

## LONG WORKSHOP REPORT FORM

**Number and title of workshop:** WS # 2.6 Focusing on Integrity and Accountability to Strengthen Sustainability of Hydroelectric Projects

**Coordinator:** Dr. Donal O'Leary, Senior Advisor, Transparency International

**Date and time:** 12 November 2010; 17.30 to 19.30

**Moderator:** Mr. Jeremy Bird, CEO Mekong River Commission Secretariat, Vientiane, Laos

**Rapporteur:** Dr. Erik Nielsen, Manager African Programmes, Water Integrity Network, Berlin, Germany

**Panellists** (Name, institution, title)

Dr. Joerg Hartmann, Leader of the Dams Initiative, World Wide Fund for Nature, Frankfurt, Germany

Dr. Donal O'Leary, Senior Advisor, Transparency International, Berlin, Germany

Prof. Shi Guoqing, Professor and Director of National Research Center for Resettlement and Social Development Institute, Hohai University, Nanjing, China

Mr. Jean-Michel Devernay, Vice President, International Hydropower Association, London, UK

Dr. Tira Foran, Social Science Research, CSIRO, Canberra, Australia

**Summary (300 words)**

This Workshop focused specifically on the 2010 Hydro Sustainability Assessment Protocol (HSAP), an industry lead multi-stakeholder process to update the existing HSAP, which was developed and published in 2006 by the International Hydropower Association (IHA).

The new protocol results based upon a two-year process under the leadership of the Hydropower Sustainability Assessment Forum (HSAF), which includes representatives of Western Governments (Germany, Iceland and Norway), Southern Governments (China and Zambia), financing institutions (Equator Banks and the World Bank), civil society (The Nature Conservancy, Oxfam, TI and WWF) and the IHA. The Forum aims to establish a broadly-endorsed sustainability assessment to measure and guide performance in the hydropower sector. In the course of its deliberations the Forum has met and reached out to local stakeholders in Brazil, China, France, Iceland, Turkey, and the USA. To date, consultations and trials on the Protocol have occurred in 24 and 20 countries respectively.

The Protocol consists of four sections (Strategic Assessment; Project Preparation; Project Implementation and Project Operation) that are designed as "stand alone" assessment tools applied at particular stages of the project life cycle. Within each Protocol section, is a set of topics important to forming a view on the overall sustainability of that project in the life cycle. Topics when taken together provide a list of issues that must be considered to confidently

assess the overall sustainability of a hydropower project. Topics can be further grouped according to perspective, including development; governance; technical issues; financial and economics; and environment and social issues.

Throughout the process, there has been a consistent approach to addressing corruption and other governance issues related to hydropower development as well as the realization of the importance of promoting integrity and accountability as part of an inclusive strategy to sustainable hydropower development. Within its overall objectives; this workshop brings together a representative of IHA, members of the Forum members and a representative of a regional organization involved in trailing the Protocol to: (a) present the final version of the Protocol; (b) to debate its usefulness in promoting sustainable hydropower development; and (c) to discuss the next strategic steps to assure wider adoption and use of the Protocol.

### **Summary of presentations (300 words per panellist)**

#### **Mr. Jean-Michel Devernay, Vice President, International Hydropower Association**

The speaker provided a clear and concise overview of the HSAP, including its role, primary components, methodological process, and how the Protocol can improve the overall long-term sustainability of hydropower projects. In addition, the workshop panel highlighted the importance of how the Protocol can save human, financial and environmental resources in the short and long term. Overall, the workshop provided key information to a non-technical audience in an accessible manner. However, it was highlighted that while the Protocol can provide a useful and comprehensive framework for hydropower planning, it was noted that it should not be considered a panacea for eliminating conflict and corruption.

In addition, he highlighted the critical importance of addressing corruption and integrity concerns within the energy sector, particularly within the hydro-electric sector. The hydropower sector can be subject to “grand” corruption risks in all phases of project preparation, implementation and operation, and the audience was provided with concrete examples of corruption and corruption risks within the sector, from different parts of the world. Specific examples of corruption highlighted included the awarding of concessions, contracting, or the misuse of project revenue during operation.

#### **Dr. Joerg Hartmann, Leader of the Dams Initiative, World Wide Fund for Nature**

The second speaker underscored the critical importance of planning and “getting the project right” and “getting the right project”. It is key to avoid overspending, underperformance and delays, as well as avoiding wrong locations, and improving design and operation rules. Hartmann drew attention to the complex array of causes responsible for poor dam construction and operation, but then highlighted how they can be directly addressed, including the utilization of better planning tools, increased transparency, participation, independent review and assessment, competition and accountability.

