



## **CRBOM Small Publications Series No. 14**

# **Ten steps to benefit-sharing**

**by**

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Contributions are most welcome - in English or in Bahasa Indonesia.

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<sup>1</sup> *'Pilot testing of benefit-sharing mechanisms for local communities adversely affected by power generation projects in Viet Nam' (TA 4689 VIE)*

## Summary

Hydropower schemes are intended to generate substantial benefits. Sometimes, however, it is seen that while the impacts are local, the benefits mainly occur outside the affected areas - perhaps even outside the country. Regulation can be required to assure a local share in the generated benefits.

The present paper describes a 10-step approach to a practical benefit-sharing modality that is presently being developed in Viet Nam.

Benefit-sharing can be a win-win solution. During project preparation, a credible benefit-sharing can highly facilitate the technical and financial processing by reducing the concerns of affected stakeholders. If the scheme can improve the land use in the headwater areas, hereby reducing siltation in the reservoir and extending its lifetime, it may even be directly profitable for the developer.

Transparency and credibility are required to achieve the intended results, and the approach described in the paper has been developed with this in mind. A dubious scheme could be worse than nothing.

Although custom-made for hydropower development, the scheme (or a closely similar one) is well suited for other large-scale land acquisitions.

## Acronyms and abbreviations

BSC:	Benefit-Sharing Council
CPC:	Commune People's Committee
DARD:	(Provincial) Department of Agriculture and Rural Development
DONRE:	(Provincial) Department of Natural Resources and Environment
DOLISA:	(Provincial) Department of Labor, Invalids and Social Welfare
EVN:	Electricity of Vietnam
ERAV:	Electricity Regulatory Authority of Vietnam
FMB:	Fund Management Board
IES:	Institute of Energy Science (Hanoi)
INGO:	International non-governmental organisation
MOIT:	Ministry of Industry and Trade
PPC:	Provincial People's Committee
SEDP:	Socio-Economic Development Plan/socio-economic development planning
WWF:	Worldwide Fund for Nature, an INGO

# 1 Introduction

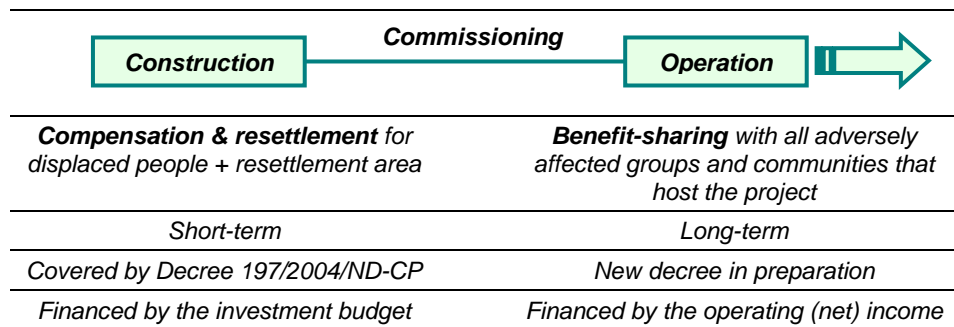
Major development initiatives, such as hydropower schemes, are intended to generate substantial benefits. Sometimes, however, it is seen that while the impacts are local, major benefits mainly occur outside the affected areas - perhaps even outside the country. Regulation can be required to assure a local share in the generated benefits.

The present paper describes a practical benefit-sharing modality that is presently being developed in Viet Nam in connection with land acquisition for hydropower schemes. The paper has been prepared for the sake of regional knowledge-sharing, with a particular view to readers outside the country.

# 2 Benefit-sharing - why and how?

Benefit-sharing is a long-term supplement to the compensation for immediate adverse impacts, as illustrated in the figure below.

Figure 1: The context of benefit-sharing



In the context of hydropower schemes, benefit-sharing can comprise

- access to safe water and electricity for households;
- access to irrigation water;
- protection against floods and drought;
- land holdings (for re-located households);
- various support to livelihoods and income generation, such as access to markets, new technology, or micro-credit;
- entitlement of access to natural resources; and
- sharing of the net income generated from operation.

