

Social and Environmental Standards for Large Dams

Comparing the Strategic Priorities and Policy Principles of the World Commission on Dams, the Sustainability Guidelines and Sustainability Assessment Protocol of the International Hydropower Association, and the Performance Standards of the World Bank's International Finance Corporation

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Introduction

The dam industry's International Hydropower Association (IHA) has initiated a two-year process called the Hydropower Sustainability Assessment Forum (HSAF) to revise its Sustainability Assessment Protocol (SAP) for hydropower projects. The Protocol was developed in 2006, and is designed to be an audit or assessment tool to operationalize the IHA's 2004 Sustainability Guidelines (SGs). The HSAF process is nearing its halfway point, and to date has consisted of closed meetings of 14 Forum members/observers who were selected by the IHA. A number of predominantly industry and government representatives have been invited to make presentations at HSAF meetings.

Both the original process to develop the IHA sustainability framework and the current HSAF process differ notably from the comprehensive, participatory, and extensive review carried out by the World Commission on Dams (WCD) from 1998 to 2000. The WCD process evaluated the performance of large dams and proposed a new framework for decision-making for the water and energy sectors. While the IHA claims to support the WCD Strategic Priorities and to use them as a reference point for the Sustainability Guidelines, important differences exist between the IHA framework and the WCD Strategic Priorities (SPs) and Policy Principles (PPs).

Additionally, in 2005, the World Bank's private-sector lending arm, the International Finance Corporation (IFC), released new environmental and social Performance Standards (PSs) after a two-year consultative process. These Performance Standards form the basis for the Equator Principles, a set of voluntary environmental and social standards for project finance which have been adopted by more than 60 commercial banks and export credit agencies globally. Although these standards are not specific to hydropower, they are used to determine whether or not projects such as dams meet minimum environmental and social standards and would therefore be eligible for financing from these institutions.

The IHA, as one of the world's most powerful pro-dam lobbies, the IFC and the Equator Banks, as funders of projects such as large dams, and the WCD, as the body responsible for the most comprehensive review of large dams, approach the issue of "sustainable hydropower" from very different perspectives and with different interests in mind. This paper will compare the WCD Strategic Priorities and Policy Principles to the IHA Sustainability Guidelines and Assessment Protocol and the IFC's relevant Performance Standards. The objective of the paper is to identify

gaps between the WCD and the IHA framework that should be addressed in any revised Assessment Protocol emerging from the IHA's HSAF.

Background on the Environmental and Social Standards of the WCD, the IFC and the IHA

The World Commission on Dams' Strategic Priorities and Policy Principles

With support from the World Bank and IUCN, the independent World Commission on Dams was created in May 1998. Its mandate was to review the development effectiveness of dams, and to develop standards and guidelines for future dams. The Commission was chaired by South Africa's water minister Kader Asmal and consisted of 12 members from government, industry, academia, and civil society.

During its two-year lifetime, the WCD commissioned 130 technical papers, studied seven dams and three dam-building countries in great depth, reviewed another 125 dams in less detail, carried out consultations in different parts of the world with 1,400 participants, and accepted 950 submissions from experts and the interested public. Altogether, the WCD reviewed experiences from 1,000 dams in 79 countries.

The WCD concluded that while “dams have made an important and significant contribution to human development,” in “too many cases an unacceptable and often unnecessary price has been paid to secure those benefits, especially in social and environmental terms, by people displaced, by communities downstream, by taxpayers and by the natural environment.” The WCD notes that the “pervasive and systematic failure to assess the range of potential negative impacts and implement adequate mitigation, resettlement and development programmes for the displaced, and the failure to account for the consequences of large dams for downstream livelihoods have led to the impoverishment and suffering of millions... .” It also concludes that dams have had a range of environmental impacts that “are more negative than positive and, in many cases, have led to irreversible loss of species and ecosystems,” while “efforts to date to counter the ecosystem impacts of large dams have met with limited success... .”¹

To improve the development outcomes of water and energy projects, the WCD presented a new framework for decision-making based on recognizing the rights of and assessing the risks to all interested parties. The WCD framework includes seven Strategic Priorities which are each supported by several Policy Principles. A set of 26 Guidelines lays out specific actions for complying with the Strategic Priorities at five key stages of the project development process.

After publishing its final report in November 2000, the WCD disbanded. Yet the WCD framework lives on and has become the most important benchmark for social and environmental standards for building dams. Several governments – including Germany, Nepal, South Africa, Sweden and Vietnam – have organized dialogue processes to integrate WCD recommendations into national policy. The World Bank, export credit agencies and the IHA, while critical of specific recommendations, have all endorsed the WCD Strategic Priorities. The member states of the European Union have decided that carbon credits from large dams can only be sold in the

¹ World Commission on Dams, *Dams and Development: A New Framework for Decision-Making*, Executive Summary, pp. xxvii- xxxvii.

European Trading System if the projects comply with the WCD framework. International Carbon Investors and Services, a group of international banks and other bodies involved in carbon trading, also require WCD compliance for large hydro projects.

Several European governments have employed verification agencies to assess the WCD compliance of hydropower projects from which European companies seek to buy carbon credits. The German government alone has commissioned, approved and disclosed 13 WCD compliance reports for hydropower projects. Unfortunately, these assessments are generally of poor quality, largely due to the validation agency's limited understanding of the WCD framework and apparent conflicts of interest.² Some key European governments are therefore developing a common standard for WCD compliance assessments in a working group at the level of the European Commission.

The International Hydropower Association's Sustainability Guidelines and Sustainability Assessment Protocol

The IHA is a dam industry association founded in 1995. According to its website, the IHA is a “global organization advancing hydropower's role in meeting the world's water and energy needs.” In response to the WCD report, and in recognition of the need to improve the environmental and social performance – and reputation – of large dams, the IHA developed a set of Sustainability Guidelines in 2004. The Sustainability Guidelines were designed “to assist hydropower developers and operators with the evaluation and management of often competing environmental, social and economic issues that arise in the assessment, operation and management of hydropower projects.”³

Two years later, the IHA released a Sustainability Assessment Protocol to enable IHA members and other developers to assess the performance of their dam projects against the Sustainability Guidelines criteria. The Sustainability Guidelines and the subsequent Assessment Protocol were developed and trialed by a few member companies of the IHA that had adopted social and environmental criteria for their own operations, primarily in response to domestic legislative requirements. Both the Guidelines and the Protocol have remained largely internal tools for the dam industry.

The Sustainability Assessment Protocol is divided into three sections: Section A for assessing new energy projects (presumably before a hydropower project has been selected); Section B for assessing proposed hydropower projects; and Section C for assessing hydropower facilities in operation. As Section A is primarily designed to give guidance to governments while assisting developers with preliminary due diligence for new hydropower projects, Sections B and C are the most relevant to dam builders. These sections contain 20 sustainability aspects for which performance is scored from zero to five. Sustainability is measured by a total (or average) score,

² See, for example: “International Rivers' Critique of the Xiaoxi World Commission on Dams Compliance Report,” June 2008, available at: <http://www.internationalrivers.org/en/node/3006>; and “Xiaoxi and Xiaogushan CDM Hydropower Projects: Report from a Field Trip,” November 2008, available at: <http://www.internationalrivers.org/en/node/3555>.

³ International Hydropower Association, *Sustainability Guidelines*, p. 2.

so a dam can be deemed “sustainable” even if it scores very poorly on critical issues – such as resettlement – provided it scores well on other criteria.

