MRC guidelines & tools to enhance benefit sharing

Improving the sustainability of Mekong Hydropower

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For the MRC’s Initiative on Sustainable Hydropower
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This Presentation

Highlights national-to-local (NTL) forms of benefit sharing for hydropower projects on Mekong tributaries

Broadly revisits:

1. **Concepts & motivations for benefit sharing** and its intrinsic value in delivering sustainable hydropower in the Mekong context.

2. **Good practice with benefit sharing mechanisms (BSM)** tools/guidelines emerging from MRC dialogue & support to NMCS.

3. **Uses & Key lessons from MRC’s ISH13 (2012-2014)**
   For advocacy and to systematically elaborate BSM options and stakeholder preferences to enhance Mekong tributary hydropower.
First: It’s helpful to differentiate between National-to-local & Regional forms of Benefit Sharing

Many mechanisms link sustainable hydropower to Local <> Provincial <> National <> Regional development

2- TB Addressed by the MRC 1995 Agreement & via the BDP at Basin + Regional Scales

3- Overlapping or Transition Zone (e.g. Shared + significant tributaries)

1- NTL Addressed by National Policies & Legislation

Cooperation in sustainable development of Mekong River Basin and its resources (Mekong Agreement)

- Some mechanisms help deliver Regional and NTL benefit sharing e.g. the Mekong Fund (can discuss later in Topic Session)
1. Concepts and Motivations for Benefit Sharing

Benefit sharing tools & MRC guidelines to help deliver sustainable forms of hydropower development & management and enhance cooperation at the basin scale and regional power sector.

Part 1 responds to the common question for all tools: Firstly, to describe what tools\guidelines are being considered.
Benefit sharing tools, Guidelines & Mechanisms - What are they?

Tools
(primarily in Government hands; mechanisms need a legal basis) e.g.

- Government Legislation & Regulation
- Policy Statements
- Accepted practice on hydropower
  Project Agreements and Licenses

Examples:
- Thailand’s Power Development Fund
- Lao’s Sustainable Hydropower Policy
- Lao’s Standard Concession Agreement Annex (SES0) with Community Fund

MRC Guidelines
(for information sharing, dialogue, collaboration & various advocacy tools/roles)

- MRC BSM Knowledge Base - detailed information and examples of Mekong, Regional & International legislation, policy & practice
- ISH13 National Papers (BSM options), plus its package of supporting templates, methods and techniques to use
- Documented consensus on next steps
- Other Sustainability Assessment tools (RSAT & IHA Protocol) that have imbedded BSM Topics
- Etc.

Benefit Sharing Mechanisms
Benefit sharing is a core element of sustainable hydropower. Why?

- Firstly, benefit sharing is uniquely powerful in reinforcing all 3 pillars of sustainable development & IWRM principles:
  - Economic, Social, and Environmental sustainability pillars
  - Plus inter-generational aspects (comprehensive mix of long-term mechanisms)

- Directly engages with public acceptance of Mekong hydropower. Promising to spread benefits & costs of natural resource development across society (equitably).

- Aims to enhance the development contribution of hydropower investment at all levels from local to provincial + national levels; to regional development on transboundary (shared) river systems.

- A diverse array of benefit-sharing modalities have emerged to enable ‘more constructive dialogue on dams’ as seen in many countries.
Other Overarching Aspects impacting on the Mekong Context

- BSM’s link cooperation in sustainable development of the Mekong River Basin to the regional power sector.
- Benefit sharing is positive from all stakeholder perspectives – when planned and implemented properly.
- BSM is part of continuous improvement, risk management, advocacy and evolution of “good” practice promoting sustainable hydropower
- BSM is supported by Regional and International Development Bodies (from World Bank to IHA and INGOs)
- Mekong hydropower already has many elements of benefit sharing - beyond traditional benefits
Some argue the Mekong benefit sharing glass is half full (at least partly)

BSM already embodied in Mekong Hydropower to some extent, e.g.