### 3 The ten steps

#### *Step 1: Consultations, review and assessment*

- Consultations and dialogue with stakeholders at all levels on the definitions, scope, objectives, general principles and forms of benefit-sharing
- Review national programmes, as well as relevant provincial and donor/INGO projects and programmes
- Review links between benefit-sharing and the Socio-Economic Development Planning (SEDP) process at all levels
- Review provincial regulatory framework relevant to benefit sharing
- Stakeholder analysis
- Assessment of institutional capacity and human resources

#### *Step 2: Institutional arrangements*

- The Provincial People's Committee (PPC) decides the most appropriate institutional arrangements for the benefit sharing based on issues such as funding, capacity and human resources across the provincial departments and agencies

(In Quang Nam Province, leaders and officials advised to keep institutional arrangements simple and practical).

#### *Step 3 Preparing for implementation*

- PPC issues decisions outlining the mandate and roles and responsibilities for the Benefit-Sharing Council (BSC) and the Fund Management Board (FMB)
- PPC also allocates roles and responsibilities to leaders and officials at provincial, district and commune levels to implement the benefit-sharing
- BSC prepares a Fund Charter that outlines key issues for planning and implementation and outlines responsibilities for the financial management
- FMB conducts a consultation process to prepare application forms for the grants

#### *Step 4: Strategic planning*

- Assessment of key issues and priorities for the utilization of revenue sharing funds from different hydropower stations in the province
- Preparation of an annual strategic plan in harmony with SEDP priorities
- Identification of activities that should be outsourced, for example, contracting experts for market access for poor households, or sustainable resource utilization

#### *Step 5: Implementing the communication strategy*

The implementation of a communication strategy ensures that stakeholders from all level are regularly informed of emerging issues, decisions and lessons learnt during the implementation of benefit sharing

The communication strategy uses a two-way communication approach and is also a valuable tool to promote accountability and transparency

Other dissemination mechanisms are also used such as the local media and websites on the environment, social and power sector organizations in Vietnam

*Step 6: Awareness-building and education*

- BSC contracts organizations to examine the best ways to use the funds from the benefit-sharing to develop livelihoods, improve well-being and the sustainable use of natural resources. This may include preparation of training materials, training workshops, and on-the-job training
- Collaboration with commune and village leaders about follow-up and support

*Step 7: Applications filed by adversely affected households and groups*

- Households and groups decide on the most appropriate use of grants and loans and prepare an application

Households can request support from village leaders and the Commune People's Committee (CPC) to complete the application form

(In Quang Nam, mass associations such as the Youth Union and the Fatherland Front helped households who requested support)

*Step 8: Approval of applications*

- FMB reviews the applications to ensure they are in accordance with the regulations outlined in the Fund Charter
- FMB submits the evaluation on application forms to BSC
- The BSC issues a decision indicated the approved applications and this decision is circulated to all stakeholders
- The CPC and village leaders inform successful households and provide explanation to other households why their applications were not successful. Households have 10 days to issue an objection or complaint

*Step 9: Disbursement*

- The FMB visits the commune headquarters and disburses funds directly to households and groups
- Key stakeholders, such as the BSC, DPC and People's Council, are present at the commune event to observe the transfer of funds. This helps to promote an environment of transparency and accountability

*Step 10: Follow-up - support and monitoring*

- The BSC organizes follow-up technical and management support for households and groups when they implement the models and activities from the benefit sharing funds.
- The CPC monitors the implementation of the funds to ensure they are used for their intended purposes. If there are problems, the CPC will resolve them or report to the FMB.