In early 2008, the IHA – together with WWF and the Nature Conservancy – launched the Hydropower Sustainability Assessment Forum (HSAF) process. The goal of the HSAF is to produce a revised Sustainability Assessment Protocol that is “broadly endorsed” and can be used to “measure and guide performance in the hydropower sector.”⁴ A key motivation behind the HSAF process is the desire of IHA members to access concessional finance – including through the sale of carbon credits – for hydropower projects with the help of a widely accepted Assessment Protocol.

With support from the governments of Norway, Iceland, and Germany, the HSAF is a two-year initiative involving a series of meetings amongst HSAF members to discuss Protocol issues and a measurement approach, while receiving input from invited experts. The HSAF members are representatives of developed and developing country governments (three each), representatives of financial institutions (one member, with the World Bank as an observer), dam industry representatives (two each) and NGO representatives (two for environmental, two for social). HSAF meetings are closed to other participants, but minutes, papers and presentations are posted to the IHA’s website after each meeting.

The International Finance Corporation’s Performance Standards

The IFC is the private-sector lending arm of the World Bank Group which shares the World Bank’s stated poverty reduction mission. In 2007, IFC approved more than \$11 billion primarily in loans, guarantees and equity investments, approximately one-quarter of which went to support infrastructure investments in the developing world.

In 2003, the IFC initiated a process to develop its own set of private-sector specific environmental and social policies rather than continuing to apply the World Bank’s Safeguard Policies. After four regional multi-stakeholder consultation workshops, a number of other thematic, geographic and sectoral meetings, and two publicly disclosed drafts for comment, the IFC’s Board of Directors approved the final draft of the Performance Standards and an overarching Policy on Environmental and Social Sustainability in 2006. Civil society organizations have criticized the IFC Policy and Performance Standards for being weak in key areas and for their vague, flexible language that leaves important considerations to private-sector clients’ discretion.⁵

The IFC Performance Standards cover a range of issues, including labor and working conditions, community health and safety, pollution prevention and involuntary resettlement. They are designed to help the IFC assess and manage the environmental and social risks of a project seeking IFC financing, as well as to monitor the performance of projects backed by the IFC. The

⁴ IHA HSAF website: http://www.hydropower.org/sustainable_hydropower/HSAF.html.

⁵ See, for example: Halifax Initiative, *One Step Forward, One Step Back: An Analysis of the International Finance Corporation’s Sustainability Policy, Performance Standards and Disclosure Policy*, May 2006, available at: http://www.halifaxinitiative.org/index.php/Reports_Analysis/683.

evaluation of compliance is conducted by IFC staff and submitted to the IFC's Board of Directors before a project is approved.

The IFC Performance Standards have assumed particular importance because more than 60 other financial institutions have adopted them as the benchmark for their own environmental and social guidelines for project finance, called the Equator Principles.

General Comments on the Differences between the WCD, IFC and IHA Frameworks

Approach and language

The WCD framework is based on a “rights and risks” approach – one that recognizes the rights of those affected by water and energy infrastructure development and assesses the risks involved in various stages of planning and project development. It aims to improve decision-making on water and energy development and more equitably share the benefits and costs of these initiatives. The WCD framework addresses the roles of governments, developers, funders, civil society and affected communities. Since the WCD report emerged from an exhaustive evaluation of the experience with large dams, it clearly recognizes the social and environmental problems these projects have caused and provides guidelines for improving the performance of future water and energy developments. The WCD Strategic Priorities and the Policy Principles generally provide clear indications of the standards that are expected to be met.

The IFC Performance Standards are not specific to the hydropower sector. Instead they attempt to provide a general framework for social and environmental risk management for IFC's private-sector clients engaged in a variety of projects in the developing world. The IFC's development mandate and the oversight provided by the governments on its Board of Directors should theoretically ensure that protection of the environment and affected communities – especially vulnerable groups – is central to IFC's sustainability approach. However, the IFC Performance Standards have been criticized by civil society organizations for weaknesses in areas such as human rights, climate change, biodiversity conservation and support for resettlers without formal land title.

The language of the IFC Performance Standards, partly in recognition of their broader application across various sectors and contexts, is vague in certain areas and allows for a more flexible approach. With repeated use of phrases like “as feasible” or “in a manner appropriate,” the IFC Performance Standards provide greater discretion to the private-sector clients to determine what is required to achieve compliance.

The IHA Sustainability Guidelines and Sustainability Assessment Protocol were developed by the hydropower industry for the hydropower industry. While the stated aim of the IHA sustainability framework is to improve the environmental and social performance of hydropower projects, it is undermined by an inherently pro-dam bias and a goal of ensuring that the proposed project is ultimately built. The Sustainability Guidelines and the Assessment Protocol approach the implementation of social and environmental measures in a way that limits the costs to the developer to ensure the financial viability of the project. As an industry-initiated framework, the

IHA Sustainability Guidelines and Assessment Protocol not surprisingly tend to emphasize the benefits of hydropower projects while downplaying their risks.

The IHA Sustainability Guidelines and Assessment Protocol also include vague language in many areas, so that the benchmarks to be met are unclear and largely subjective. Phrases such as “to avoid, *wherever practicable*, serious or irreversible damage to the environment” or “*appropriate* procedures or codes of practice regarding stakeholder participation” are used without a clear explanation as to what “practicable” or “appropriate” means. Some social and environmental requirements are judged to be “implicit” in the IHA provisions. However, the assessment of what is implicit or not is open to differing interpretations. The relationship between the Sustainability Guidelines and the Assessment Protocol is unclear, as they do not address all the same issues nor do they seem to be directly linked. The Protocol itself provides little guidance as a stand-alone document.

Compliance assessment and enforcement

The requirement for dams to meet WCD standards under European Union policy and the policies of financial institutions such as HSBC has created a demand for additional guidance on how to assess WCD compliance. The Guidelines in Chapter 9 of the WCD report are essential to this task. Some governments have also prepared their own checklists and guidelines which are being used by verification agencies. The limitation of this approach – where verification agencies with seemingly little understanding of the WCD framework assess compliance through rapid assessments – was mentioned previously. To improve upon this system, the WCD’s recommendation for compliance to be monitored by independent expert panels convened by an advisory group of all project stakeholders should be implemented.

At least 13 WCD compliance assessments have been made public. Once WCD compliance is assessed, however, there is no body that ensures that compliance is maintained throughout project implementation and operation.

The IFC Performance Standards are meant to be applied and evaluated by IFC staff during both project appraisal and supervision. The assessment relies primarily on information generated by the private-sector client, but also calls for independent assessments and external reviews in certain areas, particularly for high-impact projects (such as large dams). Furthermore, the IFC is ultimately responsible for the due diligence conducted on its investments and the client has a legal responsibility to meet the requirements of the Performance Standards. As a lender, the IFC has an interest in ensuring that the social and environmental risks are known and managed.

Comprehensive assessments of IFC projects’ compliance with the Performance Standards are not released to the public (nor are the assessments of Equator Bank-financed projects’ compliance with the Equator Principles disclosed). The IFC’s Compliance Advisor Ombudsman (CAO) is available to receive complaints from people negatively affected by IFC’s failure to ensure compliance with its Performance Standards.

The IHA Sustainability Assessment Protocol is apparently intended to be applied by the dam developers themselves, or by hired consulting firms based on a rapid assessment of primarily

client- or government-generated information. The Protocol's scoring system – where 20 aspects are scored from zero to five and the average score becomes the rating – results in arbitrary assessments of sustainability that ignore the different importance of various aspects (since all are given equal weight). It is also unclear how compliance with the Protocol continues to be assessed and enforced throughout the various stages of project construction and operation.

