

Keynote Address:

**INCORPORATING ECOSYSTEM SERVICES AND
BIODIVERSITY BENEFITS INTO DECISION MAKING
THROUGH ECONOMIC INCENTIVES AND REDUCING
ENVIRONMENTALLY HARMFUL SUBSIDIES DUE TO
GOVERNMENTAL OR INSTITUTIONAL INACTION**

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The decision making process of the government and the institutional actions have been based on a narrow knowledge base about the immense biodiversity benefits from forest ecosystems, which many a times has led to policy, institutional and market failures. Though the policies have good intentions they result in bad outcomes in terms of weak or absent market and institutional mechanisms, due to insufficient information on which they have been formulated.

This address is thus an attempt to equip the policy makers with the information regarding the value of various ecosystem services of forests, such that the system of compensation and rewards can be institutionalized to compensate for losses on account of forest diversion, reward the states (of India) conserving large forest areas on account of policy directives, and incentivize the stakeholders who are engaged in the conservation process. The states that have been practicing green growth approach, but lack its reflection in the accounting system, are devoid of their due recognition. The address thus provides a connection between the economic value of forest biodiversity and how the values so obtained from various quantitative, qualitative and biophysical assessment methods are taken forward and captured in the decision-making process by introduction of various instruments.

continued on next page

Keynote Address continued:

This address also demonstrates the internalization mechanism through three live examples from various studies undertaken by the author in India. The first example talks about charging the **Net Present Value** (NPV) of forests due to diversion for non-forestry purposes, which is an attempt not only to compensate for loss of ecosystem services from forest diversion, but also to act as a deterrent for demand for forest land in the future. The second example of **forest fiscal federalism** where the states are incentivized for bearing the cost of conservation of forests and providing large amount of public benefits, forgo development of the state and lose considerable revenues despite possessing the 'rich forest resource'. The third example **demonstrates the multiplier effect of investment in natural capital**, the Tiger Reserves of India where the conservation of habitats of umbrella species has led to multiple times benefits in terms of ecosystem services from these habitats.