



# Project Affected Communities and Livelihoods

*This guideline expands on what is expected by the criteria statements in the Hydropower Sustainability Tools (HST) for the Project Affected Communities and Livelihoods topic, relating to assessment, management, conformance/compliance, stakeholder engagement, stakeholder support and outcomes. The good practice criteria are expressed for different life cycle stages.*

*In the Hydropower Sustainability Assessment Protocol (HSAP), this topic is addressed in P-13 for the preparation stage, I-9 for the implementation stage and O-9 for the operation stage. In the Hydropower Sustainability ESG Gap Analysis Tool (HESG), this topic is addressed in Section 4.*

This guideline addresses impacts of the hydropower project on affected communities. **Project affected communities** are the interacting population of various kinds of individuals in the area surrounding the hydropower project who are affected either positively or negatively by the hydropower project and its associated infrastructure.

Potential impacts of a hydropower project on communities could include economic displacement, deterioration of livelihoods and/or living standards, and impacts to rights, risks and opportunities for those affected. **Livelihood** refers to the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. For example, with a farming-based livelihood, important resources include prepared fields, water of a suitable quality, fertile soil, seeds, and appropriate tools, equipment and machinery. **Living standards** refer to the level of material comfort as measured by the goods, services, and luxuries available to an individual, group, or nation, often using indicators of household wellbeing. **Economic displacement** refers to the loss of assets, access to assets, or income sources or means of livelihoods. These losses could occur as a result of land acquisition, changes in land use or access to land, restrictions on land use or access to natural resources, or changes in the environment leading to health concerns or impacts on livelihoods.

The outcomes sought in relation to hydropower effects on communities are that livelihoods and living standards are improved relative to pre-project conditions, and commitments to project affected communities are fully delivered over an appropriate period of time.

## Assessment

*Assessment criterion - Preparation Stage: An assessment of issues relating to project affected communities has been undertaken with no significant gaps, utilising local knowledge.*

The potential impacts of a hydropower project on communities and livelihoods should be assessed as part of the Environmental and Social Impact Assessment (ESIA). Some national requirements may focus more narrowly on environmental impact assessment, but international good practice also requires a strong focus on social aspects.

Project affected communities should be identified with respect to both direct and indirect potential impacts. Upstream and downstream communities must be included as far as flow changes induced by the project can be detected. This may include communities in other jurisdictions or countries. Communities affected by transmission lines, roads and other associated infrastructure should be included. A concern to be avoided is that those members of the community who will be resettled get all of the assessment and compensation attention. It is essential that those community members who are not resettled but experience direct impacts, secondary or indirect impacts, or impacts only after some time has passed are identified as part of the project affected communities and that mitigation measures are addressed for these impacts.

The studies must establish a baseline of the households and communities that may be project affected. Social science expertise and recognised social survey techniques should be used to select indicators and generate baseline information. As far as practically possible, standardised indicators should be used that are compatible with existing official monitoring mechanisms, such as the periodic household surveys. Indicators of livelihoods and living standards used for characterising the baseline should be applicable for post-project development comparisons. Living standards are usually assessed using quantitative social science methods, such as census and public health data. Examples of indicators of living standards include: consumption, income, savings, employment, health, education, nutrition, housing, and access to services such as electricity,

clean water, sanitation, health, education, and transport. Livelihoods are usually assessed using a mix of quantitative data, such as the number of individuals pursuing a particular livelihood, and qualitative methods such as interviews, focus groups, and observation to establish information about the activities and assets on which a livelihood depends. Information should be disaggregated by cultural, ethnic, socio-economic, gender, age, education, health, location and other characteristics.

Because project development can take years, the baseline assessment needs to be carefully timed. Populations can move in and out of project affected areas and the assessment should form the basis for support and compensation measures. In order to enable fair compensation arrangements, the baseline information needs to include data on affected households and businesses and their assets at an established registration date or period. The timing of establishment of the baseline should take into account any variations in the conditions that are influenced by, for example, seasonal cycles or infrequent events (e.g. droughts or floods).

