



Mekong River Commission Secretariat
MRC Initiative for Sustainable Hydropower

National-to-Local Benefit Sharing Options for Hydropower on Mekong Tributaries



Regional Synthesis Paper
Draft Executive Summary



Mekong River Commission (MRC)`s Initiative on Sustainable Hydropower (ISH)`s Activity ISH13

“National-to-Local benefit sharing options for hydropower on Mekong tributaries evaluated by 2013”

DRAFT EXECUTIVE SUMMARY

Note: This is the Draft Executive Summary to the main Regional Synthesis Paper: **“Benefit sharing options for hydropower on Mekong Tributaries evaluated by 2013”**. It should be read in conjunction with the main paper.

Furthermore, please note that in the context of the Mekong River Commission (MRC)`s Initiative on Sustainable Hydropower (ISH)`s Activity ISH13 “Benefit sharing options for hydropower on Mekong Tributaries evaluated by 2013” the following set of papers was prepared:

- Regional Synthesis Paper
- Regional Synthesis Paper Annex Volume
- Executive Summary to the Regional Synthesis Paper
- Cambodia National Discussion Paper + Annex Volume
- Lao PDR National Discussion Paper + Annex Volume
- Thailand National Discussion Paper + Annex Volume
- Vietnam National Discussion Paper + Annex Volume

Preface

According to the Basin Development Strategy (BDS) the Mekong River Commission (MRC) Member Countries were required to evaluate and report on their benefit sharing options for Mekong tributary hydropower by 2013.

This evaluation process is called Activity ISH13 and the following Regional Synthesis Paper reports on this exercise. The Paper builds on the four National Discussion Papers prepared in a step-wise, collaborative process led by the four NMCS in 2012-2013. The MRC Initiative on Sustainable Hydropower (ISH) provided the coordination, conceptual and technical guidance as well as the financial resources to complete this work.

All of the MRC's programmes and initiatives were assigned to undertake activities to provide input to ongoing discussions to implement the BDS and the 1995 Mekong Agreement more generally and the ISH13 is part of this group of activities.

The ISH13 work also provides a well-timed, systematic comparison of the practice of benefit sharing in the hydropower sector in the Mekong region with the emerging body of internationally accepted "good practice". It also highlights the degree of NMCS Stakeholder consensus on practical steps that MRC Member Countries may consider to take within their national regulatory systems. Furthermore it provides a "benchmark" or baseline to measure future progress and improvements.

This report was written for all MRC Stakeholders. Readers familiar with the Mekong tributary hydropower status and ISH13 process may wish to read the summary then continue to Section 3.4, "Other considerations impacting on the evaluation of mechanisms". There is an Annex Volume that offers additional detail, and readers may also refer to the four National Discussion Papers.

This Draft Paper will be presented at a Regional Benefit Sharing Mechanisms (BSM) Workshop, which is provisionally planned to take place in quarter 1, 2014. NMCS may share their ISH13 National Discussion Papers with invited MRC stakeholders and international practitioners of BSM. This Synthesis Paper may then be finalized and include the Regional BSM Workshop outcomes.

The aim is to openly share information so as to enable NMCS and their stakeholders to compare progress in this field and to learn lessons from the Mekong and the wider international experience.

Regional Synthesis Paper – Executive Summary

The completion of Activity ISH13 fulfils a commitment that was approved at the MRC Council level to evaluate benefit sharing mechanisms (BSM) for hydropower on Mekong tributaries by 2013.

ISH13 has been **a success on a number of levels:**

As a learning and dialogue process it has helped to increase the level of awareness and understanding of the concepts and practices of benefit sharing among NMCS staff in all the four countries. Equally importantly, this has also been the case among many of the NMCS Stakeholders who work at national, provincial, tributary and project levels.

It has effectively highlighted practical ways to strengthen existing policies and practices in MRC Member Countries to evenly spread the benefits and costs of hydropower.

Additionally it has presented effective mechanisms used in other parts of the world, which may be adapted in the Mekong region. Due to their participation in the ISH13 process, many of the NMCS Stakeholders now have a better appreciation of each country's opportunities and challenges as well as the next steps that the four governments may consider to progress benefit sharing in the hydropower sector.

This is possible not only through national policy and regulation, but also through cooperation under the MRC framework.

A Consistent, Flexible Approach to the Evaluation

The ISH13 Guidance Package and the 12 steps process for assessing BSM helped to ensure there was a consistent, but flexible approach to the ISH13 evaluation.