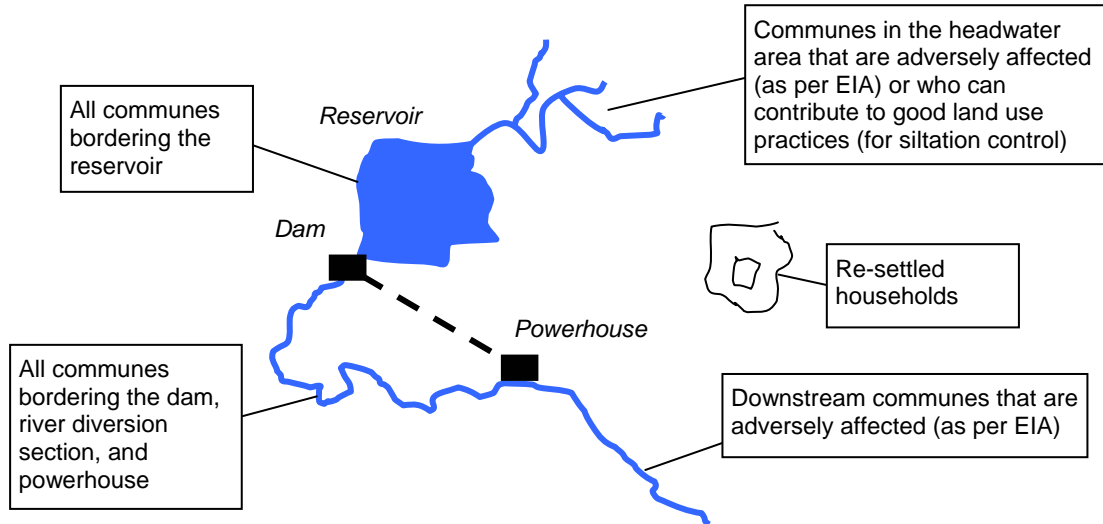
Information about the results is used in the next strategic plan

## 4 Pilot implementation in Quang Nam Province

### 4.1 Rationale

Affected communities in the project impact zone (or '*eligible parties to benefit-sharing*') are indicated in the figure below.

Figure 2: Affected communities



The pilot implementation took place in two communes affected by the A Vuong Hydropower Project, under construction (2009) in Quang Nam Province, Central Viet Nam. Objectives were

- To test and modify the draft guidelines and provide recommendations on further development of legal instruments suited to Vietnamese conditions; and
- to contribute to the sustainability of the A Vuong hydropower project by enhancing the social and environmental components and thereby improve the livelihood opportunities for the most vulnerable groups.

### 4.2 Management framework

The management framework was established and authorized by PPC, Quang Nam. It comprised a Benefit-Sharing Council (BSC) and a Fund Management Board (FMB), with guidance from WWF.

#### The Benefit Sharing Council (BSC)

Chair: Quang Nam PPC

Permanent vice chair: Quang Nam Department of Industry and Trade

Vice chair: Quang Nam Department of Finance

Members: DARD; DONRE; DOLISA; ERAV-MOIT; Ethnic Minority Committee; Dong Giang and Tay Giang District People's Committees; MaCooih and Dang communes; and A Vuong Hydropower Plant

Observers/Strategic partners: EVN and WWF

**The Fund Management Board (FMB)**

Chair: Industrial Projects Management Board under Quang Nam DOIT

Members: Quang Nam DOF; DONRE; DARD; DOLISA; and Ethnic Minority Committee

### 4.3 Implementation

Implementation took place over a period of about a year, as follows:

7 Nov 08:	Quang Nam PPC establishes the Benefit-Sharing Council (BSC) and the Fund Management Board (FMB)
14 May 09:	Quang Nam PPC issues fund charter for A Vuong hydropower scheme
18 Jul 09:	BSC distributes application forms; training of commune coaches and support to applications to complete the application form
15 Aug 09:	Last applications submitted; FMB evaluates the applications
27 Oct 09:	BSC approves detailed grant plan
4 Nov 09:	Award of grants posted at CPC offices; two weeks allocated for complaints
30 Nov 09:	Disbursement

The pilot implementation took place as a compensation as much as a benefit-sharing. Households qualified according to their exposure (notably by re-settlement). The purpose of the support must be explained in the application, but in the end, the eligible applicants received a one-time grant that depended on the size of the household only. In this way, for the purpose of the pilot implementation (which covered the most affected areas), all applications could be approved, but the amounts were adjusted.

The grant for each household was established as

$$25 \text{ USD} + 6 \text{ USD for each household member}^2$$

Hereby, a household with 1 member received 31 USD, while a household with 10 members received 85 USD.

