



Project Benefits

This guideline expands on what is expected by the criteria statements in the Hydropower Sustainability Assessment Protocol for the Project Benefits topic, relating to Assessment, Management, Stakeholder Engagement, Conformance/ Compliance and Outcomes. Project benefits good practice criteria are expressed for the different life cycle stages of the Protocol tools, contained in topic P-10 for the Preparation stage, topic I-7 for the Implementation stage, and topic O-8 for the Operation stage. Insets show the exact criteria statements from the Protocol topics.

This guideline addresses the additional benefits that can arise from a hydropower project and the sharing of benefits beyond one-time compensation payments or resettlement support for project affected communities. Acceptance of projects can be facilitated through a well-considered programme of project benefits, especially where there are concerns that benefits will primarily go to non-local recipients. Policy objectives such as equitable regional development and uplifting of vulnerable groups can be pursued. Well-considered project benefits can help demonstrate the economic viability of a project in a cost-

benefit analysis. The intent is that opportunities for additional benefits and benefit sharing are evaluated and implemented in dialogue with affected communities so that benefits are demonstrably delivered to communities affected by the project.

Project benefits can arise in different ways:

- Some benefits are essential to the core project. An example is improvement of a road, which is necessary for site access or supply transport and can also (or later) be used by the community.
- Some benefits are additional to the core project but are designed to have positive outcomes for both the project and the community. An example is a catchment protection programme that pays households to maintain or improve vegetation cover, thus reducing soil erosion and improving water quality in rivers and streams.
- Some benefits are entirely oriented towards community interests and outcomes as a result of a deliberate effort by the project to contribute to local area development, even if it requires additional cost. Examples include: changes in the siting, design and operations of a project (e.g. a change in the alignment of a road to improve community access); a particular approach to construction (e.g. employment of a community group or a local company for road works, even if it requires additional training or is not the lowest-cost solution); and contributions to local infrastructure, services and livelihoods. Such

contributions may be in-kind or financial and they may be temporary during construction or permanent (such as through a community development fund set up initially or through a revenue sharing arrangement).

Project benefits may take the form of additional benefits or benefit sharing strategies.

Additional benefits are benefits that can be leveraged from the project for the benefit of the affected communities. Additional benefits may have nothing to do with the hydropower project infrastructure or operations; they could be the provision of services away from the project site, for example. Of importance is that project affected communities are among the beneficiaries of any additional benefits. Examples include: capacity building, training and local employment; infrastructure such as bridges, access roads, boat ramps; improved services such as for health and education; support for other water usages such as irrigation, navigation, flood/drought control, aquaculture, and recreation; increased water availability for industrial and municipal water supply; and benefits through integrated water resource management.

Benefit sharing is distinct from one-time compensation payments due to its ongoing nature and distinct from resettlement support due to being unrelated to the mitigation of project impacts. Examples include:

- equitable access to electricity services, whereby project affected communities are among the first to be able to access the benefits of electricity services from the project, subject to contextual constraints (e.g.g electricity safety, preference);
- non-monetary entitlements to enhance resource access, whereby project affected communities receive enhanced local access to natural resources and/or improvements in the quality of the resources;
- revenue sharing, whereby project affected communities share the direct monetary benefits of hydropower according to a formula and approach defined in the regulations.

Commitments to additional benefits or benefit sharing may be the responsibility of other agencies and not the project developer or owner/operator.

Assessment

Assessment criterion - Preparation Stage: An assessment of opportunities to increase the development contribution of the project through additional benefits and/or benefit sharing strategies has been undertaken; and the pre-project baseline against which delivery of benefits can be evaluated post-project is well-documented.

The Environmental and Social Impact Assessment (ESIA) should demonstrate that opportunities for project benefits have been researched, along with the feasibility of measures to identify and realise them. Project benefits should be linked to development objectives, which may be expressed in national, regional or local development plans and strategies. Examples of development objectives to which the project might contribute include: poverty alleviation; provision of infrastructure; access to electricity; food security; water security; increased per capita income; access to health services; access to education; reduced infant mortality; and other public health targets.