Once the baseline conditions are established, project-related risks to livelihoods, living standards, and economic displacement are identified and the nature and degree of impacts analysed. Analysis of gender and vulnerable groups should be included. Community risks during the construction stage may include the following:

- Physical displacement (e.g. relocation, loss of residential land, or loss of shelter). Physical displacement involves risks both for the displaced people and for the host communities receiving them (see the Resettlement guideline).
- Economic displacement (e.g. loss of community forest access, loss of paddy or home garden, or diminished fisheries). Many issues can be missed relating to affected livelihood resources if, as is often the case, there is too narrow a focus on land acquisition and compensation. Many livelihood impacts can occur through, for example, changes in road accessibility, land access, supply chains, or river flow regimes.
- Impacts from worksites and construction traffic (e.g. dust and other air emissions, solid waste, wastewater, noise, vibrations, visual disturbances, hazards, access to travel routes,

water abstractions). These impacts can affect homes, workplaces, fields and gardens, forests and hunting areas, rivers and water sources, roads, and other community infrastructure.

- Loss in value of properties, which can be affected directly or indirectly by project activities.
- Lack of capacity or temporary closures of local infrastructure and services. These may include, for example, roads, schools, health centres, shops, bridges, footpaths and tracks, and boat/ferry transport.
- Rising costs of living. These may occur because the influx of contractors, workers and project followers creates additional demand.
- Conflicts between the workforce and the local population and exposure to risky behaviour (such as drugs and alcohol abuse).
- Conflicts within the local population. These can arise for a range of reasons, often relating to issues of inequity. Examples of potential conflict areas include: compensation measures, which may arise from a lack of clarity on cut-off dates, eligibility criteria, or entitlement provisions (e.g. duration); access to and extent of training and support; and access to and extent of project benefits.
- Human-wildlife conflicts. These can occur due to environmental improvement or mitigation measures that promote conditions for wildlife and bring it closer to human settlements, or because livelihood activities are forced to go more remotely into areas with higher human-wildlife conflict risks.
- Loss of ownership, access to, or use of sacred sites, community forest, or other natural resources.
- Loss of social cohesion. This may occur through a range of causes, such as impacts to or loss of community resources (e.g. roads, gardens, land, forest, fisheries), community assets (e.g. community meeting areas, culturally significant features), and various types of conflicts within and relating to the local population as described above.

Community risks during the operation stage may include:

- all of the above, but generally on a smaller scale, considering that only a small workforce remains to operate and maintain the project in permanent accommodations and offices;

- loss of roads, bridges, transmission and telephone lines, pipelines, and other public infrastructure caused by reservoir inundation;
- barrier effects of the reservoir or any areas with restricted access to land transport; and
- changes in reservoir levels, water quality, river flows, and sediment transport, which affect properties and users along the reservoir shore and along the downstream river.

The risks listed above are particularly acute, with a higher probability of occurrence for vulnerable groups and individuals. **Vulnerability** refers to the inability of people, organisations and societies to withstand adverse impacts from multiple stressors to which they are exposed. **Vulnerable groups** are those people who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected by project impacts than others and who may be limited in their ability to claim or take advantage of project assistance and related development benefits. A **vulnerable individual** is a person who, by virtue of gender, ethnicity, age, physical or mental ability, economic disadvantage, or social status, is experiencing hardship and would benefit from targeted support or assistance. Small adverse changes in their livelihoods can be enough to cause them to fall under the poverty line. They may be at risk of discrimination. They will often find it more difficult to adapt to rapid social change, which disrupts traditional norms and social safety nets. They can be less able to deal with monetary compensation, and more dependent on in-kind compensation. Vulnerable households and individuals can benefit from a case-by-case approach to management, which should involve good cooperation with relevant government agencies. Indigenous peoples may be among those who are highly vulnerable to project impacts (see the Indigenous Peoples guideline).

