



**USAID**  
FROM THE AMERICAN PEOPLE

# USAID'S REVIEW OF MULTILATERAL DEVELOPMENT BANK ASSISTANCE PROPOSALS AND PROJECTS

October 2017

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## Introduction

The U.S. Agency for International Development (USAID) submits this report in compliance with Title XIII of the International Financial Institutions (IFI) Act of 1977, as amended. The IFI Act directs USAID to report to Congress on a semi-annual basis on reviews of proposals and projects undertaken by the multilateral development banks<sup>1</sup> (MDBs).

These reviews fall into three categories:

- Pre-approval desk reviews of MDB proposals per Section 1307 of Title XIII, in which a pre-approval field review is not practicable;
- Pre-approval field reviews of MDB proposals per Section 1303 of Title XIII; and
- Post-approval monitoring reviews of MDB projects per Section 7060 of Public Law 113-235.

All these reviews are distinct from, but related to, the interagency loan reviews and other MDB oversight functions led by the U. S. Department of Treasury (Treasury).

This report covers the six-month period from March 2017 to August 2017. The report includes no pre-approval desk reviews, four pre-approval field reviews, and three post-approval monitoring reviews. It also includes three additional proposals and projects that USAID might review in the future. Treasury reviewed this report for factual accuracy.

## Review Process

A range of U.S. Government entities identified MDB proposals and projects with the potential for adverse environmental and social impacts, including: USAID/Washington and field Missions, Treasury, the U.S. Department of State (State), the U.S. Environmental Protection Agency (EPA), Offices of the U.S. Executive Director (OUSEDs) to the MDBs, and other relevant Federal Agencies, as well as civil society organizations, researchers, and the MDBs themselves.

After identification, USAID selects proposals and projects for review based on criteria that currently include, but are not limited to, the following:

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<sup>1</sup> From Title XIII Section 1307(g): “In this title, the term ‘multilateral development bank’ means the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the African Development Bank, the African Development Fund, the Asian Development Bank, the Inter-American Development Bank, the Inter-American Investment Corporation, any other institution (other than the International Monetary Fund) specified in section 1701(c)(2), and any subsidiary of any such institution.”

- Potential adverse direct, indirect and/or cumulative impacts on the environment, natural resources, public health, and indigenous peoples;
- The MDBs' own classification of a project's environmental and social risks;
- USAID oversight foci for each geographic region (e.g., hydropower in Asia); and
- Practical criteria (e.g., local security and weather).

USAID conducts the reviews based on the MDBs' own standards and safeguard policies. They can include review of documents, site observations, and consultation with stakeholders, especially project-affected people. The MDB Team in USAID's Bureau for Economic Growth, Education and Environment (E3) leads these reviews, in coordination with USAID Missions and other Federal Departments and Agencies, including Treasury, State, and EPA, as well as the OUSEDs.

USAID aims to engage in the MDBs' project development cycles as early as possible, typically through site visits and consultations with local, regional, and international stakeholders. USAID also endeavors to continue engagement with the MDBs and other stakeholders later in the project cycle, when environmental- and social-impact assessments and related information are available.

## **Section I**

### **Pre-Approval Desk Reviews**

USAID conducts pre-approval desk reviews of MDB proposals per Section 1307 of Title XIII of the IFI Act and in cases which a pre-approval field review is not practicable because of weather, security, data on Board votes, or other circumstances.

USAID typically bases pre-approval desk reviews on the proposal's environmental- and social-impact assessment (ESIA) and any related documents. Desk reviews analyze adverse direct, indirect, and cumulative impacts and impacts from associated facilities. Such analyses can generate alternatives to the proposed action and recommendations for identifying, avoiding and mitigating adverse impacts.

Desk reviews are distinct from USAID loan reviews led by the agency's Bureau for Policy, Planning and Learning, but can inform and/or complement loan reviews. USAID transmits the desk reviews, including any alternatives and recommendations, to Treasury prior to the vote on the project by the MDB's Board.

The USAID Team did not conduct any pre-approval desk reviews during this reporting period.

## Section 2

### Pre-Approval Field Reviews

In conformance with Section 1303 of Title XIII of the IFI Act, USAID conducts pre-approval field reviews of MDB proposals that are particularly likely to have significant impacts on the environment, natural resources, public health and indigenous people.

USAID typically bases pre-approval field reviews on examinations of all available environmental and social documentation; site observations; and consultations with stakeholders, especially project-affected people. Like desk reviews, field reviews analyze direct, indirect, and cumulative impacts, and impacts from associated facilities. Such analyses can generate alternatives to the proposed action and recommendations for identifying, avoiding and mitigating adverse impacts.

USAID conducts field reviews of selected MDB proposals at any time prior to the vote on the project by the Institution's Board, for example, during the pre-feasibility, feasibility, or appraisal stages. USAID transmits out technical analyses, including any alternatives and recommendations, to Treasury and the MDB prior to the vote by the MDB's Board.

This report includes the following pre-approval field reviews:

1. Indonesia – Rantau Dedap Geothermal Power Project (Asian Development Bank, ADB);
2. Sri Lanka – Mannar Wind Power Project (ADB);
3. Zambia – Improved Rural Connectivity Project (World Bank);
4. Georgia – Nenskra Hydropower Project (European Bank for Reconstruction and Development (EBRD) and ADB).

#### I. Indonesia – Rantau Dedap Geothermal Power Project (ADB)

##### Background and Development Objective

Expanding energy access is a priority for the Government of Indonesia (GoI). Its target for new power generation is an additional 35,000 megawatts (MW) by 2025, of which 8,100 MW are proposed to be renewable. Indonesia is endowed with considerable geothermal potential and geothermal power is expected to make up 7,150 MW (about 80 percent) of the new renewable capacity. The GoI has proposed at least 30 geothermal energy projects, of which seven projects are ready for the exploration phase, eight projects are in the exploitation phase, and three projects are under construction. Many of the proposed new



geothermal projects (18 out of 30) are planned for the island of Sumatra.

The majority of these projects are located in proximity to the Tropical Rainforest Heritage of Sumatra (declared a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization), comprised of Gunung Leuser, Kerinci Seblat, and Bukit Barisan Selatan National Parks. The U.S. Government, through the Tropical Forest Conservation Act, has invested over \$16 million in conservation activities over the past eight years in Sumatra, including in this landscape, in addition to resources invested by Rhinoceros and Tiger Conservation Fund managed by the Fish and Wildlife Service within the U.S. Department of the Interior and USAID bilateral support.

The ADB has financed two private-sector geothermal projects in Sumatra. PT Supreme Energy is sponsoring both projects: a 250 MW project in Maura Laboh,<sup>2</sup> which borders Kerinci Seblat National Park, and the exploration phase of the proposed 250 MW project in Rantau Dedap,<sup>3</sup> located in a protected forest within the corridor between Kerinci Seblat and Bukit Barisan Selatan National Park. The World Bank might expand the Geothermal Energy Upstream Development Project into Sumatra, depending on a decision of the Gol. The remaining potential geothermal projects in Sumatra are highly likely to be developed with non-MDB-financing.

