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ON FORESTS

The case for a stock-based approach to account for forests as natural capital

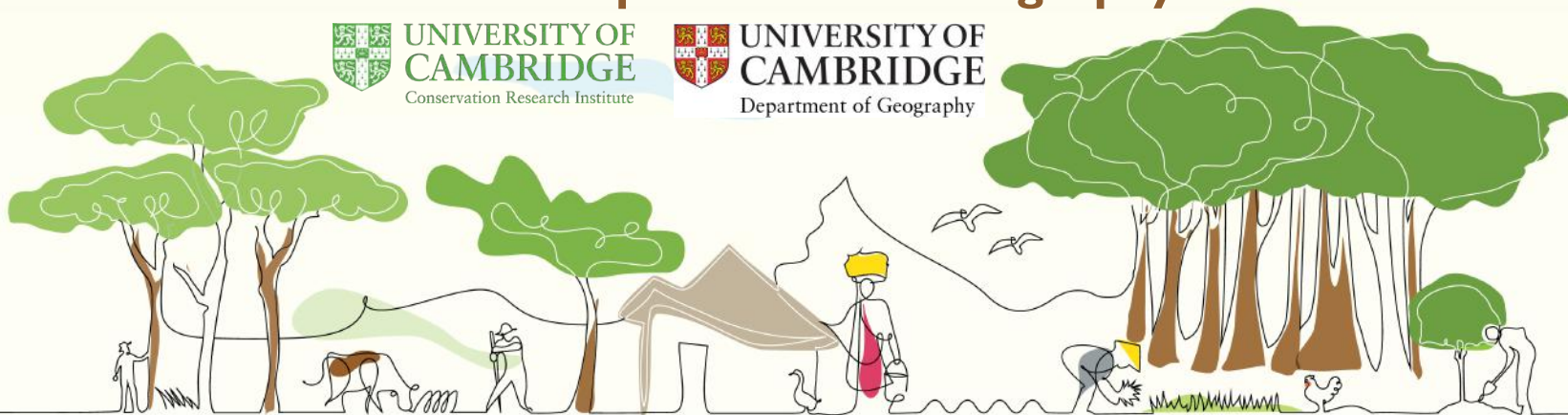
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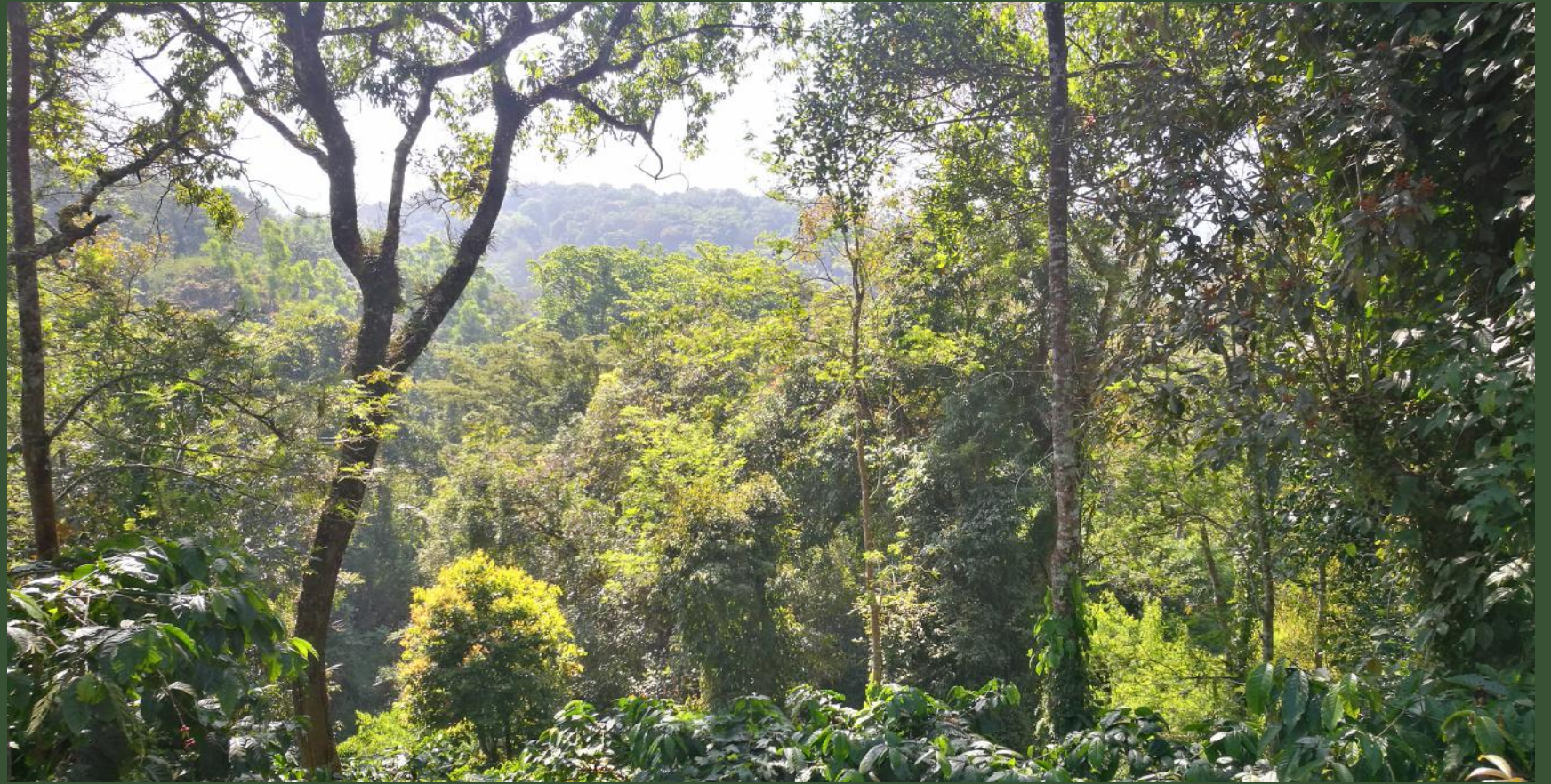


