

A DIRECT APPROACH TO CONSERVATION

Relevant for: Environment | Topic: Environmental Conservation, Sustainable Development, and EIA

The Western Ghats in Palakkad, Kerala. | Photo Credit: MUSTAFAH KK

Incentives for biodiversity protection and sustainable use include biodiversity-relevant taxes, fees, levies, tradeable permits, and Payments for Ecosystem Services (PES). Through these economic instruments, governments can affect both public and private financing flows for biodiversity. Mobilisation of biodiversity finance through pesticide levies, admission fees to natural parks, hunting and fishing permit fees, and the trade-in energy-saving certificates has gained governmental support and political will, but the mobilisation of private and public finance for PES has lacked lustre.

Lack of academic research, governmental support, and political will have vexed environmental economists. Despite a solid theoretical foundation and the ability to tether investments more directly to outcomes, the debate revolves around the same issues from two decades: monetisation of environmental benefits, lack of additionality (how much environmental service would have been provided without conditional payments), and so on. In this article, I answer whether this is a missed or a lurking opportunity for biodiversity financing in India.

PES is one way to conserve and increase ecosystem services. It works through the establishment of performance contracts. People who can help provide the desired ecosystem service are rewarded based on their actions, or the quantity and quality of the services themselves. PES presents a unique scope for incentivising local land stewards to manage threatened ecosystems. It has the potential to achieve the dual goals of conservation and poverty alleviation towards the achievement of Sustainable Development Goals. This places PES as one of the pivotal economic instruments for conservation.

However, PES has not achieved much attention either in the research or policy mandate in the Indian subcontinent. This is in sharp contrast to the successful implementation of PES in Latin American and African countries. In the Western Cape, South Africa, the CapeNature Stewardship Programme protects biodiversity on private lands. Kitengela, Kenya's Wildlife Conservation Lease Programme, maintains open areas for wildlife and grazing on personal grounds. In terms of raising money, PES programmes such as Costa Rica's Pago Por Servicios and Ecuador's Socio Bosque were among the few to mobilise significant finances.

Why have such economic incentives for ecological restoration not received academic, research, and policy prioritisation? A research paper published in *Science* by Ferraro and Kiss in 2002 argues that any successful PES programme is one that overcomes the impediments to implementation. Such limitations include a solid institutional mechanism capable of simultaneous transfer of funds from buyers to suppliers, monitoring through investment in local capacity building, cost efficiency, the scope for development benefits, and maintaining the sustainability of funds. A local monitoring mechanism is the key to successfully implementing a PES programme. A study (Sardana 2019) conducted in the Kodagu district of Karnataka to restore native trees that grow in the understory of coffee plantations shows a successfully designed local institutional mechanism for PES implementation. However, the PES mechanism is yet to be implemented or even tested for efficacy. The results of such studies offer support for potential research funding in restoration financing. Impact evaluation studies that evaluate financial instruments' performance in attaining biodiversity are also important. The OECD (2019) Biodiversity: Finance and the Economic and Business Case for Action highlighted the importance of evaluating financial instruments' performance in attaining biodiversity goals.

According to recent OECD research, few thorough impact evaluation studies have been done for terrestrial biodiversity and fewer for ocean/marine biodiversity. The OECD advocates comprehensive impact evaluations and the formulation of strategic criteria to help determine which policies or initiatives warrant more scrutiny.

Additionally, a strong policy thrust, such as the TEEB India Initiative highlighting the economic consequences of the loss of biological diversity, would help prioritise ecosystem restoration financing through a direct approach. A global initiative such as the United Nations Environment Programme Finance Initiative to mobilise private sector finance to benefit people and the environment would help maintain the funds. The cheapest way to receive anything you desire is to pay for it directly. This would allow the country to effectuate the nation's commitments to achieving the 2030 agenda for sustainable development and the Paris Agreement on climate change.

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