



Technical Assistance Report

Project Number: 37734
June 2008

Lao People's Democratic Republic: Greater Mekong Subregion Nam Theun 2 Hydroelectric Project – Social Safeguards Monitoring

CURRENCY EQUIVALENTS

(as of 3 June 2008)

Currency Unit	–	kip (KN)
KN1.00	=	\$0.000114
\$1.00	=	KN8,745

ABBREVIATIONS

ADB	–	Asian Development Bank
IFI	–	international financial institution
Lao PDR	–	Lao People's Democratic Republic
NTPC	–	Nam Theun 2 Power Company
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention - Geographic
Sector	–	Energy
Subsector	–	Hydropower generation
Themes	–	Inclusive social development, environmental sustainability, capacity development
Subthemes	–	Involuntary resettlement, natural resources conservation, institutional development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. On 4 April 2005, the Asian Development Bank (ADB) approved the Nam Theun 2 Hydroelectric Project¹ (the Project). The Project is to help the Lao People's Democratic Republic (Lao PDR) generate sustainable electricity from a renewable hydropower resource for use domestically and for export to Thailand, earning much-needed revenue in hard currency for poverty reduction and environmental protection programs.
2. ADB assistance for the Project consists of a \$20 million ordinary capital resources loan to the Government of the Lao PDR for (i) its equity investment into the Nam Theun 2 Power Company (NTPC) through Lao Holding State Enterprises, (ii) a \$50 million political risk guarantee, and (iii) a \$50 million direct loan² to NTPC. Other project financiers include the World Bank, European Investment Bank, Nordic Investment Bank, Agence Française de Développement, and private commercial banks. The total project cost is estimated to be \$1,250 million.
3. The Project will construct a transbasin hydropower station with a capacity of 1,070 megawatts. A 39-meter-high dam is being built on the Nam Theun River, creating a reservoir of 450 square kilometers (km). Water released from the power station will be discharged through a 27-km channel before being discharged into the Xe Bang Fai River.
4. The Project will have a variety of negative impacts on the environment and also social impacts on the people who live in the reservoir area, upstream and downstream areas, and in the watershed of the Nakai-Nam Theun National Protected Area. Social impacts of the Project include (i) resettlement of 1,200 households living on the Nakai plateau in the reservoir area; (ii) acquisition of land for construction of the project facilities, particularly the land for construction of the downstream channel; and (iii) associated impacts on the 37 villages along the Nam Theun River downstream of the dam, on the 31 villages in the watershed upstream of the reservoir, and on about 200 villages along the Xe Bang Fai River downstream of the power station.
5. The Government has requested assistance from ADB to ensure that these negative impacts are appropriately mitigated. The proposed technical assistance (TA)³ will provide this support. The design and monitoring framework is in Appendix 1.

II. ISSUES

6. The Project has been designed to be a model for large hydropower projects. Its development and implementation have involved (i) extensive consultations with project-affected people and other stakeholders; (ii) an environmental management program aimed at mitigating environmental impacts and biodiversity conservation; (iii) a comprehensive social development program aimed at restoring and improving the livelihoods of the reservoir resettlers and of upstream and downstream villages; and (iv) a multi-level monitoring scheme involving an independent panel of social and environmental experts, the lenders' technical advisor, an independent monitoring agency, and the international financial institutions (IFI). ADB participates in the IFI monitoring activities to ensure that the Project is being implemented in

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Lao People's Democratic Republic for the Greater Mekong Subregion Nam Theun 2 Hydroelectric Project*. Manila (Loan 2162-LAO, approved on 4 April).

² ADB. 2005. *GMS Nam Theun 2 Hydroelectric Project*. Manila (PS 7210-LAO, approved on 4 April, for \$100 million).

³ The TA first appeared in the business opportunities section of ADB's website on 4 June 2008.

accordance with the Project's legal documents and in compliance with ADB's social and environmental safeguard policies.

7. After 2.5 years of construction, the Project has reached a critical milestone—closure of the Nakai dam diversion tunnel, which commences the reservoir filling. In 2009, NTPC will start testing the water release to the Nam Theun River and will also gradually release water to the Xe Bang Fai River. With closing of the diversion tunnel and filling of the reservoir, impacts will occur to affected persons on the Nakai plateau, and in the upstream and downstream areas.