Each National Working Group selected the BSM options to evaluate from the same Templates in the ISH13 Guidance Package that had been compiled by ISH. The BSM options MRC Member Countries chose from were based on a selection of world-class BSM practices in the Mekong region and elsewhere in the world. The evaluation was therefore grounded in best practice as well as adapted to the Mekong reality.

The two main categories or groups of BSM included national-to-local (NTL) and transboundary (TB) - with reference to tributary hydropower and shared tributaries. Crosscutting considerations (CC) to implement BSM were also called options, and evaluated as such.

It was decided to use a simple qualitative approach and so the evaluation was done along the two main dimensions of **value** and **preference**.

The **value dimension** meant value added in terms of promoting sustainable development in the tributary and sustainable hydropower. This is measured with five sub-criteria relating to MRC's mandate for cooperation in sustainable development namely environment, economic and social advancement, flexibility to adapt over time as well as practicality.

The **preference dimension** meant the preference for a particular option, as seen through the eyes of representatives of different NMCS Stakeholder interests.

As NMCS Stakeholders represent a range of different interest groups they enter the dialogue process from different perspectives and therefore are looking for different outcomes. The stakeholders' varying level of interest in benefit sharing is shaped by many factors including for example their membership of one of the following groups:

Project-affected people and traditional river users, as well as river basin residents seek to become partners and take actions to adjust to the resource transformation resulting from hydropower. They want to have a strong voice in decisions that affect them and ensure that they benefit from a project.

Government representatives aim to use benefit sharing as a practical policy tool to ensure that all sectors of society are included in hydropower development to bring about social harmony. It gives them the opportunity to balance social, economic and environmental factors in planning, design, implementation and operation of hydropower projects.

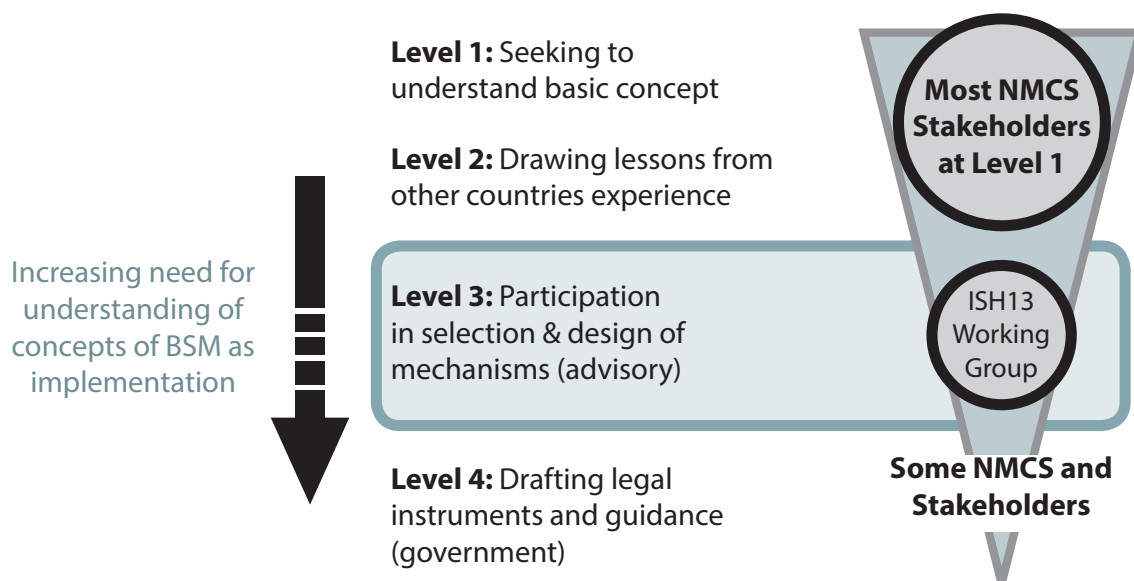
Hydropower developers and hydropower operators seek to increase their capacity to work effectively with local communities, as good community relations are important for a number of reasons. For example it reduces the risk of project delays on new projects and improves the prospects for local cooperation in catchment management.

Investors and financial institutions aim to benefit from the presence of an explicit policy framework with realistic provisions for local benefit sharing as it is an indicator that locally affected communities and the general public are more likely to support a project – all things considered. As a result, the investor's risk exposure is reduced and investors are more inclined to become financing partners.

Electricity consumers including those in households, the services sector and industry want their government to be able to reach decisions to optimally develop water resources, provide more stable tariffs and a reliable power supply, and ultimately less expensive water and energy services.