According to the IHA, approximately 30 projects have been evaluated using the Assessment Protocol, but only three of these assessments have been disclosed to the public. The non-disclosure of these assessments indicates that little if any feedback from non-industry and non-governmental stakeholders has been sought. The two Protocol Assessments available on the IHA's website (one of which is an academic dissertation) both rate the evaluated hydropower projects as sustainable according to the IHA framework, seemingly without having spoken to any affected people.

Comparison of WCD Strategic Priorities and Policy Principles to the IFC Performance Standards and the IHA Sustainability Guidelines and Sustainability Assessment Protocol

Methods

The WCD Strategic Priorities and Policy Principles are used as the baseline for this comparison, since they have been endorsed by all relevant actors and have widespread acceptance amongst civil society organizations. The IFC Performance Standards and the IHA Sustainability Guidelines and Assessment Protocol were reviewed to identify relevant provisions that address issues raised in the WCD framework. The attached matrix provides a detailed comparison of the three sets of standards. Where the WCD or the IFC standards include provisions that seem to be lacking from the IHA framework, those components are highlighted in bold.

Given the different formats and uses of the three frameworks, a line-by-line comparison of the WCD, the IFC and IHA standards is impossible. The attached matrix, which is summarized below, attempts therefore to illustrate the varying approaches, intentions, and substantive gaps of the IHA framework vis a vis the WCD and the IFC standards. As the WCD and the IHA Sustainability Guidelines and Protocol explicitly focus on river and dam development these are more easily compared. The IFC Performance Standards, on the other hand, apply to investments in a variety of sectors and address dam-related social and environmental risks in more general terms.

Gaining Public Acceptance

Key elements of the WCD Strategic Priority and Policy Principles on public acceptance include the recognition of rights, the assessment of risks, negotiated agreements and decision-making processes based on free, prior, and informed consent where projects affect indigenous and tribal peoples. The WCD considers public acceptance to be “essential” and achieved through “agreements negotiated in an open and transparent process” with affected communities. Access to information and legal assistance to enable stakeholders' informed participation in decision-making processes is required.

The IFC Performance Standards outline requirements for the effective participation of affected communities, such as through processes that are free from “external manipulation, interference, or coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information.” The relevant Performance Standard also states that the views of affected communities should be considered for issues beyond just mitigation measures, including “the sharing of development benefits and opportunities, and implementation issues.”

While the IFC Performance Standard goes further than the IHA Sustainability Guidelines and Assessment Protocol in calling for free, prior and informed “consultation” with affected communities in projects with significant adverse impacts, it stops short of the rights-based approach of the WCD embodied in the requirement for the free, prior and informed consent of indigenous peoples and vulnerable groups. The IFC Policy on Environmental and Social Sustainability, which complements the Performance Standards, also requires that there is community support for the project: “the IFC assures itself that the client’s community engagement is one that involves free, prior, and informed consultation and enables the informed participation of the affected communities, leading to broad community support for the project within the affected communities... .”

The IHA Sustainability Guidelines and Assessment Protocol imply that community acceptance of the project is desirable, but not essential. The IHA guidelines call for participation in decision-making through a process that the community views as “open, fair and inclusive.” Community participation is emphasized primarily in the development and implementation of mitigation measures. Neither the Guidelines nor the Protocol provides guidance as to how to facilitate effective community participation or acceptance, or what would constitute effective participation or acceptance. The IHA framework does not call for free, prior, and informed consent of indigenous or tribal peoples.

Comprehensive Options Assessment

The WCD Strategic Priority and Policy Principles emphasize the importance of a participatory approach to outline “development needs and objectives” before identifying or selecting options for water and energy development. The WCD starts from the premise that “alternatives to dams do often exist” and requires that all projects are evaluated on an equal level, where “social and environmental aspects are given the same significance as technical, economic and financial factors.”

The options assessment envisioned by the WCD is a government- and civil society-led process, not one initiated by energy project developers, or one in which proponents are marketing their project “to demonstrate that their recommended option is sustainable and of net benefit to the community,” as called for in the IHA Sustainability Guidelines. However, it is in the project developer’s interest to ensure that a comprehensive options assessment has been conducted. Where the decision to build a dam has emerged from such a process, that project will enjoy greater public support and legitimacy and likely face fewer social, environmental and financial risks.

The options assessment or Strategic Assessment process referenced in the IHA framework focuses on comparing energy – and more specifically, hydropower – projects, rather than taking an upstream and participatory look at development and water and energy needs overall. While the Assessment Protocol does call for a “demonstrated need for the project” and “evidence that this project is the best option”, most of the provisions related to options and alternatives are biased towards hydropower and focus more narrowly on the location (with preference given to projects on previously developed rivers) and design of the project.

The options assessment proposed by the IHA also factors in social and environmental aspects. However, in contrast to the WCD, the IHA does not emphasize that the social and environmental aspects of a project need to carry the same weight as the economic and technical aspects. Both the WCD and the IHA stipulate that options assessments should give priority to increasing the effectiveness and sustainability of existing facilities before building new plants.

The IFC – as a lender to private-sector developers that gets involved once a particular project has been identified – does not address comprehensive options assessment in its Performance Standards.

Addressing Existing Dams

The WCD Strategic Priority and Policy Principles on addressing existing dams focus on maximizing the performance of the sector overall and fixing outstanding problems before proceeding with new projects. The framework requires a comprehensive system for monitoring and evaluating large dams to optimize their benefits (through rehabilitation, systems upgrades, etc.) and address any social and environmental problems. To ensure these issues are acted upon, the WCD calls for time-bound license requirements and feasibility, environmental and social studies to be carried out for any major changes to the hydropower facility.

Both the IFC and the IHA approach the issue from a project-specific perspective, addressing problems through the environmental and social management system once dams are under construction or in operation. The IFC calls for external experts to verify developers’ monitoring information in projects with significant impacts. Developers are then required to implement necessary “corrective and preventive actions,” but presumably only until the IFC loan is closed.

The IHA Sustainability Guidelines *recommend* independent audits of the implementation of environmental management systems and state that potential problems need to be investigated in a “timely manner” and, “*where required*, the rectification of the problem” should occur. To achieve the highest score, the IHA Assessment Protocol calls for optimum operational efficiency to be achieved and for “compliance with original and current” social and environmental commitments. Neither the Sustainability Guidelines nor the Assessment Protocol requires the identification of all social problems and the development of mechanisms – with the affected communities – to remedy them, as called for by the WCD.

Sustaining Rivers and Livelihoods

In its approach to the long-term sustainability of rivers and livelihoods, the WCD promotes a river basin-wide understanding of the ecosystem's functions to guide decision-making. The WCD Strategic Priority and Policy Principles prioritize the avoidance of negative impacts on river ecosystems, and, only if this is not possible, accept the minimization and mitigation of harm. The WCD also requires the avoidance of "significant impacts on threatened and endangered species" or compensation measures that result in a net gain for species in the region. Only the WCD invokes the principle of "equitable human development" in its call for sustainability.

Unlike the WCD, the IFC Performance Standards do not address issues specifically related to rivers or watersheds. However, the Performance Standards call for the avoidance or reduction of pollution, health impacts, water quality problems and threats to biodiversity that may impact rivers or watersheds as a result of large dam development.

The IHA framework has a narrower focus than the WCD's basin-wide approach. It prioritizes the avoidance or reduction of impacts on endangered species, the environment and human health, but often incorporate disclaimers such as "wherever practicable" or "adequate and suitable." For example, on environmental flows, the IHA states: "operating rules should not only consider the requirements for power supply, but also be formulated, *where necessary and practicable*, to reduce downstream impacts on aquatic species and human activities." Neither the Sustainability Guidelines nor the Assessment Protocol provides clear guidance as to what would be considered necessary or practicable, or what would be required to achieve the highest score.