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United Nations Convention
to Combat Desertification



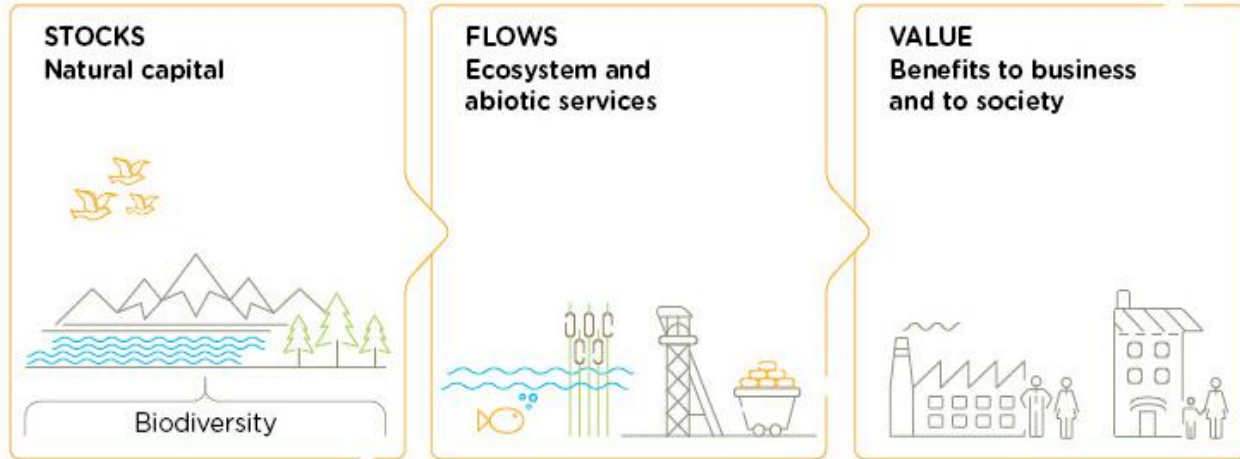


What is natural capital?