A stakeholder's level of interest in the ISH13 process is also determined by their level of understanding of the specific issues and concepts involved. This will be partly related to their role and the particular group that they represent, as has just been highlighted above.

In order to illustrate this idea, figure 1 below represents the level of a stakeholder's understanding and interest in the BSM process in terms of the layers of a sphere.

Figure 1: Varied Levels of Interest of NMCS Stakeholders in Benefit Sharing

Then according to the aforementioned value and preference dimensions each National Working Group applied qualitative scoring to select, evaluate and group the BSM options and these were then reviewed by their NMCS Stakeholders in National Workshops.

ISH13 Process and Outcomes

The ISH13 evaluation process in each of the countries was led by the respective **National Mekong Committee Secretariat** (NMCS) who firstly was responsible for the overall delivery of the National Discussion Paper and conducting follow up activities.

Then four **National Working Groups** were formed as temporary groups to support the NMCS and they were responsible for selecting and evaluating the BSM options as well as formulating the next steps. They also played an advisory role for the NMCS and the wider NMCS Stakeholders in the ISH13 process.

National workshops were organized as part of the process and these were also attended by the wider **NMCS Stakeholders** during which they reviewed papers, pointed out their views and also participated in follow up activities. Members of the National Working Groups had the important role of explaining the options and the policy context to the NMCS Stakeholders during the National Workshops.

Table 1: Multi Stakeholder Composition of the ISH13 Working Group and the National Workshop Participants

ISH13 National Working Group Composition	ISH13 National Workshop Participants (NMCS's Stakeholders)
<ul style="list-style-type: none"> ▪ Water Resource Ministry / Department ▪ Energy or Electricity Department / Ministry ▪ National Electricity Utility – or a Private Sector Representative (developer / operator) ▪ National Civil Society / NGO ▪ Provincial / Municipal Level Representative ▪ River Basin Committee or Organization 	<ul style="list-style-type: none"> ▪ National-level Government ▪ Provincial / District or Local Government ▪ National Electricity Utility ▪ River Basin Organizations ▪ Civil Society ▪ Private Sector

Actual Number of WG Members		Actual Number of Workshop Participants	
Cambodia	8	Cambodia	60+
Lao PDR	12	Lao PDR	60+
Thailand	6	Thailand	30+
Viet Nam	8	Viet Nam	50+

Note: Composition as proposed in ISH13 Guidance (see Section 4.2.2 for elaboration) and see National Discussion Papers for the list of participants and the organizations they represent.

Different National Perspectives

The ISH13 provided the four Member Countries with a common framework to evaluate mechanisms that are suitable for their national situation. However there are of course differences between the countries in terms of the size, structure and distribution of their populations, culture and development status. They also have varying legal, administrative and regulatory frameworks.

These differences in national circumstances resulted in differences in emphasis in the evaluation and therefore the way that each country implemented the ISH13.

Section 4 of this Paper explains how the options were evaluated as a whole and then reported in the four National Discussion Papers. Overall, most NMCS Stakeholders felt ISH13 was an effective way to advance a national dialogue on this topic, and then also to learn lessons from other countries.

Table 2 highlights the main similarities and differences in both the ISH process and outcomes in each of the four National Working Groups:

Table 2: Similarities & Differences in the ISH Process and Outcomes in Member Countries