The assessment should consider various approaches that could deliver on development objectives and seek to develop a feasible approach to accompany the project. Additional benefits that are often deployed by projects include: new or improved health services and/or educational facilities; transport to improve access; jobs for locals; training and capacity building; community development initiatives; local royalties and other revenue-sharing arrangements; local shareholdings in project companies; multiple-use strategies for reservoirs (e.g. fishing, recreation, tourism); and multi-purpose projects which are designed to deliver other water resource management benefits besides hydropower generation (e.g. irrigation, flood control, water supply, aquaculture).

There are many opportunities to leverage hydropower projects for positive social change, but special care has to be taken to protect vulnerable groups in this process (see the Project Affected Communities and Livelihoods guidance); this may be achieved by involving them in decision-making on mitigation, compensation and benefit sharing mechanisms, and by designing specific management approaches

for these groups. Support mechanisms may be targeted to help vulnerable groups or individuals make use of and participate in opportunities (for example, through preferential treatment in local employment and procurement). Project benefits may be targeted with the objective to further reduce vulnerability.

There needs to be adequate documentation of the pre-project status around the area of the benefit so that delivery of the benefit and its effectiveness can be demonstrated at a later date. For example, if the benefit is for a health clinic to improve access to health services, appropriate baseline indicators might include: average distance to travel to a health clinic for project affected communities pre-project; average number of visits per year per community (or individual); and a range of health indicators.

Assessment

Assessment criterion - Implementation Stage: Opportunities to increase the development contribution of the project through additional benefits and/or benefit sharing have been assessed. In the case that commitments to additional benefits or benefit sharing have been made, monitoring is being undertaken on delivery of these commitments.

Further to the guidance above, monitoring in relation to project benefits should:

- use indicators that allow comparison against the baseline;
- be designed to indicate the effectiveness of the project benefit contribution towards improvement in the targeted development objectives; and
- illustrate if any practical issues have arisen that require a management response to ensure sustainability of the benefit.

Assessment

Assessment criterion – Operation Stage: Monitoring is being undertaken to assess if commitments to project benefits have been delivered and if management measures are effective; and ongoing or emerging issues relating to delivery of project benefits have been identified.

In addition to the above guidance, the sustainability of project-enabled benefits is an important consideration at the outset. Benefits such as new schools or health centres can deteriorate after the period of project support ends. Any support from the project should be designed to fit well with normal government service systems. Agreements should be made on the period of project support and handover provisions to the government. Although benefits from local procurement and employment will generally decline at the end of the construction stage, the project can support local businesses and workers in building skills and capacity, thus preparing them for the time after construction.

In the case of older projects, there may not be well-documented commitments to delivery of project benefits made at the time of project approval nor data on the pre-project baseline against which to compare delivery of benefits. If this is the case, the focus for good practice is on the ability of the hydropower owner/operator to identify issues, concerns and opportunities within the surrounding communities in relation to project benefits and to demonstrate responsiveness within corporate social responsibility or sponsorship programmes.

Management

Management criterion - Preparation Stage: Project benefit plans and processes have been developed for project implementation and operation that incorporate additional benefit or benefit sharing commitments; commitments to project benefits are publicly disclosed.

Management criterion - Implementation Stage: Measures are in place to deliver commitments by the project to additional benefits or benefit sharing; and commitments to project benefits are publicly disclosed.

Management criterion - Operation Stage: Measures are in place to deliver commitments to project benefits, and to manage any identified issues relating to these commitments; and commitments to project benefits are publicly disclosed.

Commitments to project benefits need to be clearly documented in plans with appropriate



processes in place to ensure delivery and follow-up. Plans should include information on the nature of the benefit and the beneficiaries, responsibilities for implementation, budget allocations, time targets, milestones, and monitoring of effectiveness. Examples of management approaches for some common project benefits are outlined as follows.