Recognizing Entitlements and Sharing Benefits

According to the WCD, negotiations with adversely affected people that result in legally enforceable agreements are essential for successful resettlement and development programs. Legal enforceability is required to ensure the accountability of "responsible parties" to implement not only agreed mitigation measures but also benefit sharing arrangements. The WCD Strategic Priority also calls for "accessible legal recourse" at the national and international levels. The WCD Policy Principles specifically state that people affected by the project in the reservoir, upstream, downstream, catchment and construction areas should be included in the impact assessment. Agreements should be negotiated with all these adversely affected people *and* they should be the first to benefit from the project.

The IFC encourages the use of "negotiated settlements" to acquire land rights wherever possible. When indigenous peoples will be relocated, the IFC requires free, prior, informed consultation and good faith negotiation with the affected communities. The IFC Performance Standards say clients should ensure that vulnerable affected people are not "disadvantaged in sharing development benefits" and that development opportunities should be identified. The Performance Standards stop short, however, of requiring benefit sharing.

The IHA puts much less emphasize on negotiations with affected communities and makes no reference to the legal enforceability of these agreements: "a negotiated and agreed outcome is achieved *wherever possible*." The IHA Sustainability Guidelines and Assessment Protocol

encourage but do not require benefit sharing with affected communities, although they state that “communities and/or groups that are impacted by a project should be the first to benefit.”

Ensuring Compliance

The WCD Strategic Priority and Policy Principles propose a clear compliance framework to ensure that parties’ obligations are met “at all critical stages in project planning and implementation.” The WCD also stipulates that compliance should be subject to transparent, independent review. The Strategic Priority notes the importance of both sanctions and incentives to ensure that compliance is achieved, while the Policy Principles specify that binding arrangements should be outlined for project-specific commitments. The WCD framework also requires that compliance costs are built into the project budget, and that pro-active measures are taken to address corruption risks.

The IFC Performance Standards only address compliance with a project’s environmental and social management system, and recommend inspections and audits “where relevant.”

The IHA Sustainability Guidelines and Assessment Protocol emphasize meeting or exceeding legal or regulatory requirements and complying with signed agreements, but do not provide details as to what an overall compliance plan should include and how enforcement would be ensured. The IHA framework does not address sanctions or incentives for compliance, anti-corruption measures, binding arrangements, or the costs of compliance mechanisms. Independent certification is only recommended for the environmental management system, along with “comprehensive auditing that demonstrates compliance with original and current environmental commitments.”

Sharing Rivers for Peace, Development, and Security

Only the WCD framework substantively addresses transboundary and shared river-basin issues. It provides guidance as to how rivers should be shared to support regional co-operation and equitable water allocation. While these recommendations apply primarily to government decision-makers, the WCD Strategic Priority and Policy Principles also call for financiers of transboundary water projects withdraw their support if good faith negotiations between riparians have not been pursued. Despite this recommendation’s direct relevance to both financiers and dam developers, it has not been included in the IFC Performance Standards nor in the IHA framework.

Conclusion

The WCD Strategic Priorities and Policy Principles were developed through an extensive multi-stakeholder review process that was designed to learn from the experiences of the past, incorporate the perspectives of all sides of the debate, and develop a new framework for water and energy decision-making and development. The WCD’s “rights and risks” approach puts

social and environmental concerns at the center of planning and operations. In so doing, the WCD framework offers the most comprehensive sustainability standard for large dam development. Following is a partial list of key WCD recommendations that are not adequately reflected in the IFC or the IHA frameworks:

- Only the WCD requires the free, prior, and informed consent of affected indigenous peoples, as well as the provision of legal support for and the negotiation of agreements with affected people.
- Only the WCD requires a comprehensive, participatory assessment of development needs and options to meet those needs – where environmental and social concerns are given the same significance as other factors – before decisions are taken to proceed with a particular water or energy project.
- Only the WCD requires that dams have time-bound license periods and that issues – including all outstanding social problems – from existing dams are identified and addressed.
- Only the WCD requires a basin-wide approach to decision-making on water and energy projects, including prioritizing developments on tributaries, ensuring a net gain for species, and releasing environmental flows.
- Only the WCD requires legally enforceable agreements with affected people covering both mitigation measures and benefit sharing arrangements, and that adversely affected people in all project areas are the first to benefit.
- Only the WCD requires a clear compliance framework that includes both sanctions and incentives with necessary costs built into the project budget, as well as calls for proactive anti-corruption measures.
- Only the WCD requires negotiations amongst riparian states before the construction of a dam on a shared river.

Any new IHA Assessment Protocol emerging from the HSAF process should incorporate these key components, as well as meet WCD standards in terms of broad, multi-stakeholder participation and consultation, that includes dam-affected people, in both its definition and its application. A revised Assessment Protocol should eliminate vague and non-committal language and ensure transparent, independent, third-party assessments on the basis of objective evidence at multiple stages in the project cycle.

ANNEX - WCD STRATEGIC PRIORITY ONE: GAINING PUBLIC ACCEPTANCE

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p>SP 1: Gaining Public Acceptance Public acceptance of key decisions is essential for equitable and sustainable water and energy resources development. Acceptance emerges from recognizing rights, addressing risks, and safeguarding the entitlements of all groups of affected people, particularly indigenous and tribal peoples, women and other vulnerable groups. Decision-making processes and mechanisms are used that enable informed participation by all groups of people, and result in the demonstrable acceptance of key decisions. Where projects affect indigenous and tribal peoples, such processes are guided by their free, prior and informed consent.</p> <p><u>Policy Principles</u> 1.1 Recognition of rights and assessments of risks are the basis for the identification and inclusion of stakeholders in decision-making on energy and water resources development. 1.2 Access to information, legal and other support is available to all stakeholders, particularly indigenous and tribal peoples, women and other vulnerable groups, to enable their informed participation in decision-making processes. 1.3 Demonstrable public acceptance of all key decisions is achieved through agreements negotiated in an open and transparent process conducted in good faith and with the informed participation of all stakeholders. 1.4 Decisions on projects affecting indigenous and tribal peoples are guided by their free,</p>	<p>PS 1: Social and Environmental Assessment and Management Systems 19. Community engagement is an on-going process involving the client's disclosure of information. When local communities may be affected by risks or adverse impacts from a project, the engagement process will include consultation with them. ...Community engagement will be free of external manipulation, interference, or coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information. 21. If affected communities may be subject to risks or adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the affected communities with opportunities to express their views on project risks, impacts, and mitigation measures, and allows the client to consider and respond to them. Effective consultation: (i) should be based on the prior disclosure of relevant and adequate information, including draft documents and plans; (ii) should begin early in the Social and Environmental Assessment process; (iii) will focus on the social and environmental risks and adverse impacts, and the proposed measures and actions to address these; and (iv) will be carried out on an ongoing basis as risks and impacts arise. The consultation process will be undertaken in a manner that is inclusive and culturally appropriate. The client will tailor its consultation process to the language preferences of the affected communities, their decision-making process, and the needs of disadvantaged or vulnerable groups. 22. For projects with significant adverse</p>	<p><u>Sustainability Guidelines</u> Community acceptance of a project, particularly in its early phases, will greatly assist in the successful implementation of that project. To achieve community acceptance, the following should be undertaken by the proponent and/ or regulatory authorities: 1. Ensure that benefits and costs of the project, including environmental, social and economic are clearly identified, documented and disseminated to stakeholders. 2. Identify stakeholders and impacted communities and provide them with the opportunity to have informed input into the decision making process. The community must view the process as being open, fair and inclusive. 3. Affected stakeholders should participate in the development and implementation of mitigation measures, including the formulation of a Resettlement Plan or Policy. 4. A process for addressing future concerns and risks from the project needs to be outlined to stakeholders at the start of the project. 5. Specifically identify any minority and/or vulnerable groups and ensure that they are adequately represented in any consultation process and are not adversely impacted by the project.... [SG 6.3]</p> <p><u>Sustainability Assessment Protocol</u> Section A: <i>Assessing New Energy Projects</i> Aspect: Community Acceptance; Assessment Requirements (with level of risk ranked according to the following criteria):</p>