<p>Cambodia ISH13 Process</p> <ul style="list-style-type: none"> ▪ The Cambodia Working Group evaluated all three sets of options (i.e.): <ul style="list-style-type: none"> - National-to-local (NTL) mechanisms (25 options) - Transboundary (TB) dimension mechanisms for tributary hydropower (30), and - Crosscutting (CC) considerations (30). ▪ Cambodia has no existing large tributary projects, but several planned IPP Projects for domestic and / or regional power markets. 	<p>Cambodia <u>Outcomes</u></p> <ul style="list-style-type: none"> ▪ Has the perspective of lower riparian on shared tributaries (e.g. upstream management practices impact downstream benefits and distribution). ▪ The national ISH13 evaluation emphasized revenue sharing mechanisms. ▪ The WG was keen to evaluate TB dimensions of tributary hydropower on shared tributary basins. ▪ The WG and CNMC was keen to extend the evaluation to all Mekong hydropower (tributary & mainstream)
<p>Thailand ISH13 Process</p> <ul style="list-style-type: none"> ▪ The Thai Working Group evaluated national-to-local (NTL) mechanisms (27 options). ▪ Thailand has 7 existing and no planned tributary hydropower projects (apart from a 500 MW extension on a pumped storage). ▪ All projects are EGAT (public utility) where an existing Power Development Fund (PDF) applies, but the PDF has not been implemented. 	<p>Thailand <u>Outcomes</u></p> <ul style="list-style-type: none"> ▪ The ISH13 evaluation emphasized existing revenue sharing policy (PDF). ▪ The WG was not prepared to evaluate TB dimensions of tributary hydropower. ▪ TNMC Stakeholders from NE Thailand were interested in benefit sharing opportunities outside the hydropower sector.
<p>Lao ISH13 Process</p> <ul style="list-style-type: none"> ▪ The Lao Working Group evaluated two sets of options: <ul style="list-style-type: none"> - National-to-local (NTL) mechanisms (30), and - Crosscutting (CC) considerations (30). ▪ Has many existing, under construction and planned tributary hydropower projects; 70% of LMB hydropower potential. ▪ Most are export oriented IPP projects that serve Regional Power Markets and some domestic supply (e.g. 5-10%). 	<p>Lao <u>Outcomes</u></p> <ul style="list-style-type: none"> ▪ The evaluation indicated scope for all 4-types of NTL to improve existing policy / practices. ▪ Discussions emphasized revenue sharing mechanisms and linkages to revenue management. ▪ Lao may draw lessons from existing projects, and also from revenue management (where revenue sharing is a targeted form of revenue management). ▪ The WG was not prepared to evaluate TB dimensions of tributary hydropower.

Viet Nam ISH13 Process

- The Viet Nam Working Group evaluated all 3 sets:
 - National-to-local (NTL) mechanisms (25)
 - Transboundary (TB) dimension mechanisms for tributary hydropower (30), and
 - Crosscutting (CC) considerations (20).
- Has a significant number of existing, under construction and planned projects.

Has a mix of IPP and “equitized” EVN hydropower projects for the domestic power supply.

Viet Nam Outcomes

- Has the perspective of upper riparian on shared tributaries; perspective of lower riparian on all Mekong hydropower developments.
- May draw lessons from existing practices (project measures) a BSM Pilot Project that evaluated draft legal instruments (Draft Decree).
- WG and VNMC were keen to extend the ISH13 evaluation to all Mekong hydropower (tributary and mainstream development) and cumulative impacts of hydropower.

BSM Options

The following section provides further detail and the respective importance of the two main groups of BSM, as well as CC for their implementation considered by each of the National Working Groups and National Workshop Participants.

National-to-Local Mechanisms

The four generic types of NTL mechanisms are general types of benefit sharing found in other evaluations, such as the International Hydropower Association’s Hydropower Sustainability Assessment Protocol and the MRC’s Rapid Sustainability Assessment Tool (RSAT).

NTL Type- 1: To equitably share monetary benefits

- Equitably share a reasonable, agreed portion of the monetary benefits arising from hydropower with provincial, basin or local populations where hydropower creates both development opportunities and development risks.

NTL Type- 2: To facilitate the sharing of non-monetary benefits

- Non-monetary benefits include access to local natural resources such as forests, land, rivers and reservoirs for communities near projects and river communities in tributary basins upstream, and particularly downstream.

NTL Type- 3: To equitably share access to electricity and project services

- Provide equitable access to electricity services for communities living near hydro-power projects, beyond the electrification of resettled households. These are mechanisms that support steps by power utilities to implement measures, and/or create priority within existing rural electrification programmes.

NTL Type- 4: To optimize the spread of additional and indirect benefits

- Enhance and optimize additional and indirect benefits that arise from national investments in hydropower

and related public infrastructure. These are mechanisms to enhance economic stimulus due to project related investment and public investments.

Modern approaches incorporate all types of benefit sharing in a systematic and coherent way, and view benefit sharing as a package of measures, not a single mechanism to be implemented at different stages of the project cycle.

Importance of Different National-to-Local Mechanisms

Table 3 highlights NTL mechanisms each country emphasized in the ISH13 Dialogue and National Discussion Papers. Table 2 aims to give a sense of the relative weight, or how important NMCS stakeholders felt that specific mechanisms were in each country situation.

All the NTL mechanisms that the four National Working Groups evaluated have been consolidated and noted in Section 4 of this Paper.