ADB is considering financing the second phase of the Rantau Dedap project, whose objective is to develop geothermal steam resources through production and injection facilities and construct, operate, and maintain a single power generation unit with a total capacity of 92 MW in South Sumatra. A transmission line will supply electricity to the island's main grid.

### **Adverse Environmental and Social Impacts**

Although geothermal development has a relatively small “footprint,” potentially significant environmental impacts can result from increased human activity, loss of habitat, as well as habitat fragmentation, for example when linear infrastructure components (access roads, transmission lines, and water pipelines) impede the movement of animals. Moreover, edge effects from associated development commonly contribute to the degradation of habitat. The Rantau Dedap project's ESIA baseline study documented that the area has critical habitat for eight species of threatened mammals, including the critically endangered Sumatran tiger and pangolin, and the endangered dhole, Malayan tapir, Sumatran serow, siamang gibbon and Sumatran surili.

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<sup>2</sup> In 2014, the ADB provided \$50 million as early stage financing to facilitate Phase I. Phase I is 80 MW.

<sup>3</sup> Phase 2 is 92 MW.

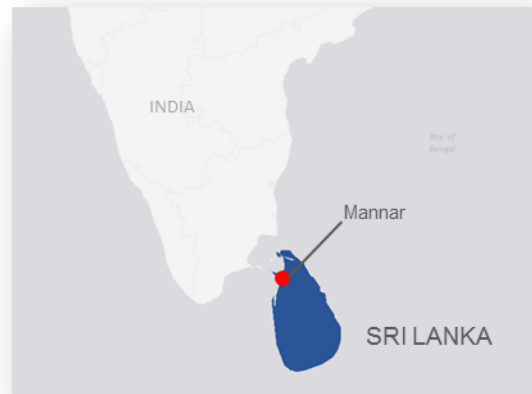
## USAID Field Review

In July 2017, USAID initiated a pre-financing review of the Rantau Dedap Geothermal Project. Meetings took place with PT Supreme Energy (project sponsor), the World Bank, civil society and conservation organizations, and researchers. Although a visit to the project site was not possible, the team was able to visit several locations within the Tropical Rainforest Heritage landscape to get a better understanding of the environmental and social context for geothermal development in Indonesia. USAID is in the process of analyzing information obtained from the visit and continuing discussions with stakeholders concerning project development in critical habitat and biodiversity offsets. We will produce a trip report and a summary of findings and recommendations to submit in our next report to Congress.

## 2. Sri Lanka – Mannar Wind Power Project (ADB)

### Background and Development Objective

The Sri Lankan Government's overall energy goal is to diversify its energy sources and increase the portion of electricity produced by renewable energy sources (e.g., mini-hydropower, wind, solar, and biomass) to 20 percent of total generation capacity by 2020. Toward this end, the ADB is supporting the Sri Lankan Government through various renewable energy and transmission line projects. In December 2016, the ADB Board of Directors approved financing for the Green Power Development and Energy Efficiency Improvement Investment Program through a Multitranche Financing Facility (MFF) to support the development of renewable energy in Sri Lanka. A component of this program is the 220-kilovolt Mannar-Nadukuda transmission line which is required to evacuate power from the ADB-proposed 100 MW Mannar wind power project on Mannar Island.



The proposed wind power project will be located in the southern part of the Mannar Island, over a 12.5 km stretch, which consists of 39 turbines. The project site is located in close proximity to Adam's Bridge Marine National Park,<sup>4</sup> with the electricity evacuated

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<sup>4</sup>In 2015, the Sri Lankan Government declared this area a National Park because it is an important breeding ground for birds and a flyway for birds as they enter and exit Sri Lanka. The shallow waters of Adam's Bridge host a variety of fish, sea grasses, dolphin, dugong, and turtles.

through the 29 km Mannar-Nadukuda transmission line, of which 7.5 km passes through the Vankalai Sanctuary, a Ramsar Convention wetland.

### **Adverse Environmental and Social Impacts**

Sri Lanka is a major entering site for migratory birds. The Vankalai Sanctuary and the wetlands within the Mannar Island are home to a large number of water bird species, including annual migrants that use the Central Asian Migratory Flyway as one of three key entry points to Sri Lanka, as well as the staging point before they leave. More than 30 percent of the birds recorded in Sri Lanka (more than 150 species) have been seen from this region. This region generally harbors more than 20,000 water birds during the migration season, which spans from September to April, and is also inhabited by some of the rarest species of birds recorded in Sri Lanka.

Because of the project’s potential significant impact on endangered bird species (both migratory and resident) the project is proposing a package of mitigation measures to satisfy the ADB critical habitat requirements. Mitigation measures will include the preparation of a Biodiversity Management Plan for the Vankalai Sanctuary area to ensure no net loss of biodiversity and to promote the conservation aims of the Sanctuary. Funding for the Biodiversity Management Plan implementation will be provided for its first five years.

### **USAID Field Review**

In August 2017, USAID initiated a pre-financing review of the Mannar Wind Power Project. The site visited covered the areas of the Mannar-Nadukuda transmission line, including sections that traversed the Vankalai Sanctuary, and the affected area of the proposed 100 MW Mannar Wind Power Project. Meetings took place with the relevant Ministries of the Sri Lankan Government, the ADB, civil society and conservation organizations, and researchers. USAID is in the process of analyzing information obtained from the visit and continuing discussions with stakeholders concerning baseline data collection for migratory and resident birds and bats the project could affect. USAID will produce a trip report and a summary of findings and recommendations to submit in our next report to Congress.

## **3. Zambia – Improved Rural Connectivity Project (WB)**

### **Background and Development Objective**

Between 1993 and 2013, the Government of the Republic of Zambia (GRZ) directed substantial resources to the Core Road Network, a series of roads considered critically important to the landlocked country for both the provision of sub-District





accessibility and national and international connectivity. Since 2013, rehabilitating existing and constructing new roads has continued to be a priority of the GRZ.

The Improved Rural Connectivity Project will fund improvements in rural roads and strengthen the capacity of road-related institutions of the GRZ. Specifically, the \$200 million loan from the World Bank's International Development Association (IDA) is comprised of the following tranches: (i) \$180 million to upgrade and maintain 4,200 km of feeder roads in six of Zambia's 10 Provinces, construct drainage structures along the same roads, and construct agricultural facilities nearby; and (ii) \$20 million to build the capacity of road-related Ministries and Agencies within the GRZ, with a provision that would allow the reallocation of project funding to allow the GRZ to respond better to a qualified disaster or emergency. Numerous GRZ entities<sup>5</sup> will implement the project, with the Road Development Agency and the National Road Fund Agency as leads. Improving rural connectivity (also called 'integration') is a top priority for the GRZ, the World Bank, and the ADB.