<p>prior and informed consent achieved through formal and informal representative bodies.</p>	<p>impacts on affected communities, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation. Informed participation involves organized and iterative consultation, leading to the client’s incorporating into their decision-making processes the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues.</p> <p>The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the affected communities.</p> <p><u>PS 7: Indigenous Peoples</u></p> <p>9. ...In projects with adverse impacts on affected communities of Indigenous Peoples, the consultation process will ensure their free, prior, and informed consultation and facilitate their informed participation on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues...</p>	<ol style="list-style-type: none"> 1. Assessing the strength of community support and the level of community opposition. 2. Assessing the suitability, adequacy, and effectiveness of stakeholder consultation planned or in place. 3. Assessing the suitability and adequacy of plans for future measurement and reporting of sustainability performance. [SAP, A12] <p><i>Section B: Assessing New Hydro Projects</i> Aspect: Community and stakeholder consultation and support. To achieve the highest score (5), achieve the following: high likelihood of community support OR no significant opposition, with a comprehensive stakeholder consultation process planned or in place. [SAP, B7]</p> <p><i>Section C: Assessing Operating Hydropower Facilities</i> Aspect: Community acceptance. To achieve the highest score (5), achieve the following: strong community support OR no significant opposition, through a comprehensive stakeholder consultation process. [SAP, C7]</p>
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ANNEX - WCD STRATEGIC PRIORITY TWO: COMPREHENSIVE OPTIONS ASSESSMENT

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p><u>SP 2: Comprehensive Options Assessment</u> Alternatives to dams do often exist. To explore these alternatives, needs for water, food and energy are assessed and objectives clearly defined. The appropriate development response is identified from a range of possible options. The selection is based on a comprehensive and participatory assessment of the full range of policy, institutional, and technical options. In the assessment process social and environmental aspects have the same significance as economic and financial factors. The options assessment process continues through all stages of planning, project development and operations.</p> <p><u>Policy Principles</u></p> <p>2.1 Development needs and objectives are clearly formulated through an open and participatory process before the identification and assessment of options for water and energy resource development.</p> <p>2.2 Planning approaches that take into account the full range of development objectives are used to assess all policy, institutional, management, and technical options before the decision is made to proceed with any programme or project.</p> <p>2.3 Social and environmental aspects are given the same significance as technical, economic and financial factors in assessing options.</p> <p>2.4 Increasing the effectiveness and sustainability of existing water, irrigation, and energy</p>	<p><i>No requirements for comprehensive options assessment.</i></p>	<p><u>Sustainability Guidelines</u> A Strategic Assessment process allows the high level identification of environmental, social and economic concerns and the resolution of competing needs... It should be a participatory, streamlined process, focused on major issues, using common sense and readily available information, and with short and definite time limits for its completion. [SG 3.2]</p> <p>IHA believes that broad energy option assessment should be the responsibility of national and/or regional governments as part of their energy development strategy. Governments and, where applicable, projects proponents should apply sustainability criteria when comparing project alternatives in order to focus on options that maximize environmental, social and economic benefits and, conversely, eliminate unacceptable alternatives early in the planning process... The sustainability of an option is relevant to the environmental assessment and regulatory approval processes. Proponents need to demonstrate that their recommended option is sustainable and of net benefit to the community. To facilitate this, early engagement with relevant stakeholders on the comparative benefits of feasible options is recommended. [SG 4.1]</p> <p>Key criteria that should be used in comparing various energy options: 1) Assess the options in terms of need against supply-side and demand-side efficiency measures; 2) Assess the options in terms of resource depletion; 3) Assess the option in terms of energy payback ratio; 4) Assess the option in terms of economic viability over the life of the facility; 5) Assess</p>

<p>systems are given priority in the options assessment process.</p> <p>2.5 If a dam is selected through such a comprehensive options assessment process, social and environmental principles are applied in the review and selection of options throughout the detailed planning, design, construction, and operation phases.</p>		<p>the options in terms of the availability and cost of resources over the projected life of the facility; 6) Assess the option in terms of appropriateness of the technology, levels of efficiency and service required; 7) Assess the option in terms of additional or multiple use benefits; 8) Assess the options in terms of poverty reduction through the flow of benefits to local communities via employment, skills development and technology transfer; 9) Assess the option in terms of carbon intensity and greenhouse gas emissions; 10) Assess the option in terms of land area affected and associated aquatic and terrestrial ecological impact; 11) Assess the options in terms of waste products. [SG Table 1]</p> <p><u>Sustainability Assessment Protocol</u> <i>Section A: Assessing New Energy Projects</i> Aspect: Demonstrated need for the project; Assessment Requirements (with level of risk ranked according to the following criteria):</p> <ol style="list-style-type: none"> 1. Completion of an adequate and suitable evaluation of the need for the project. 2. A clearly demonstrated need for the project. 3. Evidence that this project is the best option. <p>[SAP A1]</p>
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ANNEX - WCD STRATEGIC PRIORITY THREE: ADDRESSING EXISTING DAMS

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p><u>SP 3: Addressing Existing Dams</u> Opportunities exist to optimize benefits from many existing dams, address outstanding social issues and strengthen environmental mitigation and restoration measures. Dams and the context in which they operate are not seen as static over time. Benefits and impacts may be transformed by changes in water use priorities, physical and land use changes in the river basin, technological developments, and changes in public policy expressed in environment, safety, economic and technical regulations. Management and operation practices must adapt continuously to changing circumstances over the project's life and must address outstanding social issues.</p> <p><u>Policy Principles</u></p> <p>3.1 A comprehensive post-project monitoring and evaluation process, and a system of longer-term periodic reviews of the performance, benefits and impacts for all existing large dams are introduced.</p> <p>3.2 Programmes to restore, improve and optimize benefits from existing large dams are identified and implemented. Options to consider include rehabilitate, modernize and upgrade equipment and facilities, optimize reservoir operations and introduce non-structural measures to improve the efficiency of delivery and use of services.</p> <p>3.3 Outstanding social issues associated with existing large dams are identified and assessed; processes and mechanisms are development with affected communities to remedy them.</p>	<p><u>PS 1: Social and Environmental Assessment and Management System</u> 3. The client will establish and maintain a Social and Environmental Management System appropriate to the nature and the scale of the project and commensurate with the level of social and environmental risks and impacts. The Management System will incorporate the following elements: (i) Social and Environmental Assessment; (ii) management program; (iii) organizational capacity; (iv) training; (v) community engagement; (vi) monitoring; and (vii) reporting.</p> <p>13. Taking into account the relevant findings of the Social and Environmental Assessment and the result of consultation with affected communities, the client will establish and manage a program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts (the management program).</p> <p>15. The program will define desired outcomes as measurable events to the extent possible, with elements such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. Recognizing the dynamic nature of the project development and implementation process, the program will be responsive to changes in project circumstances, unforeseen events, and the results of monitoring.</p> <p>24. As an element of its Management System, the client will establish procedures to monitor and measure the effectiveness of the management program. In addition to recording information to</p>	<p><u>Sustainability Guidelines</u> Key criteria that should be used in comparing hydro-electric project alternatives: 1) Prioritise upgrading of existing facilities... [SG Table 2]</p> <p>Identification of potential problems during dam monitoring needs to be followed-up in a timely manner with detailed investigations and, where required, the rectification of the problem. [SG 4.4]</p> <p>9. Environmental management systems. It is recommended that all hydropower schemes implement an independently audited environmental management system. An environmental management system should allow for effective management of the range of environmental issues associated with the on-going operation of the hydropower scheme. The associated monitoring programs and environmental plans should ensure a program of continuous improvement in environmental management over the life of the project. [SG Table 3]</p> <p><u>Sustainability Assessment Protocol</u> <i>Section B: Assessing New Hydro Projects</i> Aspect: Environmental impact assessment and management system. To receive the highest score (5), achieve the following: strong community and regulator support for any actual or planned mitigation, compensation, and/or enhancement strategies with comprehensive environmental impact assessment process in place, comprehensive environmental management system, which will be independently certified to a relevant international standard, is planned for both the</p>