Table 3: Selected NTL Mechanisms/Options and Respective Importance

Generic Mechanism	Mechanisms / Options and their Respective Importance in the Workshop Dialogue and National Discussion Papers	Emphasis ^(1,2) (Indicator)			
		CAM	LAO	THI	VT
●	Mechanisms / options of this type were evaluated by the National Working Group and emphasized in the ISH13 National Workshop discussions.				
○	Mechanisms / options of this type were evaluated by the National Working Group but not emphasized in the ISH13 National Workshop discussions.				
	Mechanisms / options of this type were not evaluated by the ISH13 National Working Group in the ISH13 process.				
NTL Type- 1	Sharing Monetary Benefits				
	Put local revenue sharing measures already in Laws into operation; and / or implement existing “good practice” consistently on hydropower projects.		●	●	○
	Consider revenue sharing mechanisms at local, basin and provincial levels:				
	(i) for local communities in project area,	●	●	●	●
	(ii) for river basin residents by funding River Basin Organization (RBO) programmes that extend sharing of benefits to riverine people and	○	○	○	○
	(iii) for provinces with hydropower in their territory.	○	○	○	○
	Implement revenue sharing as a targeted form of revenue management at the 3 levels (noted above), before allocating hydropower-related income to other provinces / sectors via the State Budget.	○	●		○
	Use revenue sharing mechanisms to support generic Type 2 – 4 measures (options), reflecting beneficiary preferences.	●	●	●	●
	Introduce local / municipal taxes on land (area) inundated by hydropower reservoirs, which would have yielded local revenue (yearly) if there was no hydropower (e.g., as agricultural, industrial or property land taxes).	○	○	○	○
	Rationalize / combine funds that are financed by hydropower revenue at the provincial or basin levels (e.g., hydropower revenue contributions to environment funds, water use fees, PES, benefit sharing, etc.).	○	●	○	○
NTL Type- 2	Enhancing Non-Monetary Benefits				
	Identify and resolve obstacles to local access to natural resources (e.g., forest, land or the reservoir) at provincial / local levels.	●	●	○	●
	Extend vocational training for livelihood and income diversification based on natural resource access changes due to hydropower.	●	●	○	●
	Ensure women, youth, vulnerable and ethnic groups actively participate in training and decisions on local resource access.	●	●	●	●
	Meaningfully involve project-area communities in natural resource planning and management activities.	●	○	○	○
NTL Type- 3	Enhancing Electricity Access & Service				
	Use existing Rural Electrification Fund (REF) Programmes as a primary mechanism to enhance electricity access for local communities near hydropower projects, funded in part by revenue sharing mechanisms.	●	●		○
NTL Type- 4	Optimizing Additional and Indirect Benefits				
	Emphasize local skills development and trade training to enhance local employment on hydropower projects.	●	●		○
	Consider “green development zones” in catchments of hydropower projects to focus and facilitate additional & indirect benefits.	●			
	Expand the scope for multi-purpose projects (new hydro projects).	●	○		●

Transboundary Mechanisms for Tributary Hydropower

The following generic types of TB mechanisms (options) were considered in the ISH13 process for tributary hydropower:

TB Type- 1: Increasing benefits “to the river”

Mutual benefits related to investments / measures to cooperate to improve for example water quality, river flow characteristics, soil conservation and biodiversity.

TB Type- 2: Increasing benefits “from the river”

Mutual benefits related to investment / measures for improved water resources management for various consumptive and in-stream uses such as for example fisheries, hydropower and water supply.

TB Type- 3: Reducing costs “because of the river”

Mutual benefits arising from cooperation in policy shift away from dispute/conflict towards cooperation in development, to reduced dispute/conflict risk and military expenditures as well as to reduced environmental damages and related costs.

TB Type- 4: Increasing benefits “beyond the river”

Mutual benefits arising from cooperation in trade arrangements beyond the water and electricity sectors including the integration of regional markets, trade and infrastructure.

Working Groups appointed by NMCS (in consultation with Governments) alone decided which TB options for tributary hydropower (if any) were included in the ISH13 National Discussion Papers. Member Countries have different perspectives just like upper and lower riparian counties world-wide have different views, or emphasis.

Importance of Different Transboundary Dimensions for Tributary Hydropower

Table 4 illustrates mechanisms that emerged with high-value preference for TB dimensions of tributary hydropower, as evaluated by NMCS Stakeholders in Cambodia and Viet Nam. A combination of these observations on TB mechanisms can be found in Section 4 of this paper.

