

QUESTION of GOVERNANCE in benefit sharing

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The governance issues for discussion

- The royalty mechanism
- Models of institutional governance
- citizen project interface
 - Concerned Committees
 - District Coordination Committees
- Lack of local government
- Issues of inclusion
- Implications of federalism
- Environmental and social monitoring

Royalty Collection and distribution

- Collection of Royalty: Electricity Act 2049

Up to 15 years		After 15 years	
Annual capacity royalty, per kW	Energy royalty per kWh	Annual capacity royalty, per kW	Energy royalty per kWh
Rs. 100	2%	Rs. 1000	10%

- Distribution of Royalty: Local Self Governance Act and Regulation

Central Gov.	Dev. Region	District (DDC)	TOTAL
50%	38%	12%	100%

- Priority spending: electricity related development

Annual Royalty amount

	Project Name	Capacity Royalty	Generation Royalty	Total
1	Kulekhani I (60 MW)	Rs. 60,000,000	Rs. 77,136,754	Rs. 137,136,754
2	Kulekhani II (32 MW)	Rs. 32,000,000	Rs. 38,531,556	Rs. 70,531,556
3	Marsyangdi (69 MW)	Rs. 69,000,000	Rs. 240,457,529	Rs. 309,457,529
4	Aadhi Khola (5.1 MW)	Rs. 5,100,000	Rs. 14,227,684	Rs. 19,327,684
5	Jhimruk (12 MW)	Rs. 12,000,000	Rs. 34,054,469	Rs. 46,054,469
6	Khimti (60 MW)	Rs. 6,000,000	Rs. 56,293,747	Rs. 62,293,747
7	Upper Bhotekoshi (45 MW)	Rs. 4,500,000	Rs. 35,601,380	Rs. 40,101,380
8	Kali Gandaki A (144 MW)	Rs. 14,400,000	Rs. 92,953,213	Rs. 107,353,213
9	Chilime (22.1 MW)	Rs. 2,210,000	Rs. 17,843,078	Rs. 20,053,078
10	Middle Marsyangdi (72 MW)	Rs. 7,200,000	Rs. 45,906,287	Rs. 53,106,287
11	Ridi Khola (2.4 MW)	Rs. 240,000	Rs. 1,082,686	Rs. 1,322,686

Note: Project numbers 1-5 have been into operation for more than 15 years and pay higher amounts of royalty as per the Electricity Act, 1992 (Source: Department of Electricity Development, GoN)

Distribution of Royalty

Spatial

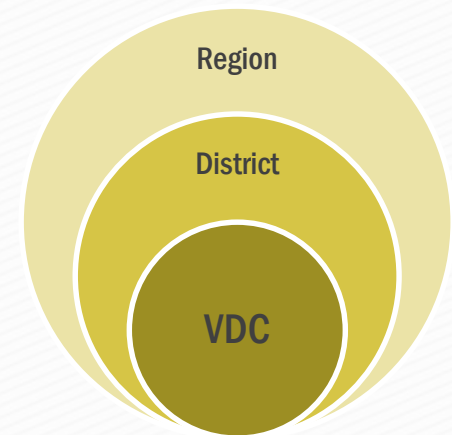
- No mechanism to distribute royalty to the affected VDCs (only to DDC)
 - Exception: Makawanpur District
- Contestation among districts in projects adjoining 2 or more districts (on 12% or 38%??)
- Multiple projects – no clear path of royalty flow from source to destination
- Federal governance??

Temporal

- Timing of collection and distribution

Decision making mechanism:

- District council



Models of institutional governance

Ownership structure

Public - Nepal Electricity Authority

Independent Power Producers - Nepali

Independent Power Producers with shares or affiliations of international institutions

NEA Subsidiaries - New models of hydropower projects promoted via the 'public-private partnership' (PPP) format

Citizen project interface

- **Concerned Committees**
- **Local committee (generally non-elected)**
- **Claims to represent affected citizens for holding the project accountable**
- **Makes decisions of distribution of benefits**

Multi stakeholder committees

- **Task Force Committee of the Khimti Project**
- **District Coordination Committee for the Upper Tamakoshi Project**

Other issues of governance

- **Lack of local government**
- **Issues of inclusion**
- **Implications of federalism**
- **Environmental and social monitoring**
- **Benefit sharing after the project is handed over to the government in 30-35 years.**