The money is being spent wisely, mostly for investment in livelihoods and production, such as livestock, fish ponds and tree planting.

*Table 1: Disbursements during the pilot implementation*

<b>Commune</b>	<b>No. of households</b>	<b>Total disbursement</b>
Dang	109	5,900 USD
Ma Cooih	373	19,300 USD
Average		52 USD/household

Additional grants were made in support of community development initiatives, as listed below.

<sup>2</sup> Assuming 18,000 VND per USD, roughly reflecting the exchange rate in November 2009

**Grants for entities**

- 1 project proposed by the Farmer's Union of Ma Cooih commune to build a pond for fish raising;
  - 2 projects proposed by Farmer's Unions of each commune for training and capacity building for local people;
  - 1 project proposed by Youth Union of Dang commune to raise pigs.
- Total grant distribution for the 4 projects was about 2,800 USD

Other examples of community development projects were identified in connection with a nearby hydropower project, as listed below.

**Community development projects,  
Khe Dien Hydropower Project, Quang Nam Province**

- Raising kien chicken: 2000 USD
- Bamboo plantation for bamboo shoot: 3,700 USD
- Pomelo plantation: 10,700 USD
- Support to find market for cassava: 70 USD
- Restore silkworms raising: 70 USD
- Cage fisheries in the reservoir
- Contract on forest patrolling

## 5 Mainstreaming of benefit-sharing

Immediate compensation and re-settlement implications in connection with land acquisition are covered by Decree 197/2004/ND-CP.

Long-term benefit-sharing will be covered by a new decree, presently in preparation. This decree is expected to address

- General principles;
- specific implementation modalities;
- sharing of electricity services;
- entitlements to enhanced resource access;
- revenue sharing;
- steps to factor benefit sharing into all stages of the project cycle;
- procedures to adopt during strategic planning and project planning stages;
- procedures to adopt during project planning and feasibility stages;
- procedures to adopt during detailed design and implementation stages;
- procedures related to existing hydropower projects;
- fundamentals of arrangements during the operation phase of hydropower projects; and
- Mechanisms for payments into revenue-sharing funds.

One perspective is to request existing hydropower plants to contribute to a national fund administered by the Electricity Regulatory Authority of Viet Nam.

## 6 Discussion

Benefit-sharing can well be a case of a win-win solution. During project preparation, a credible benefit-sharing can highly facilitate the technical and financial processing by reducing the concerns of affected stakeholders. For the affected communities and households it can turn negative impacts into opportunities). If the benefit-sharing can improve the land use in the headwater areas, hereby reducing siltation in the reservoir and extending its lifetime, it will offer additional substantial advantages.<sup>3</sup>

A particular potential exists in areas with a visible poverty incidence, where significant socio-economic benefits can be achieved at a moderate cost.

The long-term level of benefit-sharing is tentatively expected to be around 2 percent of the net income generated by the operation. This is a fraction of a fraction of the total income and would not affect the economic feasibility of a scheme. Still, the money can go a long way in areas with rural poverty, lack of livelihoods, and limited access to microcredit.

Transparency and credibility are required to achieve the intended results, and the approach described above has been developed with this in mind. A dubious scheme could be worse than nothing.

There is a need of inter-ministerial collaboration regarding access to electricity, domestic water supplies and water for irrigation (which are under three different ministries). Also, aspects such as flood protection and fisheries require inter-sector dialogue.

Although custom-made for hydropower development, the scheme (or a closely similar one) is well suited for other large-scale land acquisitions.

### If you want to know more ...

The internet has a comprehensive (and occasionally critical) coverage of '*Corporate Social Responsibility*' in Asia. See for example [www.csr-asia.com](http://www.csr-asia.com)

ADB has published a comprehensive study-cum-guideline on *involuntary resettlement* (Aug 95) and a draft guideline on monitoring and evaluation of resettlement (Apr 03), both available from [www.adb.org](http://www.adb.org)

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<sup>3</sup> WWF estimates that proper land use can extend the lifetime of the Khe Dien hydropower reservoir (Quang Nam Province) from 13 to 25 years

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