



Inclusive Wealth of Indian States:

Taking Stock of Natural & Human Wealth a Decade after
The Green Accounting for Indian States Project (GAISP)

Scope of the Project: India & Indian States

Project Timeline: From Jan 2017 to June 2018

CSR Activities Addressed: Ensuring environmental sustainability

Purpose:

Unsustainable development is the vector of many plagues. It degrades our living environment, irreversibly depletes our ecosystems, drives social inequality and poverty, causes freshwater scarcities, limits energy access and efficiency, and risks our future through the ravages of climate change. ***It is said that 'we cannot manage what we do not measure'; this project will help India's states better measure and hence better manage sustainable development.***

Background:

- Gross Domestic Product ("GDP") is good measure of a country's economic activity, however, it does not indicate much about a country's well-being. GDP does not recognize the pivotal role played by public natural capital in economic development, and fails to account for its depreciation or depletion.
- Recognizing that GDP is too narrow and inappropriate to measure national wealth, the Green Accounting for Indian States Project (GAISP) was launched in July 2004 by GIST. Through a series of six monographs, GAISP built a framework to help adjust national and state accounts for environmental and human externalities, conventionally treated as 'invisible' costs and benefits.
- ***In 2006, the Central Empowered Committee of the Supreme Court of India used GAISP methodology and values to estimate Net Present Value (NPV) per hectare of Indian forests, and for setting penal rates of compensation for loss of sanctuaries and national parks.***

		Stock Adjustments			
		Flow Adjustments			
2002-03 (INR Mio / % of NDP or NSDP)		Assam	Himachal	Bihar	India
GSDP or GDP		354,314 100.0%	159,460 100.0%	897,150 100.0%	19,295,454 100.0%
NSDP or NDP		317,208 89.5%	142,024 89.1%	787,033 87.7%	17,083,824 88.5%
M2	Agriculture Losses - Soil Erosion, Sedimentation, Quantity changes	-4,980 -1.6%	-1,135 -0.8%	-12,054 -1.5%	-258,605 -1.5%
	Agriculture - Subsidies	-9,670 -3.0%	-2,604 -1.8%	-21,457 -2.7%	-312,634 -1.8%
M1	Forests - Depletion of Timber/Carbon, Fuelwood, NTFP	-663 -0.2%	-51,394 -36.2%	-1,032 -0.1%	-74,639 -0.4%
	Forests - understated services of Timber/carbon, Fuelwood, NTFP	1,703 0.5%	56,539 39.8%	-11,683 -1.5%	154,524 0.9%
M7	Forests - Ecological Services Lost	-21,624 -6.8%	-10,470 -7.4%	-3,287 -0.4%	-190,403 -1.1%
	Forests - unstated benefits of Ecological Services	8,064 2.5%	5,274 3.7%	8,119 1.0%	225,504 1.3%
M4	Forests - Depletion of ecotourism and bioprospecting	-23,660 -6.7%	-13,078 -8.2%	-2,711 -0.3%	-461,525 -2.4%
	Forests - unstated ecotourism and bio-prospecting benefits	9,356 2.6%	632 0.4%	2,529 0.3%	137,144 0.7%
M8	Freshwater - Water Quality Losses	-4,294 -1.4%	-13,808 -9.7%	-42,755 -5.4%	-586,586 -3.4%
Stock Adjustments		-55,221 -17%	-89,885 -62%	-61,839 -8%	-1,571,758 -9%
Flow Adjustments		9,453 3%	59,841 42%	-22,492 -3%	204,538 1%

Green GDP Adjustments

Some sectoral stock and flow adjustments for three states (for Acctg Year ended March 2003) extracted from GAISP monographs.

Challenges for Inclusive Wealth:

- The widespread and damaging fixation with GDP as the bellweather index of national performance needs to be replaced by comprehensive “Inclusive Wealth” metrics, in order to set up national accounting systems capable of measuring sustainable development.
- Changes in macro accounting must also penetrate the micro-economic level, as the private sector is a dominant driver of economic direction and resource use. Corporations need to measure, report and manage impacts on natural, human and social capital, not just shareholder financial capital in order to catalyse transition towards an inclusive green economy.
- **Long-term growth and sustainable production and consumption practices will not be achieved unless a comprehensive and in-depth valuation analysis is conducted to update and make use of India’s and Indian States green accounts.**

Proposed Activities:

- 1) **Framework:** Based on the Inclusive Wealth Report (2014) of the United Nations, the UN System of Economic and Environmental Accounting (SEEA, 2013), GAISP, & other sources, design an appropriate Framework for measuring inclusive wealth for India and its states.
- 2) **Data Gathering and Computation:** Carry out extensive research, including sourcing data from official Indian national databases, in order to apply the Framework and produce Inclusive Wealth estimates by state on the basis of state-wise stock and flow estimates.
- 3) **Inclusive Wealth Statements:** Prepare narrative and present Inclusive Wealth statements in one comprehensive report which will cover impacts on forestry, agriculture, minerals, freshwater quality (natural capital components) and education, skills training (human capital components).
- 4) **Decadal Retrospective:** Using wealth estimates (March 2003) from GAISP as decadal reference points, evaluate and present a state-wise retrospective on the sustainability of development.
- 5) **Developing Country Template:** Develop a proposal to apply learnings from this Project to one other developing country, in the form of a template for province/ state level Inclusive Wealth.
- 6) **On-line Public Database:** Create a ‘work-in-progress’ on-line database: compile publicly available information for publishing ‘first-cut’ Inclusive Wealth statements for India’s states, with the potential for expanding this public service to other developing countries, thus fostering debate and action through public consultation.

Expected :

- Design and testing of a comprehensive Inclusive Wealth framework, valuation methodology and updated Inclusive Wealth Statements for India – both at the national and state levels – with an evaluation of our progress in sustainable development over the decade 2003-2013.
- Provision of a template for other developing countries, as a means to empower decision-makers to better measure and manage sustainable development.
- The reinvigoration of India’s public and private investment into *public wealth*: especially education, health, and green infrastructure (ecological infrastructure including watershed forests, wetlands and coastal mangroves) and the greening of sectors such as energy, building, transportation, etc.