

UN report: government subsidies may exacerbate deforestation

According to a new United Nations brief, government subsidies, estimated at \$200 billion annually are often the key underlying drivers of forest loss worldwide, with policy makers rarely recognizing their impact. It is estimated that 80 percent of global deforestation occurs as a direct result of agricultural practices.



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The report, entitled *Fiscal incentives for agricultural commodity production: options to forge compatibility with REDD+*, explores ways of aligning government subsidies and other fiscal instruments with the objectives of REDD+ (reducing emissions from deforestation and forest degradation in developing countries).

Achim Steiner, executive director of the UN Environment Programme said, "The negative impact of subsidies on forest cover is often caused by outdated and incoherent policies. Any government-led effort to bolster agricultural productivity should account for the broader implications of such schemes. This report demonstrates that policy that decouples economic growth from deforestation and land degradation is the clearest pathway toward an agricultural sector that realises both sustainable land use and sustainable inclusive economic growth. I encourage policy makers to consider the case studies in this report as they work to orient agricultural policy toward green economy fundamentals."

Green policies

Drawing on examples from Ecuador, Indonesia, Brazil, India and ten other countries, the study demonstrates that subsidies to inputs, such as fertilisers and irrigation water, often fail to increase yield per hectare and can instead contribute to a wasteful use of resources and environmental damage to tropical forests.

The report cites best practices from developed and developing countries, where reversing perverse incentives significantly reduced deforestation. In Brazil, for example, a change in policy prevented \$1.4 billion from being loaned to unsustainable initiatives, contributing to a 15 percent decrease in deforestation in the Amazon between 2008 and 2011.

In another success story, changing a policy that encouraged farmers in Niger to remove trees from their farms resulted in the regeneration of 4.8 million ha of land and an increase of farmer household incomes of 18 - 24 percent.

Fiscal incentives

Many fiscal incentives supporting agricultural development were designed well before forest conservation was identified as a major national and global environmental priority. Countries can achieve both objectives simultaneously. Fiscal incentives supporting agricultural production can be important levers to promote sustainable land use, but only if they are conceptualised and designed to do so.

The report calls for greater compatibility between rural development, commodity production and REDD+ objectives to ensure the long-term sustainability of agricultural production, healthy ecosystems and wellbeing of local communities. It recognises that subsidy reform should be accompanied by a package of policies, such as sustainable commodity supply chain initiatives and development assistance, to manage the socio-economic impacts of change and reinforce conservation efforts.

The publication was launched by the UN-REDD Programme ahead of the 14th World Forestry Congress, which will be held in Durban, South Africa, between 7 and 11 September this year.

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