This also highlights that Mekong tributary hydropower often serves regional power markets, and thereby significantly contributes to the TB sharing of benefits “from” the river. All the MRC Member Countries have signed the GMS Power Interconnection Agreement and participate (or plan to participate) in regional power exchange where Mekong tributary hydropower plays a direct or indirect role.

Table 4: Selection of TB Mechanisms/Options for Hydropower on Shared Tributaries and Respective Importance

Generic Mechanism	Mechanisms / Options and their Respective Importance in the Workshop Dialogue and National Discussion Papers	Emphasis ^(1,2) (Indicator)			
		CAM	LAO	THI	VT
●	Mechanisms / options of this type were evaluated by the National Working Group and emphasized in the ISH13 National Workshop discussions.				
○	Mechanisms / options of this type were evaluated by the National Working Group but not emphasized in the ISH13 National Workshop discussions.				
	Mechanisms / options of this type were not evaluated by the ISH13 National Working Group in the ISH13 process.				
NTL Type- 1	Sharing Monetary Benefits				
Facilitating Type 1 to Type 4 TB measures. E.g., Mutual benefit “to”, “from” and “beyond” the river and reducing costs “because” of the river.	Strengthen planning, technical exchange and cooperation between RBC / RBOs in shared tributaries facilitated by MRC as a regional RBO.	●			●
	Coordinate information exchange on hydropower operations including flood and drought measures – and enhance riparian cooperation in preparing environment flow assessment and provision in reservoir operation / management strategies in shared tributaries.	●			●
	Assess the scope to improve the coordination of reservoir operations on aspects such as flood and drought management, sediment management / fish passage in multi-reservoir cascades on shared tributaries.	●			●
	Assess the scope to optimize the operation of existing and planned tributary hydropower reservoirs for multi-purpose functionality, giving due consideration to the transboundary dimensions.	●			○
	Riparian governments may consider strengthening trade cooperation including industrial offsets and free trade zones to help overcome negotiation hurdles on valuing and sharing (benefits and costs) of hydropower on shared tributaries.	●			●
Offer MRC support for a wider process of preparing: i. Guidelines for sustainable development and management of hydropower on Mekong mainstream and tributaries, and ii. Guidelines to establish a MRC mechanism to monitor and evaluate the operation of mainstream and tributary projects in upstream areas.		●			●
	Explore a “Mekong Fund” as a regional mechanism to equitable share the cumulative benefits, costs and impacts of Mekong tributary hydropower, as well as LBM and UMB mainstream hydropower.	●			○

¹ MRC has developed tools such as the Integrated Basin Flow Management (IBFM) as part of MRC Decision Support Framework or DSF, and more recently the RSAT Rapid Sustainability Assessment evaluation tool.

² Riparian governments may consider promoting direct and indirect industrial offsets and counter trade to help overcome negotiation hurdles on valuing benefits / costs of hydropower on shared tributaries.

Crosscutting Considerations

CC considerations were included in ISH13 to offer National Working Groups the flexibility, if they wanted, to look at another level of detail in the option evaluation. For the purposes of ISH13, the evaluation of CC was structured around the following questions:

CC Type- 1: What legal instruments may be considered to introduce BSM?

CC Type- 2: What measures may be considered relating to the size and scale of hydropower projects in tributaries?

CC Type- 3: What measures may be considered to imbed benefit sharing considerations in hydropower planning and at each stage of the Project Cycle?

CC Type- 4: What measures may be considered for hydropower projects for power export or national supply?

CC Type- 5: What measures may be considered for transparency, dispute avoidance and settlement?

Under each question a number of considerations (options) were identified. The four countries considered 252 BSM options and combinations in total:

- The National Working Groups in all four Member Countries were comfortable evaluating the NTL options (mechanisms).
- The National Working Groups in three Member Countries were comfortable evaluating CC.
- The National Working Groups in two Member Countries (Cambodia and Viet

Nam) considered BSM for TB dimensions of tributary hydropower.³

Common Perspectives of NMCS Stakeholders

Among the common perspectives emerging from the national dialogue processes were:

- Most NMCS Stakeholders readily accept that benefit sharing is a uniquely powerful, practical way to spread natural resource utilization benefits across the economy, to catalyze broader-based growth and to support the government's social equity policies.
- From a sustainability perspective, hydropower projects can no longer be seen as only producing electricity. Rather, they must be seen as wider development interventions in a river basin, creating development opportunities and risks that need to be balanced. And BSM can help to achieve that aim.
- Benefit sharing is a package of measures to systematically consider at all stages of the project cycle from project planning through to operation. Some measures start with construction. Other measures like revenue sharing only start when the project generates revenue, and continue as long as benefits are generated (i.e. over the economic life of the project).
- While some, but not many NMCS Stakeholders felt current practices are adequate, most stakeholders felt there was need and scope for progressive, systematic improvement in sharing benefits. Moreover, just like policies today have moved on from policies of 20 years

