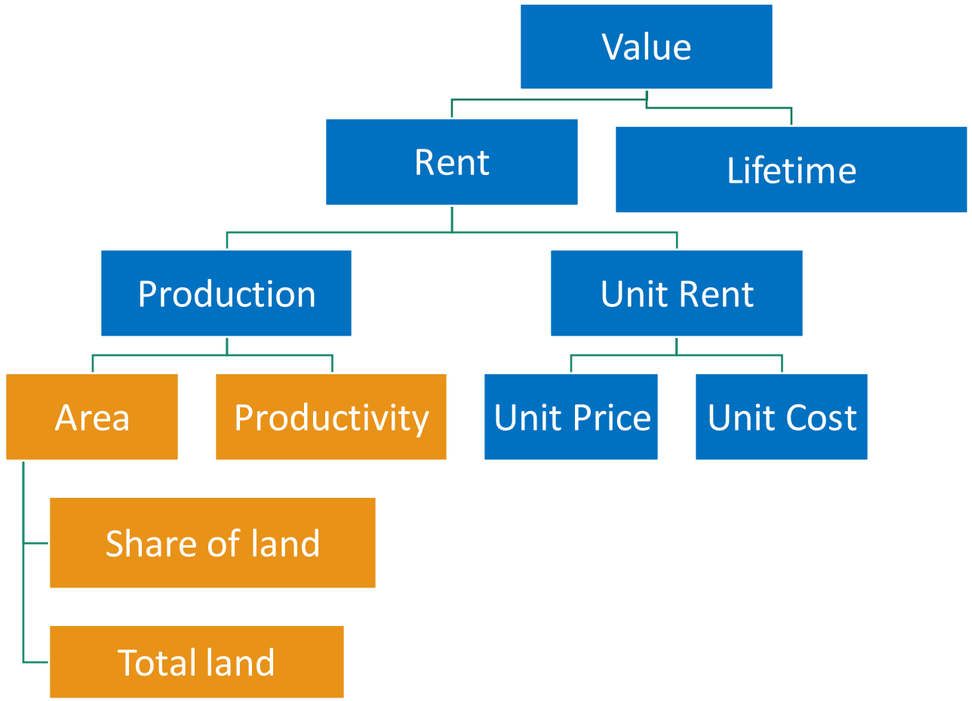
- CWON 2021 uses internationally accepted definitions and methodologies (SNA and SEEA).
- Consistent with SNA valuation guidelines based on observed or market-derived prices (for PC) and NC and wages (for HC), RVM for rents, lagged averages for smoothing rent and price volatility, NPV for asset (stock) values. PIM for PC
- Strengths (language of MF/treasure, balance sheet-compatible) and limitations (less useful for strong sustainability, tipping points, critical ecosystem services etc.)
- CWON measures sustainability of growth under current policies, not sustainability of nature
- Top-down/cross country data and methodologies. Third party data sources are collected at the global level.
- Associated flow indicators Adjusted Net Savings widely used to measure certain aspects of sustainability
- Used in policy analysis: such as changes to fossil fuel wealth and renewable energy assets under alternative low carbon policies, Agricultural land productivity under climate scenarios