### **Adverse Environmental and Social Impacts**

The Environmental and Social Management Framework (ESMF) explains the rationale for the "B" categorization (moderate risk)<sup>6</sup> as tied to anticipated adverse impacts on forests (vegetation and trees will be cleared), physical cultural resources (artifacts of historical and cultural value could be uncovered), and involuntary resettlement (communities located within the 'road reserve' will need to be compensated and relocated).

### **USAID Field Review**

A team comprised of USAID Washington-based and field staff conducted a site visit in February and March 2017. The review included visits to two of the six Provinces included in the project (Lusaka and Eastern), more than three dozen individual and group consultations, and review of academic and technical literature and project documents.

### **Findings**

#### *Project Need*

1. USAID strongly supports the development rationale for this project. MDB and other literature note that poverty is three-times higher in rural areas compared to urban

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<sup>5</sup> Specifically, these are the GRZ Ministry of Housing and Infrastructure Development; Road Development Agency; National Road Fund Agency; Ministry of Local Government; National Construction Council; Road Transport and Safety Agency; Ministry of Transport and Communication; Ministry of Works and Supply; and participating local authorities.

<sup>6</sup> Though new road projects are often categorized as "A" (highest risk) and existing road projects are often categorized as "B" (moderate risk), this does not mean that "B" projects are without significant potential adverse impacts to the environment, public health and safety, and local communities. Recent road works in Southern Africa have shown the opposite.

areas in Sub-Saharan Africa. Rural poverty is associated with agriculture-based livelihoods characterized by limited access to roads, agricultural inputs, and seasonal hunger.

2. Most stakeholders strongly agreed with the World Bank's premise that improved rural roads will support agricultural productivity in Zambia. Stakeholders noted that drops of food aid from GRZ helicopters assist Districts with seasonal hunger. Although ground transport would be more regular and cost-effective, delivering food aid by truck is impossible because the roads do not exist or are impassable for much of the year. Other stakeholders mentioned that better roads would make it easier to distribute lye, which farmers apply to soil to improve its quality.

#### *Project Management*

3. The project requires close management to avoid problems typical to road projects. For example, borrow pits for other road projects in Eastern Province have been sited without community consultation or proper safety protections. One was sited in an area with numerous homes and a religious site, despite local opposition. Others nearby appeared abandoned, but had no fencing or signage to prevent entry. Children and livestock have become injured and drowned in the water that collects in borrow pits.

#### *Biodiversity*

4. Some of the provisionally selected roads pass near game management areas, which serve as biodiversity and ecosystem "buffers" around national parks and are home to endangered species and iconic big game. Another provisionally selected road passes near the North Luangwa National Park, arguably one of the best-protected habitats in Southern Africa.
5. Numerous stakeholders shared knowledge of widespread poaching of endangered species across Eastern Province, especially elephants and pangolins. The team observed two vehicles seized by South Luangwa National Park police because they were filled with illegal wildlife products.

#### *Forests*

6. Many stakeholders shared that improving roads would increase the degradation and loss of forest by increasing access to forest resources. They expected this even if the roads to be improved were not adjacent or near protected areas. Some members of local communities engage in illegal logging of high-value timber, much of which is intended for export to Asia. Even more community members are involved in the charcoal industry, supplied by the (often illegal) felling of local trees.
7. Stakeholders also spoke of the limited human financial, and logistical capital within the

Zambian forest sector. This results, they explained, in weak governance and protection of national parks and game management areas. For example, at the time of the field review, the Department of Forestry's Eastern Province headquarters had only one working patrol vehicle to manage 5,155,000 ha<sup>2</sup>.

#### *Community Involvement*

8. Stakeholders noted that the project's "List of Stakeholders Consulted" (Annex 7 of the Environmental and Social Management Framework) did not include representatives from all six Provinces where the project will be implemented. Specifically, no consultations appear to have taken place in Lusaka or Eastern Provinces, though Northern Central and Southern were visited. The USAID review team did not encounter non-governmental stakeholders in Lusaka or Eastern Provinces who were aware of the project.

#### *Labor*

9. All GRZ projects adhere to the requirements of the GRZ National Gender Policy of 2000, including the provision that at least 30 percent of labor recruited to projects must be women. However, there is no act of Parliament to back the National Gender Policy, and, therefore, there are no legal consequences for not following its requirements. We observed large labor crews working on other road works that did not appear to have any women, let alone 30 percent. However, we acknowledge that the same project might employ women elsewhere.
10. Stakeholders mentioned that road projects tend to employ youth, which competes with school attendance.

#### *Public Health*

11. Stakeholders reported concerns regarding increased disruptions of marriage, prostitution, pregnancies, and the transmission of HIV/AIDS and other sexually transmitted diseases associated with influxes of labor and establishment of work camps. Several noted that sensitization campaigns are helpful, but curfews and codes of conduct, which other road projects have put in place, are difficult to enforce. Direct observation of other road projects in the area led the team to be concerned about the GRZ's and contractors' capacity to provide sanitation and manage localized pollutants and nuisances, such as emissions, dust, noise, and vibration from construction activities and material transport routes.

## Recommendations

### *Project Need*

1. Coordinate with the GRZ, the Governments of other Southern African countries, the ADB, Chinese companies, and other financiers to identify and mitigate cumulative impacts of the project. Toward this end, we recommend that the World Bank initiate and lead development of a multi-stakeholder cumulative impact analysis (or regional environmental assessment) that considers roads and other linear infrastructure that are being developed across Zambia.

### *Project Management*

2. Consult project-affected communities regarding the siting of borrow pits and potential alternatives to sand mining from road infrastructure. Further, we recommend that contracts and other implementation instruments require best-in-class management and decommissioning of borrow pits to prevent injury and drowning, and manage other risks associated with standing water (see Public Health). Given limited funding and the potential for diversion of maintenance funds, opportunities should be sought throughout the life of project to establish and support community-based maintenance of roads.

### *Biodiversity*

3. Consult local environmental non-governmental and civil society organizations to avoid facilitating additional trade and trafficking in illegal wildlife products. Regular monitoring by communities and pop-up road blocks by rangers are but two of many viable options. Further, we recommend that the project include the GRZ's Department of National Parks and Wildlife Component 2: Capacity Building so that the project does not inadvertently create an institutional imbalance by strengthening the capacity of the industrial road-related Ministries but not the regulatory/environmental Ministries.

### *Forests*

4. Support community-based management of forests, including the provision of alternative livelihoods not based on illegal logging and unsustainable charcoal production. Additionally, we recommend that the project's capacity building component include the GRZ Department of Forestry for the reason mentioned above.

### *Community consultations*

5. Noting that Project documents provide for community consultation regarding the

siting of agricultural facilities, project sponsors should conduct broader community consultations that include discussion of which road links to improve, not only the siting of facilities.