A long-term view on the timeframe over which impacts to project affected communities are assessed is important. For example, downstream river bank erosion can cause impacts to riverbank gardens that are not fully experienced until some years after project commissioning. In some cases the impacts may result in project affected communities eventually needing to move, but they may not be considered part of the resettlement community because the physical

resettlement was a secondary impact (from delayed bank erosion) and not a primary impact (e.g. from reservoir inundation) of the project. The risk of long-term impoverishment for project affected communities is a major concern and must be fully assessed.

## Assessment

*Assessment criterion - Implementation Stage: Issues relating to project affected communities have been identified through an assessment process utilising local knowledge; and monitoring of project impacts and effectiveness of management measures is being undertaken during project implementation appropriate to the identified issues.*

*Assessment criterion - Operation Stage: Monitoring is being undertaken to assess if commitments to project affected communities have been delivered and if management measures are effective; and ongoing or emerging issues that affect project affected communities have been identified.*

During the implementation and operation stages, monitoring should be conducted to establish whether anticipated or unanticipated issues are arising. Monitoring should focus on agreed indicators and methods used in the baseline assessment so that credible comparisons can be made. It is important to build local knowledge into assessment processes so that community members can establish effective data collection and monitoring processes that will bring information forward in a timely manner.

Examples of mechanisms by which issues can be brought forward include regular visits by social workers or by community representatives responsible for communicating any emerging issues to those responsible. Depending on the particular arrangements and the time period post-project commissioning, responsibilities may have been handed over from the owner/operator to government agencies. Handover processes and responsibilities for monitoring and response are important to establish and ensure effectiveness.

For older projects there may be an absence of well-documented commitments to project affected communities made at the time of project approval or an absence of data on the pre-project baseline against which to compare post-project. In this case, it is still important for the

hydropower facility to have mechanisms to detect and evaluate if issues relating to the hydropower facility are arising for the surrounding communities as these can evolve over the many decades of operations.

## Management

*Management criterion - Preparation Stage: Management plans and processes for issues that affect project affected communities have been developed with no significant gaps including monitoring procedures, utilising local expertise when available; and if there are formal agreements with project affected communities these are publicly disclosed.*

*Management criterion - Implementation Stage: Measures are in place to address identified issues that affect project affected communities, and to meet commitments made to address these issues; and if there are any formal agreements with project affected communities these are publicly disclosed.*

*Management criterion - Operation Stage: Measures are in place to deliver commitments to project affected communities, and to manage any identified issues relating to these commitments; and if there are any formal agreements with project affected communities these are publicly disclosed.*

Plans for project affected communities should be included in the Environmental and Social Management Plan (ESMP) and should separately address construction and operation stage impacts. A multitude of measures to address project-related effects on communities have been implemented with hydropower project developments globally. The following are some of the approaches that could be considered in project management plans to address specific issues and risks for communities.

Measures to mitigate economic displacement should first fully explore avoidance and minimisation through project siting, design and operations. Where economic displacement is unavoidable, mitigation measures should be implemented and may include some of the following:

- Affected households or communities are part of discussions and agreements on the

decision to participate in livelihood restoration and improvement programmes and which livelihoods to pursue, or to take monetary compensation.

- Compensation is in-kind (land-for-land of equivalent productive capacity, shop-for-shop etc.), or where not available or not desired by the affected household, compensation is provided in cash at replacement cost or legally established compensation rates, whichever is higher.
- Assistance is provided to help affected households and communities to maintain and improve their livelihoods and standards of living or shift to alternate livelihoods, depending on the nature and degree of impact. Examples of support measures include resources, equipment, permits, credit, training, expert advice, demonstration centres, and preparatory actions (e.g. land clearing, land preparation, access roads).
- Where commercial farms or other types of business enterprises are affected, support is provided for their owners, employees, and dependent local businesses (such as suppliers and processors) to restore or shift their livelihoods.
- Because the technical and commercial success of livelihoods activities can be difficult to predict continued monitoring is implemented, ideally with planned adaptive management measures, to ensure effectiveness of the livelihood restoration and improvement programme over time.

