***Keynote Address:***

# NATURAL CAPITAL, ECOSYSTEM SERVICES AND ROLE OF ENVIRONMENT VALUATION IN POLICY MAKING

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The central development challenges of the 21st century is ending poverty and achieving sustainable levels of population and consumption, while securing the earth's life-support systems that underpin human well-being. Essential to meeting this challenge is incorporating the economic values of natural capital and ecosystem services into decision-making. In particular, greater recognition is needed regarding the interdependence of ecosystems and human well-being; as well as a better understanding regarding the role and mechanisms by which ecosystems support food, water and energy security, and mitigation and adaptation to climate change.

The keynote address (KA) will first review the progress in ecosystem services valuation, and will identify crucial gaps at this frontier, giving special emphasis on forest ecosystem services. Reflecting on "getting the ecosystem services values right", the presentation discusses the importance of marginal changes in values corresponding to policy changes against the total economic value. Given the overemphasis on terrestrial ecosystems in past valuation studies, it will highlight the need to focus on neglected ecosystems in valuation studies, as well as the need for more site specific studies that consider the local context and values. Moreover, the KA highlights the need to consider ecosystem disservices, and the impacts of environmental and climate catastrophes on the provision of ecosystem services; as well as the assessment of the costs and benefits of alternative uses of ecosystems.

In conclusion, the KA will consider reasons why ecosystem service information has yet to fundamentally change decision-making; and it will provide recommendations for strengthening this process. This will emphasize: 1) developing solid evidence linking decisions to impacts on natural capital and ecosystem services, and then to human well-being; 2) working closely with leaders in government, business, and civil society to develop the knowledge, tools, and practices necessary to integrate natural capital and ecosystem services into everyday decision-making; and 3) reforming institutions to change policy and practices to better align private short-term goals with societal long-term goals.

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## *Keynote Address continued:*

Within this context, using performance-based incentives such as ecosystem service payments and cost benefit analysis are emphasized as tools for operationalizing the incorporation of ecosystem service values in decision making. Finally the presentation will highlight ADB's recent initiatives on natural capital and ecosystem services including some examples from the Peoples Republic of China and other countries in Asia.