- **Local supply of goods and services to the project and to contractors.** The project can undertake local market studies to determine the supply potential, as well as potential price increases and their impacts on community members. Project targets can be developed for procurement of local goods and services and reported on regularly. Contractors can be encouraged or required to procure goods and services locally. The project can support local producers in providing appropriate quantities and qualities, for example through training, information on goods and services needed, creation of project procurement centres (e.g. a food cooperative for local growers), or facilitation of partnership approaches between experienced contractors and local businesses. The project can also support local producers in developing other markets once project construction is completed.
- **Local employment and training.** The project would need to undertake local labour market studies to determine employment potential and assess potential wage increases and their impact on community members. Project targets can be developed for local employment and reported on regularly. Contractors can be encouraged or required to hire local workers. Ideally, programmes should be designed and delivered to train local people for skilled jobs during construction and operations, if necessary starting years before the beginning of construction. The project can cooperate with labour authorities and local government to match local workers with employment opportunities. Local workers of contractors can be identified for the future operations and maintenance (O&M) workforce.
- **Public use project facilities.** Consideration should be given from an early stage and in dialogue with relevant government agencies about potential public uses of project facilities (e.g. roads, health centres, schools, reservoirs) during construction and operations. If required, adjustments can be made to project siting, design and operations to achieve better local benefits. The capacity, quality and costs of

facilities may be higher if designed as permanent rather than temporary. After the construction stage, some facilities may be handed over to appropriate government agencies for operations.

- **Community development initiatives.** Community development initiatives can take many forms depending on local conditions and priorities. Investments in community infrastructure and services may include water supply, public transport, waste disposal, health and education support, community buildings, banks/ATMs, reliability of electricity supply, etc. Livelihood development may include investments in agriculture (such as improved livestock breeds, fruit trees, or storage and processing facilities) or tourism opportunities (for example reservoir management plans allowing for other developments and uses, development of trekking routes or visitor destinations, or better access to and protection of culturally significant areas). Initiatives for community development may be developed in partnership with local governments and embedded in local development planning mechanisms to reflect the priorities of the community. These should be based on effective community consultations, building of trust, managing expectations by clearly defining roles and responsibilities, development of appropriate capacity, setting of measurable goals, and reporting on progress. Plans should ensure the sustainability of initiatives, either through long-term commitment from the developer or through agreements with local governments on O&M responsibilities. These plans may involve third parties such as NGOs as delivery mechanisms.

A commitment should be in writing to recognise its formality and be within an appropriate document signed by a recognised representative of the party who will deliver on this commitment. Government licence requirements and court decisions are considered formal commitments. The formality of a commitment can be demonstrated by how it has been recorded, documented, witnessed, and publicised by the party responsible for its implementation.

Public disclosure is demonstrated if members of the public can access information on the commitment if they would like to do so. This may involve access to the actual document that

records the commitment (either posted on a website, distributed, or made available on request to interested parties), or public notification via a media release or website about the main provisions of the commitment. If there was a one-off notification, information may later be hard to access. In this case, some effort should be made by the owner/operator to ensure awareness of and ease of accessibility of information by stakeholders over time on downstream flow regime commitments.

Stakeholder Engagement

Stakeholder Engagement criterion - Preparation Stage: The assessment and planning process relating to project benefits has involved appropriately timed, and often two-way, engagement with directly affected stakeholders; ongoing processes are in place for stakeholders to raise issues and get feedback.

The risks of poor outcomes in relation to the development contribution of project benefits are high if communications and cooperation between the recipient communities, the developer, and government does not work well. This may arise if, for example, there was poor consultation on the benefit opportunities and the risks associated with achieving objectives and indicators of success.

Good practice requires that a process of stakeholder engagement has been followed in the assessment and planning for project benefits. The focus is on project affected communities who should be amongst the beneficiaries and other stakeholders with the potential to be directly affected by the benefits under consideration. Great care needs to be taken in engagement processes to ensure that benefits are strategically identified to support development objectives and are not just popular 'wishlists' which can sometimes create winners and losers within communities or areas.