Natural Capital

- is the stock of renewable and non-renewable natural resources, (e.g. plants, animals, air water, soils, minerals) that combine to yield a flow of benefits to people*



Biodiversity at the heart of accounting for natural capital: the key to credibility

<http://bit.ly/CCINCBP>

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Working collaboratively as part of the

Cambridge Conservation Initiative



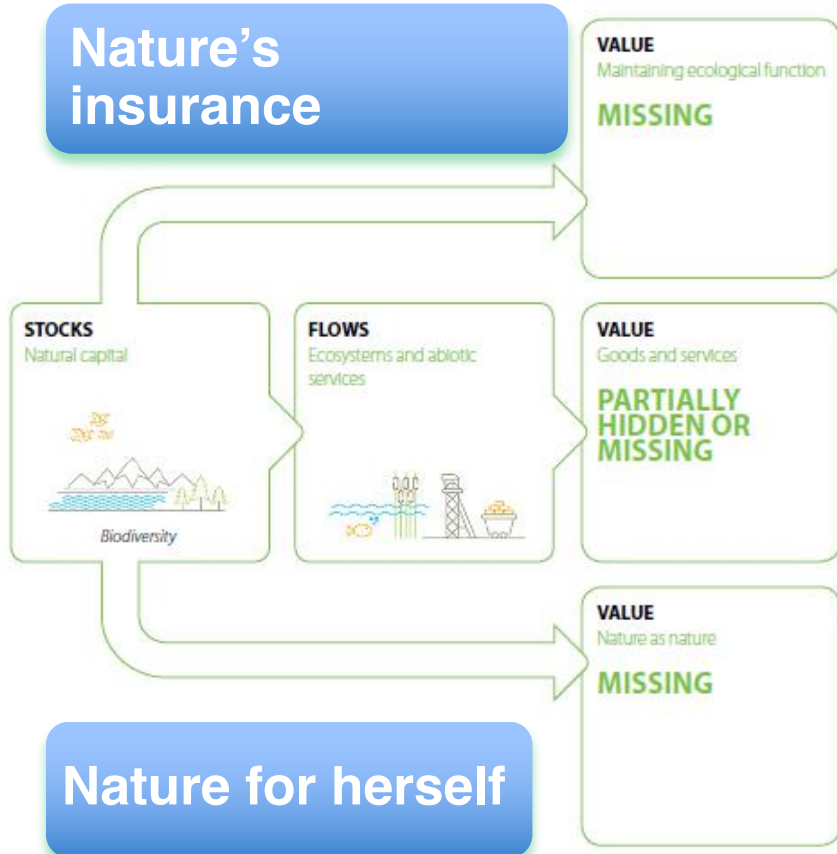
Hidden and missing values of forest stocks

The focus in natural capital assessments on current flows of benefits means that some forest values can be **hidden**, or **missed**:

- Economic **techniques to quantify and monetise values** are inadequate and incomplete – **missing values**
- The role of forests in **ecosystem functioning**, for the delivery of all ecosystem benefits, is not adequately visible in natural capital accounts – **hidden values**
- Forests and biodiversity provide ‘**nature’s insurance**’ – focus on current flows of benefits neglects these contributions – **missing values**
- Forests are **valuable in themselves**, and not only because of the services that they provide – **missing values**



A stock-based approach to account for forests



Focusing on **the stock of forests as an asset** provides a less complex and more credible approach to valuing forests for decision making.

This **supplements** existing work on ecosystem service flows.

Identify **targets** for desired forest stocks; choose appropriate **indicators** to monitor progress; measure **costs of investment** to achieve these targets.



Operationalising a stock-based approach

- India's 14th Finance Commission (2014)
- 7.5% of fiscal transfers from central government to states based on forest cover (above 40% tree canopy density)
- Between \$6-\$12 billion annually
- Unconditional transfer – pure transfer into states' general budgets
- Incentivises halting deforestation and increasing forest area!

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POLICY PERSPECTIVE

Encouraging State Governments to Protect and Restore Forests Using Ecological Fiscal Transfers: India's Tax Revenue Distribution Reform

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