

# **Economics of Forest and Mountain Biodiversity**

**A Brief Bibliographical Survey**

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<b>A: FOREST ECOSYSTEM</b>	
<b>A1: VALUATION AND ACCOUNTING</b>	

# A: Forest Ecosystem

## A1. VALUATION AND ACCOUNTING

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**Abstract** *Forests contribute to the economy in several ways. While forests are a source of timber with market values, they also influence local and regional climate, preserve soil cover on site, and in the case of watersheds, protect soil downstream from floods – functions, which are not in the production boundary of SNA. Further, the net value added in forestry sector does not reflect sustainability of forest resources, because it ignores the consumption of natural capital (depletion) that occurs when forests are harvested or converted to other uses. The only costs of depletion considered in the national accounts are the extraction costs and records the potential loss in forest wealth as other changes in assets that have no effect on Gross Domestic Product (GDP). The study tries to incorporate forest resources into the national accounts and adjust the Gross Domestic Product (GDP) for the depletion of forest capital, using the Satellite System of Integrated Environmental and Economic Accounting (SEEA). The value of net accumulation (positive or negative) of forests is calculated and the net Domestic Product is adjusted for the depletion of the forest resources to get Environment adjusted Domestic Product (EDP). The results show that the EDP equals 98.4% of the adjusted net domestic product in 1993–1994. A proper accounting framework would better reflect not only the long term value of the state's natural wealth but also its immediate contribution to the state economy in the current accounts*

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