

FOREST POLICY SEMINAR SERIES

(FPS - 1/2010)



March 8, 2010 at 1500 – 1630 hrs

Training Hall, Forest Complex, Babarmahal, Kathmandu

ALL INTERESTED ARE INVITED TO ATTEND

Please confirm your participation to forestaction@wlink.com.np

Payments for Environmental Services in Kulekhani watershed: An institutional analysis of mechanisms for sharing hydroelectricity revenue

By Mr Dil B Khatri

This seminar will present the results of a research which has examined how the scheme of Payments for Environmental Services (PES) has been implemented in Kulekhani watershed, with a focus on the institutional dynamics of hydroelectricity revenue sharing mechanisms. Results indicate that payments to upstream communities are made in the form of conservation and development projects, most of which are spent on rural electrification and road construction, putting less emphasis on the environment itself. The analysis has found three fundamental design problems of PES institutions. First, construction of road, which is often done using bulldozer, has accelerated soil erosion posing a threat to the environmental services. Second, since the mechanism has excluded the local resource management institutions like Community Forest User Groups (CFUGs), it has failed to provide incentives to resource managers. Finally, the mechanisms have undermined the role of principal beneficiary of environmental services, Nepal Electricity Authority, which has limited role in monitoring and compliance of the benefit sharing and utilisation rules.

Analysis of the institutional dynamics of the PES has revealed that such disappointing results are due to three main institutional factors. First, the design process has been heavily influenced by the Makawanpur District Development Committee (DDC), while marginalizing the role of other important actors, particularly CFUGs and the Nepal Electricity Authority. Second, due to lack of a separate policy for PES in Nepal, the rules have drawn heavily from the Local Self Governance Act (1999), which has reinforced the role of the DDC and marginalized that of other resource management institutions. Finally, because of weak planning and monitoring mechanisms, the PES revenue funded activities have not effectively contributed to sustainable production of environmental services. Based on this analysis, it is argued that, although the PES in Kulekhani has provided a mechanism for transferring hydroelectricity revenue to the local communities to support rural development, it has not transformed existing resource management structures and institutions to demonstrate the effectiveness of enhancing environmental outcomes.

About the author

Mr Khatri is an environmental service researcher at Forest Action where he is working in the issues of PES, REDD and forest governance. His specific research interest is on governance of ecosystem services in general and interface of economic incentive based resource management like PES including REDD and community based forest management in developing countries in particular. Earlier he had worked with Swiss Agency for Development and Cooperation for more than six years. Mr Khatri has accomplished MA in Development Studies with specialization in Environment and Sustainable Development from International Institute of Social Studies of Erasmus University, the Netherlands. He has done his MA thesis on institutional dimensions of Payments for Environmental Services in Kulekhani.

The Forest Policy Seminar Series is the joint Initiative of ForestAction Nepal (www.forestaction.org), Nepal Foresters Association (www.nfa.org.np), Institute of Forestry (www.iof.edu.np), College of Development Studies (www.cds.edu.np), Kathmandu Forestry Collage (www.kafcol.edu.np) and National Policy Learning Group. The purpose is to facilitate scholarly debate and reflections on forest policy and governance in Nepal. If you have any interesting research findings that is relevant to contemporary forest policy debate, please send a 250-300 words abstract to Dr Hemant R Ojha, the seminar coordinator, at ojhahemant1@gmail.com. Currently we plan to organise monthly presentations, but if there more demand, we can go up to two presentations every month.