- In Traditional ways
  - Power supply to grow & modernize economies
  - Jobs (local to regional)
  - Infrastructure like roads (multi-use)
  - Local procurement to boost economy

- Plus some contemporary ways
  - Mechanisms like revenue management
  - Local CD funds
  - Targeted local capacity building (project + other)
  - Various new innovative ways + optimisation across traditional ways

Key questions now include:

- how to systematically improve across all aspects of NTL (to fill the glass)
- what pace and mechanisms on existing & planned hydropower
- how to ensure equitable distribution of benefits

Depends how it is measured & by whom
(is it half full or half empty?)
Part 2 responds to the common question for all tools:
To describe some potential uses and contribution of the tool \ guidelines to sustainable hydropower in general and the Mekong region.
MRC Support to Member Countries on BSM (from 2008 – to date)

- 2008-2009: Mekong + National level dialogue to establish the MRC Initiative on Sustainable Hydropower
  - Stakeholder-driven process
  - Concluded BSM was integral to ISH

- 2010-11, National Workshops + Knowledge Base (KB) on Benefit Sharing:
  - Set out global BSM concepts + practices in national dialogue
  - Assessed Mekong national practices
  - Surveyed experience around the world

- 2010 – 2014: ISH13 Elaborated options for Mekong Tributary hydropower
  - Based on Mekong needs + comparing international best practice in BSM
  - Proposed next steps for MRC support to NMCS
The ISH Knowledge Base / Global Review broadly shows (BSM Types)

- No single BSM approach or dominates international practice.
- Countries apply different forms of each generic BSM type according to situation.
- Mostly as a “package of BSM measures” selected from each type.
- Emphasis depends on the country situation (e.g. legal framework, how many projects, public-private sector).

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<th>Generic Types of NTL BSM</th>
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<td>NTL Type-3</td>
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<td>NTL Type-4</td>
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Good Practice Guidance opportunities at each stage of the Project Cycle

- Policy > Project Preparation
- BSM factored in
- T1-Monetary Benefits
- T2 Non-Monetary Benefits
- T3 - Electricity Access (local)
- T4 - Indirect + Additional Benefits
- Resettlement Compensation only for land or property (Not-BSM)
- New Project Agreements
- Economic Life – for IPP Many Concession Periods
The MRC’s Global Review
Illustrates common themes across all Mechanisms, Regions and Countries – Good Practice BSM needs

- **Development orientation:** mechanisms should reinforce, not duplicate existing local development aims & activities. They may embody targets, e.g., income raising or poverty reduction.

- **Beneficiary preference + choice:** beneficiaries need to choose the type of benefit & delivery mechanism; that is the most successful approach.

- **Legal framework:** most mechanisms need a legal framework, especially sharing monetary benefits (also M&E).

- **Transparency and clear accountability:** Built into mechanism goes a long way to avoid problems and achieve success.

- **Continuous improvement:** M&E and BSM practices update and evolve overtime – like all hydropower practices.
ISH13 as a specific Process & Outputs
That together form part of MRC Guidance
Identification & Selection of BSM Options in ISH13

- BSM options came from an “intelligent synthesis” of international good practice + Mekong experience
- Were selected / modified by National Working Groups using multi-criterion options ranking and weighting process (Value + Preference Dimensions)
### Prioritized ISH13 Options