<p>3.4 The effectiveness of existing environmental mitigation measures is assessed and unanticipated impacts identified; opportunities for mitigation, restoration and enhancement are recognized, identified and acted on.</p> <p>3.5 All large dams have formalised operating agreements with time-bound licence periods; where re-planning or re-licensing processes indicate that major physical changes to facilities or decommissioning, may be advantageous, a full feasibility study and environmental and social impact assessment is undertaken.</p>	<p>track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. For projects with significant impacts that are diverse, irreversible or unprecedented, the client will qualified and experienced external experts to verify its monitoring information. The extent of monitoring should be commensurate with project's risks and impacts and with the project's compliance requirements. Monitoring should be adjusted according to performance experience and feedback. The client will document monitoring results, and identify and reflect the necessary corrective and preventive actions in the amended management program. The client will implement these corrective and preventive actions, and follow up on these actions to ensure their effectiveness.</p>	<p>construction and operational phases of the project. [SAP B13]</p> <p><i>Section C: Assessing Operating Hydropower Facilities</i></p> <p>Aspect: Operational efficiency. To receive the highest score (5), achieve the following: optimum practicable efficiency in management of the hydrological resource, the power station assets, and the network assets. [SAP C5]</p> <p>Aspect: Social commitments. To receive the highest score (5), achieve the following: comprehensive identification of relevant social issues and incorporation into commitments, comprehensive compliance with original and current social commitments, and meets or exceeds any regulatory requirements or stakeholder agreements with comprehensive social management planning that is independently endorsed. [SAP C13]</p> <p>Aspect: Environmental commitments and management. To receive the highest rating (5), achieve the following: comprehensive compliance with original and current environmental commitments and exceed regulatory requirements in several areas, with comprehensive environmental management system that is independently certified to a relevant international standard and comprehensive auditing that demonstrates compliance with original and current environmental commitments. [SAP C15]</p>
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ANNEX - WCD STRATEGIC PRIORITY FOUR: SUSTAINING RIVERS AND LIVELIHOODS

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p><u>SP 4: Sustaining Rivers and Livelihoods</u> Rivers, watersheds and aquatic ecosystems are the biological engines of the planet. They are the basis for life and the livelihoods of local communities. Dams transform landscapes and create risks of irreversible impacts. Understanding, protecting and restoring ecosystems at river basin level is essential to foster equitable human development and the welfare of all species. Options assessment and decision-making around river development prioritises the avoidance of impacts, followed by the minimisation and mitigation of harm to the health and integrity of the river system. Avoiding impacts through good site selection and project design is a priority. Releasing tailor-made environmental flows can help maintain downstream ecosystems and the communities that depend on them.</p> <p><u>Policy Principles:</u> 4.1 A basin-wide understanding of the ecosystem’s functions, values and requirements, and how community livelihoods depend on and influence them, is required before decisions on development options are made.</p> <p>4.2 Decisions value ecosystems, social and health issues as an integral part of project and river basin development and prioritise avoidance of impacts in accordance with a precautionary approach.</p> <p>4.3 A national policy is developed for maintaining selected rivers with high ecosystem functions and values in their natural state. When reviewing alternative</p>	<p><u>PS 3: Pollution Prevention and Abatement</u> 3. During the design, construction, operation and decommissioning of the project (the project life-cycle) the client will consider ambient conditions and apply pollution prevention and control technologies and practices (techniques) that are best suited to avoid or, where avoidance is not feasible, minimize or reduce adverse impacts on human health and the environment while remaining technically and financially feasible and cost-effective. ...</p> <p>9. To address adverse project impacts on existing ambient conditions, the client will: (i) consider a number of factors, including the finite assimilative capacity of the environment, existing and future land use, existing ambient conditions, the project’s proximity to ecologically sensitive or protected areas, and the potential for cumulative impacts with uncertain and irreversible consequences; and (ii) promote strategies that avoid or, where avoidance is not feasible, minimize or reduce the release of pollutants, including strategies that contribute to the improvement of ambient conditions when the project has the potential to constitute a significant source of emissions in an already degraded area. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.</p> <p><u>PS 4: Community Health, Safety and Security</u> 4. The client will evaluate the risks and impacts to the health and safety of the affected community during the design, construction, operation, and decommissioning of the project and will establish preventive measures to address them in a manner commensurate with the identified risks and impacts. These measures will favor the prevention or</p>	<p><u>Sustainability Guidelines</u> As part of its commitment to sustainable development, IHA supports the values of eco-efficiency and a precautionary approach to environmental management...In the application of this approach, public and private decisions should be guided by: evaluation to avoid, wherever practicable, serious or irreversible damage to the environment; consideration of need for electricity and a reliable water supply to alleviate poverty and enhance living standards; and an assessment of the risks associated with various options. [SG 2.2, 2.2.2]</p> <p>Key criteria that should be used in comparing hydroelectric project alternatives: 1) Prioritise upgrading of existing facilities. 2) Prioritise alternatives that have multiple-use benefits. 3) Prioritise alternatives on already developed river basins. 4) Prioritise alternatives that minimise the area flooded per unit of energy (GWh) produced. 5) Prioritise alternatives that maximise opportunities for, and do not pose significant unsolvable threats to, vulnerable social groups. 6) Prioritise alternatives that enhance public health and/or minimise public health risks. 7) Prioritise alternatives that minimise population displacement. 8) Prioritise alternatives that avoid exceptional natural and human heritage sites. 9) Prioritise alternatives that have lower impacts on rare, vulnerable or threatened species, maximise habitat restoration and protect high quality habitats. 10) Prioritise alternatives that can achieve or complement community-supported objectives in downstream areas. 11) Prioritise alternatives that have associated catchment management benefits and lower sedimentation or erosion</p>

