



Niger: a local fund to share the benefits of the Kandadji dam



Why is this important ?

The Kandadji dam is the first hydroelectric dam in Niger. Experience in the region shows that such high-cost investments that transform the rural landscape can only promote local, as well as national, development if the benefits (in terms of irrigation, electricity, pasture, fishing and monetary income from the exploitation of the dam) are equitably shared. According to the law of Niger, natural resources (including water) are the property of the people. Any measures to develop and use them must take into account the interests of the population, both now and in future. The Constitution of Niger, adopted on 25 November 2010, contains specific clauses endorsing a vision of development in which all communities base their future development on the exploitation of their local resources.

Key terms

HCAVN : *Haut-Commissariat à l'Aménagement de la Vallée du Niger*. The High Commission for Development of the Niger Valley is the body responsible for managing the multi-purpose dam at Kandadji. The project includes the construction of a hydroelectric power station and a first phase of development of 6,000 hectares of irrigated land for agricultural production.

The creation of a local development fund, financed by revenue from the hydroelectric component of Niger's Kandadji dam, could provide a long-term source of development financing to local people. The Niger Constitution supports this approach, but changes in the law need to be made to put this into practice.

Large dams and hydroelectric power station projects are controversial, primarily due to their impact on local sustainable development. In West Africa, these projects usually involve compulsory acquisition of land and the resettlement of people living in the dam and reservoir area. Livelihoods in the surrounding region are also affected because of the disruption created.

Opponents of these major schemes often cite the negative impacts such as the impoverishment of displaced and host communities and the inequitable distribution of the benefits from the projects. But such outcomes are not inevitable. An alternative approach is to provide the communities affected by the dam with a menu of development opportunities which offer long term improvements in their living conditions. These opportunities must make use of the valuable natural resources of each local area. This approach is supported by the Niger Constitution (article 152).

Niger's Constitution, Mining Code and Electricity Code

The Niger Constitution clearly stipulates that any action to develop the nation's natural resources must take into account the interests of the population, both now and in the future. Articles 148-153 (section 2) authorise the transfer of part of the economic returns from these developments to the local authorities in areas where the activities take place.

In the mining sector, measures have already been put in place to implement this sharing of benefits. A levy divides income from mining royalties between the state (85%) and local communities (15%). But there is no provision for sharing out the equivalent income from exploiting rights to water resources in the Electricity Code, which governs the construction and operation of energy-producing installations of all types.

The case of the Kandadji dam

In August 2002 the government of the

Benefit sharing: the principle of allocating a share of the economic returns created by building a dam to support local development for the people affected by the project.

Electricity Code: Law no. 2003-004 of 31 January 2003, which governs the construction and operation of electrical power installations of all types.

FIDEL-K: *Fonds d'Investissement pour le Développement Local de la zone affectée par le barrage de Kandadji* (Local Investment and Development Fund for the Area Affected by the Kandadji Dam) – a proposal by the Global Water Initiative (GWI) to establish a mechanism for sharing the financial benefits of the Kandadji dam with local people.

Key Statistics

3%: proposed levy on the income from electricity generated and sold by the Kandadji power station, to be used to finance the FIDEL-K development fund.

38,000: number of people who will be displaced by the building of the dam.

300 km²: the surface area of the future reservoir, which will flood homes, farms and pasture lands.

Republic of Niger approved a natural resource management plan for the Niger river basin, known as P-KRESMIN (the Kandadji Programme of Ecosystem Regeneration and Development of the Niger Valley). This plan involves building a dam on the Niger with a reservoir of 1,569 billion cubic metres capacity, and a 130 megawatt hydroelectric power station. The Kandadji dam will be the first hydro-electric dam in Niger. Its potential annual output is estimated to be 565 gigawatt/hours.

To make way for this project, the government has compulsorily acquired the land needed for the dam and power station and their supporting infrastructure. This will require 38,000 people to be moved from their homes

and farmlands. The principles of the 2010 Constitution underpin the sharing of mining revenues with local communities. A similar arrangement could be made for the revenue which will be generated by the Kandadji hydroelectric power station.

Creation of a local development fund: the FIDEL-K

In 2011 the HCAVN and Global Water Initiative carried out a legal, financial and institutional study which proposed a levy of 3% on the electricity generated by the Kandadji power station and sold to NIGELEC (Niger's state electricity company).¹ This levy would raise between 200 and 300 million CFA francs per year (the exact figure depending on the final price per kWh). This income would be paid into a development fund created for the purpose and managed directly by representatives of the displaced communities in the dam area, together with the local authorities, to support their own future development. This fund would be known as the FIDEL-K (Local Investment and Development Fund for the Area Affected by the Kandadji Dam).

People whose direct access to water resources will be lost or altered as a result of the dam's construction will thus benefit from a share of the resources generated by the dam throughout its working life. In Niger, these local funds are vital tools to support the implementation of local development projects, even though their lifespan may be dependent on that of the projects concerned. Each fund is managed according to rules which are clearly defined in a financing contract or manual of procedures.

How will the FIDEL-K work?

In the case of Kandadji, the FIDEL-K will be based at regional level (in Tillabéri), and will be under the executive control of the inter-community committee representing people affected by the dam (known as the CIPA). The fund is designed to have five separate windows for Community Development, Support for

Private Initiatives, Vulnerable Households, Environmental Management and Capacity Building.²

As displaced people are resettled, those affected will be able to determine their own investment priorities to meet their needs. The assumption is that these priorities will change between the first five years of the FIDEL-K and after 20 years of operation. Transparent fund management will be ensured by auditing of accounts and by independent evaluations of activities and projects, which will be financed by the fund. So, there are solid foundations on which a local development fund for people affected by the Kandadji dam can rest.

Next steps for the government

Amendments will need to be made to current legislation, in particular to law no. 2003-004 of 31 January 2003 governing the Electricity Code, to bring it into line with the 2010 Constitution. The operating franchise and the contractual documents to be signed as part of the establishment of the future Kandadji power station will then have to formalise the principle of revenue sharing, and define the practical ways and means to implement it.

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1. Study on the sharing of benefits from the sale of electricity at Kandadji with affected communities. Maina Boukar et al., GWI West Africa (January 2011). *Only available in French.* <http://gwiwestafrica.org/en/study-sharing-profits-sale-electricity-kandadji-dam-affected-populations>

2. Study on the implementation of a benefit-sharing mechanism to finance local development activities for affected communities from the sale of electricity at Kandadji dam. Magagi et al., GWI West Africa (July 2012). *Only available in French.* <http://gwiwestafrica.org/en/study-establishment-mechanism-sharing-profits-electricity-generated-kandadji-dam>

GWI in West Africa

The Global Water Initiative (GWI) in West Africa is implemented by IIED and IUCN and is funded by the Howard G. Buffett Foundation as part of the global GWI. In West Africa we are working in Burkina Faso, Guinea, Mali, Niger and Senegal on the theme of agricultural production linked to large dams and irrigated perimeters.

To find out more about our work in Niger: www.gwiwestafrica.org/en/countries/niger