Economic displacement may be temporary during construction, or partial where only part of the land is acquired or where only certain land uses are restricted (for example, in the right-of-way of a transmission line). In such cases, the mitigation and compensation measures can be applied proportionately. However, if this results in undue hardship for affected people (i.e. when the remaining livelihood potential is insufficient), permanent and full compensation is required.

Measures to mitigate the risks of a lack of capacity or closures of local infrastructure and services (such as roads, schools, health centres, shops) include: avoidance and minimisation of closures through appropriate construction management or bypass and replacement facilities; a timely increase in capacity of public facilities and support to private facilities for increases in capacity; additional temporary facilities during

construction; and opening of project facilities to local communities.

Measures to mitigate risks of rising costs of living as the influx of contractors, workers and project followers creates additional demand include: monitoring of price levels for housing, groceries, fuels, etc.; balancing of interest in local procurement and stimulation of the local economy with protection of vulnerable local households; where possible, support for increased local supply of housing, groceries, fuels, etc., for example through local farming cooperatives; and where necessary, self-contained work camps and limits on local procurement and employment.

Measures to mitigate risks of conflicts between the workforce and the local population, and exposure to risky behaviour (such as drugs and alcohol abuse or prostitution), include: monitoring of interactions; early identification of potential conflicts; awareness-raising and preventative measures; enforcement of restrictions; balancing of interest in workers' recreation opportunities with protection of vulnerable local households; increased support for local police or security; clear contract provisions regarding worker behaviour and consequences; workers sign a Code of Conduct which is reinforced through various project communications mechanisms; and self-contained work camps and limits on interaction with communities (for example, through fencing, gate controls, and curfews).

Measures to mitigate risks of conflicts within the local population and loss of social cohesion include: monitoring of social processes and early identification of potential conflicts; easily accessible information and clear communications on impacts, entitlements, processes, and timelines for mitigation and compensation; and fostering a sense of community by equitable treatment of households, negotiating with legitimate community leaders, and supporting community building activities. Measures to mitigate risks of conflicts over compensation entitlements resulting from unclear cut-off dates for baseline establishment and asset registration include: ensuring that cut-off dates are agreed with local community leaders, clearly documented, and communicated widely. A project vulnerability policy is recommended



so that the approach to support for the most vulnerable is documented and consistent.

Measures to mitigate risks of human-wildlife conflict, in which wildlife is displaced by project activities or humans displaced by the project encroach upon wildlife habitat, include: avoidance and minimisation through project siting, design and operations; provision of alternative habitats for wildlife; employment of local guards or wardens in high risk areas and times of day; fencing and other measures to keep animals from fields and settlements; relocation or hunting of problem animals; compensation of farmers for livestock and crop losses; and training and education for communities on how to minimise and manage conflicts.

Measures to mitigate risks of a barrier effect created by the reservoir or any areas with restricted access to land transport include: avoidance and minimisation through appropriate project siting, design and operations; bridges; bypass roads; and boats or ferry services.

With all management actions, efforts should be made to ensure there is no 'elite capture' of measures and benefits.

All of the issues identified in the assessment need to be addressed in the management plans. Local expertise should be involved in the plan development. The management plans and processes for addressing impacts should address how responsibilities have been allocated, the institutional and financing arrangements for the implementation of plans, timing objectives, monitoring and evaluation mechanisms, and any handover arrangements with responsibilities over time. For projects with transboundary implications, the plans should include arrangements between jurisdictions.

In some cases the pre-project use of natural resources (e.g. water extraction or hunting) may not be recognised formally through land tenure, water rights or resource use agreements, and may in fact be in conflict with existing national laws (e.g. protection of threatened species). Any existing informal arrangements should be taken into consideration in the assessment using local knowledge and captured in the baseline data, with the impacts of the project on these activities clearly identified. Part of the package of

mitigation and compensation may be measures to formalise or legalise land titles and/or access to natural resources, or to provide ways to pursue livelihoods that are not in conflict with national conservation objectives. These are delicate matters and would require good partnership approaches between the project developer and the government to ensure the future and long-term wellbeing of the project affected communities.