#### *Labor*

6. Translate the project's Gender Assessment to a practical, specific Gender Action Plan required to be included in the Technical Specifications of bidding/contract documents. Implementing agencies should hire or consult a Gender Specialist and/or Community Development Specialist.
7. Bidding/contract documents should strictly prohibit the hiring of underage labor to incentivize youth to stay in school.

#### *Public Health*

8. Adhere to international best practices to avoid causing or aggravating respiratory conditions, such as asthma, emphysema, or bronchitis, and to limit fraternization between foreign labor and local women and children. In particular, project sponsors should fully adhere to the guidance in *Managing the Risks of Adverse Impacts on Communities from Temporary Project Induced Labor Influx*, a World Bank Note released in December 2016 following a different Southern Africa road project that had egregious social impacts. Importantly, project sponsors should develop a Pesticide Management Plan to identify and mitigate adverse impacts of the foreseeable increased use of agricultural inputs following improved roads.

### **Recent Action and Next Steps**

In spring 2017, USAID provided input to the Treasury-led interagency review process for this loan. Support included presenting findings and recommendations from this field review at a meeting of the interagency Working Group on Multilateral Affairs, answering questions from Washington-based staff who had not visited the project, and presenting the loan at Tuesday Group.<sup>7</sup>

Moreover, prior to the board vote, the OUSED to the World Bank brokered substantive communication between USAID and MDB project staff. This resulted in the World Bank's acknowledgement of our recommendations and commitment to several of them. Among the most important are the following:

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<sup>7</sup> Tuesday Group is a monthly Washington-based forum for civil society organizations to confer with the U.S. Government about issues pertaining to MDB policy and projects. Its name derives from the day of the week that meetings are held.

- Agreement to incorporate into the design the input of agricultural specialists, and to develop a Pesticide Management Plan to identify and mitigate adverse impacts of the foreseeable increased use of agricultural inputs following improved roads;
- Agreement to include project-affected communities in selection of which road links to include in the project;
- Agreement to include regulatory and environmental Ministries – including, but not limited to, the Zambia Environmental Management Agency, the Department of National Parks and Wildlife, and the Department of Forestry – in the project’s capacity-building component (component 2) and to include environmental monitoring in the training curriculum; and
- Commitment to discuss with the GRZ and development partners the development of a cumulative impact assessment or strategic environmental assessment for road projects across Zambia.

On May 4, 2017, the World Bank’s Board approved financing for the loan on an ‘absence of objection’ basis. The United States supported the project with USAID concurrence. On June 8, 2017, the World Bank issued a general procurement notice. As of late August 2017, the World Bank has not yet disbursed funds, according to the project’s website.

USAID will produce a trip report and will submit a summary analysis in the next report to Congress. As communicated to World Bank staff before the board vote, USAID may return to monitor this project once implementation is underway. The objective of such a trip would be to assess incorporation and effectiveness of U.S. Government recommendations and the adequacy of safeguard policies.

#### 4. Georgia – Nenskra Hydropower Project (EBRD and ADB)

##### Background and Development Objective

The Nenskra Hydropower Project (HPP) is a proposed 280 MW HPP located in Northwestern Georgia in the upper reaches of the Nenskra and Nakra Valleys of the Samegrelo-Zemo Svaneti Region, near the administrative boundary of the Russian-controlled territory of Abkhazia. The Nenskra HPP is one of four proposed HPPs identified by the Georgian Ministry of Energy as having the regulation capacity to meet growing energy needs and reduce dependency on imported power during the winter, which is a strategic



objective of the Government of Georgia. In addition to EBRD and ADB, several lenders, including the Asian Infrastructure Investment Bank, are considering financing the project. The EBRD Board's vote on the Nenskra HPP is scheduled for November 15, 2017.

### **Adverse Environmental and Social Impacts**

USAID selected the Nenskra HPP to review based on its possible adverse environmental and social impacts and because the environmental and social management of this project will likely influence subsequent HPPs in Georgia.

### **USAID Field Review**

USAID conducted a field review of the project in late August 2017. The review included the following: 1) more than 50 meetings with project stakeholders, including potentially project-affected people; 2) observation of a three-day public consultation and open house event hosted by the project proponent, which included people potentially affected by the project, potential lenders and other project stakeholders; and 3) observations within the project zone of influence.

Topics addressed include the following: 1) adequacy and transparency of, and stakeholder participation in, economic risk assessments and the planning of river basin management; 2) scope of the analysis of project alternatives; 3) assessment of environmental and social risks related to associated facilities, including disposal areas and a transmission line; 4) the methodology for determining environmental flow; 5) a pending formal complaint filed with the Bern Convention on the Conservation of European Wildlife and Natural Habitats regarding a proposed Emerald Site near the Nenskra HPP; and 6) the timing of the payment of compensation for land acquisition.

Technical specialists from the Departments of Treasury and State provided analytical support to the USAID review. USAID will produce a trip report and will submit a summary of findings and recommendations in our next report to Congress.

## **Section 3 Post-Approval Monitoring Reviews**

USAID conducts field-based monitoring reviews of selected MDB projects under implementation any time after MDB Board approval, which could include during roll-out, construction, operation, or decommissioning. USAID bases these monitoring reviews on the proposal's Environmental and Social Impact Assessment (ESIA), supporting documentation, site observations, and consultations with stakeholders, especially project-affected people. Further, monitoring reviews assess the degree of incorporation and effectiveness of U.S. Government recommendations prior to, or at, the Board vote, and the adequacy of safeguard policies.

This report includes the following post-approval monitoring reviews:

1. Paraguay – Minerva Beef Project (International Finance Corporation, IFC);
2. Laos – Nam Ngiep I Hydropower Project (ADB); and
3. Laos – Nam Theun 2 Hydropower Project (World Bank/ADB)

## **I. Paraguay – Minerva Beef Project (IFC)**

### **Background and Development Objective**

The IFC Minerva Beef Project is supporting the regional expansion of the Brazilian beef processing firm Minerva S.A and the construction or acquisition of slaughtering facilities in Brazil, Colombia, Uruguay, and Paraguay. In May 2013, the IFC approved an \$85 million investment consisting of the following: (i) an “A” (direct) loan of up to \$60 million; and, (ii) an equity investment of up to \$25 million in common shares of the Company, for a shareholding of up to 3.0 percent.

Minerva is one of the largest meatpackers in Latin America and the second largest beef exporter in Brazil, with a 22 percent market share on beef exports.



### **Adverse Environmental and Social Impacts**

The IFC explains the rationale for the “A” (highest risk) categorization in the Environmental and Social Review Summary (ESRS) as stemming from the potential risks and impacts on deforestation, encroachment on indigenous peoples’ land, respect for indigenous peoples’ customary rights, and child and forced labor by cattle producers in Minerva’s supply chain, especially in the Amazon and the Paraguayan Chaco. The IFC’s additionality is focused on supporting Minerva in the implementation of high environmental and social standards in its supply chain. The IFC acknowledges that Minerva’s expansion into Paraguay presents high implementation risks and reputational exposure for both Minerva and IFC.