**Ranked high Value and Preference averaged across all stakeholder interest within each Member country**

#### Sharing Monetary Benefits

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<tr>
<th>NTL Type- 1</th>
<th>Sharing Monetary Benefits</th>
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<td></td>
<td>Put local revenue sharing measures already in Laws into operation; and / or implement existing “good practice” consistently on hydropower projects.</td>
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<td>Consider revenue sharing mechanisms at local, basin and provincial levels:</td>
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<td>(i) for local communities in project area,</td>
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<td>(ii) for river basin residents by funding River Basin Organization (RBO) programmes that extend sharing of benefits to riverine people and</td>
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<td>(iii) for provinces with hydropower in their territory.</td>
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<td>Implement revenue sharing as a targeted form of revenue management at the 3 levels (noted above), before allocating hydropower-related income to other provinces / sectors via the State Budget.</td>
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<td>Use revenue sharing mechanisms to support generic Type 2 – 4 measures (options), reflecting beneficiary preferences.</td>
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<td>Introduce local / municipal taxes on land (area) inundated by hydropower reservoirs, which would have yielded local revenue (yearly) if there was no hydropower (e.g., as agricultural, industrial or property land taxes).</td>
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<td>Rationalize / combine funds that are financed by hydropower revenue at the provincial or basin levels (e.g., hydropower revenue contributions to environment funds, water use fees, PES, benefit sharing, etc.).</td>
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#### Enhancing Non-Monetary Benefits

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<th>NTL Type- 2</th>
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<td></td>
<td>Identify and resolve obstacles to local access to natural resources (e.g., forest, land or the reservoir) at provincial / local levels.</td>
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<td>Extend vocational training for livelihood and income diversification based on natural resource access changes due to hydropower.</td>
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<td>Ensure women, youth, vulnerable and ethnic groups actively participate in training and decisions on local resource access.</td>
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<td>Meaningfully involve project-area communities in natural resource planning and management activities.</td>
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#### Enhancing Electricity Access & Service

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<th>NTL Type- 3</th>
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<td></td>
<td>Use existing Rural Electrification Fund (REF) Programmes as a primary mechanism to enhance electricity access for local communities near hydropower projects, funded in part by revenue sharing mechanisms.</td>
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#### Optimizing Additional and Indirect Benefits

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<th>NTL Type- 4</th>
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<td></td>
<td>Emphasize local skills development and trade training to enhance local employment on hydropower projects.</td>
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<td>Consider “green development zones” in catchments of hydropower projects to focus and facilitate additional &amp; indirect benefits.</td>
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<td>Expand the scope for multi-purpose projects (new hydro projects).</td>
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3. Applying Lessons and Responding to Key Messages for implementation

Part 3 responds to the common questions for all tools:
What are potential uses of the tools / guidelines by different stakeholder Interests (who can use it when and how)?
Recognized stakeholders have different reasons and levels of interest in the detail of BSM; and entry points to MRC guidelines.

Level 1: Seeking to understand basic concept

Level 2: Drawing lessons from other countries experience

Level 3: Participation in selection & design of mechanisms (advisory)

Level 4: Drafting legal instruments and guidance (government)
Using / Applying the MRC guidelines & tools (small t)

- Variety of interests (govt, NGO / CSO, industry, academic)
  - self-improvement
  - risk management on projects
  - advocacy

- Input to Government-led process for Policy and Regulation
- To benchmark specific projects or Tributary Basins (Sustainability Assessment)
- For learning or to improve performance (industry or academic settings)

**ISH13 also set out**

1. Issues most stakeholders agree on to move forward
2. Issues that need more time & work to establish consensus

Which indicates where to focus to add value (e.g. in dialogue, research and demonstration)
General Considerations

Steps to enhance NTL BSM in Government-led processes recommended by the multi-stakeholder ISH13

1. Policy Review, Survey & NMCS Stakeholder Assessment (country specific assessments)
2. BSM Workshop Programme (NTL Mechanisms)
3. RSAT to Identify & Design a Pilot Project in each Country
4. Implement a Pilot Project Demonstration Programme
5. Tailored technical advice facilitated by MRCS
6. Other Capacity Building: Information access and dissemination, advocacy and study tours.

Level of effort to be clarified in MRC’s annual work plan development and approval system (and with reference to National ISH13 Papers)
Detailed Information & Guidance on BSM

**MRC Website:**

**ISH13 Documents**

And

**BSM Knowledge Base**