³ For two cases for transboundary dimensions were (i) shared Mekong tributaries like the 3S sub-basins, and (ii) for significant influences for tributary hydropower on the mainstream upstream or downstream of the tributary confluence with the mainstream, which may be any of the significance factors (e.g., hydrology, sediment, fisheries, navigation, etc.)

ago, policies in future will be advanced over today.

- Most feel benefit sharing is something that unites, rather than divides NMCS Stakeholders. Few, if any, disagree with the principle of equitably sharing benefits. But there are differences in emphasis, and opinion on the best mechanisms and formula to share revenue.
- Most NMCS stakeholders accept national standards for benefit sharing will help advance hydropower sustainability in a fair and consistent way. Standards create a “level playing field” not only for investors, but also for provincial, river basin and local communities involved. People at all levels then know what to expect and can plan and budget accordingly.
- Similarly, consistent approaches help reduce controversy, especially when mechanisms address the development opportunities, risks and impacts people feel are most important, which arise from the resource transformations hydropower creates in Mekong tributary basins.

ISH13 has provided the “first ever” measure of how the current national policies and practices of MRC member countries compare with international good practice in sharing benefits. Most people felt that legal instruments will be required to “progress” benefit sharing in a meaningful way. A significant number of NMCS stakeholders felt the studies identified in ISH13 will help achieve consensus on selecting the appropriate legal instruments to apply.⁴

Issues which NMCS Stakeholders agreed on, in contrast to those requiring more time for consensus

Apparent Consensus

The top ten issues that many, if not most NMCS Stakeholders agreed on:

1. Benefit sharing is something that unites people, but there are differences in opinion and in emphasis on how to implement mechanisms.
2. Benefit sharing considerations may be systematically introduced at different stages from planning through to operation.
3. The four categories of NTL benefit sharing (in ISH13) are appropriate for national dialogue processes.
4. Legal instruments are required to have a consistent approach to BSM on projects.
5. The philosophy to “continuously improve” the process is appropriate in benefit sharing.
6. More information sharing is needed to achieve consensus among NMCS Stakeholders on specific legal instruments.
7. Examples from other countries are helpful to see steps Mekong Governments may take. The underlying approach is not just to accept, but to select and adapt.
8. Benefit sharing must encompass the equitable sharing of benefits, costs and

⁴ Equally important, ISH13 measures NMCS Stakeholder expectations and views. The ISH13 evaluation therefore offers insights that governments may wish to consider as part of a philosophy to continuously improve ways to locate decisions about hydropower development and management in an IWRM, sustainable, river basin perspective.

- impacts (development opportunities and risks).
9. National BSM strategies may: (i) aim to replicate experience and good practice applied on some projects, but not all; (ii) speed the use of measures approved in national law, but not yet implemented; and / or (iii) introduce (adapt) new mechanisms already proven to be effective in other countries.
 10. Bilateral / regional power exchange is a primary example of transboundary benefit sharing for tributary hydropower (TB Type 2 - sharing benefits from the river).³
 7. On how to link benefit sharing to other development funds (e.g. environment, water resource and PES) that hydropower projects may be required by law to help finance.
 8. On the design, timing and funding of a benefit sharing pilot project (so as to demonstrate and evaluate mechanisms).
 9. On the selection of a pilot hydropower project to evaluate and demonstrate BSM.
 10. On the approach to advance TB BSM and cooperation on shared tributaries with hydropower.

No Clear Consensus As Yet

The top 10 issues where more time is needed for NMCS Stakeholders to reach consensus:

1. On whether revenue sharing mechanisms are most appropriate to be introduced at the provincial, basin or local levels – or should it be a mixture of these?
2. On the best Ministry to lead inter-ministry dialogue and to sponsor benefit sharing laws or regulations.
3. On the percentage of gross revenue (formula) best for benefit sharing.
4. On which mechanisms are appropriate for existing and new hydropower projects.
5. Treating revenue sharing as a “targeted form” of revenue management.
6. On how quickly to proceed with studies identified in the ISH process – what is the priority?

The Next Steps

In the next steps, it will be important to distinguish between common misconceptions about benefit sharing and genuine differences on how to implement measures.