The Paraguayan Chaco is part of the largest dry forest in the Americas, is rich in plant endemism and diversity as well as faunal diversity, and provides important water resources and carbon sequestration. Cattle production has expanded in recent years in line with the priorities of the Paraguayan Government, and there has been a corresponding change in the way land is used. The Paraguayan Chaco has among the world’s highest deforestation rates. The region is also home to indigenous peoples with limited land rights and unresolved claims to land. Child labor is widespread in agriculture, including cattle production.

The ESRS states that Minerva “has committed to IFC to map out its primary cattle supply chain in Paraguay and progressively limit the procurement to those suppliers that are not contributing to significant conversion of natural and/or critical habitats or involved in child



and forced labor violations.” Among other supply chain management actions, the project’s Environmental and Social Action Plan includes implementation of a supply chain verification system in Paraguay by December 2015.

### **U.S. Comments on the Project, USAID Field Review**

The United States abstained on the project in May 2013 for two reasons: 1) the proposal did not meet U.S. legislative requirements for the timely disclosure of environmental impact assessments; and, 2) the U.S. Government found that the two-and-one-half year timeframe to implement supply chain mitigation measures in Paraguay (and Uruguay) was too long, given the project’s inherent environmental and social risks.

USAID’s field monitoring review focused on the incorporation and effectiveness of the U.S. Government’s recommendations and the adequacy of safeguard policies. The review included two site visits (December 2015 and November 2016), more than 40 individual and group interviews, and review of project documents and other literature.

### **Findings**

1. Despite known risks and potential adverse impacts in cattle supply chains, stakeholder engagement has not explicitly included indigenous peoples and others potentially affected through Minerva’s primary supply chain in Paraguay. The risks and potential adverse impacts to indigenous peoples and others through Minerva’s primary supply chain were well known at appraisal and were part of the primary justification for the “Category A” classification of the project.
2. Minerva is making progress toward improving its supply chain management; however, the company has not yet mitigated or lowered environmental or social risks in its supply chain in Paraguay. Through April 2017, Minerva has collected and analyzed publicly available spatial information on protected areas, indigenous peoples’ titled lands, and recent deforestation to identify high-risk Districts. It has also collected and analyzed publicly available information on child and forced labor. Nearly four years after project approval, Minerva has not yet applied its supply chain analyses to mitigate adverse impacts in Paraguay or to lower risks by progressively limiting procurement to suppliers that are not contributing to significant conversion of natural or critical habitats, or engaged in child and forced labor violations.
3. The Paraguayan context poses challenges regarding supply chain management; however, a foundation of supply chain traceability among large export-oriented processors and producers exists on which to apply environmental and social criteria. Compared to Brazil (Minerva’s base of operation), Paraguay has a weaker legal and regulatory framework and enforcement capabilities, a less coordinated public-private sector forum to promote sector-wide reform, and less access to useful environmental and social information for supply chain mapping. There exists within Paraguay, however, a foundation of traceability, especially among large beef processing

exporters such as Minerva, which illuminates the characteristics of and connections among cattle producers and processors. With concerted efforts to generate environmental and social information and develop more precise environmental and social criteria, Minerva and the IFC could apply these criteria to the existing foundation of traceability to mitigate or lower supply chain risks.

4. The IFC's assessment prior to Board approval might not have sufficiently assessed Minerva's capacity for environmental and socially sustainable supply chain management in the dynamic Paraguayan context. The IFC's investment in Minerva's expansion into Paraguay was predicated on the company's ability to advance existing industry environmental and social practices in Paraguay, especially regarding supply chain management. Based on the IFC's public documents and conversations with IFC staff, it appears the IFC's assessment of this critical assumption prior to Board approval was not sufficient.
5. The IFC's investment in Minerva is not providing the intended industry benchmark and demonstration effect; however, the IFC and Minerva have taken recent steps toward broader industry change. These steps include participation by the IFC and Minerva in the Forest Conservation Agriculture Alliance, a collaboration that includes conservation non-governmental organizations, a private cattle cooperative, a sub-national government association and USAID to promote sustainable cattle production in Paraguay, especially in the Chaco.

## **Recommendations**

1. Implement the mitigation and risk-reducing measures required in the performance standards in a reasonable, established timeframe. The IFC should work with Minerva to establish and disclose new deadlines to implement the supply chain management risk mitigation and risk reduction requirements of its performance standards, and regularly update public information on Minerva's implementation.
2. Use new, publicly available data to map child labor in Minerva's supply chain in Paraguay. In September 2016, the Government of Paraguay published results from the 2015 Survey of Activities of Rural Area Children and Adolescents (EANA Rural 2015), conducted by the Paraguayan Government's National Statistical Office with technical assistance from the International Labor Organization. The EANA Rural 2015 identified 384,677 children engaged in child labor in agriculture, including 142,127 children ages five to 17 engaged in child labor in the cattle sector.
3. Expand recent efforts toward sector-wide change in cattle supply chain management in Paraguay, including multi-donor and multi-stakeholder initiatives and cumulative impacts analyses. The IFC and Minerva are taking positive steps toward broader industry change regarding environmental and social standards in supply chain

management in Paraguay. The IFC should work closely with the Government of Paraguay, other industry actors, indigenous peoples' organizations and other stakeholders to address the links between cattle production, deforestation, land tenure, indigenous peoples' rights, labor practices, and the management of protected areas. This coordinated effort could involve supporting a cumulative impacts assessment of the cattle industry and robust engagement of stakeholders, especially indigenous peoples and others in the Paraguayan Chaco.

4. Upgrade and integrate web-based loan portfolio information from donors to facilitate cumulative impacts assessments.

To view the trip report for this project, please visit the following web address:  
[http://gemini.info.usaid.gov/repository/titlexiii/2017/Trip\\_Report\\_8.pdf](http://gemini.info.usaid.gov/repository/titlexiii/2017/Trip_Report_8.pdf).

To view a Spanish language version of the trip report, please visit:  
[http://gemini.info.usaid.gov/repository/titlexiii/2017/Trip\\_Report\\_8\\_Spanish.pdf](http://gemini.info.usaid.gov/repository/titlexiii/2017/Trip_Report_8_Spanish.pdf)

## 2. Lao People's Democratic Republic (Lao PDR) – Nam Ngiep I Hydropower Project (ADB)

### Background and Development Objective

The Government of the Lao People's Democratic Republic seeks to increase electricity access, and develop additional power for export. The Nam Ngiep I Hydropower Project (NNPI) is located on the Nam Ngiep River, about seven kilometers upstream of Pakxan (Bolikhambxay Province) and approximately 145 km from Vientiane.

