

Achieving the climate goal with intergovernmental transfers to the forestry sector: insights from the Indian experience

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Abstract

Forests play an important role in both mitigation and adaptation to climate change. India is amongst a select group of countries that have experimented with intergovernmental fiscal transfers to support forest conservation. Well-designed transfers have important implications for the achievement of national and international commitments for forest conservation, the well-being of communities and climate mitigation. A substantial amount, USD 51 billion was allocated for devolution from the Union (Government of India) to the subnational (state) governments against the forest cover criteria for the period 2015–2019. Evidence indicates that this substantial devolution did not guarantee fund flows to the forestry sector nor result in an appreciable increase in conservation outcomes in states that benefited the most from the transfers. We conduct an in-depth empirical analysis which demonstrates that the design of the transfer is crucial in determining outcomes. Findings indicate that conservation and afforestation outcomes are likely to be better when the ecological values, the bulk of which are carbon values, are incorporated upfront in financial allocation decisions. Indirectly incentivizing subnational entities by compensating them for maintaining land under forests is a much weaker approach that may not lead to the desired outcomes. Our findings are relevant since the next phase of allocation through fiscal transfers is under active consideration. Ensuring design compatibility in financial transfers complements and links up well with international goals to achieve climate mitigation through REDD+, as well as domestic priorities for achieving the SDGs.

Keywords Intergovernmental transfers . Forest conservation . REDD+ . Ecological value . Climate change . India

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