

BRIEFING: NATIONAL STRATEGY FOR ECONOMIC TRANSFORMATION

Putting natural capital at the heart of the National Strategy for Economic Transformation

World renowned economist Sir Partha Dasgupta published earlier this year his seminal [report](#) on the economics of nature. It demonstrated that our economy is embedded in nature and that we need to transform the way we manage our natural assets. In Scotland this means preventing our demands on nature exceeding its supply by investing in [nature-based-solutions](#). In addition, we must redefine our measure of economic success to be one that incorporates our wealth in terms of all assets, including the natural assets that are vital for our well-being now and in the future. As the UN Secretary General, António Guterres [said](#) “*Making peace with nature is the defining task of the 21st century. It must be the top, top priority for everyone, everywhere*”.

The development of a new 10-year National Strategy for Economic Transformation provides a real opportunity for Scotland to demonstrate international leadership. With COP26 coming to Glasgow in November there is a unique platform for Scotland to set out a pioneering and holistic approach that truly accounts for our economy being embedded in nature. Sir David Attenborough said “*by bringing economics and ecology together, we can help save the natural world at what may be the last minute – and in doing so, save ourselves*”.

There are 8 crucial steps we can take in Scotland now to make our economic plans truly transformational and put biodiversity improvement at its core:

1. Adopt the four capitals and wellbeing approach

The independent Advisory Group on Economic Recovery set out in its [report](#) last year that Government “*should consider adopting a Four Capitals framework in forming its future economic strategy, and reporting against it*” (the four are natural, human, social and economic capital). This builds on the commitment from the previous Economic Strategy to “*protect and enhance our natural capital*” and should set out how to treat all types of capital equally. In particular, invest in nature-based solutions on land and in the sea to reverse the long-term decline in our natural capital and deliver valuable new jobs.

Scotland’s partner in the [Wellbeing Economy Governments](#) partnership - New Zealand - has demonstrated how to do this. Their [Living Standards Framework](#) has the four capitals at its heart. In the detail of the monitoring framework, biodiversity is one of the key indicators for assessing trends in natural capital. As Dasgupta points out, Adam Smith, considered by some to be the founding father of economics, considered the Wealth of Nations, not their GDP. What could be more fitting than the country of his birth to lead the way in managing a much more inclusive and holistic measure of wealth?

2. Set new nature targets

The long-term decline in Scotland’s biodiversity is well documented in the [State of Nature Report](#) and the fact that Scotland ranks 28th from bottom out of 240 countries in the [Biodiversity Intactness Index](#). To galvanise efforts to redress this decline and give biodiversity parity with other areas of policy such as

climate change we must set legally binding targets for biodiversity. The targets for Scotland should include increasing wildlife populations and their spread across Scotland, ending the threat of species going extinct and increasing the extent and quality of habitats on land and in the sea.

3. Reform agricultural payments

Dasgupta highlights how subsidies that harm the environment far outweigh those that benefit them, with fossil fuel and agricultural subsidies being two of the biggest. The current system of farm subsidies in Scotland is no different and fails to address the environmental and climate impacts of farming activities. There is a lack of policy coherence and in future farm support payments need to be better targeted and designed to deliver improved environmental outcomes such as stable wildlife populations, clean water, carbon storage in soils and other public goods. We urgently need to develop and consult on detailed proposals for a new system of rural support payments, outline a roadmap for transition to farmers and crofters and implement them by 2027 at the latest.

4. Plan new nature networks

Current land management practices are one of the biggest drivers of habitat and wildlife loss and result in space for wildlife continually being squeezed into increasingly small, isolated and more vulnerable islands of habitat. [Nature Networks](#) can help reverse these pressures and make biodiversity more resilient. The Government's manifesto commitment to ensure "*that every Local Authority area will have a Nature Network of new, locally driven projects which aim to improve ecological connectivity across Scotland*" is welcome and needs to be urgently progressed with each authority undertaking an Ecological Coherence Plan like [that](#) done in Edinburgh to inform decision making. This also needs to be supported by a fourth National Planning Framework (NPF4) that ensures these local networks are coordinated, complementary and joined up with a National Network as a national development.

Dasgupta illustrates how Biodiversity Net Gain can improve 'natures quantity and quality' and this should be an important tool for NPF4 which should place a duty of securing positive effects for biodiversity on all new development. The 2019 Planning Bill contained provisions for Scottish Ministers to bring forward regulations for an Infrastructure Levy that can be applied to new development by local authorities and used by them to fund investment including in blue and green infrastructure. This needs to be enacted now to facilitate vital funding for local Nature Networks, such as [Riverwoods](#).

5. Expediate regional land use management

With strategic guidance from government, the Regional Land Use Partnerships (RLUPs) planned for 2023 can play a vital role in co-creating the regional approach across all stakeholders. This includes delivering local Nature Networks and nature-based solutions, whilst also helping identify local environmental priorities for the new system of agricultural payments. The current pilots need to progress quickly and help speed up delivery of all RLUPs so they are ready to deliver on these key objectives across Scotland.

6. Enhance our marine environment

Scotland's seas play a key role in all our lives but they have never been in a poorer state of health. [Our seas](#) are becoming increasingly busy and will continue to decline in health unless we fundamentally change how we manage marine activities. As well as setting legally-binding targets for ocean recovery we need to support a just transition to a modern, climate and nature positive fishing industry, make at least 30% of Scotland's seas highly protected (with at least 10% fully protected) from damaging activities, reform aquaculture regulation to address the environmental impact of existing farms and invest in marine conservation to enforce compliance and ensure ocean recovery.

7. Unlock new methods of conservation finance

Dasgupta also highlighted that we need to transform our finance systems, so that financial flows to activities that increase our natural assets must increase substantially. In Scotland natural infrastructure is already included in our Infrastructure Investment Plan but it must get its fair share of funding and at the scale necessary to deliver transformative change. We also need to consider how to make better use of existing funding and the Climate Change Committee has advised that we must also consider changes in tax policy. The Scottish National Investment Bank also has a key role to play given its objectives to invest to promote environmental wellbeing and biodiversity.

Given the scale of the challenge we will need to go further and develop new innovative ways to finance investment in our natural infrastructure such as those set out by the Trust in partnership with SEPA, in the [‘Route Map to £1bn’](#), which identifies new funding pathways for protecting and restoring nature. The [Nature Restoration Fund](#) needs to be funded for the long-term and able to support new pioneering projects. It should be complemented by an that can help progress a pipeline of nature restoration projects that are ready for private investment. Alongside this, we need Scottish Government to resource a facility for [investment readiness](#) that helps build the capacity for nature restoration projects and ensures that they are ready for private investment.

8. Embark on an open, transparent and inclusive process

There should be full consultation and engagement on a draft strategy so that it can receive input from and be owned by all aspects of society. The new Advisory Council set up to advise on the development of the new strategy must also include environmental economists that have expertise in natural capital and biodiversity. The Strategy must also be backed by a detailed and [SMART](#) action plan.

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