An agreement is a recorded understanding between individuals, groups or entities to follow a specific course of conduct or action. An agreement would be recognised as formal when in the form of a document signed by recognised representatives of all parties concerned with witnesses present or expressed in government licence requirements or court decisions. An agreement is considered publicly disclosed if members of the public can access information on what was agreed if they would like to do so. Public disclosure may take place through public access to the actual document that records the agreement (either posted on a website, distributed, or made available on request to interested parties), or public notification via a media release or website about the main provisions of the agreement. If there was a one-off notification, information may be hard to access at a later date and an effort should be made by the owner/operator to ensure awareness of and ease of accessibility of information by stakeholders over time.

## Stakeholder Engagement

*Stakeholder Engagement criterion - Preparation Stage: Engagement with project affected communities has been appropriately timed and often two-way; ongoing processes are in place for project affected communities to raise issues and receive feedback.*

*Stakeholder Engagement criterion - Implementation and Operation Stages: Ongoing processes are in place for project affected communities to raise issues and get feedback.*

The risks of poor outcomes for project affected communities are more acute if communications and cooperation between the affected communities, the developer, and government

are ineffective. This may happen if, for example, there is a lack of disclosure of relevant project information, discrimination, harassment, breach of agreements, and denial of fair treatment and access to grievance mechanisms. Gender-related inequities in impacts and opportunities may arise if women are not represented adequately in consultation processes and impact assessments.

To address these risks, ESIA, ESMPs and other relevant project information should be publicly disclosed and easily understandable and accessible to all project affected communities, recognising that all may not be literate nor have transport to areas where information is displayed or explained in meetings. Community members should be well-informed of their rights and have collective representation and access to grievance mechanisms with thorough and timely feedback. Grievances should be systematically tracked and resolved and analysis of grievances used to guide improvements. Representatives of government, the developer and contractors should cooperate to ensure fair treatment of all communities and community members, including vulnerable persons. Specific support measures for vulnerable persons should be deployed, for example the inclusion of language specialists in project teams, dedicated focal groups during consultations, partnerships with social welfare NGOs, and preferential access to mitigation measures and benefits.

Appropriately timed, culturally appropriate, and two-way processes are important components of good practice stakeholder engagement. 'Appropriately timed' means that engagement should take place early enough so that the project can respond to issues raised, those affected by the project have inputs before the project takes decisions, and engagement takes place at times suitable for people to participate. Project affected community members should be supportive of the timing of engagement activities. 'Culturally appropriate' means that methods of engagement respect the cultures of those affected and allow adequate provisions to fit with the discussion and decision-making processes typical for the affected households and communities. Stakeholder engagement processes that are culturally sensitive consider, for example, meeting styles, venues, facilitators, language, information provision, the community's

decision-making processes, time allocation, recording, and follow-up. Engagement processes need to consider gender and the inclusion of vulnerable social groups. 'Two-way' means that project affected community members can give their views on the plans that will affect them rather than just being given information without any opportunity to respond. Examples of two-way processes include focus groups, community meetings, and public hearings.

Processes in place for project affected community members to raise issues could include, for example, designated contact people at the villages, periodic village briefings or question/answer opportunities, or feedback/suggestion boxes at an easily accessible area. Feedback on issues raised could be demonstrated by means such as written correspondence or meeting minutes. A register should be kept by the owner/operator of source, date and nature of issues raised, and how and when each was addressed and resolved.

Further guidance can be found in the Communications and Consultation guideline.

