

10 INSIGHTS about Local Benefit Sharing in Hydropower Projects

From *Capturing Hydropower's Promise Report Series*



Credit: World Bank

Local benefit sharing is an important part of hydropower project operators' support for the development aspirations of project-affected communities. To learn more about how hydro projects are embedding local benefit sharing into their operations, IFC embarked on an extensive two-year study. Funded through generous support from the government of Japan, the study involved field visits to project sites around the world, interviews with project personnel and community stakeholders, and desk research to capture the current state of practice. The result is a compendium of case studies and good practices, along with guidance for developers on how to initiate and implement their own local benefit-sharing programs.

Here are **10 insights** extracted from the *Capturing Hydropower's Promise Report Series*.

The Whats and Whys of Benefit Sharing

1 BEYOND MITIGATION AND COMPENSATION, BUT LINES BLUR

Benefit sharing is generally understood as a package of deliberate measures taken by hydro developers that allow local communities to share benefits from a hydro project, over and above required mitigation measures. In practice, however, it can be challenging to determine with confidence the clear lines between mitigation and benefit sharing.

2 FOUR BROAD CATEGORIES OF BENEFIT-SHARING PROGRAMS

Hydropower developers and operators deliver benefit-sharing programs targeting local communities in four broad categories:



revenue sharing and shared ownership



public services and infrastructure



local skills and livelihoods



environmental stewardship

3 ADDRESSES RANGE OF SUSTAINABILITY AND RISK MANAGEMENT CONSIDERATIONS

A growing number of public and private developers undertake benefit sharing to address social license and business risks. Doing so can help manage project costs and schedule. It also can enhance reputation, profitability, and sustainability. For example, in **Nepal**, the project development agreement for the **Upper Trishuli hydropower project** requires implementation of benefit-sharing activities such as royalty sharing, rural electrification and a local shares mechanism. When Indigenous communities voiced their expectations about participation in local shares during a formal consent process initiated by the project, this mechanism was incorporated as a specific benefit for them as well.

Benefit-Sharing Design Considerations

4 COMMITMENT TO LONG-TERM VIEW

Given the 40-year-plus life cycles of hydropower projects and the complexities in tackling development challenges, the long-term approach to benefit sharing is key. It takes into account the entire project cycle and changes in the project's risk profile. It also helps to manage stakeholder expectations and concerns as they evolve. Hydro projects with a long-term view typically emphasize benefit-sharing that fosters community self-reliance and creation of lasting benefits, so progress continues even after the company exits.

5 CAREFUL DUE DILIGENCE IN DESIGNING BENEFIT-SHARING STRATEGY AND PLANS

A well-conceived benefit-sharing strategy can increase the likelihood of benefit sharing programs' success. But hydropower projects are site-specific, so the development of benefit-sharing strategies and plans must account for their own unique circumstances. Project developers should rely on existing information, additional studies, and community engagement to ensure a thorough understanding of local context.

6 PORTFOLIO APPROACH TO BENEFIT SHARING

The portfolio approach emphasizes a selection of benefit-sharing programs with a mix of short- and long-term objectives, deployed either concurrently or at different project stages. This helps optimize the developer's ability to address project risks and local priorities as they evolve. In deciding how to allocate limited funds among various community programs, clear focus and community engagement are critical. Experience suggests that companies that focus on locally relevant initiatives in a few, well-defined areas tend to achieve greater impact and recognition than companies that spread resources across many different types of activities.

7 INCREASED OUTREACH TO WOMEN AND OTHER UNDERSERVED GROUPS

Hydro projects may impact women differently, requiring a view of community challenges and actionable solutions through the gender lens. This means addressing barriers that restrict women's access to the building blocks of independence: employment, education, entrepreneurship, and asset ownership, among others. When benefit-sharing programs are designed with meaningful participation from women and other underserved groups, such programs tend to be more inclusive and yield benefits across all segments of the community. For example, through extensive engagement with women and other local stakeholders, the **Tina River project** in the **Solomon Islands** developed a gender action plan with measures to mitigate potential negative impacts on women. It also details ways to ensure that men and women have equal opportunities to share in project benefits.

Benefit-Sharing Implementation Considerations

8 COMMUNITIES AS PARTNERS

Given their lengthy lifespans, hydro projects can play an important role in enabling local development. However, there are real risks that local communities can grow over-reliant on the project and that community programs will not be sustainable. Involving local stakeholders in program planning and implementation can result in stronger local uptake and better long-term outcomes. For example, in **Colombia**, **ISAGEN's** largest program calls for local communities to decide on their priorities, develop proposals, and implement projects. ISAGEN also involves participating communities in a formal, two-year cycle of classwork and practical workshops to build program development knowledge and skills.

9 ADAPTIVE MANAGEMENT OF BENEFIT-SHARING PROGRAMS

Delivery of benefit sharing is complex. Hydropower developers and operators report multiple challenges, such as risks of elite capture and issues with determining eligibility. These can reduce the effectiveness of benefit sharing initiatives. In addition, over time, agreements might lose their relevance, given changing development or climate dynamics. By incorporating the principles of adaptive management, with target-setting, results monitoring, learning, and course corrections as needed, developers can create a strategy that evolves as conditions change. In the **Philippines**, a review of **SN Aboitiz Power's** community consultation programs uncovered several opportunities for improvements. Subsequent changes ensured that community projects more clearly reflect short- and long-term local development priorities, and better align with business goals and objectives.

10 TRANSPARENCY ACROSS THE BENEFIT-SHARING LIFE CYCLE

Local stakeholders need a thorough understanding of benefit-sharing commitments, eligibility criteria, and delivery models. They also must know how to engage with a project if concerns and issues arise. Proactive, consistent, and locally appropriate communications help to strengthen overall governance, reduce elite-capture risks, and build trust. Best practice calls for embedding transparency and disclosure in all aspects of benefit-sharing program planning and implementation. For example, given the complexity of the **Rusumo Falls hydro project**, involving **three East-Central African nations**, a comprehensive communications strategy was incorporated from the outset. Reviewed regularly and revised accordingly, the strategy is informed by annual community surveys that gauge perceptions of the project and measure success of outreach efforts.

For more information and to download more materials from *Capturing Hydropower's Promise Report Series* visit www.commdev.org

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