



POSITION PAPER

**NATURAL CAPITAL ACCOUNTING:
UNLOCKING DOMESTIC RESOURCES AND
STRENGTHENING FISCAL RESILIENCE**

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Problem Statement

Africa is rich in natural wealth, but it still captures too little long-term fiscal value from it. Minerals, forests, land, water systems, biodiversity, and other ecosystem assets underpin livelihoods, exports, energy transition opportunities, and future resilience. Yet these assets remain weakly measured in fiscal systems, poorly integrated into public accounts, and too often governed through opaque contracts, fragmented data, and short-term extraction models.

This is the core policy problem: countries cannot manage what they do not systematically measure. When natural capital is invisible in fiscal planning and public reporting, governments are more likely to underprice risk, under-collect revenue, overlook environmental depletion, and miss the opportunity to convert finite natural wealth into lasting public value.

Context and Impact

The 2025 AAAG Conference Presentation by the Extractive Industry Transparency Initiative (EITI) highlighted the “African paradox”: a continent with a large share of global mineral reserves capturing only a limited share of the value chain and, in many settings, less than the revenue potential implied by its resource base. It also underscored the practical hurdles facing fiscal stewards - revenue volatility, governance gaps, and illicit financial flows - and showed how extractive disclosures can strengthen forecasting, revenue collection, development planning, and audit follow-through.

Global best practice now provides a stronger methodological foundation for this agenda. The United Nations System of Environmental-Economic Accounting is the international standard for natural capital accounting, while the World Bank’s Changing Wealth of Nations programme has reinforced the importance of measuring wealth beyond GDP. The 2023 EITI Standard further strengthens expectations around contracts, beneficial ownership, systematic disclosure, and public financial reporting in the extractives sector.

The policy impact is substantial. Natural capital accounting can improve domestic resource mobilisation, strengthen fiscal risk analysis, support sovereign wealth and stabilisation fund design, enable better intergenerational planning, and position African governments to engage more credibly with sustainable finance, climate finance, and responsible investment frameworks.

Policy Solutions

In advancing a stronger continental policy agenda on public wealth management, AAAG is repositioning itself to champion these interventions as part of its thought leadership and advocacy role to help member countries integrate natural capital, extractive revenues, and intergenerational resource stewardship more systematically into fiscal policy, public financial management, and long-term development decision-making. The priority in this regard will entail a push to Africa:

- 1) Adopt natural capital accounting as part of fiscal architecture. Governments should progressively embed System of Environmental-Economic Accounting (SEEA)-based natural capital accounts into national statistics, fiscal analysis, development planning, and public financial reporting. This should include physical stock accounts, monetary valuation where methodologically appropriate, and regular updating of key natural resource accounts.

- 2) Strengthen the extractive revenue chain from forecasting to audit. Resource-rich countries should connect contract and production data to revenue forecasting, collection monitoring, development frameworks, and audit processes. Verified extractive revenues should flow transparently into medium-term expenditure frameworks and broader fiscal policy decisions.
- 3) Improve contract, ownership, and revenue transparency. Countries should align more closely with EITI principles by expanding disclosures on contracts, licenses, beneficial ownership, production, revenue payments, subnational transfers, and social and environmental obligations. Better disclosure reduces discretion, helps identify leakages, and strengthens the government's fair share.
- 4) Use stabilisation and sovereign wealth mechanisms more strategically. Natural resource revenues should be supported by clear fiscal rules, stabilisation funds, and where feasible sovereign wealth funds that help smooth commodity cycles and convert finite natural wealth into lasting financial and productive assets.
- 5) Build cross-sector governance capacity. Ministries of finance, environment, mines, planning, statistics, and supreme audit institutions need common data standards, coordination mechanisms, and technical skills so that natural capital information can inform budgeting, DRM, climate strategy, and long-term planning.

Conclusion

Natural capital accounting offers Africa a path from extraction to stewardship. It helps governments see natural wealth not only as a source of annual revenue, but as a strategic asset base that must be measured, governed, protected, and converted into durable public value. For AAAG, this is an opportunity to expand the public finance agenda beyond conventional fiscal flows and position Offices of Accountants General as critical actors in connecting resource governance, revenue integrity, and long-term fiscal resilience.

Call to Action

African countries should move decisively to integrate natural capital accounting, EITI-style transparency, and fiscal planning so that natural resource wealth is converted into stronger revenues, better public investment, and more resilient development pathways.

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