Appropriate timing, culturally appropriate, and two-way processes are important components of good practice. 'Appropriately timed' means that engagement should take place early enough so that the project can respond to issues raised, those affected by the project have inputs before the project takes decisions, and engagement is at times suitable for people to participate. Project

benefit stakeholders should be supportive of the timing of engagement activities. 'Culturally appropriate' means that methods of engagement respect the cultures of those involved and allow adequate provisions to fit with the discussion and decision-making processes typically followed. Stakeholder engagement processes that are culturally sensitive consider, for example, meeting styles, venues, facilitators, language, information provision, the community's decision-making processes, time allocation, recording, and follow-up. Engagement processes need to consider gender and the inclusion of vulnerable social groups. 'Two-way' means that project benefit stakeholders can give their views on the project benefit plans that will affect them rather than just being given information without any opportunity to respond. Examples of two-way processes include focus groups, community meetings, and public hearings.

Processes in place for project benefit stakeholders to raise issues could include, for example, designated contact people, periodic briefings or question/answer opportunities, or feedback/suggestion boxes at easily accessible areas. Feedback on issues raised could be demonstrated by means such as written correspondence or meeting minutes. A register should be kept by the owner/operator of source, date and nature of issues raised and how and when each was addressed and resolved.

Conformance/Compliance

Conformance/Compliance criterion - Implementation Stage: Processes and objectives relating to project benefits have been and are on track to be met with no major non-compliances or non-conformances, and any additional benefits or benefit sharing commitments have been or are on track to be met.

Conformance/Compliance criterion - Operation Stage: Processes and objectives in place to manage project benefits have been and are on track to be met with no significant non-compliances or non-conformances, and commitments have been or are on track to be met.

Assessment processes and management measures relating to project benefits need to be compliant with relevant legal and administrative requirements. These may be expressed in licence

or permit conditions or captured in legislation. Implemented measures should be consistent with what is in the plans to demonstrate conformance with the plans.

Commitments to communities in relation to project benefits may be expressed in the policies of the developer or owner/operator, or in company statements made publicly or within management plans. A major concern arises if project benefit 'promises' are made to communities to smooth the way for project development and avoid opposition, and then these promises are not delivered. Consequently it is important to document the evidence for what was committed and the full delivery of the commitment. Evidence of adherence to commitments could be provided through, for example, internal monitoring and reports, government inspections, or independent review. Variations to commitments should be well-justified and approved by relevant authorities, with appropriate stakeholder liaison.

The significance of not meeting a commitment is based on the magnitude and consequence of that omission and will be context-specific. For example, a failure to demonstrate delivery of a licence requirement relating to a benefit for the local communities is likely to be a significant non-compliance, whereas a slight delay in delivery of a monitoring report could be a non-significant non-conformance.

Outcomes

Outcomes criterion - Preparation Stage: Plans deliver benefits for communities affected by the project.

Outcomes criterion - Implementation Stage: Communities directly affected by the development of the hydropower project have received or are on track to receive benefits.

Outcomes criterion - Operation Stage: Communities directly affected by the development of the hydropower facility and any other identified beneficiary of the facility have received or are on track to receive benefits.

To demonstrate that plans will deliver benefits for communities affected by the project, it is necessary to show that a thorough definition of project affected communities was undertaken and that the baseline against which later benefits could be demonstrated was adequately documented (see the Project Affected Communities and Livelihoods guideline). The assignment of responsibilities and resource allocation for implementation, monitoring and evaluation should be appropriate to the planned actions. The developer, owner and operator should demonstrate that responsibilities and budgets have been allocated to implement project benefit plans and commitments.

An evidence-based approach should demonstrate that project benefits were delivered and met their objectives. Monitoring reports and data in the implementation and operation stages should clearly track performance against commitments and objectives.