## Stakeholder Support

*Stakeholder Support criterion - Preparation and Implementation Stages: Affected communities generally support or have no major ongoing opposition to the plans for the issues that specifically affect their community.*

Plans for project affected communities in relation to mitigation of issues arising from the hydropower development should be generally supported by those directly affected by them. Communities will have their own issue consideration and decision-making processes, and despite support from a community for the relevant plans there may still be members of the community that disagree with aspects of it. Stakeholder support may be expressed through community members or their representatives, and may be evident through means such as surveys, signatures on plans, records of meetings, verbal advice, public hearing records, public statements, governmental licence, and court decisions. No major ongoing opposition, or temporary opposition that was resolved, would satisfy this stakeholder support criterion.

## Conformance/Compliance

*Conformance/Compliance criterion - Implementation Stage: Processes and objectives relating to project affected communities issues have been and are on track to be met with no major non-compliances or non-conformances, and commitments have been or are on track to be met.*

*Conformance/Compliance criterion - Operation Stage: Processes and objectives in place to manage delivery of commitments to project affected communities have been and are on track to be met with no significant non-compliances or non-conformances, and commitments have been or are on track to be met.*

Assessment processes and management measures relating to project effects on communities should be compliant with relevant government requirements. These may be expressed in licence or permit conditions or captured in legislation. Land valuation, compensation and replacement processes are often established under government policies or legislation and implemented with government supervision.

Commitments to project affected communities with respect to measures to be taken by the hydropower developer or owner/operator may be expressed in policies of the developer or owner/operator, or in company statements made publicly or within management plans. Implemented measures should be consistent with what is in the plans to demonstrate conformance with the plans. Evidence of adherence to commitments could be provided through, for example, internal monitoring and reports, government inspections, or independent review. Variations to commitments should be well-justified and approved by relevant authorities, with appropriate stakeholder liaison.

The significance of not meeting a commitment is based on the magnitude and consequence of that omission and will be context-specific. For example, a failure to demonstrate delivery of a licence entitlement to project affected communities is a significant non-compliance, whereas a slight delay in delivery of a monitoring report could be a non-significant non-conformance.

## Outcomes

*Outcomes criterion - Preparation Stage: Plans provide for livelihoods and living standards impacted by the project to be improved, and economic displacement fairly compensated, preferably through provision of comparable goods, property or services.*

*Outcomes criterion - Implementation and Operation Stages: Livelihoods and living standards impacted by the project have been or are on track to be improved, and economic displacement has been fairly compensated, preferably through provision of comparable goods, property or services.*

The consequences of poor assessment and management of impacts to project affected communities may include: declines in income and impoverishment; loss of family and community networks, resulting in isolation and marginalisation; declines in housing standards; and malnutrition, loss of access to traditional medicines, and occurrence of disease, resulting in increased infant mortality and reduced life expectancy. The intent is that livelihoods and living standards for communities impacted by the project are improved relative to pre-project conditions. Ideally these measures would be taken with the aim of self-sufficiency in the long-term. Improvement of livelihoods should be through compensatory measures that address impacts of the project on pre-project livelihoods so that those affected are able to move forward with viable livelihoods with improved capabilities or assets relative to the pre-project conditions.

An evidence-based approach should demonstrate that livelihoods and living standards have been improved and economic displacement fairly compensated. The developer, owner and operator should demonstrate that responsibilities and budgets have been allocated to implement relevant plans and commitments. Evidence should demonstrate that mitigation plans have been implemented and are being monitored. It should be possible to provide examples to show how identified risks from the assessment were avoided or minimised. Monitoring reports and data in the implementation and operation stages should be aligned with original plans, make evaluations against the agreed baseline using appropriate and agreed indicators, and use a systematic and



defensible methodology for data collection. Independent reviews and evaluations can provide an even stronger evidence basis to demonstrate delivery of these outcomes.

Fair compensation for economic displacement is demonstrated by the quality of the assessment and the methodology used to identify economic displacement, and the baseline and methodology used to determine compensation measures. 'Fair' means free from favouritism, self-interest, bias or deception, and conforming with established standards or rules. Standards and rules for how compensation is treated in the project should be clear and transparent.