

Government of Himachal Pradesh  
Department of Forests

No. FFE-B-C(15)-3/2005-II Dated Shimla-171002, 2<sup>nd</sup> November 2013.  
5<sup>th</sup>

NOTIFICATION

The Governor, Himachal Pradesh is pleased to notify "State Policy on Payment for Ecosystem Services (PES) in HP as per Annexure-appended to this Notification for information of all concerned.

BY ORDER

(Tarun Shridhar)  
Principal Secretary(Forests)to the  
Government of Himachal Pradesh.

Dated: Shimla-2, 2<sup>nd</sup> November, 2013.  
5<sup>th</sup>

Endst. As Above

Copy forwarded for information and necessary action to:

1. All the ACS to the Government of Himachal Pradesh.
2. All the Principal Secretaries to the Government of Himachal Pradesh.  
The Secretary to Governor, Himachal Pradesh Shimla-2  
Accountant General (Audit), Himachal Pradesh Shimla-4  
All the Divisional Commissioners of Himachal Pradesh.  
All the Head of Departments in Himachal Pradesh.  
All the Deputy Commissioners of Himachal Pradesh.
8. Guard file.



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(Prakesha Nand)  
Under Secretary(Forests) to the  
Government of Himachal Pradesh.

# Policy on Payment for Ecosystem Services (PES) in Himachal Pradesh

## 1. INTRODUCTION

- i. The people of Himachal Pradesh have traditionally depended on rich and diverse mountain ecosystems. The State has a history of engaging with communities and partnering with them in ecosystem management through a variety of approaches.
- ii. An **ecosystem** is a dynamic complex of plant, animal, and microorganism communities and the nonliving environment, interacting as a functional unit. Humans are an integral part of ecosystems. **Ecosystem services (ES)** are the benefits people obtain from ecosystems. These include provisioning services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services, such as nutrient cycling, that maintain the conditions for life on Earth.
- iii. Various sectors like forestry, farming, horticulture, hydropower, tourism, irrigation and drinking water etc., depend on ecosystems services such as sustained flow of clean water and air, nutrient cycling, soil formation, pollination, biodiversity and recreation and aesthetics etc.
- iv. Communities in villages and towns are being adversely impacted by the decline of ecosystem services largely due to anthropogenic causes including climate change. In order to sustain such services, an urgent need has arisen to involve and incentivize local communities for conservation of ecosystems aimed at long term sustainability of the State economy.
- v. One of the ecosystem management approaches suggested in the H.P. Forest Sector Policy and Strategy, 2005, seeks to explore incentive-based mechanisms for provision of watershed services, fire management, invasive weed control, tree plantation, and to promote sustainable forestry and sustainable livelihoods.
- vi. **Payments for Ecosystem Services (PES)** are a kind of economic instrument generally negotiated between ES generators and ES consumers that allow incentives to be paid to communities/ individuals for protection & conservation of natural ecosystems resulting in enhanced flow of ES benefitting users of such services and generating positive externalities.

## 2. PREAMBLE

In order to protect and manage natural resources for sustained production of ecosystem services, address the impacts of climate change on such services and for

generating additional economic incentives to the communities for conserving natural ecosystems; Government of Himachal Pradesh adopts this Policy to institutionalize Payments for Ecosystem Services and ecosystems approach as instruments of sustainable development.

### **3. OBJECTIVES**

- (i) Provide sustained flow of ecosystem services.
- (ii) Facilitate an interface mechanism between ecosystem service generators and users.
- (iii) Incentivize ES generators for ecosystem conservation for incremental and continued flows of ecosystem services.
- (iv) Enable PES program in the State by identifying the necessary elements.
- (v) Adopt an ecosystems approach in decision making.
- (vi) Enable experimentation and pilots that inform and refine ES approaches.

### **4. PRINCIPLES**

This policy is based on the following guiding principles:

- (i) Incentives shall be linked to the sustained flow of ecosystem services.
- (ii) Community driven ecosystem services shall have priority for incentives.
- (iii) Incentives shall be determined and paid through participatory mechanisms involving service generators and service users.
- (v) Rights to the resources of communities are secured and stability of tenure ensured.