<p>locations for dams on undeveloped rivers, priority is given to locations on tributaries.</p> <p>4.4 Project options are selected that avoid significant impacts on threatened and endangered species. When impacts cannot be avoided, viable compensation measures are put in place that will result in a net gain for the species within the region.</p> <p>4.5 Large dams provide for releasing environmental flows to help maintain downstream ecosystem integrity and community livelihoods and are designed, modified and operated accordingly.</p>	<p>avoidance of risks and impacts over minimization and avoidance.</p> <p>9. The client will also avoid or minimize adverse impacts due to project activities on soil, water, and other natural resources used by the affected communities.</p> <p>10. The client will prevent or minimize the potential for community exposure to water-borne, water-based, water-related, vector-borne disease and other communicable diseases that could result from project activities. Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project life cycle to improve environmental conditions that could help reduce their incidence.</p> <p><u>PS 6: Biodiversity Conservation and Sustainable Natural Resource Management</u></p> <p>10. In areas of critical habitat [which includes habitat required for the survival of critically endangered or endangered species; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities], the client will not implement any project activities unless the following requirements are met: there are no measurable adverse impacts on the ability of the critical habitat to support the established population of species [described above] or the functions of the critical habitat [described above].</p>	<p>risks. [SG Table 2]</p> <p>Optimising environmental outcomes for hydropower schemes: 1) Water quality (includes various mitigation options and strategies); 2) Sediment transport and erosion (includes various mitigation options and strategies); 3) Downstream hydrology and environmental flows (includes various mitigation options and strategies); 4) Rare and endangered species (includes various mitigation options and strategies); 5) Passage of fish species (includes various mitigation options and strategies); 6) Pest species within the reservoir (includes various mitigation options and strategies); 7) Health issues (includes various mitigation options and strategies); 8) Construction activities (includes various mitigation options and strategies); and 9) Environmental management system (includes various mitigation options and strategies). [SG Table 3]</p> <p><u>Sustainability Assessment Protocol</u> <i>Section A: Assessing New Energy Projects</i> Aspect: Extent and severity of social, economic, and cultural impacts on directly affected stakeholders. Assessment Requirements (with level of risk ranked according to the following criteria):</p> <ol style="list-style-type: none"> 1. Measuring the level of social, economic, and cultural impacts on directly affected stakeholders (including vulnerable social groups). 2. Assessing the likelihood of solving those economic, social and cultural impacts. 3. Measuring the requirement for resettlement, and the acceptance and effectiveness of any resettlement program. 4. Measuring the identification of opportunities for social or cultural enhancement programs, and the likelihood of implementation and effectiveness of these programs.
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ANNEX - WCD STRATEGIC PRIORITY FIVE: RECOGNIZING ENTITLEMENTS AND SHARING BENEFITS

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p>SP 5: Recognizing Entitlements and Sharing Benefits Joint negotiations with adversely affected people result in mutually agreed and legally enforceable mitigation and development provisions. These provisions recognize entitlements that improve livelihoods and quality of life, and affected people are beneficiaries of the project. Successful mitigation, resettlement and development are fundamental commitments and responsibilities of the State and the developer. They bear the onus to satisfy all affected people that moving from their current context and resources will improve their livelihoods. Accountability of responsible parties to agreed mitigation, resettlement and development provisions is ensured through legal means, such as contracts, and through accessible legal recourse at national and international level.</p> <p><u>Policy Principles</u></p> <p>5.1 Recognition of rights and assessment of risk is the basis for identification and inclusion of adversely affected stakeholders in joint negotiations on mitigation, resettlement and development related decision-making.</p> <p>5.2 Impact assessment includes all people in the reservoir, upstream, downstream and in catchment areas whose properties, livelihoods and non-material resources are affected. It also includes those affected by dam related infrastructure such as canals, transmission lines and resettlement developments.</p>	<p>PS 1: Social and Environmental Assessment and Management System 12. As part of the Assessment, the client will identify individuals and groups that may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status. Where groups are identified as disadvantaged or vulnerable, the client will propose and implement measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.</p> <p>PS 5: Land Acquisition and Involuntary Resettlement 3. Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to remove people forcibly. Negotiated settlements can usually be achieved by providing fair and appropriate compensation and other incentives or benefits to affected persons or communities, and by mitigating the risks of asymmetry of information and bargaining power. Clients are encouraged to acquire land rights through negotiated settlements wherever possible, even if they have the legal means to gain access to the land without the seller’s consent.</p> <p>12. ... The plan or framework will be designed to mitigate the negative impacts of displacement, identify development opportunities, and establish the entitlements of all categories of affected persons (including host communities), with particular attention paid to the needs of the poor and vulnerable. ...</p> <p>13. In the case of Type II transactions (negotiated</p>	<p><u>Sustainability Guidelines</u> Local communities are impacted by the change associated with new hydro projects. To be sustainable, these schemes need to recognize entitlements and share benefits with directly affected people. The goal should be to ensure that all individuals and communities affected by developments gain sustainable benefits. [SG 6]</p> <p>When developing hydropower projects, governments and proponents should aim to achieve the following outcomes: 1) Providing affected communities with improved living conditions. 2) Improving public health conditions for impacted communities. 3) Ensuring equitable distribution of the benefits of the project, particularly to affected and vulnerable communities, through processes such as revenue sharing, training programmes and educational outreach. 4) Ensuring that local knowledge of communities and stakeholders is utilised in project planning. 5) Supporting additional community infrastructure associated with the project, particularly water and electricity connection, where positive benefits to the community will result. 6) Ensuring that displacement is dealt with in a fair and equitable manner. The broad guidelines required to address displacement are: ... to plan the resettlement thoroughly, where displacement is necessary, ensuring that adequate resources are available to enable the displaced groups to share in the benefits of the project... [SG 6.2]</p> <p>The project proponent should ensure that: adequate consultation is undertaken, with relevant local, regional and national agencies</p>

<p>5.3 All recognised adversely affected people negotiate mutually agreed, formal and legally enforceable mitigation, resettlement and development entitlements.</p> <p>5.4 Adversely affected people are recognised as first among the beneficiaries of the project. Mutually agreed and legally protected benefit sharing mechanisms are negotiated to ensure implementation.</p>	<p>settlements) involving economic (but not physical) displacement of people, the client will develop procedures to offer the affected persons and communities compensation and other assistance that meet the objectives of this Performance Standard. The procedures will establish the entitlements of affected persons or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. ...</p> <p><u>PS7: Indigenous Peoples</u> 10. The client will seek to identify, through the process of free, prior, informed consultation with the informed participation of the affected communities of Indigenous Peoples, opportunities for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of project impacts, with the aim of improving their standard of living and livelihoods in a culturally appropriate manner, and to fostering the long-term sustainability of the natural resource on which they depend. The client will document identified development benefits consistent with the requirements of paragraphs 8 and 9, and provide them in a timely and equitable manner.</p> <p>14. ...If such relocation is unavoidable, the client will not proceed with the project unless it enters into good faith negotiation with the affected communities of Indigenous Peoples, and documents their informed participation and the successful outcome of the negotiation. ...</p>	<p>consulted, and any legislation, regulations, codes of practice or other guidelines of government agencies complied with; impacts on the community, stakeholders and the environment are identified and that stakeholders are informed about the project and the implications for them, as well as being regularly consulted throughout the planning and implementation phases; stakeholders who may be affected by the project are provided with the opportunity to be represented during the different phases of project development; those communities or individuals affected by the project are compensated for impacts caused by the project; the proposed project is the best alternative, following the consideration of relevant stakeholder concerns; a negotiated and agreed outcome is achieved wherever possible; and the community and environmental resources are managed in a sustainable way, and on-going monitoring and liaison with local community groups continues through the life of the project. [SG 6.3]</p> <p>Community acceptance of a project, particularly in its early phases, will greatly assist in the successful implementation of that project. To achieve community acceptance, the following should be undertaken by the proponent and/ or regulatory authorities: ... 6) Communities and/or groups that are impacted by a project should be the first to benefit. These groups should also participate in the identification, planning and distribution of benefits. [SG 6.3]</p> <p><u>Sustainability Assessment Protocol</u> <i>Section A: New Energy Projects</i> Aspect: Additional benefits and capacity building. Assessment Requirements (with level of risk ranked according to the following criteria):</p> <ol style="list-style-type: none"> 1. Assessing the range and value of the benefits to be delivered. 2. Demonstrating that benefits will be
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		<p>delivered to both affected stakeholders and the broader community.</p> <ol style="list-style-type: none"> 3. Determining how much uncertainty is there in planning about the benefits that can be delivered. 4. Identifying gaps in planning. 5. Assessing assistance in local employment creation, especially in relation to disadvantaged groups. <p>[SAP A9]</p> <p><i>Section B: Assessing New Hydro Projects</i> Aspect: Additional economic benefits. To receive the highest score (5), achieve the following: project delivers large range of high value benefits to directly affected stakeholders and the broader community with planning in place and a high level of confidence that benefits can be delivered. [SAP B3]</p> <p>Aspect: Predicted extent and severity of economic and social impacts on directly affected stakeholders. To receive the highest score (5), achieve the following: No impacts through to moderate impacts, high confidence that directly affected stakeholders will not be economically, socially or culturally disadvantaged with a planned avoidance or planned comprehensive mitigation/compensation/enhancement program. [SAP B9]</p> <p><i>Section C: Assessing Operating Hydro Facilities</i> Aspect: Directly affected stakeholders (including the local community). To receive the highest score (5), achieve the following: directly affected stakeholders (including vulnerable social groups) have not been socially or culturally disadvantaged; significant social and cultural enhancements have resulted from the project; and no significant opposition, OR strong local community support for compensation and enhancement programs. [SAP C14]</p>
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ANNEX - WCD STRATEGIC PRIORITY SIX: ENSURING COMPLIANCE