CWON data allows to decompose drivers of changes of wealth

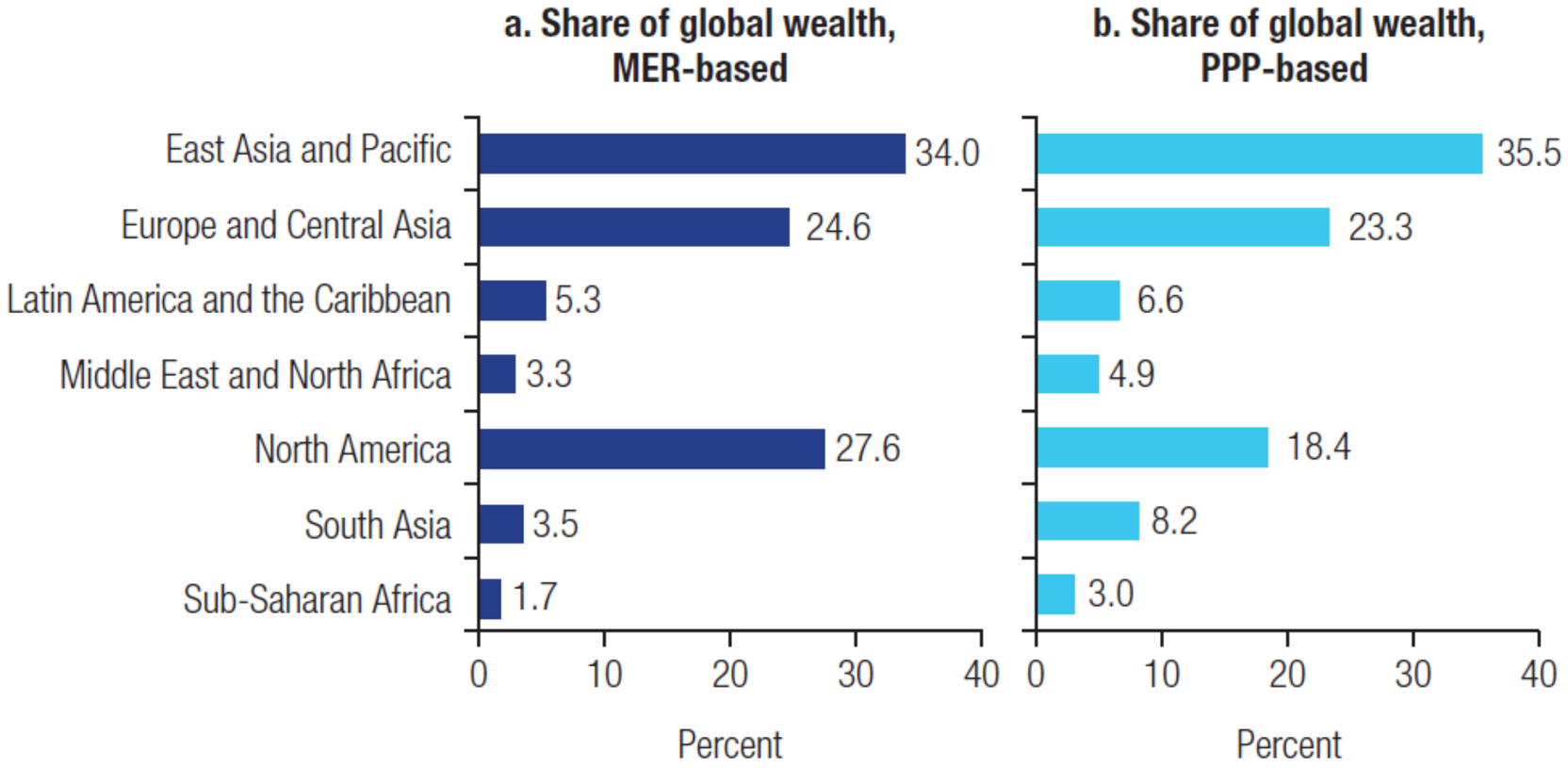
Decomposition Non-Renewable NC:
of oil, gas, coal and minerals wealth



Decomposition of Renewable NC:
Protected areas, Forests-Ecosystems, Forests-Timber, Cropland, Pastureland,



Measuring wealth using market exchange rates and purchasing power parities



Share of global MER-based and PPP-based wealth, by region, 2018 (%)

Source: authors' calculations

Proposed extensions to comprehensive wealth

Comprehensive wealth

Decomposition in physical and monetary (MER- and PPP-based) terms

Produced capital	Non-renewable natural capital	Renewable natural capital	Human Capital	Net foreign assets
Machinery, structures, urban land	Fossil fuels, minerals *add Lithium and Cobalt*	Crop land, pastureland *add land degradation*	Forest timber and ecosystem services *add carbon*	Protected areas *align with methodology for forest ES*	*Add renewable energy*	Fisheries, mangroves *Add carbon, aquaculture*	*Add water pilot*	Male/female, employed/ self-employed	Assets-liabilities

Opportunities for beyond GDP process

Comprehensive wealth can be used as one of the aggregate wealth indicators to complement GDP and measure sustainability, resilience and equality of growth

- Conceptually and theoretically robust, consistent across countries, time (1995-2018) and assets
- Methodologies SNA/SEEA-compatible and evolving with SNA revisions
- Proven measurability, tested, constantly improved and reality-checked for over 20 years
- Applied to policy issues (especially non-renewable and renewable NC management)
- Transparent and open access: https://www.worldbank.org/en/publication/changing-wealth-of-nations#:~:text=for%20email%20updates-,Overview,annually%20from%201995%20to%202018.