

Natural capital accounting in Himachal Pradesh: Lessons learnt from Mandi district

A scoping study to build forests accounts in Himachal Pradesh was carried out in 2013 as part of the Development Policy Loan. The World Bank has initiated the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) in various countries. WAVES is a global partnership that aims to provide technical support to countries within the World Bank Group, through related programs and funding instruments to bring natural capital into economic decision-making and promote sustainable development. The HP exercise is useful and there are several interesting initiatives to share.

The feasibility study concluded that natural capital accounting (NCA) is the way through which sustainability of various priority sectors can be assessed. The only way through which Himachal Pradesh can assess the sustainability of various priority sectors is through natural capital accounting (NCA).

NCA, the compilation of detailed statistics (using a framework like the System of National Accounts) to help monitor the interactions between the state of forest resources and the state of the economy, can help fill this information gap.

Based on the feasibility study during 2013-14, the government has identified a number of key policy questions that could be informed by the forest accounts:

- What is the forest wealth (physical and monetary stock of timber) of Himachal Pradesh? How has this evolved since the state was granted statehood in 1971?
- What is the contribution of non-timber forest products to the state GDP, how are these benefits distributed? And how can they be increased?
- What is the value of the forest ecosystem services to the hydropower sector and how can these be optimised?
- What is the contribution of forests to the tourism sector in the state and how can these be increased sustainably?

The objectives of this project is to compile forest asset accounts for one district in Mandi district of HP and suggest ways to scale up to the entire state of Himachal Pradesh. Only provisioning services, timber, non-timber forest products (NTFPs), and no other ecological services are considered to construct monetary asset accounts. The report aims to systematically identify the link between nature and economy and enable the stock of forest assets and flows to be explained in relation to each other and the economic activities using System of Environmental-Economic Accounting (SEEA) Central Framework, which has been accepted as a statistical standard. The main focus of this report is on compiling asset accounts.