The Build-Operate-Transfer project will sell electricity to both the Electricity Generating Authority of Thailand (EGAT) and *Electricite du Laos* (EDL) under a concession agreement provided by the GOL and a Power Purchase Agreement with EGAT and EDL. The project consortium consists of Kansai Electric Power Company (Japan), EGAT (Thailand), and the Lao Holding State Enterprise (LHSE, Laos).

The main dam will produce 272 MW for export and the re-regulating dam will produce 18 MW for domestic use. The project includes a reservoir, power station, and transmission lines. The project is currently meeting its construction schedule, with an expected completion date in 2018 and commercial operation in 2019.



## **Adverse Environmental and Social Impacts**

The reservoir of NNPI will inundate the houses and productive lands of five villages and affect an additional three villages and one hamlet. An estimated 3,540 people from 528 households will face total relocation, while 1,706 persons will lose productive lands at the upper reservoir and Houay Soup Resettlement site. Some 474 households along the transmission line's alignment will lose small parcels of land, but none are affected by resettlement and livelihoods are not significantly affected. The project has identified at least seven endangered/endemic terrestrial and aquatic species that will be directly or indirectly impacted in the watershed and will require species-specific conservation plans implemented within the watershed and a biodiversity offset to fulfill ADB's safeguard policy and the concession agreement's requirement of no net loss of biodiversity. These aspects of the project are behind schedule.

## **U.S. Comments on the Project and the USAID Field Review**

The ADB Board of Directors approved a \$144 million financing package for the project in 2014. The United States abstained from the project because of the inadequate mitigation of environmental concerns and the inadequate period of disclosure under the Pelosi Amendment.

As part of its Title XIII review, USAID conducted two separate visits to the project site prior to approval by the ADB Board to gain a better understanding of the environmental and social aspects of the project and provide recommendations for improvement. Key technical areas identified based on the site visits and review of the ESIA included absence of a 'no project' scenario in the alternatives analysis and the inadequacy of baseline data and cumulative impacts analysis. USAID discussed its findings following both site visits with the project sponsor and ADB management.

In February 2017, USAID initiated a monitoring review of Nam Ngiep I to assess the adequacy of ADB's implementation and incorporation of safeguards based on the technical issues the U.S. Government raised during the course of engagement prior to the Board vote. The site visit team included participation from the U.S. Departments of Treasury and State. Specific areas of focus for the team were on the treatment of biodiversity, critical habitat, indigenous peoples, and construction impacts.

## **Findings**

### *Resettlement and Ethnic Minorities*

1. Nam Ngiep I Power Company (NNPIPC) appears to have managed its initial efforts to support the resettlement process in a well-conceived and culturally-appropriate manner. However, there are concerns about compensation consultations between villages/hamlets.

2. A large percentage of all resettlers selected cash compensation and self-resettlement.
3. NNPIPC made substantial efforts to reduce the impact of construction, camp followers, and associated activities on the resettlement area and surrounding villages.

#### *Biodiversity*

4. The initial biodiversity survey for the NNPIPC ESIA had significant shortcomings. This led to incorrect conclusions regarding the project's impact on biodiversity, which need to be remedied before progress can be made on developing a watershed management plan for mitigating adverse biodiversity impacts and selecting an appropriate biodiversity offset for residual impacts.
5. The project selected the proposed biodiversity offset, Nam Chouane-Nam Xang (NC-NX) with insufficient knowledge of existing biodiversity in the NNI sub-catchment, with limited surveys of the proposed offset, without clear guidance on selection criteria required to achieve "no net loss," and inadequate expert technical advice from the Biodiversity Advisory Committee.
6. The Nam Ngiep watershed will likely be exposed to significant cumulative impacts from the presence of logging concessions, mining concessions, as well as seven operational and proposed hydropower facilities.
7. The concession agreement – including financial ceilings for NNPI's commitment to both a watershed management plan and a biodiversity offset – was determined prior to completion of the ESIA and before information was available regarding measures required to meet the biodiversity "no net loss" requirement.
8. It will be challenging for NNPIPC to ensure that the management of the biodiversity offset effectively meets the ADB's safeguard policy and loan commitment and the concession agreement "no net loss" requirement.
9. The Lao PDR's lack of a national policy or legal framework for establishing biodiversity offsets and achieving 'no net loss' produces inconsistent approaches among developers, and in delivering biodiversity outcomes.

#### *Construction*

10. NNPIPC is demonstrating good management practices for construction impacts on the site, including worker safety, solid-waste management, and traffic.

## Recommendations

### *Resettlement*

1. Strengthen the transparency of the policy for resettlement compensation between villages to avoid speculation among villagers of preferential treatment.
2. Develop a monitoring system sensitive<sup>8</sup> enough to identify which households are not doing well in rebuilding their livelihoods, including self-resettlers who have stayed within the project districts.

### *Ethnic Minorities*

3. Build upon the integration of cultural practices specific to Hmong, as demonstrated in the resettlement process, to other areas within the scope of the resettlement.

### *Biodiversity*

4. At the project level, reassess NC-NX as a potential biodiversity offset in light of recent biodiversity information collected for both the NNPI sub-catchment and for NC-NX, with the oversight of the reconstituted Biodiversity Advisory Committee.
5. Explore the potential for the other projects within the Nam Ngiep basin to support an aggregated offset<sup>9</sup> that would encompass a broad area from NC-NX to Nakai Nam Theun National Protected Area.
6. At the national level, support the Leo PDR's efforts in developing a policy and legal framework for biodiversity offsets, to include 'no net loss' and mechanisms to insert offsets into a broader strategic framework for biodiversity conservation.

### *Construction*

7. Ensure that the irrigation system for the resettlement village is operational before the next dry season.

USAID will produce a trip report of this visit, and include it in our next report to Congress. To view trip reports of past visits to this project, please visit the following web address: [http://gemini.info.usaid.gov/repository/titlexiii/2012/Trip\\_Report\\_5.pdf](http://gemini.info.usaid.gov/repository/titlexiii/2012/Trip_Report_5.pdf).

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<sup>8</sup> Each self-resettler household has a self-resettlement plan and ADB has requested NNPI to follow all those who have self-resettled within the project's impact zones.

<sup>9</sup> An aggregated offset is appropriate where the same ecosystem is exposed to cumulative impacts from several operators. An aggregated offset might offer overall economies of scale, as well as ecological advantages.

### 3. Leo PDR – Nam Theun 2 Hydropower Project (WB and ADB)

#### Background and Development Objective

NT2 is a \$1.1 billion 1,070 MW public/private sector hydroelectric project in Laos that entered into operation in 2010. The project's objective is to generate electricity, mainly for export to Thailand, via the Electricity Generating Authority of Thailand, with GoL revenues used for poverty reduction and environmental protection activities. This project triggered all 10 of the World Bank's safeguard policies.