8. It is therefore very important for the Government, ADB, and other IFIs to closely monitor the implementation of the designed social safeguard programs, including resettlement of the villagers in the reservoir area and implementation of a package of livelihood restoration and development for all affected persons. This will require that there be a social development specialist stationed in the Lao PDR to assist the Government on a routine basis.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The technical assistance is to ensure that the Project is implemented in accordance with its envisaged design as a world-class model, not only producing electricity for meeting the needs in the Lao PDR and Thailand but also doing so in a socially sustainable inclusive manner. The anticipated impact of the TA is that the livelihoods of the project affected people, particularly the stated income targets, will be restored in accordance with the Project's concession agreement and ADB's policies. The outcomes of the TA will be the assurance (i) that affected people on the Nakai plateau will be properly resettled, their livelihoods will be restored through appropriate implementation of agriculture, fishery and village forestry programs; (ii) that affected people whose lands were taken for the Project will be properly compensated and their livelihoods restored in accordance with the concession agreement and in compliance with ADB's policies; and (iii) that villagers in the upstream and downstream areas will be provided with adequate and suitable options for restoring the potential loss of fish catch, riverbank gardens, and other livelihood opportunities in accordance with the concession agreement and ADB's policies. The TA will also provide information for reports to ADB management and the Board of Directors on the Project's implementation status, and for preparing responses to the numerous civil society organizations that maintain an interest in the Project.

B. Methodology and Key Activities

10. To achieve the intended outcomes, the technical assistance will continue the ongoing monitoring of the project implementation through constant consultation with NTPC, the Government of Lao PDR, and other IFIs. This requires that the Government has available to it the services of a specialist, who will join regular technical visits with World Bank teams to the project sites. In the past 2 years, the technical visits have proven very effective not only in identifying issues in the implementation of the social programs but also in exploring options for solving these issues with NTPC and the Government.

11. The TA will engage an international social development specialist who has worked extensively in the Lao PDR and has good experience in the country and with ADB's social safeguard policies. The specialist will, together with other project IFIs (in particular the World Bank), assist the Government with conducting regular monitoring missions at least twice a year, and consult with the Government and NTPC to assist them in implementing the Project's social

development programs. The work of the consultant and his or her outputs constitute the outputs for the TA. These will include aides memoire and meeting minutes documenting progress with regard to the implementation of the social development programs of the Project, including progress in

- (i) achieving income targets for the 1,200 resettled households on the Nakai plateau,
- (ii) the upstream and downstream program implementation,
- (iii) final compensation and livelihood restoration for land acquired for project construction, and
- (iv) implementation of the social and environmental monitoring framework and operational plan for the Nakai Nam Theun National Protected Area.

12. The specialist will assist the Government with reviewing the Project's social safeguard documents and providing comments as necessary, and will provide information that will be used for preparing reports and presentations to ADB's Board and management about the progress of the Project.

C. Cost and Financing

13. The total cost of the TA is estimated at \$420,000 equivalent, of which \$400,000 will be financed on a grant basis by ADB's TA funding program. The Government will finance the balance of \$20,000 equivalent in-kind by providing counterpart staff support and data, information, and reports. The detailed cost estimate and financing plan are in Appendix 2.

D. Implementation Arrangements

14. ADB will be the Executing Agency for the TA, which will be implemented over a 24-month period commencing in July 2008.

15. An international consultant will be engaged on an individual basis by ADB for 12 person-months intermittently over 2 years, in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The consultant, who will be based in ADB's Lao Resident Mission, will possess (i) in-depth knowledge of ADB's policies on involuntary resettlement and indigenous peoples, (ii) experience in implementing social development plans for resettlement arising from large infrastructure projects, and (iii) excellent understanding of issues related to ethnic minorities in the Lao PDR. The outline terms of reference are in Appendix 3.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of the Lao People's Democratic Republic for the Greater Mekong Subregion Nam Theun 2 Hydroelectric Project – Social Safeguards Monitoring, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <ul style="list-style-type: none"> Livelihoods of people living on the Nakai plateau and along the Nam Theun and Xe Bang Fai rivers will be restored in accordance with the concession agreement and ADB's policies 	<ul style="list-style-type: none"> Household and village income targets for resettlers on Nakai plateau achieved by 2014 Final compensation for project lands paid by December 2009 	<ul style="list-style-type: none"> Reports of Ministry of Energy and Mines Certification of the panel of international social and environmental experts 	<p>Assumption</p> <ul style="list-style-type: none"> Strong commitment from NTPC and the Government <p>Risks</p> <ul style="list-style-type: none"> Implementation of the Project's Social Development Program will not be given the same attention as the Project's construction receives. Project staff with relevant skills are not available
<p>Outcome</p> <ul style="list-style-type: none"> Effective implementation of livelihood programs on the Nakai plateau and downstream areas and project land compensation in compliance with the concession agreement 	<ul style="list-style-type: none"> Progress according to the concession agreement of achieving income targets for 1,200 households on the Nakai plateau Progress according to the Project's concession agreement for the downstream program implementation Final compensation for land acquired for project construction paid by December 2008 	<ul style="list-style-type: none"> Reports of the panel of international social and environmental experts Reports of the lenders' technical advisor 	<p>Assumptions</p> <ul style="list-style-type: none"> Sufficient budget for Nakai Plateau programs Effective monitoring and dialogue with the Government and NTPC <p>Risk</p> <ul style="list-style-type: none"> Downstream program is budget limited
<p>Outputs</p> <ol style="list-style-type: none"> List of issues for IFI monitoring missions identified. Solutions proposed for each issue with steps to be taken by IFI teams in agreement with the Government and NTPC with regard to the implementation of the Project's social and livelihood programs. Semiannual reports to ADB's Board and management about the progress of the Project 	<ul style="list-style-type: none"> Clarity and timeliness of issues and solutions Consensus obtained in resolving issues and issues then being resolved Timely review and comments on the Project's social safeguard aspects. Reports submitted to the Board in May and November each year 	<ul style="list-style-type: none"> Mission aides memoire and meeting minutes Project documents and reports 	<p>Assumption</p> <ul style="list-style-type: none"> Smooth coordination among IFI teams in all issues related to the Project's social program of the Project and in dialogue with the Government and NTPC
Activities with Milestones			Inputs
<ol style="list-style-type: none"> Recruit a social development specialist by July 2008 Develop social development specialist's work plan by July 2008 Social development specialist fully in monitoring the Project's social programs July 2008–June 2010 			<ul style="list-style-type: none"> ADB-\$400,000 Consulting services 12 person-months-\$370,000

