

NATIONAL BIODIVERSITY STRATEGY AND ACTION PLAN - INDIA

ECONOMICS AND VALUATION OF BIODIVERSITY
Thematic Concept Note¹

The discipline of economics is commonly understood to deal with production: the materials and processes that generate wealth of use to humankind. The focus on utility for humans has meant that elements of biological diversity are often seen as secondary as they have no immediate productive value and their loss is seen to represent no immediate cost. However, economics (or economic valuation?) has much to contribute to the understanding of biodiversity concerns and conservation.

The economic status of a nation both affects and is affected by the status of biological diversity and the health of its natural resources/ecosystems.

One of the prominent concerns in the relationship between biodiversity and economics is to develop a means of integrating biodiversity into the calculation of economic wealth/well-being of a nation. Numerous methods of Natural Resource Accounting have been criticised as values are set by market forces, which do not provide for the needs of sustainability or equity.

Another very important concern is the relationship between the corporate (private and public) sector and biodiversity concerns since the corporate sector is not only a producer but a resource-consumer on a giant scale.

A third critical concern is that the values that communities and individuals put to biodiversity, in particular the cultural, livelihood, survival, and spiritual values, need to be accounted for in decision-making regarding natural resources. Such values rarely find a place in economic systems.

Therefore, various aspects of economics that could be included in this thematic review are:

1. The methods of valuing biological diversity/natural resources in conventional productivity assessments in India; the pros and cons of such valuation methods at the national level.
2. Have any alternate methods been tried (at a smaller scale or different levels) to value biodiversity/eco-system functions in accounting procedures? How were these attempts specific to the scale and region in which they were tried, and what might the replicability of these methods be? In particular, were these alternative methods able to integrate both qualitative and quantitative valuations of biodiversity?
3. Biodiversity conservation can be seen as a cost to the nation, as also a benefit with differential distribution of costs and benefits between regions and communities. Are there instances where valuation of biodiversity conservation concerns have been successfully integrated into the existing or developing economy of a region/nation, for example, through green accounting based on binding those more likely to benefit to compensate those most adversely impacted in the short term through loss of livelihoods and their traditional resource access? Are these methodologies replicable? Are there models of corporate sector development that take into account long term costs and benefits of biodiversity conservation and sustainable use based on the above principles of equity and sustainability?
4. How would cultural, spiritual, and livelihood values of biodiversity be reflected in the overall valuation of natural resources; how to integrate qualitative and quantitative

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values?

5. How much does the Indian government spend on direct programmes on biodiversity conservation and sustainable use, as, say, a percentage of the national budget? In contrast to this, what is the economic cost incurred by local tribal and other communities through loss of rights, resources and livelihoods and does this bear any relationship with the stated benefits received by them through programmes like ecodevelopment?
6. What is the structure of and rationale behind monetary /financial incentives (or lack thereof) to conserve biodiversity? What are the specific legal provisions relating to financing biodiversity conservation?
7. What has been the specific import of India's economic model for the state of its biodiversity, including of its macro-economic policies, and of subsidies and perverse incentives? Illustrative examples showing the linkages, at a variety of scales, with indication of which aspects of the relationship can be adapted for the interests of biodiversity in the future.
8. What are the opinions and attitudes of the corporate sector towards biodiversity concerns? Have any means of integrating biodiversity concerns into corporate sector thinking and planning been identified?
9. What are the various untapped opportunities present in the Indian economic set-up for financing biodiversity conservation and justly compensating local communities likely to incur the highest costs? For instance, the governmental and corporate sector's role in financing biodiversity conservation and sustainable use, including through green accounting, education, R&D, regeneration of degraded ecosystems, and involvement of the public.
10. What institutional mechanisms pertaining to 5 and 8 above might be useful for biodiversity conservation?
11. Given all of the above, what would be the future directions for integrating economic and biodiversity concerns on principles of social justice, equity and sustainability?, including: greater reflection in budgets and cost-benefit assessments, greater positive incentives and reduction in perverse incentives, building in qualitative criteria relating to biodiversity into economic assessments, and so on? What could be effective strategies of mainstreaming such an approach into national planning and budgeting?