### **5. ELEMENTS OF PES PROGRAMME**

#### **a. Identification of Ecosystem Services (ES) and Quantification of their flows:**

Ecosystem Services typically encompass environmental goods, regulating, supporting and cultural services. For the purpose of this policy, an ES eligible for payments would include

soil erosion control, sediment load reduction, fire control, discharge in streams and springs especially potable water, carbon sequestration, rehabilitation of weed infested areas, organic and conservation agriculture, conservation horticulture, pollination and biodiversity conservation.

The following may be considered for identifying and quantifying ES:

- (i) Temporal and spatial scales at which the ES are produced, as well as the linkages between different ES, to identify landscape zones with high ES potential.
- (ii) An understanding of the impact of land-cover and land-use patterns, soil conditions, hydrological cycles, etc. on the production and flow of ES.
- (iii) Establish dynamic baseline levels of the supply of the ES in question, and indicators for supply of the same.
- (iv) Determine practical incremental steps – both preventive and restorative, to increase the supply of ES and indicators for monitoring the same.
- (v) Assess gaps in current understanding and measurement, and devise a strategy to address these gaps.

**b. Identification of stakeholders and their institutions:**

- (i) The primary stakeholders viz. stewards who provide or are impacted by the supply of the ES.
- (ii) The recipients who benefit from the supply of the ES.
- (iii) Other stakeholders involved in the supply process.
- (iv) Institutions current or potential that can represent the various stakeholders.
- (v) Potential stakeholders that can invest or pay for securing the supply of these ES.
- (vi) Marginal stakeholders whose interests have to be safeguarded.

**c. Initiating a process of engagement** between the different stakeholders to facilitate informational exchange, build trust and transparency, and an understanding of the concerns and interests of diverse stakeholders.

**d. Establishing Institutional arrangements:**

Local level community-institutions and other state level institutions, either existing or newly created shall be enabled and strengthened so as to act as key drivers in mainstreaming eco-systems approach and securing the supply of ES. These institutions shall work in tandem with the existing Panchayati Raj bodies at various levels. Such institutions shall have the role of:

- (i) Organizing and empowering communities to manage the resources which provide the ecosystem services, and engage with ES beneficiaries.
- (ii) Mainstreaming eco-system based approaches in decision-making processes, through creation of a dedicated cell in each department which shall steer and institutionalize the processes.

**e. Determination of types and levels of payments**, including the following,

- (i) Payments can be for outcomes, outputs, inputs, or a combination thereof.
- (ii) They may be in cash or kind or a combination thereof.
- (iii) The payments in all cases (whether community driven or individual) would be coordinated/ regulated through community groups operating in the area.
- (iv) Payments would typically be made on the basis of agreements that may include the management steps, the basis for the payment, time-frame, monitoring requirements etc.

**f. Applying an ecosystems approach to decision making** may include the following:

- (i) Identifying strategic dependence of different departments and sectors on ecosystem services.
- (ii) Reviewing existing plans and practices, and identifying opportunities and instruments to work with natural systems to deliver policy objectives.

**g. Regulatory and Legal Framework:** The existing Regulatory and Legal Framework, including Guidelines, will be reviewed for determining and initiating any changes/reforms for the furtherance of the provisions of this policy.

**h. Financial Arrangements:**

This policy reinforces existing mechanisms for PES in the State, encourages better targeting of existing resources, and generation of additional resources from public or private sources including corporate social responsibility funds. Appropriate economic instruments, such as environment cess, green tax, voluntary payments, mitigation payments etc. will be explored for improving the financial basis of PES and creating a larger financial pool, while also attempting to reduce transaction costs and minimize overheads.

**i. Monitoring:**

Based on well defined and measurable criteria and indicators, mechanisms for regular monitoring of physical flow of ES and subsequent adjustments to PES mechanisms for ensuring maximum impact shall be established.

**j. Partnerships and Capacity Building:**

This policy envisages developing long term partnerships amongst different departments and with communities, and accordingly build capacities at all levels. Research institutions and NGOs will also be encouraged to participate and support this process.

**k. Safeguards:**

The process of developing PES programs and agreements should include safeguards such as reducing scope of leakage so that protection at one place does not simply shift the pressures elsewhere, identifying interests of marginal stakeholders, and ensuring that communities have the benefit of longer timeframes and stability of tenure.

**6. OPERATIONAL GUIDELINES:**

To achieve the Policy objectives, concerned departments shall frame operational guidelines from time to time.

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