

Why should Himachal Pradesh build forest accounts?

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Why Accounts?

Undervaluation of natural capital a major cause of ecosystem degradation and biodiversity loss

Progress with valuation: wide support in the environment community

Need to convince Ministries of Finance, Planning agencies that they have a stake in sustainable management of natural capital

→ bring natural capital into the **national income accounts**

“Gross domestic product, the leading economic measurement, is outdated and misleading.”

(J. Stiglitz, Nobel prize, economics)



Why Natural Capital Accounting (NCA)?

The main tool to formulate policy and track progress on development --- System of National Accounts (SNA)– is flawed

- GDP (SNA-based indicator) tells us whether we are growing today but not if growth is sustainable
- Key information about natural capital is **missing** or **invisible** in the SNA

NCA allows planner to integrate value of natural capital into development plans

Why Natural Capital Accounting (contd.)?



Better macro-economic indicators for monitoring development

Is GDP growth sustainable or are we just living off our natural capital?

Sectoral indicators: water and energy efficiency —improving over time?



Tool for managing natural capital to promote growth and poverty reduction

Weighing trade-offs for water, land use among competing users

Prioritizing investments in resource management, land use and protected areas



Around for 20 years, but not widely implemented... Why?

- Clear **policy link** not widely demonstrated
- **Lack of internationally agreed methodology.**
 - SEEA adopted as international standard for material natural resources by UN Statistics Commission (2012)
 - Still no internationally agreed standard for ecosystem accounting
- **Lack of leadership** from to mainstream “Beyond-GDP,” but now renewed consensus



Why should HP build forest accounts?

- By measuring productivity of forests, accounts can inform policy on how economic contribution of forests to the state economy can be increased
 - Timber and non-timber products
- By measuring and valuing ecosystem services, accounts can inform policy on how forests can support other key economic sectors
 - Hydropower sector
 - Tourism





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Accounting
and Valuation
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Thank you!

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