#### Environmental and Social Impacts

The 39-meter-high NT2 is a trans-basin diversion hydropower dam located on the Nam Theun River, a major tributary of the Mekong. The reservoir for NT2 flooded approximately 40 percent of the Nakai Plateau, which required the resettlement of more than 5,700 ethnic minorities and affected numerous rare and endangered species. Operation of the dam requires annually diverting approximately seven billion cubic meters (approximately 30 percent of the Nam Theun River's annual flow volume) to turbines at generating stations, and releasing the water into the Xe Bang Fai River through the Nam Phit River. The Nam Phit was dredged and widened to become the outflow channel. Along the Xe Bang Fai River,<sup>10</sup> there are approximately 155,000 people in 159 villages, including 56 hinterland villages, affected by the diverted Nam Theun water releases into its channel. The Nakai-Nam Theun National Protected Area has been designated as a natural habitat compensation for loss of the Nakai Plateau under the World Bank's Natural Habitat safeguard policy.<sup>11</sup>

#### U.S. Comments on the Project and USAID's Field Review

The World Bank's Board approved the International Development Association (IDA) Partial Risk Guarantee, Multilateral Investment Guarantee Agency guarantees, and the IDA grant to Laos on March 31, 2005; the ADB Board approved the private sector loan on April 4, 2005. The U.S. Government abstained on the project at both the World Bank

<sup>10</sup> PM Decree 293, dated 15 June 2010, "Establishment and Activities of River Basin Committee." It covers such a Committee for each of Laos' river basins and comes under the jurisdiction of the Laotian Ministry of Natural Resources and Environment.

<sup>11</sup> In 1993, the Prime Minister's Decree 164 (PM 164) established the new system of 18 national protected areas, with the western boundary at the Nam Theun, including the eastern half of the Nakai Plateau<sup>11</sup> and the eastern boundary as the international border with Vietnam. In 2000, the GoL issued a new Prime Minister's Decree, PM 193, "on the establishment of the Nakai-Nam Theun NBCA, Corridor Areas, NT2 Project Reservoir Area, and Resettlement and Forest Area for people affected by the project."<sup>11</sup> The decree shifted the western boundary of NNT from the Nam Theun eastward to the eastern shoreline of its reservoir, which excised part of the Plateau from the NPA.

and the ADB because of environmental, social, and revenue management concerns not effectively addressed when the project came to the respective boards for a vote.

With technical assistance from the World Bank and the ADB, the Nam Theun 2 Power Company and the GoL are currently focused on finalizing and implementing an action plan that will provide the blueprint and measurable indicators to achieve closure of the Resettlement Implementation Period on the Nakai Plateau by December 2017, according to the concession agreement. The Resettlement Implementation Period closure has been delayed by two years based on the findings of the Panel of Experts, which recommended a two-year extension. The Laotian Watershed Management and Protection Authority (WMPA) has not fulfilled its original objectives of conserving biodiversity and supporting cultural diversity and conservation-based livelihood development in enclave villages within the NNT NPA.

USAID's review, conducted in February 2017, focused on the effectiveness of the WMPA in meeting its biodiversity conservation objective in the Nakai Nam Theun National Protected Area (NNT NPA), restoring livelihoods of the resettled villagers on the Nakai Plateau, and implementing mitigation measures for the downstream impacts and treatment of the Brou (an ethnic minority) along the Xe Bang Fai River. The team did not address all significant aspects of the project, e.g., the WMPA's supporting cultural diversity and conservation-based livelihood development in enclave villages within the NNT NPA, managing land tenure conflicts, and the status of second-generation resettlers. USAID is continuing discussions with stakeholders concerning the issues highlighted above, which were the focus of the trip. USAID will produce a trip report and a summary of findings and recommendations to submit in our next report to Congress.

To view trip reports of past visits to this project, please visit the following web address: [http://gemini.info.usaid.gov/repository/titlexiii/2010/Trip\\_Report\\_4.pdf](http://gemini.info.usaid.gov/repository/titlexiii/2010/Trip_Report_4.pdf).

## **Section 4**

### **MDB Proposals and Projects for Potential Future Review**

To maintain awareness and as a form of early planning, USAID tracks the progress of selected MDB proposals and projects, based on their potential for adverse direct, indirect and/or cumulative impacts (including impacts caused by associated facilities) on the environment, natural resources, public health, and indigenous peoples.

Specifically, USAID tracks earlier-stage proposals that are not yet in an MDB pipeline, have an ESIA initiated, and/or scheduled for Board vote. We can consider such proposals for future Washington-based desk review and/or country-based field review.



USAID also tracks later-stage projects approved for financing by an MDB Board and are in the construction or operation phase. The Agency could monitor later-stage projects to determine the degree of incorporation and effectiveness of U.S. Government recommendations and the adequacy of safeguard policies. This report includes three reviews, as follows:

Pre-approval:

1. Bhutan – South Asia Subregional Economic Cooperation Green Power Investment Program (ADB)

Post-approval:

1. Guinea – CBG Bauxite Mine Expansion Project (IFC); and
2. Colombia – Ituango Hydroelectric Project (IIC)

## Pre-Approval

### 1. Bhutan – South Asia Subregional Economic Cooperation Green Power Investment Program (ADB)

#### Background and Development Objective

The proposed program's development objective is to increase hydropower supply for power export and domestic consumption (in the eastern region) and to increase cross-border power trade. Specifically, the proposed program is a multi-tranche financing facility to support the development of the Nyera Amari run-of-river hydropower plant and a transmission system.

Hydropower development forms the foundation of the economy and social system in Bhutan. Bhutan exports around 75 percent of the country's installed generation capacity (1,614 MW) to India after meeting domestic electricity demand. These exports account for one-third of government revenue; they are the primary source of government spending on socioeconomic development for social services, such as health, education, and rural development.

#### Adverse Environmental and Social Impacts

This program would contribute to geographical balance in development support from the ADB, following the Dagachhu hydropower plant (126 MW) in the country's western



region, and the Nikachhu hydropower plant (118 MW) in the central region. Significant cumulative environmental and social impacts are likely, in addition to direct and indirect impacts.

## USAID Field Review

USAID is considering a pre-approval desk or field review of this project as part of its strategic focus on and ongoing support to sustainable hydropower development in Asia.

## Post-Approval

### I. Guinea – *Compagnie des Bauxites de Guinée (CBG) Bauxite Mine Expansion Project (IFC)*

#### Background and Development Objective

In March 2016, the IFC approved a \$135 million<sup>12</sup> loan and equity investment to the CBG to expand the following:

- Sangarédi Mine area and associated infrastructure to increase the bauxite extraction rate from 13.5 million tons per year (MTPA) to 18.5 MTPA by 2018 in areas already permitted within the CBG concession;
- 120 km heavy-haul railway to transport bauxite ore;
- Processing plant to dry bauxite ore; and
- Port to export dried bauxite ore.