<p>WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i></p>	<p>IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i></p>
<p><u>SP 6: Ensuring Compliance</u> Ensuring public trust and confidence requires that governments, developers, regulators and operators meet all commitments made for the planning, implementation and operation of dams. Compliance with applicable regulations, criteria and guidelines, and project-specific negotiated agreements is secured at all critical stages in project planning and implementation. A set of mutually reinforcing incentives and mechanisms is required for social, environmental and technical measures. These should involve an appropriate mix of regulatory and non-regulatory measures, incorporating incentives and sanctions. Regulatory and compliance frameworks use incentives and sanctions to ensure effectiveness where flexibility is needed to accommodate changing circumstances.</p> <p><u>Policy Principles</u></p> <p>6.1 A clear, consistent and common set of criteria and guidelines to ensure compliance is adopted by sponsoring, contracting and financing institutions and compliance is subject to independent and transparent review.</p> <p>6.2 A Compliance Plan is prepared for each project prior to commencement, spelling out how compliance will be achieved with relevant criteria and guidelines and specifying binding arrangements for project-specific technical, social and environmental commitments.</p> <p>6.3 Costs for establishing compliance mechanism and related institutional</p>	<p><u>PS 1: Social and Environmental Assessment and Management Systems</u> 24. As an element of its Management System, the client will establish procedures to monitor and measure the effectiveness of the management program. In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. ...</p>	<p><u>Sustainability Guidelines</u> Operators of hydro-electric schemes should have processes in place to ensure compliance with all relevant laws, policies, permits, agreements and codes of practice for the jurisdictions in which they operate. These may include, but are not limited to: Environmental protection legislation; Conservation and threatened species legislation; Cultural heritage and indigenous rights legislation; Resettlement and compensation regulations and/or agreements; Occupational health and safety legislation; National, regional and local government policies; International agreements and protocols; Corporate law requiring financial and environmental reporting; Relevant international laws, conventions and protocols; and Voluntary commitments and signed agreements. [SG 4.5.1]</p> <p><u>Sustainability Assessment Protocol</u> <i>Section C: Assessing Operating Hydro Facilities</i> Aspect: Social commitments. To receive the highest score (5), achieve the following: comprehensive identification of relevant social issues and incorporation into commitments; comprehensive compliance with original and current social commitments; meets or exceeds any regulatory requirements or stakeholder agreements with comprehensive social management planning that is independently endorsed. [SAP C13]</p> <p>Aspect: Environmental commitments and management. To receive the highest score (5), achieve the following: comprehensive compliance with original and current</p>

<p>capacity, and their effective application, are built into the project budget.</p> <p>6.4 Corrupt practices are avoided through enforcement of legislation, voluntary integrity pacts, debarment, and other instruments.</p> <p>6.5 Incentives that reward project proponents for abiding by criteria and guidelines are developed by public and private financial institutions.</p>		<p>environmental commitments and exceeds regulatory requirements in several areas with a comprehensive environmental management system that is independently certified to a relevant international standard and comprehensive auditing that demonstrates compliance with original and current environmental commitments. [SAP C15]</p>
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ANNEX - WCD STRATEGIC PRIORITY SEVEN: SHARING RIVERS FOR PEACE, DEVELOPMENT AND SECURITY

WCD Strategic Priority (SP) and Policy Principles (PPs) <i>Bold text indicates key requirements that are lacking in the IHA SGs and SAP</i>	IFC Performance Standards (PSs) <i>Relevant aspects; bold text indicates requirements that are lacking in the IHA SGs and SAP</i>	IHA Sustainability Guidelines (SGs) and Sustainability Assessment Protocol (SAP) <i>Relevant aspects</i>
<p><u>SP 7: Sharing Rivers for Peace, Development and Security</u> Storage and diversion of water on transboundary rivers has been a source of considerable tension between countries and within countries. As specific interventions for diverting water, dams require constructive co-operation. Consequently, the use and management of resources increasingly becomes the subject of agreement between States to promote mutual self-interest for regional co-operation and peaceful collaboration. This leads to a shift in focus from the narrow approach of allocating a finite resource to the sharing of rivers and their associated benefits in which States are innovative in defining the scope of issues for discussion. External financing agencies support the principles of good faith negotiations between riparian States.</p> <p><u>Policy Principles:</u></p> <p>7.1 National water policies make specific provision for basin agreements in shared river basins. Agreements are negotiated on the basis of good faith among riparian States.</p> <p>7.2 Riparian States go beyond looking at water as a finite commodity to be divided and embrace an approach that equitably allocates not the water, but the benefits that can be derived from it. Where appropriate, negotiations include benefits outside the river basin and other sectors of mutual interest.</p> <p>7.3 Dams on shared rivers are not built in cases where riparian States raise an objection that is upheld by an independent</p>	<p><i>No requirements addressing transboundary water issues.</i></p>	<p><u>Sustainability Guidelines</u> IHA also supports resolution of issues between nations where river basins cross national boundaries. This should be achieved through collaborative decision-making, under a framework of shared water management policy. Coordination of river basin research and policy development can be facilitated by multi-lateral agencies. An example of such an agency is the Mekong River Commission. [SG 3.2]</p>

<p>panel. Intractable disputes between countries are resolved through various means of dispute resolution including, in the last instance, the International Court of Justice.</p> <p>7.4 For the development of projects on rivers shared between political units within countries, the necessary legislative provision is made at national and subnational levels to embody the Commission's strategic priorities of 'gaining public acceptance', 'recognising entitlements' and 'sustaining rivers and livelihoods'.</p> <p>7.5 Where a government agency plans or facilitates the construction of a dam on a shared river in contravention of the principle of good faith negotiations between riparians, external financing bodies withdraw their support for projects and programmes provided by that agency.</p>		
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