

# Net Present Value (Compensatory Afforestation)

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The simple principle at work in compensatory afforestation is that since forests are an important natural resource and render a variety of ecological services, they must not be destroyed. However, because of **developmental or industrial requirements**, forests are routinely cut, or diverted for non-forest purposes. In such cases, the **Forest (Conservation) Act of 1980** requires that **non-forest land, equal to the size of the forest being diverted, is afforested.**

## Compensatory Afforestation

- Compensatory Afforestation (CA) refers to **afforestation and regeneration activities** carried out as a way of compensating for forest land diverted to non-forest purposes.
- Here “non-forest purpose” means the breaking up or clearing of any forest land or a portion thereof for:
  - . the cultivation of tea, coffee, spices, rubber, palms, oil-bearing plants, horticultural crops or medicinal plants;
  - . any purpose other than reafforestation
    - However, it does not include any work relating or ancillary to
      - . conservation
      - . development and management of forests and wildlife, namely, the establishment of check-posts, fire lines, wireless communications and construction of fencing, bridges and culverts, dams, waterholes, trench marks, boundary marks, pipelines or other like purposes.

- User agencies, which are often private parties, are not expected to undertake afforestation work themselves. This work has to be done by the state government.
- But the **entire expenditure to be incurred on creating this new forest, including purchase of land for the purpose, has to be borne by the user.**
- However, afforested land does not become a forest overnight, there is still a **loss of the goods and services that the diverted forest would have provided in the interim period.**
- These goods and services include timber, bamboo, fuelwood, carbon sequestration, soil conservation, water recharge, and seed dispersal.
- To compensate for the loss in the interim, the law requires that the **Net Present Value (NPV) of the diverted forest is calculated for a period of 50 years,** and recovered from the user agency that is diverting the forests.
- Since forests are being diverted routinely (at the rate of about 20,000-25,000 ha per year according to the Ministry of Environment and Forests) a large sum of money is accruing to the government.

### Net Present Value

- An expert committee calculates the NPV for every patch of forest. Currently, the NPV ranges from Rs 4.38 lakh per hectare in case of poor quality forests to Rs 10.43 lakh/ha for very dense forests.
- An expert committee has recommended that this be revised to Rs 5.65 lakh and Rs 55.55 lakh respectively.
- If any user agency wants to divert forest land for non-forest purposes, it has to **deposit money for compensatory afforestation as well as pay the NPV.**
- The compensatory afforestation money and NPV are supposed to be collected from the user agency by the government of the state in which the project is located,

and deposited with the central government (**Central Afforestation Fund**).

- The money will eventually flow back to the state (**State Afforestation Fund**) to be used for afforestation or related works. The states would, however, receive only 90% of their share; the other 10% would be held back to cover administrative expenses.
- The funds are **non-lapsable and interest bearing and are created under public accounts** of Union of India and of each state.
- The fund was envisaged to be used only for compensatory afforestation, but the Act has expanded the list of works that this money can be utilised for, and includes the general afforestation programme run through the Green India Mission.