As the ISH13 dialogue shows, there are some misconceptions that tend to slow progress and may delay consensus on the next steps to be taken.

These misconceptions can be cleared up in the workshops that have been proposed as follow-up. The respective Mekong governments would then be in a better position to balance the remaining genuine differences, in normal government decision processes.

Consensus Views on the Next Steps

NMCS Stakeholders discussed possible pathways to assess and enhance BSM on Mekong tributary hydropower. Among these were:

1. Improving the existing practices that are currently found on some of the projects, which equally spread the direct and indirect benefits of hydropower construction and operation. These benefits should especially go to local and riverine communities and the local economies where the projects operate.
2. Implementing all newly approved mechanisms that have recently been added to national policies, but are not yet being implemented due to restrictions faced by provincial, local governments or regulators or other capacity factors. Recognizing that mechanisms like revenue sharing are self-financing.
3. Considering new mechanisms in order to better spread resource use benefits, which have proven effective on hydropower projects in other countries and regions around the world. These could include mechanisms that have been found in other Mekong countries and in China.
4. Considering an intelligent, practical mixture of these assessments and enhancements of benefit sharing options.

Section 5 of this Paper compares the next steps proposed in each country, as recorded in the ISH13 National Discussion Papers.

Importantly, the completion of ISH13 in 2013 was also considered a common next step. This includes a **Regional Workshop on Benefit**

Sharing, which is to be held in quarter 4, 2013 so as to take full advantage of the dialogue and information exchanges that have already been initiated among:

- NMCS Stakeholders in government, private and civil society sectors, and
- MRC Stakeholders, Member Countries and international practitioners.⁵

In all Member Countries there was a consensus for ongoing MRC support of a national dialogue and capacity building work under the existing ISH output ‘Benefit Sharing Mechanisms Elaborated at Regional, National and Community Levels’, which is provided in the MRC’s Strategic Plan.

Additional pro-active steps proposed in ISH13 for the 2013-2015 period included:

1. Policy reviews to enable NMCS Stakeholders to better understand their country’s current BSM policy and practices, and to compare these against accepted “good practice”.
2. Surveys of existing hydropower projects in the Mekong region for good practice (BSM) so that this information can be shared among Member Countries.
3. A national workshop “programme” for NMCS Stakeholders to exchange information, resolve misconceptions and give more in-depth consideration to selected BSM.
4. Pilot Projects in order to evaluate BSM. These should include policies that have been approved but have not yet been implemented as well as good practice

⁵ The final version of this Paper is to capture lessons of the ISH13 Regional Workshop.

mechanisms that are found in the Mekong, but have not yet become standard practice.

These activities aim to achieve a “sufficient consensus” for the continuous improvement of national policy frameworks. Additionally ISH support would be discussed in the normal MRC Annual Work Plans preparation processes and respond to the interests of NMCS.

ISH13 Reporting

A final step in the ISH13 process is to report to the MRC Bodies and provide feedback to NMCS Stakeholders. Reports on the Activity ISH13 include the four National Discussion Papers and this Regional Synthesis Paper. Furthermore PowerPoint presentations are available on each.

The ISH Team also reports on ISH13 to the MRCS management in the normal ISH outcome reporting procedures. Similarly NMCS report back to their respective Government systems.⁶

Reporting back to the NMCS Stakeholders who gave their valuable time in the ISH13 process is essential.⁷ These steps and broader information dissemination activities, including translation of key materials into national languages will help to ensure that all MRC Stakeholders and river basin residents have access to information which both interests and affects them.

⁶ The ISH13 completion is also a milestone in the MRC Strategic Plan Process (SP, 2011-2015). The MRCS Technical Coordination Unit (TCU) will embody the ISH13 results when reporting on the implementation of the MRC-SP to the MRC Joint Committee (JC). The BDP will also use the results to report on the implementation of the Basin Action Plan (BAP) to the MRC Joint Committee. This includes progress on the 2 National Indicative Plans (NIP) linked to ISH13 (Project 2.1 in the Cambodian NIP and Project 3.4 in the Viet Nam NIP, and action plan page 67 of the BAP).

⁷ Reporting to NMCS Stakeholders may take several the forms, such as providing a CD with the ISH13 Guidance Package and Papers to NMCS staff and participants of the National Workshops (over 200 professionals) and making ISH13 Papers available on MRC’s Website. This CD may contain the Knowledge Base on Benefit Sharing supporting ISH Output 4.1c.



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