The development objective is to support the mining sector, which forms the basis of the Guinean economy. The Sangarédi mine is one of the largest in the world, and also one of the most valued because of its high alumina and low silica content.<sup>13</sup> The mine is located within a concession near the city of Sangarédi in northwest Guinea (370 kilometers north of the capital of Conakry) and covers parts of the administrative regions of Boké, Téliélé

<sup>12</sup> This investment is part of the larger \$752 million project also financed by the U.S. Overseas Private Investment Corporation and other financiers.

<sup>13</sup> Guinea is the sixth largest producer of bauxite ore after Australia (77 MTPA), China (47 MTPA), Brazil (34 MTPA), Indonesia (30 MTPA), and India (19 MTPA). Guinea accounts for more than 90 percent of Africa's bauxite production. Bauxite production accounts for over 80 percent of Guinea's national revenue. Guinea exports most of its bauxite to Europe and the United States. *Source:* (Confidential) IFC Recommendation and Report to the Board on Proposed Investment in CBG Expansion, dated March 4, 2016.

and Gaoual. The mine has been operating since 1973 and is 51 percent owned by Halco Mining, Inc. – a U.S. company that, in turn, is owned by Alcoa (45 percent), Rio Tinto (45 percent), and Dadco (10 percent) – and 49 percent owned by the Government of Guinea (GoG).

### **Adverse Environmental and Social Impacts**

The IFC categorized the project as “A” (highest risk) because of the likelihood of significant adverse environmental and social impacts and it triggered all Performance Standards except the one regarding indigenous peoples. CBG committed to bringing the existing operations into compliance with the IFC Performance Standards by 2024, with the extended timeline necessary for likely extensive and costly engineering modifications to the Kamsar plant, especially the bauxite dryer stacks.

Specifically, the key direct and indirect environmental impacts are as follows:

- Terrestrial biodiversity, from habitat loss and degradation;
- Marine biodiversity, from port rehabilitation and effluent discharges;
- Quantity and quality of surface and groundwater, from bauxite ore extraction, erosion and drainage; and
- Air quality – including greenhouse gas emissions (estimated to be 369,279 tons of carbon dioxide equivalent per year), dust, and other particulate emissions – from the extraction and preparation of bauxite ore.

Moreover, there are likely to be significant social impacts from the following:

- Physical resettlement and economic displacement of approximately 3,500 people in an area of limited land availability;
- Threats to community health, safety and security from increased activity near the mine and along the railroad; and
- Legacy issues related to historical land management, community engagement, and redress of grievances.

Cumulative environmental and social impacts are also foreseen from the combined effects of this project with other proposed and existing mining projects in the area.

Approximately a dozen other mining concessions surround CBG’s concession.

### **USAID Field Review**

In February 2016, USAID/Washington, in conjunction with USAID/Guinea and Sierra Leone, and other Federal Departments and Agencies, reviewed the IFC’s investment. USAID conducted an extensive review that identified numerous concerns relating to the following:

- Limited baseline data; and
- Insufficient mitigation of or planning for these issues:

- Direct and indirect impacts to endangered and range-restricted species;
- Direct and indirect impacts from the railway, plant, and port;
- Cumulative environmental impacts from CBG’s mine and associated facilities, as well as from numerous other nearby mines; and
- Direct, indirect, and cumulative impacts of resettling communities and restoring livelihoods in a region of competition for land and unresolved land-based grievances from past mining development.

Based on the input from USAID and other Federal Departments and Agencies to the Treasury-led loan-review process, the United States abstained from voting on the project and urged the IFC to do the following:

- Ensure CBG would devote adequate resources for monitoring throughout the project life-cycle and beyond, given the long time horizon that will be needed to judge the project’s impacts and success in biodiversity conservation;
- Remain engaged on local resettlement issues beyond the first project-planning stage; and
- Work closely with the World Bank on its efforts to advance Guinea’s governance, environmental, and social capacities.

USAID determined that post-approval monitoring review of the project is warranted because: i) significant adverse direct, indirect, and cumulative environmental and social impacts are likely; ii) updated information on implementation of the U.S. Government’s recommendations is needed; and iii) such information is difficult to access remotely. The review is planned for late October through mid-November 2017.

## 2. Colombia – Ituango Hydroelectric Project Inter-American Investment Corporation (IIC)

### Background and Development Objective

The IIC of the Inter-American Development Bank (IDB) Group is supporting the company *Empresas Públicas de Medellín* (EPM) to develop the Ituango Hydropower Project. The objective of the project is to contribute to the sustainability of Colombia's energy generation. It will be country’s largest hydropower plant and will have an installed capacity of 2,400 MW, which will allow the generation of 13,900 gigawatt hours per year. The project is located about 8 kilometers north from the mouth of Ituango River in Antioquia and approximately 170 km from Medellín. Its first phase, when four of its eight turbines will be operating, is expected to be completed in 2019. The second



and last phase, when an additional four turbines will be operating, is expected to be completed in 2022.

### **Adverse Environmental and Social Impacts**

The project qualified as “A” (highest risk) according to the IIC’s Environmental and Social Sustainability Policy. The Environmental Impact Assessment (EIA) was completed in 2007, and the project received its environmental license from the National Environmental Licensing Authority in January 2009. The EIA has an Environmental and Social Management Plan that contains: i) a Physical Environment Management Program, which addresses air quality, excavation materials, surface water, solid residues, vehicular transit, erosion, deviation of the Cauca River and reservoir management; ii) a Biotic Environment Management Program, which addresses the conservation of habitat and sensitive species; and iii) a Social Management Program, which addresses communication and public participation, the livelihoods of restoration, regional integration, and archaeology subprograms.

### **USAID Field Review**

The IDB Board approved a \$400 million loan on November 30, 2016. The U.S. Government abstained on the project.

Overall, USAID sees how important this project is for energy security in Colombia. Since it will meet 17 percent of the country’s energy demand when it begins generation in December 2018. It has created jobs, improved the economic conditions and connectivity of the region, and offered legal livelihoods to remote populations. Nonetheless, in September 2016, USAID/Washington, in conjunction with USAID/Colombia, and other Federal Departments and Agencies, performed an extensive desk review that identified numerous concerns, including the following:

- Loss of land and resources to reservoir flooding;
- Loss of river connectivity and habitat;
- Impact of access roads, transmission lines, and infrastructure;
- Social challenges that affect the project and are outside of the manageable interest of EPM;
- Inadequate consultation and unclear compensation for project-affected communities; and
- Insufficient monitoring relative to the grievance mechanisms.

USAID suggested that the documentation package include all relevant studies regarding indirect and cumulative effects of connected actions submitted to the IDB, and that the operating license for the dam incorporate measures contained in those analyses, which the Government of Colombia should enforce. The scale and potential impacts of the project are significant enough to draw continued monitoring interest from USAID and others. Thus, in consultation with IDB, USAID is considering a subsequent monitoring

review for late 2017 to assess the implementation and effectiveness of the U.S. Government's recommendations and the adequacy of safeguard policy.