Activities with Milestones	Inputs
2.1 Consolidated inputs to ADB Board of Directors reports every six months (March and October)	Seminars, conferences and workshops-\$10,000 Miscellaneous Administrative and Support Services and contingencies-\$15,000 • Government-\$20,000, Documents, Reports, Studies, and Survey Reports-\$10,000 Miscellaneous Administrative and Support Costs-\$10,000

ADB = Asian Development Bank, IFI = International Financial Institutions, NTPC = Nam Theun 2 Power Company.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank (ADB) Financing ^a	
1. Consultant	
a. Remuneration and Per Diem	310.0
b. International and Local Travel	50.0
c. Reports and Communications	10.0
2. Seminars, Conferences, and Workshops	10.0
3. Miscellaneous Administrative and Support Services	5.0
4. Contingencies	15.0
Subtotal (A)	400.0
B. Government Financing	
1. Documents, Reports, Studies, and Survey Reports	10.0
2. Miscellaneous Administrative and Support Costs	10.0
Subtotal (B)	20.0
Total	420.0

^a Financed by ADB's technical assistance funding program.
Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANT

1. The technical assistance requires the service of an international social development specialist (12 person-months intermittent during a 2-year period). The consultant's scope of work will be to provide assistance to the Government with monitoring the Nam Theun 2 project social programs including involuntary resettlement, indigenous peoples, and gender aspects of the Project. The specialist will report to the task manager of the Asian Development Bank (ADB) for the Project.

2. The consultant will undertake the following.

- (i) Become familiar with all relevant project documentation, including (but not limited to) the concession agreement, loan agreement, social development plan (2005), social and environmental management first operation plan (2005), updated resettlement plans for project lands (2007), downstream implementation plan (2008), international financial institution (IFI) missions' aides memoire, and reports of the social and environment panel of experts, lenders' technical advisor, independent monitoring agency, nongovernment organizations, and Nam Theun Power Company's monthly reports.
- (ii) Maintain close and frequent contact with the World Bank's Lao People's Democratic Republic-based staff responsible for monitoring the implementation of the social programs of the Project.
- (iii) In coordination with the World Bank and other financiers as relevant, monitor the status of the Project's social programs as per the Project's legal documents; in particular the program for restoration of livelihood of resettlers on Nakai plateau, the program for compensation of project lands, and the downstream development program. Identify potential problems and issues that may affect the achievement of the objectives of these programs, and propose solutions to these problems in consultation with the World Bank and IFI teams.
- (iv) Participate in IFIs' dialogue with Nam Theun 2 Power Company (NTPC) and the Government about the social programs, especially for identifying and resolving problems and difficulties.
- (v) Review and provide written comments on various reports and documents as requested by ADB's task manager.
- (vi) Prepare inputs to regular briefings and presentations and reports for ADB management and the Board of Directors, and prepare responses to inquiries from civil society as requested by the task manager.
- (vii) Participate in IFI review missions as requested by the task manager, provide technical guidance to NTPC and the Government, and contribute to mission aides memoire, back-to-office reports, and other documents.

3. The consultant will (i) provide ADB with brief reports each month highlighting the main issues in (ii), (iii), (iv), and (v) above; (ii) provide inputs as set out in (vi) above; and (iii) provide quarterly reports to the Government counterpart agency with content to be agreed with the task manager.