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Sum of the trees is less than the forest

India today is challenged by losses of natural areas, ecosystem degradation and the related problems of increasing water scarcity, soil erosion and biodiversity losses. As forests provide multiple benefits to society and the economy, their losses are particularly worrying. However, these “ecosystem services” are too often taken for granted by those who use them daily, and therefore decline at an alarming rate.

Forest cover is responsible for water recharge, agricultural soil conservation, flood and drought control, climate stability and so on; yet, very little money is invested in its conservation compared to what is spent for other essential components of the nation’s development such as mining, energy, industries etc. Just as public investment in physical infrastructure is needed, so also public investment in “ecological infrastructure” is necessary for agriculture, human health, and livelihoods.

One way to attract more investments into ecosystem protection, is to measure the economic value of the services they provide and incorporate it into the national wealth accounts, a technique referred to as “Green Accounting”.

While India’s policy makers have their eyes rivetted on reaching a two-digit GDP growth, supporters of green accounting question the relevance of GDP itself as an adequate indicator of economic development. They claim that it is too narrow, as it does not account for changes in the value of its natural assets. By granting nature its well-deserved visibility in national and state accounts, one of the main decision-support instruments of national political economy, their intention is to equip India with a better compass to navigate the troubled waters of the 21st century.

Steps in this direction have begun to be made. Jairam Ramesh, the environment minister, took the bold step of announcing that his ministry would incorporate natural capital into its accounts by 2015. India has launched a nation-wide study — The Economics of Ecosystems and Biodiversity — which aims at accelerating the development of a new economy in which the values of natural capital are reflected in decision-making. Findings so far emphasise this point: that the cost of ecosystem degradation is dramatically high, and the depletion of Indian ecosystems has had negative effects on India’s wealth and development. In 2002/2003, the degradation of soil conservation, water recharge and flood control services due to reduction in forest cover incurred an annual unaccounted loss of 1.1% of India’s Net State Domestic Product. A first set of figures based on the most recent data will be showcased at the 11th meeting of the Convention on Biological Diversity that will take place in Hyderabad in October 2012.

In 2006, the Indian Supreme Court recognized the value of such a green accounting framework and used the Green Accounting for Indian States Project estimates on forest values to draw up a scale of compensatory payments for converting different types of forested land to other uses. This policy now generates public funding dedicated to improve India’s forest cover.

In March 2011, a group of international experts convened by the World Bank in Washington compared experiences and ideas, and agreed to move forward with a group of “first mover” nations willing to measure and report their natural capital as part of their national accounts. Hopes are high that India will serve as an example for other countries seeking a smarter development trajectory, setting up a more sustainable set of economic tools that recognise the inevitable need to adapt our decisions to our planet’s increasingly explicit vulnerabilities.

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