#### **Prof. Shi Guoqing, Professor and Director of National Research Center for Resettlement and Social Development Institute**

In his presentation, Professor Shi focused on the Protocol's treatment of social sustainability issues and particularly on involuntary resettlement (IR), which can account for 10%-70% of project costs. In pointing out that hydropower projects had led to the impoverishment of affected populations in many countries, the speaker recommended that this risk be addressed by incorporating IR in all stages of project planning, preparation, implementation and operation. In noting that the Protocol proposed combining the evaluation of environmental impact assessments (EIAs) and social impact assessments (SIAs) as well as environmental management (EM) and social management (SM) plans, the speaker pointed out that this was ‘totally unacceptable from the issues and stakeholders focus, perspective, professional skills, institution capacity, governmental authority's responsibility etc’ While underscoring the propensity of IR to corruption, the speaker pointed out that this risk could be ameliorated by rigorous IR Planning, management, administration and follow-up internal and external monitoring, supervision and auditing.

#### **Dr. Tira Foran, Social Science Research, CSIRO**

This presentation focused on the applicability of the 2009 HSAP to electricity planning in the Mekong Region (Cambodia, Thailand and Viet Nam). It was assumed that aquatic

ecosystems in the Mekong region are critically important for less privileged people and that Thailand's electricity planners can and should consider the distributional and ecological consequences of planning choices on a Mekong regional scale. The presentation focused on 4 governance issues. (a) the structure of electricity industry; (b) the bottom-up model of hydropower development; (c) improvement of state regulation (integrity; capacity and participation) and (d) the role of public interest assessment. The 2009 HSAP was not an easy tool to use and in many instances, a cumbersome tool that lacked user-friendliness. Many indicators were not clearly specified, requiring careful interpretation before they could be used. The assessment was time consuming and resource intensive, partly because we felt there were multiple processes that deserved to be assessed.

NB. Taking into account the comments received on the 2009 Protocol, a lot of work has been undertaken to streamline the 2010 version of the Protocol and make it more user friendly.

**Dr. Donal O'Leary, Senior Advisor, Transparency International**

The final presentation ( 'Á Governance Perspective on the Hydro Sustainability Assessment Protocol (HSAP)) took as its starting point the hydropower corruption risks set out in the Global Corruption Report 2008: Corruption in the Private Sector. It then identifies a number of existing proven corruption tools at the national, sectoral, institutional and project level, including, for example, Integrity Pacts. The presentation then discussed in some detail, where governance issues were covered in each of the four Protocol stages: guidance is provided on external governance, political risk, corruption risk and ethical business practices. Detailed advice was provided on communications and consultation and procurement. The presentation concluded with some pointers on how TI Chapters could be involved in Phase II of the HSAP.

**Main Outputs (200 words, narrative form)**

It was proposed that TI Chapters and Water Integrity Network members become more engaged in the future stages of formal and informal testing and applying the Protocol. There would be opportunities for interested TI Chapters to develop relevant Case Studies as well as being trained as Assessors in applying the Protocol to 'real' projects.

**Recommendations, Follow-up Actions (200 words narrative form)**

There were three key follow-up actions discussed and subsequently proposed for action during the workshop; this include:

1. Track the effectiveness of the Protocol in conjunction with the planned 25+ trials over the coming 2/3 years.
2. Undertaking/Facilitating jointly of a National Water Integrity Study focusing on the Hydropower Sector/Water for Energy.
3. The workshop encouraged and recommended that TI national chapters and Water Integrity Network members situated in Latin America, Africa, and Asia become more directly engaged to address corruption risks in the hydropower sector.

**Highlights and Concluding Thoughts (200 words please include interesting quotes)**

“The most effective planner is... the one who can cloak advocacy in the guise of scientific or technical rationality.” WACHS 1989 (this quote was referenced in the workshop)

“It is a starting point for a sustainability discussion” Tira Foran

“This process has demonstrated that many people can find common ground and common language” Jeremy Bird

“Sunlight (information disclosure) is very important” Joerg Hartmann

“Sustainable hydropower can be a reality” Donal O’Leary

The critical importance of employing a multi-stakeholder approach to address anti-corruption and inter-related long-term sustainability needs in hydropower projects was practically showcased. Specifically, the workshop examined how and why different stakeholders, including governments, regulators, the private sector, financial institutions, development partners, civil society as well as local communities, can collectively and effectively contribute to minimize corruption risks in hydropower projects. However, it was highlighted that multi-stakeholder engagement is often a complex and a time consuming process.

**Signed and date submitted**

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